

# **Yang Ming Marine Transport Corporation**

**Financial Statements as of December 31, 2002 and 2001**

**Together with Independent Auditors' Report**

Readers are advised that the original version of these financial statements is in Chinese. This English translation is solely for the readers' convenience. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

February 28, 2003

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, 2002 and 2001 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 as of and for the years ended December 31, 2002 and 2001 of Kuang Ming Shipping Corp., Transyang Shipping Pte. Ltd., Yang Ming Line (Singapore) Pte. Ltd. and China Mariners' Assurance Corp., in which the Corporation has equity investments accounted for by the equity method. As shown in the accompanying balance sheets, the carrying values of these investments were NT\$1,719,597 thousand and NT\$1,660,161 thousand as of December 31, 2002 and 2001, respectively. The equity in these investees' net income was NT\$614,370 thousand in 2002 and NT\$124,942 thousand in 2001. 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 above investees' amounts is based solely on the reports of other auditors.

We conducted our audits in accordance with the Regulations for Audit of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Those 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, 2002 and 2001 and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines for Securities Issuers' Financial Reporting for Public Company and generally accepted accounting principles in the Republic of China.

As described in Note 3 to the financial statements, effective January 1, 2002, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 30, "Accounting for Treasury Stocks," which requires the Corporation to treat its stocks held by subsidiaries as treasury stocks instead of investments. The adoption of SFAS No. 30 resulted in a decrease of NT\$166,346 thousand in the 2002 net income. In addition, equity investments decreased and treasury stock increased by NT\$525,441 thousand each as of December 31, 2002.

T N Soong & Co  
An Associate Member Firm of Deloitte Touche Tohmatsu  
Taipei, Taiwan  
The Republic of China

#### Notice to Readers

The accompanying financial statements are intended only to present the financial position and 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.

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

BALANCE SHEETS  
December 31, 2002 and 2001  
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2002		2001		LIABILITIES AND STOCKHOLDERS' EQUITY	2002		2001	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,758,190	4	\$ 4,251,248	9	Short-term debts (Notes 11 and 21)	\$ 102,597	-	\$ 202,283	-
Short-term investments - net (Notes 2 and 5)	6,130,776	13	1,785,007	4	Payables to related parties (Note 20)	1,793,123	4	1,742,515	4
Accounts receivable - net of allowance for doubtful accounts of \$7,415 (Note 2)	1,290,695	3	988,009	2	Accrued expenses	1,644,628	3	873,472	2
Receivables from related parties (Note 20)	2,228,974	5	897,362	2	Advances from customers (Note 20)	744,337	2	709,226	2
Shipping fuel - net (Note 2)	482,161	1	399,010	1	Current portion of long-term debts (Notes 2, 7, 12 and 21)	609,664	1	2,581,952	6
Prepaid expenses (Note 20)	262,371	-	500,090	1	Payables to shipping agents	1,275,226	3	2,571,192	5
Advances to shipping agents	1,469,405	3	969,577	2	Other current liabilities (Notes 2 and 17)	383,808	1	386,698	1
Pledged time deposits (Note 21)	18,645	-	434,909	1	Total Current Liabilities	6,553,383	14	9,067,338	20
Other current assets (Notes 2 and 17)	352,773	1	347,095	1					
Total Current Assets	13,993,990	30	10,572,307	23	<b>LONG-TERM DEBTS</b>				
<b>INVESTMENTS IN SHARES OF STOCK (Notes 2, 3, 6 and 20)</b>	<b>7,761,195</b>	<b>17</b>	<b>8,383,490</b>	<b>18</b>	Bank loans (Notes 12 and 21)	1,181,500	3	1,365,000	3
					Bonds (Notes 12 and 21)	11,117,200	24	8,117,200	18
<b>PROPERTIES (Notes 2, 7, 20, 21 and 23)</b>					Obligations under capital leases (Notes 2, 7 and 12)	1,139,430	2	1,248,583	3
Cost					Total Long-term Debts	13,438,130	29	10,730,783	24
Land	38,901	-	38,901	-	<b>RESERVE FOR LAND VALUE INCREMENT TAX (Note 13)</b>	<b>479,639</b>	<b>1</b>	<b>479,639</b>	<b>1</b>
Buildings	691,014	2	691,014	2	<b>OTHER LIABILITIES (Notes 2, 6, 14, 17, 19, 20 and 21)</b>	<b>1,573,808</b>	<b>4</b>	<b>1,174,189</b>	<b>2</b>
Containers and chassis	10,789,226	23	11,659,634	26	Total Liabilities	22,044,960	48	21,451,949	47
Ships	14,764,752	32	21,241,261	47	<b>STOCKHOLDERS' EQUITY</b>				
Leased containers and chassis	2,041,688	4	1,906,238	4	Capital stock - \$10 par value				
Leasehold improvements	183,541	-	106,344	-	Authorized - 2,400,000 thousand shares				
Miscellaneous equipment	1,379,942	3	1,395,219	3	Issued - 1,834,316 thousand shares	18,343,160	39	18,343,160	40
Total cost	29,889,064	64	37,038,611	82	Capital surplus:				
Accumulated depreciation	(17,350,687)	(37)	(17,663,861)	(39)	Paid-in capital in excess of par value	2,390,186	5	2,390,186	6
Construction in progress	-	-	68,314	-	Treasury stocks transactions	4,242	-	-	-
Net Properties	12,538,377	27	19,443,064	43	Gain on sales of properties	-	-	1,431,387	3
<b>OTHER ASSETS</b>					From investments in shares of stock	5,816	-	7,087	-
Assets leased to others - net (Notes 2, 7 and 8)	1,106,569	2	962,134	2	Total capital surplus	2,400,244	5	3,828,660	9
Nonoperating assets - net (Notes 2, 7, 9 and 21)	498,247	1	686,171	2	Retained earnings:				
Prepaid expenses on long-term rent agreements	348,930	1	211,615	-	Legal reserve	414,623	1	906,167	2
Deferred charges - net (Note 2)	330,817	1	406,741	1	Special reserve	1,141,939	3	1,141,939	2
Receivables from related parties (Note 20)	9,720,111	21	4,796,317	11	Unappropriated earnings (accumulated losses)	2,424,970	5	(634,683)	(1)
Restricted assets (Note 10)	40,609	-	-	-	Total retained earnings	3,981,532	9	1,413,423	3
Miscellaneous (Note 2)	63,099	-	43,141	-	Unrealized loss on investments in shares of stock	(21,293)	-	(3,172)	-
Total Other Assets	12,108,382	26	7,106,119	16	Cumulative translation adjustments	186,469	-	470,960	1
					Net loss not recognized as pension costs	(7,687)	-	-	-
<b>TOTAL ASSETS</b>	<b>\$46,401,944</b>	<b>100</b>	<b>\$45,504,980</b>	<b>100</b>	Treasury stocks - 67,619 thousand shares	(525,441)	(1)	-	-
					Total Stockholders' Equity	24,356,984	52	24,053,031	53
					<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$46,401,944</b>	<b>100</b>	<b>\$45,504,980</b>	<b>100</b>

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

(With T N Soong & Co report dated February 28, 2003)

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME

For the Years Ended December 31, 2002 and 2001

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

	<u>2002</u>		<u>2001</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Notes 2 and 20)	\$45,511,610	100	\$45,411,519	100
OPERATING COSTS (Notes 2 and 20)	<u>44,363,971</u>	<u>98</u>	<u>45,365,498</u>	<u>100</u>
GROSS INCOME	<u>1,147,639</u>	<u>2</u>	<u>46,021</u>	<u>-</u>
OPERATING EXPENSES (Note 20)				
Selling	793,503	2	671,529	2
General and administrative	<u>194,321</u>	<u>-</u>	<u>188,378</u>	<u>-</u>
Total Operating Expenses	<u>987,824</u>	<u>2</u>	<u>859,907</u>	<u>2</u>
OPERATING INCOME (LOSS)	<u>159,815</u>	<u>-</u>	<u>( 813,886)</u>	<u>( 2)</u>
NONOPERATING INCOME				
Equity in investees' net income - net (Note 2)	945,291	2	-	-
Interest (Note 20)	535,460	1	436,550	1
Gain on sale of investments	260,861	1	197,808	-
Foreign exchange gain - net	215,784	-	315,438	1
Gain on sale of properties and nonoperating assets	89,403	-	247,635	-
Other	<u>287,778</u>	<u>1</u>	<u>273,923</u>	<u>1</u>
Total Nonoperating Income	<u>2,334,577</u>	<u>5</u>	<u>1,471,354</u>	<u>3</u>
NONOPERATING EXPENSES				
Interest (Note 7)	719,968	1	685,490	2
Provision for losses on investments (Note 2)	363,610	1	214,818	-
Equity in investees' net loss - net (Note 2)	-	-	112,757	-
Other (Note 23)	<u>266,424</u>	<u>1</u>	<u>93,805</u>	<u>-</u>
Total Nonoperating Expenses	<u>1,350,002</u>	<u>3</u>	<u>1,106,870</u>	<u>2</u>
INCOME (LOSS) BEFORE INCOME TAX	1,144,390	2	( 449,402)	( 1)
INCOME TAX EXPENSE (Notes 2 and 17)	<u>8,939</u>	<u>-</u>	<u>225,643</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$ 1,135,451</u>	<u>2</u>	<u>(\$ 675,045)</u>	<u>( 1)</u>

(Forward)

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	<u>2002</u>		<u>2001</u>	
	Income (Loss) Before Income Tax	Net Income (Loss)	Income (Loss) Before Income Tax	Net Income (Loss)
PRIMARY EARNINGS PER SHARE (Note 18)	<u>\$ 0.65</u>	<u>\$ 0.64</u>	<u>(\$ 0.25)</u>	<u>(\$ 0.37)</u>
DILUTED EARNINGS PER SHARE (Note 18)	<u>\$ 0.65</u>	<u>\$ 0.64</u>	<u>(\$ 0.25)</u>	<u>(\$ 0.37)</u>

Pro forma information, assuming that the Corporation's stocks held by subsidiaries are accounted for as investments rather than as treasury stocks (Notes 2, 3, 16 and 18), is as follows:

	<u>2002</u>	
NET INCOME	<u>\$ 1,301,797</u>	
	Income Before Income Tax	Net Income
PRIMARY EARNINGS PER SHARE	<u>\$ 0.71</u>	<u>\$ 0.71</u>
DILUTED EARNINGS PER SHARE	<u>\$ 0.71</u>	<u>\$ 0.70</u>

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

(With T N Soong & Co report dated February 28, 2003)

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
For the Years Ended December 31, 2002 and 2001  
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	CAPITAL STOCK		CAPITAL SURPLUS (Notes 2 and 15)				RETAINED EARNINGS (Notes 2 and 15)				UNREALIZED LOSS ON INVESTMENTS IN SHARES OF STOCK (Note 2)	CUMULATIVE TRANSLATION ADJUSTMENTS (Note 2)	NET LOSS NOT RECOGNIZED AS PENSION COSTS (Notes 2 and 19)	TREASURY STOCKS (Notes 2, 3 and 16)	TOTAL STOCKHOLDERS' EQUITY	
	Issued		Paid-in Capital in Excess of Par Value	Treasury Stocks transactions	Gain on Sales of Properties	From Investments in Shares of Stock	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Losses)						Total
	(Thousands)	Amount														
BALANCE, JANUARY 1, 2001	1,780,889	\$ 17,808,893	\$ 2,568,275	\$ -	\$ 1,431,387	\$ 7,082	\$ 4,006,744	\$ 801,973	\$ 1,141,939	\$ 1,051,776	\$ 2,995,688	(\$ 15,386)	\$ 248,029	\$ -	\$ -	\$ 25,043,968
Appropriation of 2000 earnings																
Legal reserve	-	-	-	-	-	-	-	104,194	-	( 104,194)	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	-	-	( 9,476)	( 9,476)	-	-	-	-	( 9,476)
Cash dividends - \$0.3 per share	-	-	-	-	-	-	-	-	-	( 534,266)	( 534,266)	-	-	-	-	( 534,266)
Stock dividends - 2%	35,618	356,178	-	-	-	-	-	-	-	( 356,178)	( 356,178)	-	-	-	-	-
Capitalization of capital surplus - 1%	17,809	178,089	( 178,089)	-	-	-	( 178,089)	-	-	-	-	-	-	-	-	-
Net loss in 2001	-	-	-	-	-	-	-	-	-	( 675,045)	( 675,045)	-	-	-	-	( 675,045)
Reversal of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	12,214	-	-	-	12,214
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	222,931	-	-	222,931
Decrease in the equity in the net assets of an equity-accounted investee resulting from not subscribing proportionately to the additional shares issued by the investee companies	-	-	-	-	-	-	-	-	-	( 7,295)	( 7,295)	-	-	-	-	( 7,295)
Equity in changes in capital surplus reported by equity-accounted investees	-	-	-	-	-	5	5	-	-	( 5)	( 5)	-	-	-	-	-
BALANCE, DECEMBER 31, 2001	1,834,316	18,343,160	2,390,186	-	1,431,387	7,087	3,828,660	906,167	1,141,939	( 634,683)	1,413,423	( 3,172)	470,960	-	-	24,053,031
Offset of accumulated losses in 2001	-	-	-	-	-	-	-	( 634,683)	-	634,683	-	-	-	-	-	-
Reclassification of the Corporation's stocks held by subsidiaries into treasury stocks - 67,619 thousand shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	( 525,441)	( 525,441)
Disposal of the Corporation's stocks held by subsidiaries	-	-	-	4,242	-	-	4,242	-	-	-	-	-	-	-	-	4,242
Net income in 2002	-	-	-	-	-	-	-	-	-	1,135,451	1,135,451	-	-	-	-	1,135,451
Reclassification of capital surplus from gain on sales of properties to retained earnings	-	-	-	-	( 1,431,387)	-	( 1,431,387)	143,139	-	1,288,248	1,431,387	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	( 284,728)	-	-	( 284,728)
Reversal of recognized equity in the capital surplus reported by equity-accounted investee as a result of the disposal of the investment	-	-	-	-	-	( 9)	( 9)	-	-	9	9	3,027	237	-	-	3,264
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	-	-	-	-	( 7,687)	-	( 7,687)
Recognition of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	( 21,292)	-	-	-	( 21,292)
Equity in changes in capital surplus reported by equity-accounted investees	-	-	-	-	-	( 1,262)	( 1,262)	-	-	1,262	1,262	144	-	-	-	144
BALANCE, DECEMBER 31, 2002	<u>1,834,316</u>	<u>\$ 18,343,160</u>	<u>\$ 2,390,186</u>	<u>\$ 4,242</u>	<u>\$ -</u>	<u>\$ 5,816</u>	<u>\$ 2,400,244</u>	<u>\$ 414,623</u>	<u>\$ 1,141,939</u>	<u>\$ 2,424,970</u>	<u>\$ 3,981,532</u>	<u>(\$ 21,293)</u>	<u>\$ 186,469</u>	<u>(\$ 7,687)</u>	<u>(\$ 525,441)</u>	<u>\$ 24,356,984</u>

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

(With T N Soong & Co report dated February 28, 2003)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2002 and 2001  
(In Thousands of New Taiwan Dollars)

	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 1,135,451	(\$ 675,045)
Adjustments to reconcile net income (loss) with net cash provided by operating activities:		
Depreciation	2,268,539	2,309,024
Amortization	191,473	223,590
Gain on sale of investments	( 260,861)	( 197,808)
Gain on sale of properties and nonoperating assets	( 89,096)	( 246,983)
Provision for pension cost	76,760	79,049
Provision for losses on investments	363,610	214,818
Equity in investees' net loss (income) - net	( 945,291)	112,757
Provision for losses on properties	170,000	-
Cash dividends received from equity-accounted investments	41,141	27,409
Deferred income taxes	5,269	225,643
Other	( 55,409)	( 49,020)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	( 302,686)	485,538
Receivables from related parties	( 552,290)	1,434,193
Shipping fuel	( 85,146)	155,530
Prepaid expenses	237,719	( 128,205)
Advances to shipping agents	( 499,828)	( 549,086)
Pledged time deposits	416,264	( 422,072)
Other current assets	77,196	( 253,190)
Increase (decrease) in:		
Payables to related parties	50,608	( 150,154)
Accrued expenses	771,157	( 456,863)
Advances from customers	35,111	42,653
Payables to shipping agents	( 1,295,966)	803,065
Other current liabilities	20,927	( 163,213)
Net Cash Provided by Operating Activities	<u>1,774,652</u>	<u>2,821,630</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in short-term investments	( 4,407,989)	3,200
Acquisition of investments in shares of stock	( 151,959)	( 1,088,822)
Proceeds from disposal of investments in shares of stock	389,077	-
Acquisition of properties	( 557,952)	( 9,347,924)
Proceeds from sale of properties and nonoperating assets	332,344	1,002,264

(Forward)

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	<u>2002</u>	<u>2001</u>
Increase in prepaid expenses on long-term rent agreements	(\$ 137,315)	\$ -
Increase in deferred charges	( 170,718)	( 206,337)
Decrease (increase) in restricted assets	( 40,609)	3,751,751
Increase in other assets	( 19,957)	( 182,147)
Net Cash Used in Investing Activities	<u>( 4,765,078)</u>	<u>( 6,068,015)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (principal repayments on) short-term debts	( 99,686)	161,196
Proceeds from long-term debts	3,198,749	2,465,000
Repayment of principal of long-term debts	( 2,300,000)	( 1,238,850)
Payment of obligations under capital leases	( 299,141)	( 98,904)
Decrease in other liabilities	( 2,554)	( 4,220)
Payment of dividend and employees' bonus	-	( 543,742)
Net Cash Provided by Financing Activities	<u>497,368</u>	<u>740,480</u>
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	 <b>( 2,493,058)</b>	 <b>( 2,505,905)</b>
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	 <u>4,251,248</u>	 <u>6,757,153</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	 <u><b>\$1,758,190</b></u>	 <u><b>\$4,251,248</b></u>
 <b>SUPPLEMENTAL INFORMATION</b>		
Interest paid (excluding capitalized interest)	<u>\$ 727,923</u>	<u>\$ 673,356</u>
Income tax paid	<u>\$ 4,199</u>	<u>\$ 27,837</u>
<b>Noncash investing and financing activities</b>		
Reclassification of investments in shares of stock into short-term investments	<u>\$ 122,753</u>	<u>\$ -</u>
Reclassification of the Corporation's stock held by subsidiaries from investments into treasury stocks	<u>\$ 525,441</u>	<u>\$ -</u>
Reclassification of nonoperating assets to assets leased to others	<u>\$ 187,934</u>	<u>\$ -</u>
Current portion of long-term debts	<u>\$ 609,664</u>	<u>\$2,581,952</u>
<b>Cash paid for additions to properties:</b>		
Costs of properties acquired	\$ 709,658	\$9,849,386
Decrease (increase) in payable for equipment	( 16,256)	250,288
Increase in obligations under capital leases	( 135,450)	( 751,750)
	<u>\$ 557,952</u>	<u>\$9,347,924</u>
 <b>Proceeds from sale of properties and nonoperating assets</b>		
Total sales contract prices	\$5,363,560	\$4,683,413
Increase in receivables from related parties	( 487,422)	( 57,547)
Increase in long-term receivables from related parties	( 4,543,794)	( 3,623,602)
	<u>\$ 332,344</u>	<u>\$1,002,264</u>

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

(With T N Soong & Co report dated February 28, 2003)

YANG MING MARINE TRANSPORT CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. GENERAL

Yang Ming Marine Transport Corporation (“the Corporation”) primarily provides marine cargo transportation services. It also provides services related to the maintenance of old vessels and leases or sells old vessels, containers and chassis of vessels. In addition, it acts as a shipping agent and manages ships owned by others.

The Corporation was majority-owned by the Ministry of Transportation and Communications (MOTC) of the Republic of China (ROC) until February 15, 1996 when MOTC reduced its holdings in the Corporation. As of December 31, 2002, MOTC owned 42.62% of the Corporation’s outstanding capital stock.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporation’s significant accounting policies, which conform to the Guidelines for Securities Issuers’ Financial Reporting for Public Company and generally accepted accounting principles in ROC, are summarized below.

Cash equivalents

Bonds acquired under agreements to resell within three months from acquisition dates are classified as cash equivalents.

Short-term investments

Short-term investments are carried at the lower of cost or market value. An allowance for losses is provided when the aggregate carrying value of the investments exceeds the total market value, with the related provision for losses charged to income in the current year. Subsequent recoveries of market value (up to cost) are recognized in income.

Allowance for doubtful receivables

Allowance for doubtful receivables is provided on the basis of a review of the collectibility of individual receivables.

Shipping fuel

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

### Investments in shares of stock and deferred income

Investments in shares of stock of companies in which the Corporation owns at least 20% of voting common stock or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method. Under this method, investment is initially carried at cost, and the difference between investment cost and the Corporation's equity in the investee's net assets on the acquisition date is amortized over five years. The investment carrying values are subsequently adjusted for the Corporation's proportionate share in the investee's net income or net loss and the amortized difference. The current year's equity of the Corporation in the investee's net income or net loss is based on the investee's financial statements for the same period. If the investee's financial statements are not timely available, equity calculation is based on the investee's latest balance sheet. The Corporation's cumulative equity in the investee's net loss is presented as other liability.

Any cash dividends received are recognized as a reduction in the carrying value of the investments. Any stock dividends received are recorded as an increase in the number of shares held but are not recognized as investment income.

The equity in the net income or net loss in investees that also have investments in the Corporation (reciprocal holdings) is computed using the treasury stock method.

Gain on sale of listed stocks to equity-accounted investees is deferred and are realized only upon subsequent sale to third parties.

Other investments in shares of stock are carried at cost plus the par value of the stock dividends received before 1989. An allowance is recognized for the decline in the market value of listed stocks or stocks traded over the counter, and is debited to stockholders' equity. For unlisted stocks, the carrying amount of the investment is reduced to recognize other than temporary decline in the value, with the corresponding loss, charged to current income. Cash dividends received in the year the investment is made are accounted for as a reduction in the carrying value of investment, while cash dividends received in subsequent years are recognized as dividend income.

The new cost basis of listed stocks that are reclassified from long-term to short-term investments or vice versa is the lower of cost or market value on the date of reclassification. Any carrying amount in excess of market value is accounted for as realized loss.

Effective January 1, 2002, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 30, "Accounting for Treasury Stocks," and thus reclassified the Corporation's shares held by subsidiaries from investment in shares of stock to treasury stock. The amount reclassified is equivalent to the carrying value of the Corporation's shares as of January 1, 2002. However, these shares continue to be presented as short-term investments in the subsidiaries' financial statements.

Costs of investments sold are determined using the weighted-average method.

### Properties and assets leased to others

Properties and assets leased to others are stated at cost less accumulated depreciation. Major renewals and betterment are capitalized, while maintenance and repairs are expensed currently.

Depreciation is computed using the straight-line method over service lives initially estimated as follows (plus one year to represent estimated salvage value): buildings, 36 to 55 years; containers and chassis, 6 to 8 years; ships, 18 to 20 years; leased containers and chassis, 5 to 9 years; leasehold improvements, 3 to 10 years; and miscellaneous equipment, 3 to 10 years. Properties still being used by the Corporation beyond their initially estimated service lives are depreciated over newly estimated service lives.

Upon sale or other disposal of properties and assets leased to others, the related cost and accumulated depreciation are removed from the accounts, and resulting gain or loss is credited or charged to income. Any gain (less applicable income tax) on sales of properties generated before January 1, 2001 is reclassified to capital surplus at year-end.

Capital lease obligations pertaining to containers and chassis are recorded, at the start of the lease, at the lower of the (a) fair market value of leased assets, or (b) present value of the sum of the minimum lease payables and the bargain purchase option price.

#### Nonoperating assets

Nonoperating assets are stated at net realizable value.

#### Deferred charges

Deferred charges consist of costs of spare parts of ships, 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.

#### Pension

Pension cost is based on actuarial calculations. Unrecognized net transition assets, prior service cost and actuarial gains or losses are amortized using the straight-line method over the average remaining service years of employees.

#### 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 life, whichever is shorter.

#### Revenue recognition

Revenue from service delivery is recognized when the earnings process is completed or virtually complete and revenue is realized or realizable and measurable. The costs of providing services are recognized as incurred. Cargo revenues are recognized using the completion of voyage method. Monthly rental revenues on ships leased to others and ship management revenue are recognized in the month when services are rendered.

### Income tax

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

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

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

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

### Foreign-currency transactions

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

- a. Equity-accounted investments in shares of stock - as part of cumulative translation adjustments under stockholders' equity;
- b. Cost-accounted investments in shares of stock - similarly accounted for as in (a) above when the restated amounts are lower than their carrying amounts; otherwise, no adjustment is made;
- c. Other assets and liabilities - as credits or charges to income.

### Foreign-currency options

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

### Cross-currency swap contracts

The notional amounts of cross-currency swap agreements are not recognized in the financial statements because these agreements do not require the settlement of such notional amounts. However, a memorandum entry is made to note the transaction. The forward component of the contracts outstanding as of the balance sheet dates are marked to market, with the unrealized gains or losses arising from changes in market values recognized in current income. The carrying amounts (either assets or liabilities) of the contracts are credited or charged to income once the swap contracts are settled.

### Forward exchange contracts

Forward exchange contracts are entered into as hedge of foreign currency assets and liabilities are recorded in New Taiwan dollars as receivable and/or payable using the spot rates on the starting dates of the contracts. The premium or discount, computed using the contract amount multiplied by the difference between the contracted forward rate and the spot rates on the contract starting dates is also recognized. The premium or discount is amortized using the straight-line method over the term of the forward contract, with the amortization charged to income.

On the balance sheet dates, the gains or losses on the contracts, computed by multiplying the contract amounts by the difference between the spot rates on the balance sheet dates and the spot rates on the contract starting dates (or the spot rates last used to measure a gain or loss on that contract for an earlier period), are charged to income. Also, the balances of the receivables and payables under the forward contracts are then netted, and the resulting amount is classified as either an asset or a liability.

### Reclassifications

Certain accounts for 2001 have been reclassified to conform to the 2002 financial statement presentation.

## 3. CHANGE IN ACCOUNTING PRINCIPLE

On January 1, 2002, the Corporation adopted Statement of Financial Accounting Standard (SFAS) No. 30, "Accounting for Treasury Stocks," which requires the Corporation to treat its stocks held by subsidiaries as treasury stocks instead of investments. Thus, the Corporation reclassified the carrying value of the Corporation's shares held by subsidiaries (shown as part of short-term investments in the subsidiaries' balance sheets) of \$535,973 from the investment in those subsidiaries to treasury stocks. This change resulted in a decrease in long-term investments and an increase in shares of the Corporation held by subsidiaries by \$525,441 each as of December 31, 2002 and decrease of \$166,346 in the 2002 net income.

#### 4. CASH AND CASH EQUIVALENTS

	December 31	
	2002	2001
Cash		
Petty cash and cash on hand	\$ 3,815	\$ 2,040
Checking deposits	103,906	98,553
Demand deposits	437,498	462,952
Time deposits: Interest - 1.20% to 4.40% in 2002 and 1.76% to 3.95% in 2001	<u>1,212,971</u>	<u>1,887,703</u>
	1,758,190	2,451,248
Cash equivalents		
Bonds purchased under agreements to resell - 1.80% to 1.95% yield	<u>-</u>	<u>1,800,000</u>
	<u>\$1,758,190</u>	<u>\$4,251,248</u>

#### 5. SHORT-TERM INVESTMENTS

	December 31	
	2002	2001
Mutual funds	\$5,439,649	\$ 943,314
Marketable equity securities	1,775,837	1,570,442
Convertible bonds: Interest - 0% to 5% in 2002 and 5% to 9% in 2001	<u>16,115</u>	<u>31,100</u>
	7,231,601	2,544,856
Less: Allowance for decline in value	<u>1,100,825</u>	<u>759,849</u>
	<u>\$6,130,776</u>	<u>\$1,785,007</u>

#### 6. INVESTMENTS IN SHARES OF STOCK

	December 31			
	2002		2001	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Equity method (unlisted stocks)				
Yang Ming Line (B.V.I.) Holding Co., Ltd.	\$2,789,686	100.00	\$2,585,536	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,359,232	100.00	1,049,606	100.00
Chunghwa Investment Co., Ltd.	801,541	40.00	-	-
YES Logistics Corp.	427,186	90.50	427,460	90.50
Honming Terminal & Stevedoring Co., Ltd.	352,051	79.00	366,273	79.00
Kuang Ming Shipping Corp.	283,897	100.00	285,250	82.05
All Oceans Transportation, Inc.	228,780	100.00	644,212	100.00
Yang Ming Line Holding Co.	106,181	100.00	43,233	100.00
Transyang Shipping Pte. Ltd.	76,468	24.99	65,943	24.99
Jing Ming Transportation Co., Ltd.	61,018	50.80	56,087	50.80
Ching Ming Investment Co., Ltd.	-	99.96	384,215	99.96
China Mariners' Assurance Corp.	-	-	<u>221,045</u>	22.71
	<u>6,486,040</u>		<u>6,128,860</u>	

(Forward)

	December 31			
	2002		2001	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Cost method				
Listed common stock				
Waterland Financial Holdings Co., Ltd.	\$ 70,000	0.43	\$ -	-
Hotung Investment Holdings Ltd	40,268	0.70	40,268	0.70
Senao International Co., Ltd.	-	-	96,000	1.83
Data Corp.	-	-	430	0.01
	<u>110,268</u>		<u>136,698</u>	
Less - allowance for decline in value	( 21,293)		-	
	<u>88,975</u>		<u>136,698</u>	
Unlisted common stock				
United Venture Capital Corp.	80,000	9.04	80,000	9.04
Ritek Photonics Corp.	45,000	2.00	45,000	2.00
SF Technology Venture Capital Investment Corp.	40,000	7.24	40,000	7.24
Taiwan Nano Electro-optical Technology Co., Ltd.	37,590	4.53	61,953	9.09
China Technology Venture Capital Corp.	30,000	8.96	-	-
Kingmax Technology Corp.	24,000	1.40	24,000	1.40
Ascentek Venture Capital Corp.	20,080	2.14	20,080	2.14
Forwin Securities Corp.	20,000	2.00	20,000	2.00
Imaging Quality Technology Inc.	3,500	2.14	4,000	3.09
Grand Orient Security Corp.	-	-	70,000	6.51
U-Tech Media Corp.	-	-	46,125	1.20
Yes Mobile Taiwan Inc.	-	1.00	6,000	1.00
	<u>300,170</u>		<u>417,158</u>	
Unlisted preferred stock				
New Century Infocomm Co., Ltd.	864,000	1.68	864,000	1.68
Penguin Computing Inc.	7,698	0.93	15,395	0.93
Arescom Inc.	7,698	0.24	15,395	0.24
	<u>879,396</u>		<u>894,790</u>	
	<u>1,268,541</u>		<u>1,448,646</u>	
Deposit on subscriptions				
Taipei Port Container Terminal Co., Ltd.	6,614		5,984	
Chunghwa Investment Co., Ltd.	-		800,000	
	<u>6,614</u>		<u>805,984</u>	
	<u>\$7,761,195</u>		<u>\$8,383,490</u>	

The Corporation's equity in the net income or net loss of Transyang Shipping Pte Ltd. was recognized using the financial statements of the immediately preceding year and the equivalent equity interest of the Corporation as of the latest balance sheet date presented since the financial statements covering the same year as that of the Corporation were not timely available.

The carrying values of the equity-accounted stock investments were based on audited financial statements.

As of December 31, 2002, the Corporation continues to recognize investment losses on Ching Ming Investment Co., Ltd. although cumulative losses already exceeded investment cost by \$244,213. The excess is presented as liability.

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

Information on cost-accounted investments is as follows:

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Listed stocks (based on market value)	\$ 88,975	\$ 159,818
Equity in net assets pertaining to unlisted stocks (mainly based on unaudited financial statements)	<u>1,004,742</u>	<u>1,169,137</u>
	<u>\$1,093,717</u>	<u>\$1,328,955</u>

## 7. PROPERTIES

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Accumulated depreciation		
Buildings	\$ 59,458	\$ 47,093
Containers and chassis	5,586,642	5,445,847
Ships	10,367,940	11,205,880
Leased containers and chassis	787,200	512,349
Leasehold improvements	51,436	28,063
Miscellaneous equipment	<u>498,011</u>	<u>424,629</u>
	<u>\$17,350,687</u>	<u>\$17,663,861</u>

The Corporation leases containers and chassis under agreements that qualify as capital leases. Lease terms are from five years to nine years for containers and seven years for chassis. The annual rent payable on leased containers under the agreements is US\$8,794 thousand. At the end of the lease terms, the Corporation has an option to buy all leased containers at bargain purchase prices of US\$1. 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. As of December 31, 2002 and 2001, the details of these leases were as follows:

	December 31			
	2002		2001	
	U.S. Dollars (Thousand)	New Taiwan Dollars (Thousand)	U.S. Dollars (Thousand)	New Taiwan Dollars (Thousand)
Total obligations under capital leases (undiscounted)	\$ 47,111	\$ 1,637,102	\$ 51,709	\$ 1,809,811
Less: Unamortized interest expense	( 7,777)	( 270,258)	( 7,979)	( 279,276)
	<u>\$ 39,334</u>	<u>\$ 1,366,844</u>	<u>\$ 43,730</u>	<u>\$ 1,530,535</u>

Depreciation expenses for the years ended December 31, 2002 and 2001 aggregated \$2,261,263 and \$2,301,695, respectively. Costs of properties included capitalized interest of \$12,296 for the year ended December 31, 2001. The amount capitalized using the annual interest rate of 6.02%.

The insurance for properties, assets leased to others and nonoperating assets as of December 31, 2002 amounted to \$17,219,106.

#### 8. ASSETS LEASED TO OTHERS - NET

	December 31	
	2002	2001
Cost		
Land	\$ 803,218	\$ 615,323
Buildings	<u>344,642</u>	<u>408,263</u>
	1,147,860	1,023,586
Accumulated depreciation	( 41,291)	( 61,452)
	<u>\$ 1,106,569</u>	<u>\$ 962,134</u>

Depreciation expenses for the years ended December 31, 2002 and 2001 were \$7,247 and \$7,300, respectively.

#### 9. NONOPERATING ASSETS - NET

	December 31	
	2002	2001
Cost		
Land	\$ 497,827	\$ 685,722
Buildings	<u>6,044</u>	<u>6,265</u>
	503,871	691,987
Accumulated depreciation	<u>5,624</u>	<u>5,816</u>
	<u>\$ 498,247</u>	<u>\$ 686,171</u>

## 10. RESTRICTED ASSETS

Restricted assets are proceeds from issuance of bonds earmarked for constructing forwarding center and information systems.

## 11. SHORT-TERM DEBTS

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Bank debts: Due in January 2003, 1.6% to 1.8% interest	\$ 100,000	\$ -
Commercial paper issued: Due in February 2002; issued at 3.13% discount	-	199,400
Bank overdraft: Interest - 6.94% in 2002 and 4.75% to 6.68% in 2001	<u>2,597</u>	<u>2,883</u>
	<u>\$ 102,597</u>	<u>\$ 202,283</u>

As of December 31, 2002, the Corporation had unused credit lines aggregating \$4,199,125, which were available for issuance of commercial paper and meeting other short-term debts.

## 12. LONG-TERM DEBTS

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
<u>December 31, 2002</u>			
Unsecured bank loans	\$ 382,250	\$ 1,181,500	\$ 1,563,750
Domestic bonds:			
Unsecured	-	6,500,000	6,500,000
Secured	-	3,700,000	3,700,000
Unsecured convertible bonds - domestic	-	917,200	917,200
Obligations under capital leases (Note 7)	<u>227,414</u>	<u>1,139,430</u>	<u>1,366,844</u>
	<u>\$ 609,664</u>	<u>\$13,438,130</u>	<u>\$14,047,794</u>
<u>December 31, 2001</u>			
Unsecured bank loans	\$ -	\$ 1,365,000	\$ 1,365,000
Domestic bonds:			
Unsecured	-	6,500,000	6,500,000
Secured	2,300,000	700,000	3,000,000
Unsecured convertible bonds - domestic	-	917,200	917,200
Obligations under capital leases (Note 7)	<u>281,952</u>	<u>1,248,583</u>	<u>1,530,535</u>
	<u>\$ 2,581,952</u>	<u>\$10,730,783</u>	<u>\$13,312,735</u>

### Unsecured bank loans

These loans are repayable in eight consecutive semiannual installments from February 2003 with the final payment due on April 2007. The loans bear interest semiannually at an annual rate between 2.2643% and 2.4259%.

### Domestic unsecured bonds

On various dates, the Corporation issued domestic unsecured bonds with aggregate face values, as follows: \$3,000,000 on June 1, 2000 (the "June 2000 Bonds") \$2,400,000 on November 20, 2000 (the "November 2000 Bonds"); and \$1,100,000 on July 16, 2001 (the "July 2001 Bonds").

Other bond features and terms were as follows:

June 2000 Bonds	Type A - Face value: \$1,200,000; aggregate face value payable as follows: 33% - June 1, 2005, 33% - June 1, 2006, and 34% - June 1, 2007; 5.7% annual interest; Type B - Face value: \$1,800,000; aggregate face value payable as follows: 33% - June 1, 2008, 33% - June 1, 2009, and 34%, and June 1, 2010; 6.09% annual interest;
November 2000 Bonds	Aggregate face value payable as follows: 20% - November 20, 2010; 40% - November 20, 2011; and 40% - November 20, 2012; 6.02% annual interest;
July 2001 Bonds	Aggregate face value payable as follows: 20% - July 2006; 40% - July 2007, and 40% - July 2008; 4.49% annual interest

### Domestic secured bonds

On June 30, 1999, the Corporation issued three-year domestic secured bonds with an aggregate face value of \$1,000,000. The bonds are classified as "Type A" and "Type B." The Type A bonds bear 5.8841% annual interest, while Type B bonds bears 5.8% interest compounded semiannually. The bonds may be redeemed on maturity or, starting June 30, 2001, the bondholders can exercise their option to have the Corporation redeem the bonds at face value plus accrued interest on these bonds.

On July 20, 1999, the Corporation issued domestic secured bonds with face value of \$1,300,000, maturity on July 20, 2002, and 5.72% annual interest, compounded semiannually. On November 25, 1999, the Corporation issued a similar type of bonds with face value of \$700,000, maturity on November 25, 2004, and 5.75% annual interest.

The Corporation issued five-year domestic secured bonds over the period June 27, 2002 to July 5, 2002, with an aggregate face value of \$3,000,000 and 3.85% annual interest rate.

### Domestic unsecured convertible bonds

Domestic unsecured convertible bonds were issued on August 2, 1997 with a face value of \$2,500,000 and 4.5% annual interest payable every June 27. The modes of settling the bonds are as follows:

- a. Lump-sum payment of face value plus accrued interest upon maturity (in 2004);
- b. Conversion by the holders, starting September 2, 1997, into capital stock of the Corporation at the prevailing conversion price (\$15.66 dollars per share as of December 31, 2002); and
- c. Redemption by the Corporation, under certain conditions, at varying prices before bond maturity.

As of December 31, 2002, bonds with face value of \$1,578,900 had been converted into 73,284 thousand shares of the Corporation.

As of December 31, 2002, the Corporation had unused credit lines of about \$528,200 available for long-term bank loans.

### 13. RESERVE FOR LAND VALUE INCREMENT TAX

Reserve for land value increment tax resulted from the merger with China Merchants Stean Navigation Company (CMSNC).

### 14. UNREALIZED GAIN ON SALE AND LEASEBACK

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Chassis	\$ 46,776	\$ 54,556
Vessel Ming North	10,918	12,068
Containers	9,316	36,252
Vessel Med Keelung	627	1,150
Vessel Ming Zenith	<u>-</u>	<u>21,014</u>
	<u>\$ 67,637</u>	<u>\$ 125,040</u>

These properties had been sold and then leased back. The resulting gains on the sale have been deferred (included in "Other liabilities" in the balance sheets) and amortized over the expected lease term or estimated service lives, whichever is shorter.

### 15. STOCKHOLDERS' EQUITY

On November 14, 1996, the Corporation issued 10 million units of Global Depositary Receipts (GDR), representing 100 million shares of stock, at US\$11.64 per unit. The holders of the GDRs may not exchange them for the Corporation's stocks. However, starting February 14, 1997, GDR holders may request the depository bank to sell the stocks represented by the GDRs.

Under the Company Law, capital surplus from equity-method investments cannot be used for any purpose. All other components of capital surplus, under the Company Law and related regulations, can only be used to offset a deficit. In addition, only the capital surplus from paid-in capital in excess of par value and treasury stocks transactions can be transferred to capital. Capitalization of paid-in capital in excess of par value and treasury stocks transactions is conducted by issuing new shares to stockholders in proportion to their holdings, and capitalized amounts should be within certain limits.

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

- a. 10% legal reserve
- b. 10% special reserve, as needed.

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

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

The Articles of Incorporation provide that the Corporation should declare at least 50% of the distributable earnings as dividends. At least 20% of the dividends should be in the form of cash, with the Corporation first taking into account its capital expenditure and working capital requirements.

Under Securities Exchange Law, the Corporation should appropriate a special reserve equal to the debit balance of any stockholders' equity item (other than the deficit). The balance of the reserve is adjusted on the basis of the debit balances as the end of the Corporation's current financial reporting year.

Under the Company Law, legal reserve should be appropriated until the accumulated reserve equals the aggregate par value of the Corporation's outstanding capital stock. This reserve can only be used to offset a deficit. When the reserve reaches 50% of the aggregate par value of the Corporation's outstanding capital stock, 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 for the income tax paid by the Corporation on earnings generated since 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 dividend distribution date.

On June 21, 2002, the stockholders resolved not to appropriate earnings and to use the legal reserve of \$634,683 to offset accumulated losses. The stockholders also resolved the reclassification of capital surplus of \$1,431,387 from gain on sale of properties to retained earnings after appropriating a legal reserve of \$143,139.

As of February 28, 2003, the Corporation's board of directors had not decided the appropriation of the 2002 earnings. Information on the appropriation of the Corporation's earnings can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

#### 16. TREASURY STOCKS

Reason for Repurchase	Outstanding Shares (Thousands)			
	Beginning of the Year	Increase	Decrease	End of the Year
<u>For the year ended December 31, 2002</u>				
Stocks of the Corporation held by subsidiaries	<u>68.981</u>	<u>187</u>	<u>1,549</u>	<u>67.619</u>

On January 1, 2002, the Corporation reclassified the Corporation's stocks held by subsidiaries from investments to treasury stocks. The reclassified amount of \$535,973 was equal to the carrying value of stocks (shown as short-term investments in the subsidiaries' balance sheets). The proceeds from the subsidiaries' disposal of these shares were \$16,229 in 2002. As of December 31, 2002, the Corporation's shares held by subsidiaries had a carrying value of \$525,411 and a market value of \$687,545.

The subsidiaries' rights on shares of the Corporation they hold are similar to the rights of other stockholders although the shares are treated as treasury stock instead of investments.

## 17. INCOME TAX

### a. Computation of current income tax payable:

	<u>Year Ended December 31</u>	
	<u>2002</u>	<u>2001</u>
Tax on pretax income (loss) at 25% statutory rate	\$ 286,098	(\$ 112,351)
Add (deduct) tax effects of:		
Permanent differences	( 120,937)	100,962
Deferred income tax	( 73,835)	( 20,784)
Loss carryforward and investment tax credit	( 91,326)	-
Currently payable	<u>\$ -</u>	<u>\$ -</u>

### b. Components of income tax expense:

	<u>Year Ended December 31</u>	
	<u>2002</u>	<u>2001</u>
Income tax (10%) on undistributed earnings	\$ 9,300	\$ -
Income tax expense - deferred	5,269	225,643
Adjustments of prior years' taxes	( 5,630)	-
	<u>\$ 8,939</u>	<u>\$ 225,643</u>

### c. Deferred income tax assets (liabilities) as of December 31, 2002 and 2001:

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Current (included in other current assets (liabilities))		
Loss carryforwards	\$ 189,292	\$ 39,470
Investment tax credits	10,169	3,668
Unrealized foreign exchange gain	( 22,665)	( 47,822)
Other	6,819	7,747
Valuation allowance on deferred income tax assets	( 100,741)	( 43,138)
	<u>\$ 82,874</u>	<u>(\$ 40,075)</u>

(Forward)

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Noncurrent (included in other liabilities):		
Cumulative equity in investees' net income	(\$ 412,575)	(\$ 310,546)
Differences in estimated service lives of containers	( 253,943)	( 198,411)
Deferred pension cost	75,644	56,713
Provision for loss on properties	42,500	-
Investment tax credits	7,987	27,293
Loss carryforwards	-	261,384
Valuation allowance on deferred income tax assets	-	( 248,602)
	<u>(\$ 540,387)</u>	<u>(\$ 412,169)</u>

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

d. Integrated income tax system information:

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Balance of the imputation credit account (ICA)	<u>\$ 27,982</u>	<u>\$ 14,909</u>

The stockholders resolved not to appropriate any earnings in 2001. The estimated creditable tax ratio, computed using the ICA balance and the unappropriated earnings as of December 31, 2002, for earnings expected to be distributed in 2003 was 1.86%.

The tax credits will be accumulated until the date of dividend distribution. Upon dividend distribution, the ratio of the imputed tax credits to unappropriated earnings will be used for allocating tax credits to each stockholder.

e. As of December 31, 2002 and 2001, the total of the balances of special reserve and unappropriated retained earnings that generated before June 30, 1998 aggregated to \$1,141,939.

f. Unused investment tax credits as of December 31, 2002:

<u>Statutes</u>	<u>Items</u>	<u>Total Investment Tax Credits</u>	<u>Unused Investment Tax Credits</u>	<u>Expiry Year</u>
Statute for Upgrading Industries	Purchase of equipment	\$ 15,016	\$ 7,991	2003
	Purchase of equipment	141	141	2005
	Investments in shares of stock	1,137	1,137	2003
	Investments in shares of stock	3,978	3,978	2004
	Investments in shares of stock	409	409	2005
	Personnel training expenditures	1,041	1,041	2003
	Personnel training expenditures	2,028	2,028	2004
	Personnel training expenditures	<u>1,431</u>	<u>1,431</u>	2005
			<u>\$ 25,181</u>	<u>\$ 18,156</u>

- g. As of December 31, 2002, the Corporation had unused operating loss carryforwards of \$757,169, which are available to reduce future income taxes. The amount of the unused operating loss carried forward has been cleared by the tax authorities and will expire in 2003.

Income tax returns through 1999 have been examined and cleared by the tax authorities.

The Corporation's income tax return for the year ended June 30, 1995 had been assessed for additional taxes of \$38,556. The assessment was related to the accreted redemption put on foreign unsecured convertible bond. The redemption put was accreted (recognized as expense) using the effective interest method. The tax authorities ruled that the accreted premium put is deductible only when actually paid by the Corporation. The Corporation is contesting the assessment by filing a lawsuit in court. Management did not recognize assessment-related liabilities because it believes that the Corporation will win the lawsuit.

## 18. EARNINGS PER SHARE

The earnings per share are calculated as follows:

	<u>Amount (Numerator)</u>		<u>Capital Stock (Denominator) (in Thousand Shares)</u>	<u>Net Income (Loss) Per Share (Dollars)</u>	
	<u>Income (Loss) Before Income Tax</u>	<u>Net Income (Loss)</u>		<u>Income Before Income Tax</u>	<u>Net Income (Loss)</u>
<u>For the year ended December 31, 2002</u>					
Primary earnings per share	\$1,144,390	\$1,135,451	1,765,928	\$ 0.65	\$ 0.64
The impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>41,274</u>	<u>30,956</u>	<u>58,570</u>		
Diluted earnings per share	<u>\$1,185,664</u>	<u>\$1,166,407</u>	<u>1,824,498</u>	<u>\$ 0.65</u>	<u>\$ 0.64</u>
<u>For the year ended December 31, 2001</u>					
Primary losses per share	(\$ 449,402)	(\$ 675,045)	1,834,316	(\$ 0.25)	(\$ 0.37)
The impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>-</u>	<u>-</u>	<u>-</u>		
Diluted losses per share	<u>(\$ 449,402)</u>	<u>(\$ 675,045)</u>	<u>1,834,316</u>	<u>(\$ 0.25)</u>	<u>(\$ 0.37)</u>

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

	<u>Amount (Numerator)</u>			<u>Earnings Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>	<u>Capital Stock (Denominator) (in Thousand Shares)</u>	<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>For the year ended December 31, 2002</u>					
Pro forma primary earnings per share	\$1,310,736	\$1,301,797	1,834,316	\$ 0.71	\$ 0.71
The impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>41,274</u>	<u>30,956</u>	<u>58,570</u>		
Pro forma diluted earnings per share	<u>\$1,352,010</u>	<u>\$1,332,753</u>	<u>1,892,886</u>	<u>\$ 0.71</u>	<u>\$ 0.70</u>

The earnings per share had been retroactively adjusted for the stock dividend declared.

#### 19. PENSION PLAN

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

- a. Pension plan for onshore employees. Benefits under this plan are based on service years and average monthly salary (excluding bonus and allowance) of the six months before retirement. The pension fund, to which the Corporation contributes amounts equal to 3% of salaries every month, is administered by an employees' pension fund committee and deposited in the committee's name in the Central Trust of China.
- b. Pension plan for the ship's crew. Benefits under this plan are based on service years and level of basic salary at the time of retirement. The plan is unfunded and the benefits are paid as they become due.
- c. Pension plan for retired employees of CMSNC. Benefits under this plan are based on service years and level of basic salary at the time of retirement.

The service years of employees before privatization are used to determine qualification for retirement. Those service years, however, are not considered in benefit calculation.



## 20. RELATED-PARTY TRANSACTIONS

The Corporation had significant transactions with related parties for the years ended December 31, 2002 and 2001. The summary of these transactions as well as the names of the related parties and nature of relationship with the Corporation are summarized in Schedules A and B.

The transactions with related parties were conducted under contract terms.

## 21. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged as collaterals for short-term debts, long-term bank loans, bonds and credit lines:

	December 31	
	2002	2001
Pledged time deposits	\$ 18,645	\$ 434,909
Properties - net	1,114,919	2,970,485
Nonoperating assets - net	<u>89,230</u>	<u>89,230</u>
	<u>\$1,222,794</u>	<u>\$3,494,624</u>

## 22. COMMITMENTS AND CONTINGENT LIABILITY

Commitments and contingent liability as of December 31, 2002 were as follows:

- a. Obligations to provide crews to four ships of Chinese Petroleum Corporation under contracts expiring on various dates by August 2003. The daily compensation under the contracts is \$578.
- b. Operating leases of office premises, ships and container yard under agreements expiring on various dates until December 2010. The total rent for the year ended December 31, 2002 was \$4,360,937 and future minimum rentals are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$2,951,117
2004	2,228,520
2005	2,037,929
2006	1,632,525
2007	1,482,933

Rentals after 2007 amount to \$2,139,310, with present value of about \$2,030,086 based on 1.875% annual interest rate.

- c. Leases of containers and chassis under capital lease agreements expiring on various dates until May 2011. Total rent for the year ended December 31, 2002 was about \$28,501 (deducted from leases payable), and future minimum rentals are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$ 305,580
2004	291,509
2005	291,724
2006	552,381
2007	55,028

Rentals after 2007 amount to \$124,743, with present value of about \$112,627, based on 1.875% annual interest rate.

- d. Guarantee on loans obtained by Yang Ming Line (B.V.I.) Holding Co., Ltd., (an equity-accounted investee of the Corporation), All Oceans Transportation Inc. (an equity-accounted investee of the Corporation) and Solar International Shipping Agency, Inc., amounting to US\$100,196,000, US\$89,302,000 and US\$1,500,000, respectively.
- e. The Corporation and Yang Ming Line Holding Co. (an equity-accounted investee of the Corporation) guaranteed a loan of US\$4,015,000 obtained by West Basin Container Terminal LLC.
- f. As of December 31, 2002, 43 former shipping crew members who retired after the Corporation's privatization sued the Corporation and claimed \$102,749 as additional severance benefit. The computation of this amount was based on the Labor Standards Law instead of the Rules of Privatization for the Government-Owned Corporations. The Taipei District Court had decided in favor of the Corporation. Nevertheless, those plaintiffs appealed to a higher court. No liability was accrued since management believed the appeal would not prosper.

### 23. SUBSEQUENT EVENTS

- a. On November 8, 2002, the board of directors resolved to sell the ship Ming Europe, at its carrying value of \$709,408 to All Oceans Transportation Inc., an equity-accounted investee. The ship was delivered on January 7, 2003.
- b. On December 26, 2002, the board of directors approved to sell the ship Ming Courage. Under a contract made on February 12, 2001, Eddie Steamship Company agreed to buy the ship for US\$4,375,000. The ship will be delivered in March 2003, and an expected loss of \$170,000 on this sale was accrued in 2002.

## 24. FINANCIAL INSTRUMENTS

- a. The Corporation uses cross-currency swap contracts to manage the effects of the exchange rate fluctuations on foreign-currency net assets or liabilities. Information on the contracts is as follows:

- 1) Open contracts and credit risk as of December 31, 2001

<u>Type of Transaction</u>	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Credit Risk</u>
Cross-currency swap	EUR\$14,940,000	\$742	\$742

The Corporation recognized gains on those contracts amounting to \$5,783 and \$24,733 for the years ended December 31, 2002 and 2001. There were no such contracts outstanding as of December 31, 2002.

The Corporation is exposed to credit risks if counter-parties default on their contractual obligations. To manage this risk, the Corporation transacts only with selected financial institutions with good credit ratings. Thus, management does not anticipate any material losses resulting from defaults.

- 2) Market risk

The Corporation is exposed to market risk arising from exchange rate fluctuations on the cross-currency swap contracts. The Corporation entered into these contracts to manage the effects of the exchange rate fluctuations on foreign-currency net assets or liabilities. The contracts were settled at net amounts; thus, the market risk is not material.

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

The cross-currency swap contracts are settled at net amounts and the expected cash demand is not material. Management believes that the Corporation has enough operating capital to meet its cash demand.

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

The Corporation uses the cross-currency swap contracts for managing risks associated with exchange rates fluctuations on foreign-currency net assets or liabilities and not for trading purposes. The effectiveness of these instruments is evaluated periodically.

- b. The Corporation entered into forward exchange contracts to hedge the effect of exchange rate fluctuations on foreign-currency net assets or liabilities. It realized exchange gains on those contracts of \$319 and \$458 for the years ended December 31, 2002 and 2001, respectively. No such contracts were outstanding as of December 31, 2002.
- c. The Corporation has written foreign-currency options for trading purposes from which it realized gains of \$378 for the year ended December 31, 2002. The Corporation did not enter into any foreign-currency put options in 2001.

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

	December 31			
	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative instruments</u>				
Assets				
Short-term financial instruments				
Cash and cash equivalents	\$ 1,758,190	\$ 1,758,190	\$ 4,251,248	\$ 4,251,248
Short-term investments	6,130,776	6,130,776	1,785,007	1,785,007
Accounts receivable	1,290,695	1,290,695	988,009	988,009
Receivables from related parties	2,228,974	2,228,974	897,362	897,362
Advances to shipping agents	1,469,405	1,469,405	969,577	969,577
Pledged time deposits	18,645	18,645	434,909	434,909
Investments in shares of stock	7,761,195	7,761,195	8,383,490	8,383,490
Long-term receivables from related parties	9,720,111	9,720,111	4,796,317	4,796,317
Liabilities				
Short-term financial instruments				
Short-term debts	102,597	102,597	202,283	202,283
Payables to related parties	1,793,123	1,793,123	1,742,515	1,742,515
Accrued expenses	1,644,628	1,644,628	873,472	873,472
Payables to shipping agents	1,275,226	1,275,226	2,571,192	2,571,192
Bank loans	1,563,750	1,563,750	1,365,000	1,365,000
Bonds	11,117,200	12,202,237	10,417,200	11,218,098
Obligations under capital leases	1,366,844	1,366,844	1,530,535	1,530,535
<u>Derivatives</u>				
Exchange rate swap contracts	-	-	742	742

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

- 1) Except for short-term investments, the carrying values of short-term financial instruments approximate fair values because of the short maturity of these instruments.
- 2) Fair values of short-term investments and investments in shares of stock are based on market prices or, if market prices are unavailable, upon the costs of investments.
- 3) Fair values of long-term receivable from related parties, bank loans, bonds, obligations under capital leases are based on market prices or, if market prices are unavailable, based on the present values of the expected cash inflows or outflows. Discount rate used in determining the present values is based on rate of bank loans that the Corporation can obtain under similar conditions.
- 4) Fair values of derivatives for the remaining contract periods are calculated at quoted forward exchange rates, obtained from Reuter's New Agency or Associated Press.

25. INFORMATION RELATED TO SIGNIFICANT TRANSACTIONS  
 INVESTEE COMPANIES AND INVESTMENT IN MAINLAND CHINA

Except those mentioned in Note 24 and schedule C to H, there are no additional disclosures required by the Securities and Futures Commission for the Corporation, investees and investment in Mainland China.

26. SEGMENT AND GEOGRAPHIC INFORMATION

- a. The Corporation operates in a single business, namely, ocean freight transportation.
- b. The Corporation had no revenue-generating unit (branch or office) outside Taiwan.
- c. Cargo transportation revenues

<u>Line Service</u>	<u>Years Ended December 31</u>			
	<u>2002</u>		<u>2001</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
U.S. Western coast line	\$ 12,309,561	27	\$ 8,445,516	19
Asia line	8,038,722	18	5,801,944	13
U.S. Eastern coast line	8,001,130	18	7,381,324	16
European line	5,609,478	12	9,237,806	20

- d. No single customer accounts for more than 10% of total operating revenues.

## YANG MING MARINE TRANSPORT CORPORATION

RELATED PARTY TRANSACTIONS  
For the Years Ended December 31, 2002 and 2001  
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (See Notes Below)	Operating Revenues										Operating Costs						Operating Expenses - Insurance		Interest Income			
		Charter Hire		Agents Income		Rental of Containers		Slotage		Ship Management		Haulage		Tally		Commission		Insurance					
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%		
<b>2002</b>																							
Kuang Ming Shipping Corp.	A	\$ -	-	\$ -	-	\$ 10,946	1	\$ -	-	\$ 16,565	4	\$ 29,025	-	\$ -	-	\$ 82,127	3	\$ -	-	\$ -	-	\$ -	-
All Oceans Transportation Inc.	A	-	-	-	-	-	-	-	-	-	-	1,566,785	E 11	-	-	-	-	-	-	-	-	415,396	78
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	326,010	2	-	-	-	-	-	-	-	-	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	431,757	3	-	-	-	-	-	-	-	-	-	-
China Mariners' Assurance Corp.	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47,927	21	1,292	4	-	-	
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	98,542	4	-	-	-	-	-	
Young-Carrier Company Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	411,925	15	-	-	-	-	-	-	
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	-	-	-	-	178,896	F 1	-	-	-	-	-	-	-	-	-	
Yangming (U.K.) Limited	B	279,272	D 44	91,618	97	1,022,966	98	14,296	1	137,784	38	147,042	1	9,069	-	15,857	1	-	-	-	-	-	
Yang Ming Shipping Europe GmbH	B	-	-	-	-	-	-	-	-	-	-	-	-	34,329	2	96,003	4	-	-	-	-	-	
Yang Ming Line (Hong Kong) Limited.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	330,814	12	-	-	-	-	-	-	
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	55,558	2	-	-	-	-	-	-	
Kuang Ming Shipping Corp. (Panama)	B	-	-	-	-	-	-	-	-	-	-	18,933	G	-	-	-	-	-	-	-	-	-	
Yang Ming (M) Sdn. Bhd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	23,042	1	-	-	-	-	-	-	
Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	41,650	-	-	-	-	-	-	-	-	-	-	
		<u>\$ 279,272</u>	<u>44</u>	<u>\$ 91,618</u>	<u>97</u>	<u>\$ 1,033,912</u>	<u>99</u>	<u>\$ 14,296</u>	<u>1</u>	<u>\$ 154,349</u>	<u>42</u>	<u>\$ 2,740,098</u>	<u>18</u>	<u>\$ 43,398</u>	<u>2</u>	<u>\$ 1,113,868</u>	<u>42</u>	<u>\$ 47,927</u>	<u>21</u>	<u>\$ 1,292</u>	<u>4</u>	<u>\$ 415,396</u>	<u>78</u>
<b>2001</b>																							
Kuang Ming Shipping Corp.	A	\$ -	-	\$ -	-	\$ 24,111	2	\$ -	-	\$ 26,289	7	\$ -	-	\$ -	-	\$ 141,877	5	\$ -	-	\$ -	-	\$ -	-
All Oceans Transportation Inc.	A	-	-	-	-	-	-	-	-	-	-	630,550	5	-	-	-	-	-	-	-	-	217,478	50
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	264,776	2	380,980	14	-	-	-	-	-	-	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	283,436	2	-	-	-	-	-	-	-	-	-	-
China Mariners' Assurance Corp.	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51,262	27	2,837	9	-	-	
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	126,806	5	-	-	-	-	-	-	
Young-Carrier Company Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	309,861	11	-	-	-	-	-	-	
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	-	-	-	-	170,331	1	-	-	-	-	-	-	-	-	-	
Yangming (U.K.) Limited	B	80,948	9	87,428	97	1,042,220	97	43,362	9	136,285	37	52,563	1	14,806	1	38,693	1	-	-	-	-	-	
Yang Ming Shipping Europe GmbH	B	-	-	-	-	-	-	-	-	-	-	-	-	58,721	2	148,357	5	-	-	-	-	-	
Yang Ming Line (Hong Kong) Limited.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	289,079	11	-	-	-	-	-	-	
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	73,927	3	-	-	-	-	-	-	
Kuang Ming Shipping Corp. (Panama)	B	-	-	-	-	-	-	-	-	-	-	18,495	-	-	-	-	-	-	-	-	-	-	
Yang Ming Line (M) Sdn. Bhd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	26,188	1	-	-	-	-	-	-	
Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	228,888	2	-	-	-	-	-	-	-	-	-	
		<u>\$ 80,948</u>	<u>9</u>	<u>\$ 87,428</u>	<u>97</u>	<u>\$ 1,066,331</u>	<u>99</u>	<u>\$ 43,362</u>	<u>9</u>	<u>\$ 162,574</u>	<u>44</u>	<u>\$ 1,649,039</u>	<u>13</u>	<u>\$ 454,507</u>	<u>17</u>	<u>\$ 1,154,788</u>	<u>42</u>	<u>\$ 51,262</u>	<u>27</u>	<u>\$ 2,837</u>	<u>9</u>	<u>\$ 217,478</u>	<u>50</u>

- Notes: A. An equity-accounted investee of the Corporation.  
B. An equity-accounted investee of a wholly-owned subsidiary of the Corporation.  
C. An equity-accounted investee of the Corporation in 2001, whereas the Corporation sold the shares out in 2002.  
D. Lease of fourteen ships to Yangming (U.K.) Ltd. under several agreements that expire on various dates (the latest of which is on August 2003). The rent is receivable every month.  
E. Lease of nineteen ships from All Oceans Transportation Inc. under several agreements that expire on various dates (the latest of which is on March 2007). The rent is payable every six months.  
F. Lease of one ship from Yang Ming (Cayman) Ltd. under an agreement that expires on December 31, 2002. The rent payment is payable every three months.  
G. Lease of one ship from Kuang Ming Shipping (Panama) under on agreement that expires on December 31, 2005. The rent is payable semi-monthly.

## YANG MING MARINE TRANSPORT CORPORATION

RELATED PARTY ACCOUNT BALANCES  
December 31, 2002 and 2001  
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (See Notes Below)	Receivables from Related Parties								Long-term Receivable from Related Parties	Payables to Related Parties								Advances from Customers	Unrealized Gain on Sales and Leaseback			
		Accounts Receivables		Other Receivables		Total		Prepaid Expense			Accrued Expense	Payables to Shipping Agents		Receipts under Custody		Total							
		Amount	%	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%	Amount			%		
<b>2002</b>																							
All Oceans Transportation, Inc.	A	\$ -	-	\$ 1,268,328	D 57	\$ 1,268,328	57	\$ 5,174	2	\$ 9,720,111	D 100	\$ -	-	\$ -	-	\$ 43,514	2	\$ 43,514	2	\$ -	-	\$ 627	1
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	11,940	1	-	-	-	-	11,940	1	-	-	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	44,131	2	-	-	-	-	44,131	2	-	-	-	-
China Mariners' Assurance Corp.	C	-	-	-	-	-	-	-	-	-	-	15,822	1	-	-	-	-	15,822	1	-	-	-	-
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	134,753	7	-	-	134,753	7	8,332	1	-	-
Yang Ming Line Holding Co.	A	-	-	73,239	3	73,239	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Young-Carrier Company Ltd.	B	355,101	16	-	-	355,101	16	-	-	-	-	-	-	119,026	7	-	-	119,026	7	-	-	-	-
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	6,169	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yangming (UK) Ltd.	B	139,321	7	-	-	139,321	7	-	-	-	-	-	-	56,431	3	1,161,894	F 65	1,218,325	68	-	-	-	-
Yang Ming Shipping Europe GmbH	B	55,432	3	-	-	55,432	3	-	-	-	-	-	-	29,714	2	-	-	29,714	2	-	-	-	-
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	127,838	7	-	-	127,838	7	96,058	13	-	-
Yangming Shipping (Singapore) Pte. Ltd.	B	9,344	-	-	-	9,344	-	-	-	-	-	-	-	10,461	1	-	-	10,461	1	11,884	2	-	-
Yang Ming Line (M) Sdn. Bhd.	B	25,761	1	-	-	25,761	1	-	-	-	-	-	-	37,599	2	-	-	37,599	2	632	-	-	-
Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	-	-	208,500	G 9	208,500	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming Line (Singapore) Pte. Ltd.	A	-	-	83,400	G 4	83,400	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yes Logistics Corp.	A, B and J	5,934	-	3,636	-	9,570	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others		-	-	978	-	978	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<u>\$ 590,893</u>	<u>27</u>	<u>\$ 1,638,081</u>	<u>73</u>	<u>\$ 2,228,974</u>	<u>100</u>	<u>\$ 11,343</u>	<u>4</u>	<u>\$ 9,720,011</u>	<u>100</u>	<u>\$ 71,893</u>	<u>4</u>	<u>\$ 515,822</u>	<u>29</u>	<u>\$ 1,205,408</u>	<u>67</u>	<u>\$ 1,793,123</u>	<u>100</u>	<u>\$ 116,906</u>	<u>16</u>	<u>\$ 627</u>	<u>1</u>
<b>2001</b>																							
Kuang Ming Shipping Ltd.	A	\$ -	-	\$ 7,932	1	\$ 7,932	1	\$ -	-	\$ -	-	\$ -	-	\$ 90,471	5	\$ -	-	\$ 90,471	5	\$ 122,225	17	\$ -	-
All Oceans Transportation, Inc.	A	-	-	318,032	E 35	318,032	35	153,961	31	4,796,317	E 100	43,200	2	-	-	45,589	3	88,789	5	-	-	1,150	1
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	6,359	1	-	-	10,230	1	-	-	-	-	10,230	1	-	-	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	35,430	2	-	-	-	-	35,430	2	-	-	-	-
Yangming (Japan) Co., Ltd.	B	97,861	11	-	-	97,861	11	-	-	-	-	-	-	398,108	23	-	-	398,108	23	32,849	5	-	-
Young-Carrier Company Ltd.	B	188,321	21	-	-	188,321	21	-	-	-	-	-	-	135,072	8	-	-	135,072	8	-	-	-	-
Yangming (UK) Ltd.	B	134,768	15	-	-	134,768	15	-	-	-	-	-	-	66,987	4	571,262	F 32	638,249	36	-	-	-	-
Yang Ming Shipping Europe GmbH	B	95,442	11	-	-	95,442	11	-	-	-	-	-	-	103,202	6	-	-	103,202	6	147	-	-	-
Yang Ming Line (Hong Kong) Ltd.	B	13,490	2	-	-	13,490	2	-	-	-	-	-	-	126,815	7	-	-	126,815	7	64,080	9	-	-
Yangming Shipping (Singapore) Pte. Ltd.	B	16,851	2	-	-	16,851	2	-	-	-	-	-	-	76,721	5	-	-	76,721	5	11,138	2	-	-
Yang Ming Line (M) Sdn. Bhd.	B	20,266	2	-	-	20,266	2	-	-	-	-	-	-	39,428	2	-	-	39,428	2	993	-	-	-
Others	A, B and J	1,878	-	2,521	-	4,399	-	-	-	-	-	-	-	-	-	-	-	-	-	299	-	-	-
		<u>\$ 568,877</u>	<u>64</u>	<u>\$ 328,485</u>	<u>36</u>	<u>\$ 897,362</u>	<u>100</u>	<u>\$ 160,320</u>	<u>32</u>	<u>\$ 4,796,317</u>	<u>100</u>	<u>\$ 88,860</u>	<u>5</u>	<u>\$ 1,036,804</u>	<u>60</u>	<u>\$ 616,851</u>	<u>35</u>	<u>\$ 1,742,515</u>	<u>100</u>	<u>\$ 231,731</u>	<u>33</u>	<u>\$ 1,150</u>	<u>1</u>

- Notes: A. An equity-accounted investee of the Corporation.  
B. An equity-accounted investee of a wholly-owned subsidiary of the Corporation.  
C. An equity-accounted investee of the Corporation in 2001, whereas the Corporation sold the shares out in 2002.  
D. Including the amount financed and dividends receivable. The Corporation entered into a contract with All Oceans to sell vessel Ming Bamboo, vessel Ming Plum, vessel Ming Asia and vessel Ming America and related equipment with their carrying value of NTS5,115,854 and then lease them back. In addition, the Corporation sold a vessel (that was still being constructed) to All Oceans with its carrying value of NTS68,314.  
E. Entered into a contract with All Oceans to sell vessel Ming Cypress and vessel Ming Green with carrying value of NTS3,614,625 in February and November 2001.  
F. This represents freight revenue receipt held on behalf of Yangming (UK) Limited.  
G. The dividends receivable.  
H. The Corporation purchased the shares of China Mariners' Assurance Corp. and China Technology Venture Capital Corporation from Ching Ming Investment Co., Ltd. with purchase price of NTS62,375 in May and September 2002. The shares of China Mariners' Assurance Corp. have been sold out in 2002.  
I. In October 2002, the Corporation sold the shares of Taiwan Nano Electro-optical Technology Co., Ltd. to Honming Terminal & Stevedoring Co., Ltd. with selling price of NTS35,892. The gain on sale of investments has been included in other liabilities - deferred incomes.  
J. Balances of other related parties were less than 5% of the respective accounts.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

FINANCING PROVIDED  
December 31, 2002  
(In Thousands of New Taiwan Dollars)

No.	Financier	Counterparty	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate	Nature of Financing (Note A)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counterparty	Maximum Amount of Financing that can be Provided by the Financier
											Item	Value		
0	Yang Ming Marine Transport Corporation	All Oceans Transportation, Inc.	Receivables from related parties	\$ 501,443 (Note I)	\$ 462,870 (Note J)	4%	1	\$ 2,037,772	-	\$ -	-	\$ -	\$ 3,301,769 (Note C)	\$ 5,502,948 (Note B)
		Yang Ming Line Holding Co.	Receivables from related parties	72,975 (Note K)	72,975 (Note K)	4%	2	-	Investment in West Basin Container Terminal LLC and United Terminal Leasing LLC	-	-	-	550,295 (Note C)	5,502,948 (Note C)
1	Yang Ming Shipping (B.V.I.) Inc.	Karman Properties Limited	Other current assets	105,390 (Note C)	105,390 (Note L)	3%	2	-	Acquisition of office building	-	-	-	305,908 (Note E)	382,385 (Note D)
1	Kuang Ming Shipping Corp.	Kuang Ming Shipping Corp. (Panama)	Other receivables	41,700 (Note M)	41,700 (Note M)	2.8%	2	-	Payment of debts	-	-	-	50,000	56,779 (Note F)
2	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line B.V.	Other current assets	19,315 (Note N)	19,315 (Note N)	1.5%	2	-	Investment in Yang Ming Italy S.P.A. and Yangming (UK) Ltd.	-	-	-	2,231,749 (Note E)	2,789,686 (Note G)
3	Young-Carrier Company Ltd.	Yang Ming Line (Singapore) Pte. Ltd.	Receivables from related parties	139,000 (Note O)	139,000 (Note O)	1%	2	-	Acquisition of office building	-	-	-	237,580 (Note H)	237,580 (Note H)

- Notes:
- A. Nature of Financing:
    1. With which the Corporation has transactions.
    2. There is a need for short-term financing.
  - B. It represents 30% of issued capital stock of the Corporation.
  - C. With which the Corporation has transactions, it represents 60% of the amount mentioned in Note B. For the Corporation there is a need for short-term financing, it represents 10% of the amount mentioned in Note B.
  - D. It represents the net asset value.
  - E. It represents 80% of the net asset value.
  - F. It represents 20% of net asset value.
  - G. It represents 100% of net asset value.
  - H. It represents the undistributed earnings of the latest financial statements.
  - I. This is equivalent to US\$14,430,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$34.75.
  - J. This is equivalent to US\$13,320,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$34.75.
  - K. This is equivalent to US\$2,100,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$34.75.
  - L. This is equivalent to HK\$23,651,000 translated into New Taiwan dollars using exchange rate of HK\$1:NT\$4.4560.
  - M. This is equivalent to US\$1,200,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$34.75.
  - N. This is equivalent to US\$556,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$34.75.
  - O. This is equivalent to US\$4,000,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$34.75.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED

December 31, 2002

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

No.	Guarantor	Counterparty		Maximum Amount of Guarantee to Individual Counterparties	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity Shown in the Latest Financial Statement	Maximum Amount of Guarantee that can be Provided by the Guarantor
		Name	Nature of Relationship						
0	Yang Ming Marine Transport Corporation	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Investees accounted for using the equity method	\$ 14,674,528 (Note B)	\$ 4,025,693 (Note F)	\$ 3,481,823 (Note G)	\$ -	14.27	\$ 18,343,160 (Note A)
		All Oceans Transportation, Inc.	Investees accounted for using the equity method	14,674,528 (Note B)	3,551,834 (Note H)	3,103,240 (Note I)	-	12.72	18,343,160 (Note A)
		Solar International Shipping Agency, Inc.	Shipping agent	14,674,528 (Note B)	52,125 (Note J)	52,125 (Note J)	-	0.21	18,343,160 (Note A)
		Yangming (UK) Ltd.	Investees accounted for using the equity method	14,674,528 (Note B)	9,000 (Note N)	-	-	-	18,343,160 (Note A)
0, 1	Yang Ming Marine Transport Corporation and Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Investees accounted for using the equity method	14,674,528 (Note B)	139,510 (Note K)	139,510 (Note K)	-	0.57	18,343,160 (Note A)
1	Kuang Ming Shipping Corp.	Kuang Ming Shipping Corp. (Panama)	Investees accounted for using the equity method	157,500 (Note E)	78,188 (Note L)	-	-	-	315,000 (Note A)
1	Yang Mine Line Holding Co.	West Basin Container Terminal LLC	Investees accounted for using the equity method	500,400 (Note D)	20,412 (Note M)	20,412 (Note M)	-	19.21	625,500 (Note C)

Notes:

- A. It represents 100% of the issued capital stock of the Corporation.
- B. It represents 80% of the issued capital stock of the Corporation.
- C. It represents US\$18,000,000.
- D. It represents US\$14,400,000.
- E. It represents 50% of the issued capital stock of the Company.
- F. This is equivalent to US\$115,847,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$ 34.75.
- G. This is equivalent to US\$100,196,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$ 34.75.
- H. This is equivalent to US\$102,211,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$ 34.75.
- I. This is equivalent to US\$89,302,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$34.75.
- J. This is equivalent to US\$1,500,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$34.75.
- K. This is equivalent to US\$4,015,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$34.75.
- L. This is equivalent to US\$2,250,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$34.75.
- M. This is equivalent to US\$587,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$34.75.
- N. The guarantee was canceled in October 2002.

## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

## MARKETABLE SECURITIES HELD

December 31, 2002

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2002				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
Yang Ming Marine Transport Corp.	<u>Common stock</u>							
	Ritek Corporation	-	Short-term investment	9,842,625	\$ 731,463	0.47	\$ 158,082	
	Sunplus Technology Co., Ltd.	-	Short-term investment	1,625,000	134,665	0.23	113,527	
	United Microelectronics Corp.	-	Short-term investment	1,428,300	104,243	0.01	34,091	
	Senao International Co, Ltd.	-	Short-term investment	3,370,752	96,000	1.80	103,280	
	Chunghwa Picture Tubes, Ltd.	-	Short-term investment	2,954,129	75,768	0.06	36,643	
	Asustek Computer Inc.	-	Short-term investment	289,000	64,402	0.01	19,521	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investment	591,360	55,020	-	28,441	
	Elan Microelectronics Corp	-	Short-term investment	2,469,220	50,962	0.76	59,461	
	Macronix International Co., Ltd	-	Short-term investment	858,000	49,362	0.02	10,304	
	Compal Electronics, Inc.	-	Short-term investment	633,000	42,012	0.03	24,684	
	Dbtel Incorporated	-	Short-term investment	563,036	39,932	0.09	12,008	
	Twinhead International Corp.	-	Short-term investment	796,400	29,788	0.15	5,518	
	U-Tech Media Corp.	-	Short-term investment	1,000,000	26,753	0.66	45,209	
	Orient Semiconductor Electronics, Limited	-	Short-term investment	598,097	24,062	0.05	3,544	
	Polaris Securities Co., Ltd.	-	Short-term investment	455,768	23,620	0.04	5,999	
	Advanced Semiconductor Engineering, Inc.	-	Short-term investment	308,000	18,341	0.01	6,656	
	Inventec Corporation	-	Short-term investment	264,000	16,474	0.01	5,626	
	Winbond Electronics Corp	-	Short-term investment	240,000	15,970	0.01	3,797	
	Micro-Star International Co., Ltd.	-	Short-term investment	135,000	15,503	0.02	8,646	
	Yageo Corporation	-	Short-term investment	499,468	15,337	0.02	5,090	
	Gigastorage Corporation	-	Short-term investment	495,000	14,972	0.20	4,575	
	Delpha Construction Co., Ltd.	-	Short-term investment	376,310	14,523	0.09	802	
	Quanta Computer Inc.	-	Short-term investment	115,000	13,730	-	7,512	
	Ichia Technologies, Inc	-	Short-term investment	230,000	13,279	0.17	11,003	
	Universal Scientific Industrial Co., Ltd.	-	Short-term investment	166,600	12,517	0.02	1,792	
	Realtek Semiconductor Corp	-	Short-term investment	91,000	11,504	0.02	9,123	
	Prodisc Technology Inc.	-	Short-term investment	158,270	10,830	0.03	2,919	
	Accton Technology Corp.	-	Short-term investment	122,500	10,265	0.02	4,753	
	Mosel Vitelic Inc.	-	Short-term investment	200,000	10,164	0.01	1,102	
	Siliconware Precision Industries Co., Ltd.	-	Short-term investment	165,995	7,687	0.01	3,080	
	Aurora Corporation	-	Short-term investment	132,000	7,459	0.04	1,096	
	Ambit Microsystems Corp.	-	Short-term investment	50,800	6,369	0.02	5,924	
	Hannstar Display Corp.	-	Short-term investment	100,000	3,135	-	1,107	
	Huanan Commercial Bank	-	Short-term investment	62,383	2,529	-	1,493	
	Taiwan Mask Corp.	-	Short-term investment	26,967	2,135	-	492	
	Weltrend Semiconductor, Inc.	-	Short-term investment	34,730	1,924	0.02	1,143	
	Cheng Loong Corp.	-	Short-term investment	80,112	1,479	0.01	729	
	Chang Hwa Commercial Bank, Ltd	-	Short-term investment	61,200	1,252	-	1,032	
	Silicon Integrated Systems Corp.	-	Short-term investment	3,427	234	-	85	
	Taiwan Fu Hsing Industrial Co., Ltd.	-	Short-term investment	4,279	173	-	84	
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	67,505,031	2,789,686	100.00	2,789,686	
	Yang Ming Line (Singapore) Pte. Ltd.	Investee accounted for using the equity method	Investment in shares of stock	28,400,000	1,359,232	100.00	1,359,232	
	Chunghwa Investment Co., Ltd	Investee accounted for using the equity method	Investment in shares of stock	80,000,000	801,541	40.00	801,541	
	Yes Logistics Corp.	Investee accounted for using the equity method	Investment in shares of stock	45,251,100	427,186	90.50	427,449	Note G

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2002				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
	Honming Terminal & Stevedoring Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	31,600,000	\$ 352,051	79.00	\$ 352,051	
	Kuang Ming Shipping Corp.	Investee accounted for using the equity method	Investment in shares of stock	31,499,417	283,897	100.00	307,614	Note G
	All Oceans Transportation, Inc.	Investee accounted for using the equity method	Investment in shares of stock	1,000	228,780	100.00	228,780	
	Yang Ming Line Holding Co.	Investee accounted for using the equity method	Investment in shares of stock	7,500	106,181	100.00	106,181	
	Transyang Shipping Pte. Ltd.	Investee accounted for using the equity method	Investment in shares of stock	686	76,468	24.99	76,468	
	Jing Ming Transportation Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	4,899,539	61,018	50.80	62,083	Note G
	Ching Ming Investment Corp.	Investee accounted for using the equity method	Investment in shares of stock	149,946,800	( 244,213 )	99.96	479,175	Notes D and G
	United Venture Capital Corp.	-	Investment in shares of stock	8,000,000	80,000	9.04	68,011	
	Waterland Financial Holdings Co., Ltd.	-	Investment in shares of stock	9,086,561	70,000	0.43	58,335	
	Ritek Photonics Corp.	-	Investment in shares of stock	3,000,000	45,000	2.00	27,542	
	Hotung Investment Holding Ltd.	-	Investment in shares of stock	8,861,600	40,268	0.70	30,640	
	SF Technology Venture Capital Investment Corp.	-	Investment in shares of stock	4,000,000	40,000	7.24	39,138	
	Taiwan Nano Electro-Optical Technology Co., Ltd.	-	Investment in shares of stock	2,719,839	37,590	4.53	19,890	
	China Technology Venture Capital Corporation	-	Investment in shares of stock	3,000,000	30,000	8.96	29,389	
	Kingmax Technology Corp.	-	Investment in shares of stock	1,534,944	24,000	1.40	22,962	
	Ascentek Venture Capital Corp.	-	Investment in shares of stock	2,000,000	20,080	2.14	21,070	
	Forwin Securities Corp.	-	Investment in shares of stock	2,500,000	20,000	2.00	15,945	
	Imaging Quality Technology Inc.	-	Investment in shares of stock	350,000	3,500	2.14	1,660	
	<u>Preferred stock</u>							
	New Century Infocomm Co., Ltd.	-	Investment in shares of stock	80,000,000	864,000	1.68	759,134	
	Penguin Computing, Inc.	-	Investment in shares of stock	218,341	7,698	0.93	-	
	Arescom Inc.	-	Investment in shares of stock	100,000	7,698	0.24	1	
	<u>Mutual fund</u>							
	Entrust KIRIN Bond Fund	-	Short-term investment	99,847,017	1,035,563	-	1,037,011	
	Fuh-Hwa Bond Fund	-	Short-term investment	46,624,838	579,481	-	580,246	
	Rsit Enhanced Bond Fund	-	Short-term investment	52,784,584	544,420	-	544,584	
	Prudential Well Pool Fund	-	Short-term investment	41,307,080	488,000	-	488,155	
	Sun Bond Fund	-	Short-term investment	42,308,746	424,000	-	424,708	
	Tiim Bond Fund	-	Short-term investment	29,885,601	397,326	-	397,816	
	Solomon Bond Fund	-	Short-term investment	34,638,957	379,498	-	379,601	
	Phoenix Bond Fund	-	Short-term investment	13,211,317	186,720	-	186,986	
	Tiim High Yield Fund	-	Short-term investment	15,870,460	182,761	-	182,761	
	Capital Cash Reserves Fund	-	Short-term investment	15,642,550	171,420	-	171,546	
	KGI Victory Fund	-	Short-term investment	12,943,312	130,410	-	131,155	
	Capital Safe Income Fund	-	Short-term investment	9,171,615	126,900	-	127,001	
	Prudential Bond Fund	-	Short-term investment	7,667,872	112,000	-	112,212	
	Core Pacific European Fund	-	Short-term investment	9,000,000	90,000	-	48,780	
	Fuh-Hwa Albatross Fund	-	Short-term investment	7,004,494	73,524	-	73,620	
	Iit Wan Pao Fund	-	Short-term investment	4,859,486	68,464	-	69,334	
	Taiyu Long River Bond Fund	-	Short-term investment	5,791,226	64,000	-	64,280	
	Jih Sun Bond Fund	-	Short-term investment	4,679,530	60,000	-	60,053	
	Taiwan Bond Fund	-	Short-term investment	3,985,302	55,967	-	56,030	
	Abn Amro Aggressive Taiwan Bond Fund	-	Short-term investment	5,019,324	50,000	-	50,460	
	Apollo Fund	-	Short-term investment	5,000,000	50,000	-	25,300	
	Fubon Ju-I Two Fund	-	Short-term investment	3,208,799	44,000	-	44,011	
	Capital Cash Reserves Fund	-	Short-term investment	2,523,665	31,185	-	31,328	
	Sheng Hua 1699 Bond Fund	-	Short-term investment	1,889,888	22,000	-	22,013	
	Nitc Value Fund	-	Short-term investment	2,000,000	20,000	-	11,660	
	Abn Amro Global Leader Fund	-	Short-term investment	1,000,000	10,010	-	10,350	
	Tiim Prime Balanced Fund	-	Short-term investment	1,000,000	10,000	-	7,570	
	Fareastern Alliance Technology Fund	-	Short-term investment	1,000,000	10,000	-	5,930	

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2002				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
Ching Ming Investment Co., Ltd.	Dashin Dashin Fund	-	Short-term investment	1,000,000	\$ 10,000	-	\$ 4,860	61,400,000 shares pledged as collateral for short-term bank loan. 5,599,000 shares pledged as collateral for short-term bank loan.
	United Triumph Bund Fund	-	Short-term investment	997,168	10,000	-	10,160	
	Kgi Pioneer Fund	-	Short-term investment	166,806	2,000	-	1,416	
	<u>Convertible bonds</u>							
	China Airlines Ltd. Convertible Bond-I	-	Short-term investment	160,000	16,000	-	19,758	
	I-Chiun Precision Convertible Bond-I	-	Short-term investment	1,000	115	-	108	
	<u>Deposit on subscriptions</u>							
	Taipei Port Container Terminal Co., Ltd.	-	Long-term investment	-	6,614	-	-	
	<u>Common stocks</u>							
	Yang Ming Marine Transport Corp.	Parent company	Short-term investment	65,838,308	1,271,737	0.04	669,444	
	Ritek Corporation	-	Short-term investment	7,002,336	459,757	-	112,465	
	China Container Terminal Corporation	-	Short-term investment	1,620,000	105,965	0.02	6,057	
	Micro-Star International Co., Ltd.	-	Short-term investment	135,000	15,462	-	8,646	
	Gigabyte Technology Co.	-	Short-term investment	115,000	9,113	-	6,234	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investment	110,000	9,098	-	5,290	
	Realtek Semiconductor Corp	-	Short-term investment	65,000	7,781	-	6,592	
	Nanya Technology Corporation	-	Short-term investment	100,000	4,528	-	2,294	
	Waterland Financial Holdings	-	Short-term investment	478,240	3,180	-	3,071	
	Honming Terminal & Stevedoring Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	3,950,000	44,216	9.88	44,117	
	Imaging Quality Technology Inc.	-	Investment in shares of stock	185,325	1,866	0.02	894	
Tytech Co. Ltd.	-	Investment in shares of stock	150,000	1,500	0.18	543		
Ritek Photonics Corp.	-	Investment in shares of stock	45,000	516	-	443		
<u>Mutual fund</u>								
Rsit Enhanced Bond Fund	-	Short-term investment	73,878	752	-	762		
Waterland Vision Fund	-	Short-term investment	50,000	500	-	468		
Yes Logistics Corp.	<u>Common stocks</u>							
	Waterland Financial Holdings	-	Short-term investment	478,240	3,180	-	3,071	
	Winbond Electronics Corp	-	Short-term investment	29,875	1,631	-	473	
	Silicon Integrated Systems Corp.	-	Short-term investment	16,499	1,522	-	408	
	United Microelectronics Corp.	-	Short-term investment	19,837	1,238	-	724	
	Ritek Corporation	-	Short-term investment	16,250	1,182	-	261	
	Elite Semi-Conductor Memory Technology Inc.	-	Short-term investment	2,000	855	-	303	
	Media Tek Inc.	-	Short-term investment	1,400	712	-	406	
	Synnex Technology International Corp.	-	Short-term investment	6,875	696	-	376	
	Vanguard International Semiconductor Co.	-	Short-term investment	15,000	659	0.01	117	
	Holy Store Enterprise Co., Ltd.	-	Short-term investment	4,256	495	-	214	
	Promos Technology Inc.	-	Short-term investment	5,950	393	-	62	
	Walsin Technology Corp.	-	Short-term investment	7,000	340	-	139	
	Macronix International Co., Ltd	-	Short-term investment	7,150	340	-	86	
	Via Technologies, Inc.	-	Short-term investment	1,952	318	-	79	
Tailyn Communication Co, Ltd.	-	Short-term investment	5,250	180	-	49		

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2002				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
	Honming Terminal & Stevedoring Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	4,382,370	\$ 44,037	10.96	\$ 48,837	
	Yes Logistics Corp.	Investee accounted for using the equity method	Investment in shares of stock	100,000	2,750	100.00	2,750	
	Yes Logistics Corp. Ltd.	Investee accounted for using the equity method	Investment in shares of stock	100,000	447	100.00	447	
	B2B. Com Holdings	-	Investment in shares of stock	800,000	39,533	8.00	41,579	
	United Raw Material Solutions, Inc.	-	Investment in shares of stock	200,000	33,128	1.33	5,083	
	<u>Mutual fund</u>							
	Phoenix Bond Fund	-	Short-term investment	5,098,006	68,000	-	72,155	
	Rsit Enhanced Bond Fund	-	Short-term investment	3,630,018	37,000	-	37,451	
	Fuh-Hwa Bond Fund	-	Short-term investment	2,758,585	33,000	-	34,331	
	Forever Fund	-	Short-term investment	1,671,740	21,040	-	22,758	
	Tiim Bond Fund	-	Short-term investment	2,659,126	20,311	-	34,935	
	Nam Short Term Fixed Income Fund	-	Short-term investment	45,614	19,845	-	20,061	
	Capital High Yield	-	Short-term investment	981,070	12,060	-	12,179	
	HSBC Taiwan Safe And Rich Fund	-	Short-term investment	397,773	10,080	-	4,932	
	Fuh-Hwa Global Bond Fund	-	Short-term investment	1,000,000	10,020	-	10,341	
	Fuh-Hwa Heirloom Balance Fund	-	Short-term investment	815,067	9,100	-	9,458	
	Tiim High Yield Fund	-	Short-term investment	670,469	7,600	-	7,721	
	Chung Hsing Ping-An Fund	-	Short-term investment	598,874	6,000	-	6,022	
	Fuh-Hwa Yu-Li Fund	-	Short-term investment	453,358	5,005	-	5,220	
	Jump Fund	-	Short-term investment	500,000	5,000	-	4,770	
	Prudential Financial Return Fund	-	Short-term investment	385,642	5,000	-	5,060	
	Entrust KIRIN Bond Fund	-	Short-term investment	481,417	5,000	-	5,000	
	Tung Hsing Fund	-	Short-term investment	332,696	4,000	-	3,722	
	Nitc Us Technology Fund	-	Short-term investment	200,000	2,006	-	1,786	
	Mid-Small Cap. Fund	-	Short-term investment	199,700	2,000	-	1,851	
	Optima Fund	-	Short-term investment	159,794	1,911	-	1,731	
	Prudential Financial Taiwan Enterprise Fund	-	Short-term investment	68,353	1,003	-	619	
	Prudential Financial Maxima Fund	-	Short-term investment	39,262	1,000	-	605	
	Barits Bond Fund	-	Short-term investment	187,205	214	-	2,149	
Yang Ming Line (Singapore) Pte. Ltd.	<u>Common stocks</u>							
	Sunplus Technology Co., Ltd.	-	Short-term investment	759,375	66,499	0.14	53,052	
	Dbtel Incorporated	-	Short-term investment	426,059	33,154	0.07	9,087	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investment	295,680	27,787	-	14,221	
	Ritek Corporation	-	Short-term investment	279,500	25,553	0.01	4,489	
	Macronix International Co., Ltd	-	Short-term investment	228,800	13,674	0.01	2,748	
	Au Optronics Corp.	-	Short-term investment	200,000	8,599	0.01	4,342	
	Winbond Electronics Corp	-	Short-term investment	47,800	3,445	-	756	
	Silicon Integrated Systems Corp.	-	Short-term investment	50,000	2,659	-	1,236	
	Yang Ming Shipping (B.V.I) Inc.	Investee accounted for using the equity method	Investment in shares of stock	510	191,587	51.00	191,587	
	Young-Carrier Company Ltd.	Investee accounted for using the equity method	Investment in shares of stock	910,000	220,289	91.00	220,289	
	Yangming (Japan) Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	3,000	40,775	100.00	40,775	
	Yangming Shipping (Singapore) Pte Ltd.	Investee accounted for using the equity method	Investment in shares of stock	1,000,000	25,231	100.00	25,231	
	Yang Ming Line (M) Sdn. Bhd.	Investee accounted for using the equity method	Investment in shares of stock	700,000	11,501	70.00	11,501	
	Yangming (Cayman) Ltd.	Investee accounted for using the equity method	Investment in shares of stock	20,000	13	100.00	13	
	Yang Ming Line (Hong Kong) Ltd.	Investee accounted for using the equity method	Investment in shares of stock	510,000	( 32,308 )	51.00	( 32,308 )	Note D
	<u>Global depository receipt</u>							
	Permal Emerging Market Holdings N.V.	-	Short-term investment	358	17,405	-	16,510	
	Permal Investment Holdings N.V.	-	Short-term investment	175	17,396	-	16,408	
	Viasource Policy Fund	-	Short-term investment	5	17,375	-	17,375	
	Sunplus Technology Co., Ltd. GDR	-	Short-term investment	83,837	16,393	-	11,715	
	Synnex Technology International Corp. Gdr	-	Short-term investment	50,749	11,097	-	11,106	

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2002				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
	<u>Foreign Convertible Bond</u> Giga-Byte Technology International Co, Ltd.	-	Short-term investment Short-term investment	500,000	\$ 17,375	-	\$ 11,547	
Yangming (Japan) Co., Ltd.	<u>Common stocks</u> Manwa &Co, Ltd.	Investee accounted for using the equity method	Investment in shares of stock	200	2,814	100.00	2,814	
Yang Ming Shipping (B.V.I) Inc.	<u>Common stocks</u> Karman Properties Limited	Investee accounted for using the equity method	Investment in shares of stock	1,000	( 6,840 )	100.00	( 6,840 )	Note D
Jing Ming Transportation Co., Ltd.	<u>Common stocks</u> Yang Ming Marine Transport Corp.	Parent company	Short-term investment	200,412	2,033	-	2,038	
Yang Ming Line (B.V.I.) Holding Co., Ltd.	<u>Common stocks</u> Yang Ming Line N.V.	Investee accounted for using the equity method	Investment in shares of stock	1,500,000	( 150,684 )	100.00	( 150,684 )	Note D
Yang Ming Line N.V.	<u>Common stocks</u> Yang Ming Line B.V.	Investee accounted for using the equity method	Investment in shares of stock	2,500	( 154,724 )	100.00	( 154,724 )	Note D
Yang Ming Line B.V.	<u>Common stocks</u> Yangming (UK) Ltd. Yang Ming Shipping Europe GmbH Yang Ming Italy S.p.A.	Investee accounted for using the equity method Investee accounted for using the equity method Investee accounted for using the equity method	Investment in shares of stock Investment in shares of stock Investment in shares of stock	900,000 (Note B) 125,000	( 157,420 ) 20,576 4,319	100.00 100.00 50.00	( 157,420 ) 20,576 4,319	Note D
Yangming (UK) Ltd.	<u>Common stocks</u> Corstor Ltd.	Investee accounted for using the equity method	Investment in shares of stock	(Note C)	26	50.00	26	
Kuang Ming Shipping Corp.	<u>Common stocks</u> Kuang Ming Shipping Corp. (Panama) Yang Ming Marine Transport Corp. China Steel Corporation Yuen Foong Yu Paper Mfg. Co, Ltd. Siliconware Precision Industries Co, Ltd.	Investee accounted for using the equity method Parent company - - -	Investment in shares of stock Short-term investment Short-term investment Short-term investment Short-term investment	49,500 1,704,995 607,603 3,440 594	68,418 34,405 14,183 57 32	100.00 0.09 - - -	81,499 17,336 11,901 32 11	
	<u>Mutual fund</u> Transcend Fortune Bond Fund Asia Pacific Bond Fund Sheng Hua 5599 Bond Fund Capital Cash Reserves Fund Prudential Bond Fund Home Run Fund Jih Sun Bond Fund Solomon Bond Fund Forever Fund Fuh-Hwa Bond Fund Sheng Hua 1699 Bond Fund Capital Safe Income Fund Dashin Bond Fund	- - - - - - - - - - - - - -	Short-term investment Short-term investment	880,012 840,655 669,363 642,644 355,205 382,462 392,215 460,876 381,263 412,718 433,670 364,894 421,845	10,000 10,000 7,000 7,000 5,000 5,000 5,000 5,000 5,000 5,000 5,000 5,000 5,000	- - - - - - - - - - - - -	10,077 10,079 7,047 7,048 5,198 5,050 5,033 5,051 5,190 5,136 5,051 5,053 5,063	
	<u>Convertible bonds</u> Yang Ming Marine Transport Corp. Convertible Bond - I	Parent Company	Long-term investment	50,000	5,000	-	5,175	
Honming Terminal & Stevedoring Co., Ltd.	<u>Common stocks</u> Yes Logistics Corp.	Investee accounted for using the equity method	Investment in shares of stock	1,061,000	10,139	2.10	10,023	

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2002				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
Yang Ming Line Holding Co.	<u>Common stocks</u> West Basin Container Terminal LLC United Terminal Leasing LLC	Investee accounted for using the equity method Investee accounted for using the equity method	Investment in shares of stock Investment in shares of stock	(Note E) (Note F)	144,441 34,750	40.00 40.00	144,441 34,750	

Notes:

- A. The market values are based on average closing prices for the month of December 2002 or the net value of the fund on December 31, 2002. If market prices are unavailable, upon the net assets of investees.
- B. The authorized capital stock is DMS\$1,600,000 and the issued capital stock is DMS\$800,000.
- C. The issued capital stock is GBPS\$1,000.
- D. Investees had negative net assets. Accordingly, the negative carrying value of the investments were presented as liability.
- E. This is equivalent to US\$3,800,000 and no shares issued.
- F. This is equivalent to US\$1,000,000 and no shares issued.
- G. Reclassified from investment in shares of stock to treasury stock proportionately.

## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

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

For the Year Ended December 31, 2002

(In Thousands of New Taiwan Dollars, Except Shares/Units Information)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Price	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Yang Ming Marine Transport Corp.	<u>Mutual Fund</u>													
	EnTrust Kirin Bond Fund	Short-term investment	-	-	9,511,416	\$ 95,500	191,165,646	\$ 1,962,063	100,830,042	\$ 1,045,563	\$ 1,022,000	\$ 23,563	99,847,017	\$ 1,035,563
	Fuh-Hwa Bond Fund	Short-term investment	-	-	27,778,748	321,100	65,470,927	807,961	46,624,838	579,481	549,580	29,901	46,624,838	579,481
	Rsit Enhanced Bond Fund	Short-term investment	-	-	-	-	105,569,167	1,082,430	52,784,584	544,420	538,010	6,410	52,784,584	544,420
	Prudential Well Pool Fund	Short-term investment	-	-	-	-	41,307,080	488,000	-	-	-	-	41,307,080	488,000
	Sun Bond Fund	Short-term investment	-	-	-	-	42,308,746	424,000	-	-	-	-	42,308,746	424,000
	TIIM Bond Fund	Short-term investment	-	-	3,867,395	50,000	104,778,326	1,381,626	78,760,120	1,040,801	1,034,300	6,501	29,885,601	397,326
	Solomon Bond Fund	Short-term investment	-	-	-	-	82,986,917	907,497	48,347,960	529,497	528,000	1,497	34,638,957	379,498
	Phonix Bond Fund	Short-term investment	-	-	-	-	28,944,452	406,720	15,733,135	221,852	220,000	8,890	13,211,317	186,720
	TIIM High Yield Fund	Short-term investment	-	-	5,000,000	50,000	26,740,919	304,261	15,870,460	182,761	171,500	11,261	15,870,460	182,761
	Capital Cash Reserves Fund	Short-term investment	-	-	-	-	37,751,721	411,420	22,109,171	241,420	240,000	1,420	15,642,550	171,420
	KGI Victory Fund	Short-term investment	-	-	-	-	33,837,275	340,000	20,893,963	210,179	209,590	589	12,943,312	130,410
	Capital Safe Income Fund	Short-term investment	-	-	-	-	18,343,230	252,900	9,171,615	126,900	126,000	900	9,171,615	126,900
	Prudential Bond Fund	Short-term investment	-	-	-	-	8,563,250	125,000	895,379	13,069	13,000	69	7,667,872	112,000
	Fuh-Hwa Albatross Fund	Short-term investment	-	-	1,016,651	10,301	12,992,337	135,534	7,004,494	73,524	72,311	1,213	7,004,494	73,524
	IIT Wan Pao Fund	Short-term investment	-	-	-	-	28,602,814	400,000	23,743,328	335,000	331,537	3,463	4,859,486	68,464
	Taiyu Long river Bond Fund	Short-term investment	-	-	-	-	24,621,876	268,000	18,830,649	206,001	204,000	2,001	5,791,226	64,000
	Jih Sun Bond Fund	Short-term investment	-	-	-	-	20,886,077	265,000	16,206,547	205,570	205,000	570	4,679,530	60,000
	Taiwan Bond Fund	Short-term investment	-	-	-	-	40,318,378	555,967	36,333,076	502,967	500,000	2,967	3,985,302	55,967
	Abn Amro Aggressive Taiwan Bond Fund	Short-term investment	-	-	-	-	11,721,603	117,000	6,702,279	67,043	67,000	43	5,019,324	50,000
	Sheng Hua 1699 Bond Fund	Short-term investment	-	-	-	-	39,944,731	456,000	38,054,843	438,124	434,000	4,124	1,889,888	22,000
	Forever Fund	Short-term investment	-	-	-	-	33,212,817	444,000	33,212,817	447,216	444,000	3,216	-	-
	Truswell Yi Li Shi	Short-term investment	-	-	-	-	93,136,941	1,097,000	93,136,941	1,101,552	1,097,000	4,552	-	-
	Barits Bond Fund	Short-term investment	-	-	-	-	32,995,529	369,000	32,995,529	373,151	369,000	4,151	-	-
	IIT High-Yield Fund	Short-term investment	-	-	-	-	36,770,612	487,890	36,770,612	491,334	487,890	3,444	-	-
	IIT Increment Fund	Short-term investment	-	-	-	-	23,226,035	323,000	23,226,035	327,717	323,000	4,717	-	-
	Polaris De-Li Fund	Short-term investment	-	-	-	-	7,880,778	111,000	7,880,778	111,239	111,000	239	-	-
	Polaris De-Bao Bond Fund	Short-term investment	-	-	-	-	27,218,995	279,000	27,218,995	280,807	279,000	1,807	-	-
	Shinkong Chi-Shin Fund	Short-term investment	-	-	-	-	45,814,901	608,000	45,814,901	610,511	608,000	2,511	-	-
	Ta Chong Bond Fund	Short-term investment	-	-	-	-	79,204,916	957,000	79,204,916	964,145	957,000	7,145	-	-
	Kwang Hua Bond Fund	Short-term investment	-	-	-	-	11,192,456	156,043	11,192,456	156,319	156,043	276	-	-
	Union Bond Fund	Short-term investment	-	-	-	-	55,047,391	618,000	55,047,391	620,386	618,000	2,386	-	-
Transcend Fortune Bond Fund	Short-term investment	-	-	-	-	34,184,151	382,000	34,184,151	386,365	382,000	4,365	-	-	
Diamond Bond Fund	Short-term investment	-	-	-	-	88,479,752	938,480	88,479,752	945,044	938,480	6,564	-	-	
Truswell Premier Fund	Short-term investment	-	-	-	-	27,965,785	289,000	27,965,785	291,760	289,000	2,760	-	-	
Chung Hsing Ping-An Fund	Short-term investment	-	-	-	-	18,483,619	185,000	18,483,619	185,518	185,000	518	-	-	
Deutsche Managed Euro Fund	Short-term investment	-	-	-	-	-	975,068	-	1,018,205	975,068	43,137	-	-	
Yang Ming Line Holding Co.	<u>Common Stocks</u>													
	West Basin Container Terminal LLC	Investment in share of stock	-	-	-	-	Note A	132,050	-	-	-	-	Note A	132,050
Yang Ming Line (Singapore) Pte. Ltd.	<u>Preferred stocks</u>													
	GRC Leasing II Pte. Limited	Investment in share of stock	-	-	10,000,000	347,500	-	-	10,000,000	846,713	347,500	499,213	-	-

Note A: This is equivalent to US\$3,800,000 and no shares issued.

## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

December 31, 2002

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yang Ming Marine Transport Corp.	All Oceans Transportation, Inc.	A	\$ 10,988,439 (Note C)	-	\$ -	-	\$ -	\$ -
	Young-Carrier Company Ltd.	B	355,101	-	-	-	329,125	-
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	208,500 (Note D)	-	-	-	-	-
	Yangming (UK) Ltd.	B	139,321	-	-	-	33,090	-

## Notes:

- A. An equity-accounted investee.
- B. An investee of equity-accounted wholly owned subsidiaries.
- C. Long-term receivables of related parties.
- D. The dividends receivable.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
For the Year Ended December 31, 2002  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note D)		Balance as of December 31, 2002			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2002	Dec. 31, 2001	Shares	Percentage of Ownership	Carrying Value			
Yang Ming Marine Transport Corp.	Yang Ming Line (B.V.I.) Holding Co., Ltd.	British Virgin Islands	Investment, shipping agency, forwarding agency and shipping managers	\$ 2,136,925	\$ 2,136,925	67,505,031	100.00	\$ 2,789,686	\$ 442,912	\$ 442,912	Subsidiary of the Corporation
	Yang Ming Line (Singapore) Pte. Ltd.	Singapore	Investment, shipping service, chartering, sales and purchase of ships and forwarding agency	569,686	569,686	28,400,000	100.00	1,359,232	650,861	650,861	Subsidiary of the Corporation
	Ching Ming Investment Corp.	Taipei	Investment	1,499,468	1,499,468	149,946,800	99.96	( 244,213)	40,765	( 117,199)	Subsidiary of the Corporation
	All Oceans Transportation, Inc.	Monrovia, Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,235	3,235	1,000	100.00	228,780	( 35,432)	( 35,432)	Subsidiary of the Corporation
	YES Logistics Corp.	Keelung	Warehouse operation and forwarding agency	451,944	451,944	45,251,100	90.50	427,186	( 303)	( 3,617)	Subsidiary of the Corporation
	Kuang Ming Shipping Corp.	Taipei	Shipping service, shipping agency and forwarding agency	145,085	89,920	31,499,417	100.00	283,897	( 43,577)	( 47,092)	Subsidiary of the Corporation
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung	Terminal operation and stevedoring	316,000	316,000	31,600,000	79.00	352,051	29,964	23,671	Subsidiary of the Corporation
	Jing Ming Transportation Co., Ltd.	Kaohsiung	Container transportation	35,560	35,560	4,899,539	50.80	61,018	18,080	8,216	Subsidiary of the Corporation
	Yang Ming Line Holding Co.	Wilmington, USA	Investment, shipping agency, forwarding agency and shipping managers	52,297	82	7,500	100.00	106,181	11,074	11,074	Subsidiary of the Corporation
	Transyang Shipping Pte. Ltd.	Singapore	Shipping service, chartering, sales and purchase of ships, forwarding agency and shipping agency	24,842	24,842	686	24.99	76,468	40,823	10,601	(Note C)
	Chunghwa Investment Co., Ltd	Taipei	Investment	800,000	800,000	80,000,000	40.00	801,541	3,240	1,296	Exercised significant influence on the Company
Ching Ming Investment Corp.	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung	Terminal operation and stevedoring	39,500	39,500	3,950,000	9.88	44,216	29,964	-	Subsidiary of the Corporation
Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Los Angeles, USA	Terminal operation and stevedoring	132,050	-	(Note F)	40.00	144,441	30,818	-	Exercised significant influence on the Company
	United Terminal Leasing LLC	Los Angeles, USA	Terminal operation machine leasement	34,750	-	(Note G)	40.00	34,750	( 52)	-	Exercised significant influence on the Company
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line N.V.	Netherlands Antilles	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	1,500,000	100.00	( 150,684)	( 56,825)	-	Subsidiary of a wholly-owned subsidiary
Yang Ming Line N.V.	Yang Ming Line B.V.	Amsterdam, The Netherlands	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	2,500	100.00	( 154,724)	( 56,672)	-	Subsidiary of a wholly-owned subsidiary

(Forward)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note D)		Balance as of December 31, 2002			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note	
				Dec. 31, 2002	Dec. 31, 2001	Shares	Percentage of Ownership	Carrying Value				
Yang Ming Line B.V.	Yangming (UK) Ltd.	London U.K.	Investment, shipping agency, forwarding agency and shipping managers	\$ 42,408	\$ 42,408	900,000	100.00	(\$ 157,420) (Note E)	(\$ 58,279)	\$ -	- Subsidiary of a wholly-owned subsidiary	
	Yang Ming Shipping Europe GmbH	Hamburg, Germany	Investment, shipping agency, forwarding agency and shipping managers	14,448	14,448	(Note A)	100.00	20,576	( 2,057)	-	- Subsidiary of a wholly-owned subsidiary	
	Yang Ming Italy S.p.A.	Genova, Italy	Shipping agency	4,319	-	125,000	50.00	4,319	(Note F)	-	- Subsidiary of a wholly-owned subsidiary	
Yangming (UK) Ltd.	Corstor Ltd.	U.K.	Forwarding agency and shipping management	25	25	(Note B)	50.00	26	-	-	- Subsidiary of a wholly-owned subsidiary	
Yangming Shipping (Singapore) Pte Ltd.	Young-Carrier Company Ltd.	Hong Kong	Investment, shipping agency, forwarding agency and shipping managers	3,229	3,229	910,000	91.00	220,289	146,700	-	- Subsidiary of a wholly-owned subsidiary	
	Yang Ming Shipping (B.V.I) Inc.	British Virgin Islands	Forwarding agency and shipping agency	16	16	510	51.00	191,587	142,303	-	- Subsidiary of a wholly-owned subsidiary	
	Yangming (Japan) Co., Ltd.	Tokyo, Japan	Shipping service, chartering, sales and purchase of ships and forwarding agency	36,235	36,235	3,000	100.00	40,775	( 901)	-	- Subsidiary of a wholly-owned subsidiary	
	Yang Ming Line (Hong Kong) Ltd.	Hong Kong	Forwarding agency and shipping agency	2,138	2,138	510,000	51.00	( 32,308) (Note E)	( 62,854)	-	- Subsidiary of a wholly-owned subsidiary	
	Yangming Shipping (Singapore) Pte Ltd.	Singapore	Shipping agency, forwarding agency and shipping managers	18,851	18,851	1,000,000	100.00	25,231	455	-	- Subsidiary of a wholly-owned subsidiary	
	Yang Ming Line (M) Sdn. Bhd.	Malaysia	Shipping agency, forwarding agency and shipping managers	5,784	5,784	700,000	70.00	11,501	2,269	-	- Subsidiary of a wholly-owned subsidiary	
	Yangming (Cayman) Ltd.	Cayman Island	Shipping leaseament	629	629	20,000	100.00	13	( 200)	-	- Subsidiary of a wholly-owned subsidiary	
	Yangming (Japan) Co., Ltd.	Manwa & Co., Ltd.	Tokyo, Japan	Forwarding agency and shipping agency	2,666	2,666	200	100.00	2,814	135	-	- Subsidiary of a wholly-owned subsidiary
	Yang Ming Shipping (B.V.I) Inc.	Karman Properties Limited	Hong Kong	Properties agency	4	4	1,000	100.00	( 6,840) (Note E)	( 2,675)	-	- Subsidiary of a wholly-owned subsidiary
Kuang Ming Shipping Corp.	Kuang Ming Shipping Corp. (Panama)	Panama	Forwarding agency	30,887	30,887	49,500	100.00	68,418	14,942	-	- Subsidiary of a wholly-owned subsidiary	
Honming Terminal & Stevedoring Co., Ltd.	YES Logistics Corp.	Keelung	Warehouse operation and forwarding agency	10,610	10,523	1,061,000	2.10	10,139	( 330)	-	- Subsidiary of the Corporation	

(Forward)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note D)		Balance as of December 31, 2002			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2002	Dec. 31, 2001	Shares	Percentage of Ownership	Carrying Value			
YES Logistics Corp.	Yes Logistics Corp. (USA)	Auckland, USA	Shipping agency, forwarding agency and shipping managers	\$ 3,313	\$ 3,313	100,000	100.00	\$ 2,750	(\$ 161)	\$ -	Subsidiary of a wholly-owned subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung	Terminal operation and stevedoring	43,824	43,824	4,382,370	10.96	44,037	29,964	-	Subsidiary of the Corporation
	Yes Logistics Corp., Ltd. (Hong Kong)	Hong Kong	Shipping agency	425	-	100,000	100.00	447	1	-	Subsidiary of a wholly-owned subsidiary

Notes:

- A. The authorized capital stock is DMS1,600,000 and the issued capital stock is DMS800,000.
- B. The authorized and issued capital stock GBPS1,000.
- C. As permitted by the Securities and Future Commission (SFC), starting from January 1, 2000, the Corporation's equity in the net income or net loss of Transyang Shipping is recognized using the financial statements of the immediately preceding year and the equity interest of the Corporation as of the latest balance sheet date presented since the financial statement covering similar year as that of the Corporation is not timely available.
- D. This is translated into New Taiwan Dollars based on the exchange rate prevailing at the time the investments were made.
- E. Investees had negative net assets. Accordingly, the negative carrying value of the investments were presented as liability.
- F. This is equivalent to US\$3,800,000 and no shares issued.
- G. This is equivalent to US\$1,000,000 and no shares issued.