

Yang Ming Marine Transport Corporation

Financial Statements for the Six Months Ended June 30, 2002 and 2001

Together with Independent Auditors' Report

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

August 8, 2002

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 June 30, 2002 and 2001 and the related statements of income, changes in stockholders' equity and cash flows for the six months 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 six months ended June 30, 2001 of China Mariners' Assurance Corp., Kuang Ming Shipping Corp., Transyang Shipping Pte. Ltd., Yang Ming Line (Hong Kong) Ltd., Yangming Shipping (Singapore) Pte. Ltd., Yang Ming (M) Sdn. Bhd. and Yang Ming Shipping (B.V.I.) Inc. The investments in the shares of stock of these companies, either directly owned by the Corporation or owned through its wholly owned subsidiaries, are all accounted for using the equity method of accounting. The carrying values of these investments included in the accompanying balance sheets amounted to NT\$794,446 thousands representing 1.8% of the Corporation's total assets as of June 30, 2001. Also, the equity in the net income from said investees amounted to NT\$51,339 representing 14.8% of the Corporation's income before income tax for the six months ended June 30, 2001. The financial statements of the said investees were audited by other auditors whose reports have been furnished to us and our opinion, insofar as they relate to the amounts included for the investee companies mentioned above, is based solely on the reports of other auditors.

Except as discussed in the following paragraph, we conducted our audits in accordance with Regulation 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.

As described in Note 6 to the financial statements, we were unable to obtain audited financial statements as of and for the six months ended June 30, 2002 supporting some of the Corporation's equity-accounted investments, stated at \$6,215,886 thousand (as asset) and at NT\$162,133 thousands (as liability) as of June 30, 2002, and their net income of NT\$109,886 thousands, which are included in net income for the six months ended June 30, 2002; nor we able to satisfy ourselves as to the carrying value of the said investments or their net income by other auditing procedures.

In our opinion, based on our audits and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence regarding the investments in, and net income of, the equity-accounted investee companies, as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Yang Ming Marine Transport Corporation as of June 30, 2002 and 2001 and the results of its operations and its cash flows for the six months then ended in conformity with 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. The adoption of SFAS No. 30 resulted in the decrease in net income for the six months ended June 30, 2002 by NT\$53,488 thousands, and, as of June 30, 2002, decreased investments in shares of stocks and increased treasury stock by NT\$530,803 thousands.

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

June 30, 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	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 2,497,653	6	\$ 7,515,200	16	Short-term debts (Notes 10 and 20)	\$ 81,053	-	\$ 175,877	-
Short-term investments - net (Notes 2 and 5)	4,648,585	10	1,890,520	4	Payables to related parties (Note 19)	1,046,997	2	1,424,294	3
Accounts receivable - net of allowance for doubtful accounts of \$ 7,415 in 2002 and 2001 (Note 2)	1,129,186	2	919,287	2	Accrued expenses	1,566,564	3	1,121,582	3
Receivables from related parties (Note 19)	987,825	2	746,494	2	Dividend payable	16,235	-	544,307	1
Shipping fuel - net (Note 2)	457,848	1	423,057	1	Payables for equipment	48,640	-	1,274,190	3
Prepaid expenses (Note 19)	260,454	1	298,477	1	Advances from customers (Note 19)	676,535	2	836,176	2
Advances to shipping agents	880,300	2	284,563	1	Current portion of long-term debts (Notes 2, 7, 11 and 20)	2,529,936	6	1,402,728	3
Pledged time deposit (Note 20)	460,112	1	14,809	-	Payable to shipping agents	1,985,124	4	2,249,559	5
Other current assets (Notes 2 and 16)	397,076	1	480,539	1	Other current liabilities (Notes 2 and 16)	295,515	1	409,716	1
Total Current Assets	11,719,039	26	12,572,946	28	Total Current Liabilities	8,246,599	18	9,438,429	21
INVESTMENTS IN SHARES OF STOCK (Notes 2 and 6)	7,739,067	17	7,306,942	16	LONG-TERM DEBTS - Net of Current Portion				
PROPERTIES (Notes 2, 7 and 20)					Bank loans (Notes 11 and 20)	1,329,815	3	396,000	1
Cost					Bonds (Notes 11 and 20)	8,617,200	19	8,321,100	18
Land	38,901	-	38,901	-	Obligations under capital leases (Notes 2, 7 and 11)	1,196,979	3	663,904	2
Buildings	691,014	2	691,014	1	Total Long-term Debts	11,143,994	25	9,381,004	21
Containers and chassis	11,654,528	26	14,228,117	31	RESERVE FOR LAND VALUE INCREMENT TAX (Note 12)	479,639	1	479,639	1
Ships	17,311,436	38	21,241,261	47	OTHER LIABILITIES (Notes 2, 6, 13, 16, 18, 19 and 20)	1,403,752	3	1,070,448	2
Leased container and chassis	2,041,688	5	1,154,488	3	Total Liabilities	21,273,984	47	20,369,520	45
Leasehold improvements	106,344	-	106,344	-	STOCKHOLDERS' EQUITY				
Miscellaneous equipment	1,385,818	3	1,168,947	3	Capital stock, \$10 par value				
Total cost	33,229,729	74	38,629,072	85	Authorized - 2,400,000 thousand shares				
Accumulated depreciation	(18,617,819)	(41)	(19,024,540)	(42)	Issued - 1,834,316 thousand shares in 2002 and 1,780,889 thousand shares in 2001	18,343,160	41	17,808,893	40
Construction in progress	14,611,910	33	19,604,532	43	To be issued - 53,427 thousands shares	-	-	534,267	1
Net Properties	14,611,910	33	20,248,874	45	Total capital stock	18,343,160	41	18,343,160	41
OTHER ASSETS					Capital surplus:				
Assets leased to others - net (Notes 2, 7 and 8)	958,514	2	883,686	2	Paid-in capital in excess of par value	2,390,186	5	2,390,186	5
Non-operating assets - net (Notes 2, 7, 9 and 20)	686,156	1	768,313	2	Treasury stocks transactions	739	-	-	-
Advances on long-term rent agreements	373,075	1	60,294	-	Gain on sales of properties	-	-	1,431,387	3
Deferred charges - net (Note 2)	342,594	1	335,103	1	Equity on capital surplus reported by equity-accounted investees	5,816	-	7,087	-
Receivables from related parties (Note 19)	8,485,940	19	3,025,195	6	Total capital surplus	2,396,741	5	3,828,660	8
Miscellaneous	50,779	-	36,457	-	Retained earnings:				
Total Other Assets	10,897,058	24	5,109,048	11	Appropriated as legal reserve	414,623	1	906,167	2
					Appropriated as special reserve	1,141,939	2	1,141,939	2
					Unappropriated earnings	1,614,561	4	256,212	1
					Total retained earnings	3,171,123	7	2,304,318	5
					Unrealized loss on investments in shares of stock	(1,408)	-	(7,127)	-
					Cumulative translation adjustments	314,277	1	399,279	1
					Treasury stocks - 68,315 thousand shares	(530,803)	(1)	-	-
					Total Stockholders' Equity	23,693,090	53	24,868,290	55
TOTAL ASSETS	\$ 44,967,074	100	\$ 45,237,810	100	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 44,967,074	100	\$ 45,237,810	100

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

(With T N Soong & Co report dated August 8, 2002)

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME

For the Six Months Ended June 30, 2002 and 2001

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

	<u>2002</u>		<u>2001</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Notes 2 and 19)	\$ 21,549,766	100	\$ 23,726,620	100
OPERATING COSTS (Note 19)	<u>21,095,982</u>	<u>98</u>	<u>23,168,525</u>	<u>97</u>
GROSS INCOME	<u>453,784</u>	<u>2</u>	<u>558,095</u>	<u>3</u>
OPERATING EXPENSES (Note 19)				
Selling	303,382	2	358,267	2
General and administrative	<u>90,910</u>	<u>-</u>	<u>93,735</u>	<u>-</u>
Total Operating Expenses	<u>394,292</u>	<u>2</u>	<u>452,002</u>	<u>2</u>
INCOME FROM OPERATIONS	<u>59,492</u>	<u>-</u>	<u>106,093</u>	<u>1</u>
NON-OPERATING INCOME				
Interest (Note 19)	244,837	1	211,191	1
Foreign exchange gain - net	218,284	1	99,739	-
Gain on sale of investments	122,575	1	121,448	1
Equity in net income of investee companies - net (Note 2)	120,487	-	-	-
Gain on sale of properties and non-operating assets	2,626	-	237,535	1
Other	<u>138,657</u>	<u>1</u>	<u>189,302</u>	<u>1</u>
Total Non-Operating Income	<u>847,466</u>	<u>4</u>	<u>859,215</u>	<u>4</u>
NON-OPERATING EXPENSES				
Interest (Note 7)	369,764	2	327,046	2
Provision for losses on investments	85,880	-	37,616	-
Equity in net loss of investee companies - net (Note 2)	-	-	212,389	1
Other	<u>48,736</u>	<u>-</u>	<u>40,224</u>	<u>-</u>
Total Non-Operating Expenses	<u>504,380</u>	<u>2</u>	<u>617,275</u>	<u>3</u>
INCOME BEFORE INCOME TAX	402,578	2	348,033	2
INCOME TAX EXPENSE (Notes 2 and 16)	<u>77,536</u>	<u>-</u>	<u>133,716</u>	<u>1</u>
NET INCOME	<u>\$ 325,042</u>	<u>2</u>	<u>\$ 214,317</u>	<u>1</u>

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	<u>2002</u>		<u>2001</u>	
	Income		Income	
	Before		Before	
	Income	Net	Income	Net
	<u>Tax</u>	<u>Income</u>	<u>Tax</u>	<u>Income</u>
PRIMARY EARNINGS PER SHARE (Note 17)	<u>\$ 0.23</u>	<u>\$ 0.18</u>	<u>\$ 0.19</u>	<u>\$ 0.12</u>

Pro-forma information, assuming that the stocks of the Corporation held by subsidiaries are accounted for as investments rather than as treasury stocks (Notes 2, 3, 15 and 17), is as follows:

NET INCOME	<u>\$ 378.530</u>	
	Income	
	Before	
	Income	Net
	<u>Tax</u>	<u>Income</u>
EARNINGS PER SHARE (Notes 2, 3, 15 and 17)	<u>\$ 0.25</u>	<u>\$ 0.21</u>

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

(With T N Soong & Co report dated August 8, 2002)

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Six Months Ended June 30, 2002 and 2001

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

	CAPITAL STOCK (\$10 PAR VALUE)				CAPITAL SURPLUS (Notes 2 and 14)					RETAINED EARNINGS (Notes 2 and 14)				UNREALIZED LOSS ON INVESTMENTS IN SHARES OF STOCK (Note 2)	CUMULATIVE TRANSLATION ADJUSTMENTS (Note 2)	TREASURY STOCKS (Notes 2, 3 and 15)	TOTAL STOCKHOLDERS' EQUITY	
	Issued		To be Issued	Total	Paid-in Capital in Excess of Par Value	Treasury Stocks Transactions	Gain on Sales of Properties	Equity on Capital Surplus Reported by Equity - Accounted Investees	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)						Total
	Shares (Thousand)	Amount										Legal Reserve	Special Reserve					
BALANCE, JANUARY 1, 2002	1,834,316	\$18,343,160	\$ -	\$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	
Offsetting of accumulated deficit in 2001	-	-	-	-	-	-	-	-	-	(634,683)	-	634,683	-	-	-	-	-	
Reclassification of the stocks of the Corporation held by subsidiaries into treasury stocks - 68,315 thousand shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(530,803)	(530,803)	
Disposal of stocks of the Corporation stocks held by subsidiaries	-	-	-	-	-	739	-	-	739	-	-	-	-	-	-	-	739	
Net income for the six months ended June 30, 2002	-	-	-	-	-	-	-	-	-	-	-	325,042	325,042	-	-	-	325,042	
Reclassification of capital surplus attributable to gain on sales of properties to retained earnings	-	-	-	-	-	-	(1,431,387)	-	(1,431,387)	143,139	-	1,288,248	1,431,387	-	-	-	-	
Adjustments on translation of foreign-currency dominated investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(156,921)	-	(156,921)	
Reversal of recognized equity in the capital surplus reported by equity-accounted investee as a result of the disposal the investment	-	-	-	-	-	-	-	(9)	(9)	-	-	9	9	3,027	238	-	3,265	
Equity on change in the capital surplus reported by equity-accounted investees	-	-	-	-	-	-	(1,262)	(1,262)	(1,262)	-	-	1,262	1,262	(1,263)	-	-	(1,263)	
BALANCE, JUNE 30, 2002	1,834,316	\$18,343,160	\$ -	\$18,343,160	\$2,390,186	\$ 739	\$ -	\$5,816	\$2,396,741	\$414,623	\$1,141,939	\$1,614,561	\$3,171,123	(\$ 1,408)	\$314,277	(\$530,803)	\$23,693,090	
BALANCE, JANUARY 1, 2001	1,780,889	\$17,808,893	\$ -	\$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	
Earnings distribution for 2000	-	-	-	-	-	-	-	-	-	104,194	-	(104,194)	-	-	-	-	-	
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	(9,476)	(9,476)	-	-	-	(9,476)	
Bonus to employees	-	-	-	-	-	-	-	-	-	-	-	(534,266)	(534,266)	-	-	-	(534,266)	
Cash dividends - \$0.3 per share	-	-	-	-	-	-	-	-	-	-	-	(356,178)	(356,178)	-	-	-	-	
Stock dividends - 2%	-	-	356,178	356,178	-	-	-	-	-	-	-	(356,178)	(356,178)	-	-	-	-	
Capitalization of capital surplus - 1%	-	-	178,089	178,089	(178,089)	-	-	-	(178,089)	-	-	-	-	-	-	-	-	
Net income for the six months ended June 30, 2001	-	-	-	-	-	-	-	-	-	-	-	214,317	214,317	-	-	-	214,317	
Reversal of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	8,259	-	-	8,259	
Adjustments on translation of foreign-currency dominated investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	151,250	-	151,250	
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	-	-	-	-	-	-	-	-	-	-	-	(5,762)	(5,762)	-	-	-	(5,762)	
Equity on changes in capital surplus reported by equity-accounted investees	-	-	-	-	-	-	-	5	5	-	-	(5)	(5)	-	-	-	-	
BALANCE, JUNE 30, 2001	1,780,889	\$17,808,893	\$534,267	\$18,343,160	\$2,390,186	\$ -	\$1,431,387	\$7,087	\$3,828,660	\$906,167	\$1,141,939	\$ 256,212	\$2,304,318	(\$ 7,127)	\$399,279	\$ -	\$24,868,290	

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

(With T N Soong & Co report dated August 8, 2002)

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2002 and 2001
(In Thousands of New Taiwan Dollars)

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 325,042	\$ 214,317
Adjustments to reconcile net income with net cash provided by operating activities:		
Depreciation	1,151,645	1,077,308
Amortization	96,965	135,444
Gain on sale of investments	(122,575)	(121,448)
Net gain on sale of properties and non-operating assets	(2,489)	(236,955)
Provision for pension cost	36,035	32,318
Provision (reversal of allowance) for loss on short-term investments	72,182	(124,762)
Provision (reversal of allowance) for loss on shipping fuel	8,388	(13,037)
Equity in net loss (net income) of investee companies - net	(120,487)	212,389
Provision for losses on investments in shares of stock	13,698	162,378
Cash dividends received on equity-accounted investments	37,920	27,409
Deferred income taxes	69,453	133,716
Others	(27,891)	(29,746)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(435,679)	259,758
Receivables from related parties	59,807	1,585,061
Shipping fuel	(67,226)	149,249
Prepaid expenses	239,636	73,408
Advances to shipping agents	89,277	135,928
Pledged time deposit	(25,203)	(14,809)
Other current assets	244,521	(130,784)
Increase (decrease) in:		
Payables to related parties	(695,518)	(468,375)
Accrued expenses	693,092	(208,753)
Payable to shipping agents	(586,068)	481,432
Advances from customers	(32,691)	169,603
Other current liabilities	(36,141)	(52,465)
Net Cash Provided by Operating Activities	<u>985,693</u>	<u>3,448,584</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments	(2,890,486)	(1,471)
Acquisition of investments in shares of stock	(37,063)	(186,009)
Proceeds from disposal of investments in shares of stock	304,806	-
Acquisition of properties	(5,328)	(5,874,110)
Proceeds from sale of properties and non-operating assets	13,210	215,146
Decrease (increase) in refundable deposits	(1,575)	2,530

(Forward)

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	<u>2002</u>	<u>2001</u>
Increase in advances on long-term rent agreements	(\$ 161,460)	(\$ 60,294)
Increase in deferred charges	(57,962)	(86,553)
Decrease in restricted assets	-	3,764,588
(Increase) decrease in other assets	(6,063)	33,622
Net Cash Used in Investing Activities	<u>(2,841,921)</u>	<u>(2,192,551)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments of principal on) short-term debts	(121,230)	134,790
Proceeds from long-term bank loans and bonds	645,200	216
Payments on principal of long-term bank loans and bonds	(200,000)	(618,000)
Payments of obligations under capital leases	(219,454)	(32,223)
Decrease (increase) in other liabilities	(1,883)	17,231
Net Cash Provided by (Used in) Financing Activities	<u>102,633</u>	<u>(497,986)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (1,753,595)	 758,047
 CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	 <u>4,251,248</u>	 <u>6,757,153</u>
 CASH AND CASH EQUIVALENTS, END OF PERIOD	 <u>\$ 2,497,653</u>	 <u>\$ 7,515,200</u>
 SUPPLEMENTAL INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 268,574</u>	<u>\$ 274,931</u>
Income tax paid	<u>\$ 2,805</u>	<u>\$ 45,851</u>
Non-cash investing and financing activities:		
Current portion of long-term debts	<u>\$ 2,529,936</u>	<u>\$ 1,402,728</u>
Reclassification of the stocks of the Corporation held by subsidiaries from investments into treasury stock	<u>\$ 530,803</u>	<u>\$ -</u>
Cash paid for additions to properties:		
Costs of properties acquired	\$ 142,326	\$ 6,850,921
Increase in payables for equipment	(1,548)	(976,811)
Increase in obligations under capital leases	(135,450)	-
	<u>\$ 5,328</u>	<u>\$ 5,874,110</u>
Proceeds from sale of properties and non-operating assets:		
Total contracted selling prices	\$ 3,853,103	\$ 2,082,577
Increase in receivables from related parties	(150,270)	(14,951)
Increase in long-term receivables from related parties	(3,689,623)	(1,852,480)
	<u>\$ 13,210</u>	<u>\$ 215,146</u>

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

(With T N Soong & Co report dated August 8, 2002)

YANG MING MARINE TRANSPORT CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

1. GENERAL

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

The Corporation is majority owned by the Ministry of Transportation and Communications (MOTC) of the Republic of China (ROC) until February 15, 1996 when MOTC reduced its holdings in the Corporation simultaneous to the listing of its shares of stock in the Taiwan Stock Exchange. MOTC owned 42.62% of the outstanding capital stock of the Corporation as of June 30, 2002.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Cash equivalents

Bonds acquired under agreements that require the Corporation to resell them within three months from date of acquisitions are classified as cash equivalents.

Short-term investments

These are carried at cost less allowance for decline in value. Costs of investments sold are determined using the first-in, first-out method.

Allowance for doubtful receivables

This is provided based on a review of the collectibility of individual receivables.

Shipping fuel

This is carried at the lower of cost (weighted-average method) 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 wherein the Corporation owned at least 20% of their outstanding common stock and wherein it exercises significant influence over their operating and financial policy decisions are accounted for using the equity method. Under this method: (a) the investment is initially carried at cost; and (b) the difference between the cost of the investment and the Corporation's equity in the net assets of the investee company at the date of acquisition is amortized over five years. The investment carrying values are then subsequently adjusted with the Corporation's proportionate share in the net income or net loss of the investee companies and the amortization mentioned above. Any cash dividends received are recognized as reduction in the carrying value of the investments. Any stock dividends received are recorded as an increase in the number of shares held but not recognized as investment income. Any excess of the Corporation's cumulative equity in the net loss of investees over the related investment costs is presented as other liabilities. The Corporation's equity in the net income or net loss of an investee company whose financial statements for the current year are not timely available is recognized in the subsequent year using the equity interest of the Corporation as of the latest balance sheet date presented.

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 credited to income when realized through a subsequent sale to third parties.

Other investments in shares of stock are carried at cost plus the par value of the stock dividends received prior to 1989. An allowance is recognized for the decline in the market value of listed stocks or stocks traded in over the counter securities exchange with the corresponding amount debited to stockholders' equity. Also, the carrying amount of the investment in unlisted stock is reduced to recognize the other than temporary decline in the value with the corresponding losses charged to current income. Cash dividends received in the year the investment is made are accounted for as reduction in the carrying value of investment while cash dividends received in subsequent years are recognized as investment income. No investment income is recognized on stock dividends received.

The new cost basis of listed stocks that are reclassified from long-term to short-term investments or vice versa is the market value at the date of the reclassification. Any excess of the carrying amounts over the 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 reclassified shares of the Corporation held by subsidiaries from investment in shares of stock into treasury stock. The amount reclassified is equivalent to the carrying value of the shares of the Corporation as of January 1, 2002. The said shares, however, continues to be presented in separate financial statements of subsidiaries as short-term investments.

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.

The initial estimate of the service lives of the properties is as follows: 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, 5 years; miscellaneous equipment, 3 to 20 years. The foregoing service lives plus one year to represent the estimated salvage value are used to depreciate the properties using the straight-line method. The salvage values of properties that are still being used by the Corporation are depreciated over the remaining service lives.

Upon sale or 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 prior to January 1, 2001 is reclassified to capital surplus at year-end.

Containers and chassis under capital lease and the corresponding obligation are recorded, at the inception of the lease, at the lower of the: (a) fair market value of leased equipment, or (b) present value of the sum of the minimum lease payables and the bargain purchase options price.

Non-operating assets

These are stated at their net realizable value.

Deferred charges

These consisted 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 12.0 years.

Pension

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

Unrealized gain (loss) on sale and leaseback

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

Treasury stocks

Capital stock acquired that is not retired is carried cost and reflected as a separate deduction from stockholders' equity.

Upon the subsequent disposal of treasury stocks, the resulting differences between the selling price and the carrying value is credited or charged to the capital surplus that was generated from previous treasury stocks transactions and to retained earnings (if the balance of the capital surplus is not sufficient).

The par value and related capital surplus are eliminated from the accounts when the Corporation retires its capital stock. The difference between the cost of acquiring the capital stock and the amounts eliminated are accounted for as follows: (a) cost of acquiring the capital stock is less than the amounts eliminated - credited to capital surplus; and (b) cost of acquiring the capital stock exceeds the amounts eliminated - charged against the capital surplus (from similar transaction) and to retained earnings (if the balance of the capital surplus is not sufficient).

Operating revenues

Cargo revenues are recognized using the completion of voyage method. Rental revenues on ships leased to others are recognized over the terms of the lease.

Income tax

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

Income tax credits generated from purchases of eligible equipment, research and development expenses, personnel training expenditures and eligible investment in shares of stock 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 have resolved that the earnings shall be retained.

Foreign-currency transactions

Foreign-currency transactions (except derivatives financial instruments) 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 based on 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 - credited or charged 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.

Exchange rate swap contracts

Exchange rate swap contracts consisted of foreign currency spot and forward contracts. 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 asset or liability) of the contracts are credited or charged to income once the swap contracts are settled.

Foreign-currency forward contracts

The foreign currency amounts of forward exchange contracts (the "contracts") are recorded in New Taiwan dollars as receivable and/or payable using the spot rates on the inception dates of the contracts (the "inception dates"). The premium or discount, computed using the foreign currency amount of the contract multiplied by the difference between the contracted forward rate and the spot rates at the inception dates of the contract, is also recognized. The premiums 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 foreign currency amount of the contracts by the difference between the spot rates at the balance sheet dates and the spot rates at the inception dates (or the spot rates last used to measure a gain or loss on that contract for an earlier period), are charged to income.

The balances of the receivables and payables under the forward contracts are netted, and the resulting net amount is classified as either an asset or a liability.

Reclassifications

Certain accounts for 2001 have been reclassified to conform to the classifications for 2002.

3. CHANGE OF THE ACCOUNTING PRINCIPLE

The Corporation adopted Statement of Financial Accounting Standard (SFAS) No. 30, "Accounting for Treasury Stock" on January 1, 2002. SFAS No. 30 requires that an amount equivalent to the carrying value of the shares of the Corporation held by subsidiaries (shown as part of short-term investments in separate balance sheets of the subsidiaries) of \$535,973 be reclassified from the investment in those subsidiaries to treasury stocks. The adoption of SFAS No. 30 resulted in the decrease in long-term investments and the increase in shares of the Corporation held by subsidiaries by \$530,803 as of June 30, 2002, respectively, and the decrease in net income for the six months then ended June 30, 2002 by \$53,448.

4. CASH AND CASH EQUIVALENTS	<u>June 30</u>	
	<u>2002</u>	<u>2001</u>
Cash		
Petty cash and cash on hand	\$ 2,572	\$ 3,075
Checking deposits	49,852	98,761
Demand deposits	625,036	756,188
Time deposits - interest from 1.72% to 3.51% in 2002 and from 4.4% to 4.58% in 2001	<u>1,820,193</u>	<u>3,507,176</u>
	2,497,653	4,365,200
Cash equivalents. The yield spread between the acquisition and resell prices of bonds acquired under agreements to resell was from 3.40% to 3.72%.	<u>-</u>	<u>3,150,000</u>
	<u>\$2,497,653</u>	<u>\$7,515,200</u>

5. SHORT-TERM INVESTMENTS	<u>June 30</u>	
	<u>2002</u>	<u>2001</u>
Mutual fund beneficiary certificates	\$3,799,381	\$ 835,428
Marketable equity securities	1,655,235	1,605,547
Convertible bonds - interest of from 5% to 9%	<u>26,000</u>	<u>61,100</u>
	5,480,616	2,502,075
Less - allowance for decline in value	<u>832,031</u>	<u>611,555</u>
	<u>\$4,648,585</u>	<u>\$1,890,520</u>

6. INVESTMENTS IN SHARES OF STOCK	<u>June 30</u>			
	<u>2002</u>		<u>2001</u>	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Equity method (unlisted stocks)				
Yang Ming Line (B.V.I.) Holding Co., Ltd.	\$2,507,882	100.00	\$2,260,562	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,058,307	100.00	986,539	100.00
Chunghwa Investment Co., Ltd.	803,909	40.00	-	-
All Oceans Transportation, Inc.	750,458	100.00	663,481	100.00
YES Logistics Corp.	415,438	90.50	419,778	87.98
Hongming Terminal & Stevedoring Co., Ltd.	349,611	79.00	356,775	79.00
Kuang Ming Shipping Corp.	229,395	89.02	299,635	82.05
Transyang Shipping Pte. Ltd.	73,849	24.99	64,888	24.99
Jing Ming Transportation Co., Ltd.	56,941	50.80	50,547	50.80
Yang Ming Line Holding Co.	43,945	100.00	42,645	100.00
Ching Ming Investment Co., Ltd.	-	99.96	570,708	99.96
China Mariners' Assurance Corp.	-	-	<u>211,786</u>	19.70
	<u>6,289,735</u>		<u>5,927,344</u>	

(Forward)

	<u>June 30</u>			
	<u>2002</u>	% of	<u>2001</u>	% of
	<u>Carrying</u>	<u>Owner-</u>	<u>Carrying</u>	<u>Owner-</u>
	<u>Value</u>	<u>ship</u>	<u>Value</u>	<u>ship</u>
Cost method				
<u>Listed common stock</u>				
Senao International Co., Ltd.	\$ 96,000	1.83	\$ 96,000	1.85
Waterland Financial Holdings Co., Ltd.	70,000	0.43	-	-
Hotung Investment Holdings Ltd.	40,268	0.70	40,268	0.70
Data Corp.	-	-	<u>430</u>	0.01
	<u>206,268</u>		<u>136,698</u>	
Less - allowance for decline in value	-		<u>3,968</u>	
	<u>206,268</u>		<u>132,730</u>	
<u>Unlisted common stock</u>				
United Venture Capital Corp.	80,000	9.04	80,000	9.04
Taiwan Nano Electro-optical Technology Co., Ltd.	70,783	8.53	61,953	9.09
U-Tech Media Corp.	46,125	1.20	46,125	1.21
Ritekcom Photonics Corp.	45,000	2.00	-	-
SF Technology Venture Capital Corp.	40,000	7.24	40,000	7.24
Kingmax Technology Corp.	24,000	1.40	24,000	1.40
Ascentek Venture Capital Corp.	20,080	2.14	-	-
Forwin Securities Corp.	20,000	2.00	20,000	2.00
Imaging Quality Technology Inc.	4,000	3.09	4,000	3.09
Grand Orient Security Corp.	-	-	70,000	6.51
Yes Mobile Taiwan Inc.	-	1.00	6,000	1.00
Argo System Inc.	-	8.00	-	8.00
Yieh United Steel Corp.	-	0.16	-	0.16
A-trend Technology Co., Ltd.	-	1.04	-	1.04
Minchali Metal Industry Co., Ltd.	-	0.26	-	-
CTX Corp.	-	0.06	-	0.06
Digital United Inc.	-	0.43	-	0.46
International Strategies Holding Corp.	-	0.60	-	0.60
	<u>349,988</u>		<u>352,078</u>	
<u>Unlisted preferred stock</u>				
New Century Infocomm Co., Ltd.	864,000	1.68	864,000	1.68
Penguin Computing Inc.	15,395	0.96	15,395	0.96
Arescom Inc.	7,697	0.27	15,395	0.27
Prominent Communication Inc.	-	1.51	-	1.37
	<u>887,092</u>		<u>894,790</u>	
	<u>1,443,348</u>		<u>1,379,598</u>	
<u>Deposit on subscriptions</u>				
Taipei Port Container Terminal Co., Ltd.	<u>5,984</u>		-	
	<u>\$7,739,067</u>		<u>\$7,306,942</u>	

The Corporation's equity in the net income or net loss of Transyang Shipping Pte Ltd. 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 statements covering similar year as that of the Corporation is not timely available.

The carrying values of the equity-accounted investments (except for Transyang Shipping Pte Ltd. as mentioned above) are based on unaudited financial statements in 2002 and audited financial statements in 2001.

The Corporation continues to recognize the losses of Ching Ming Investment Co., Ltd. notwithstanding that the cumulative losses it recognized already exceeds the investment cost by \$162,133. The excess is presented as liability.

Information on cost-accounted investments is as follows:

	<u>June 30</u>	
	<u>2002</u>	<u>2001</u>
Listed stocks (based on market value)	\$ 208,063	\$ 132,730
Equity in net assets pertaining to unlisted stocks (mainly based on unaudited financial statements)	<u>1,085,310</u>	<u>1,144,740</u>
	<u>\$1,293,373</u>	<u>\$1,277,470</u>

7. PROPERTIES

	<u>June 30</u>	
	<u>2002</u>	<u>2001</u>
Accumulated depreciation		
Buildings	\$ 53,224	\$ 40,859
Containers and chassis	5,949,936	7,436,800
Ships	11,461,970	10,698,482
Leased containers and chassis	647,266	433,496
Leasehold improvements	36,925	19,201
Miscellaneous equipment	<u>468,498</u>	<u>395,702</u>
	<u>\$18,617,819</u>	<u>\$19,024,540</u>

The Corporation leases containers and chassis under agreements that qualify as capital leases. The terms of the leases ranged 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\$6,841 thousands. The Corporation has option to purchase, at the end of the lease terms, 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 over all the leased chassis will be transferred to the Corporation at no additional cost. As of June 30, 2002 and 2001, the details of these leases are as follows:

	<u>June 30</u>			
	<u>2002</u>		<u>2001</u>	
	U.S. Dollars (Thousand)	New Taiwan Dollars (Thousand)	U.S. Dollars (Thousand)	New Taiwan Dollars (Thousand)
Total lease payables (undiscounted)	\$ 52,458	\$ 1,760,485	\$ 29,145	\$ 1,003,738
Less - unamortized interest expense	(9,355)	(313,955)	(4,596)	(158,272)
	<u>\$ 43,103</u>	<u>\$1,446,530</u>	<u>\$ 24,549</u>	<u>\$ 845,466</u>

Depreciation expenses for the six months ended June 30, 2002 and 2001 aggregated to \$1,148,011 and \$1,073,673, respectively. Costs of properties included capitalized interest of \$9,741 for the six months ended June 30, 2001. The amounts capitalized using the annual interest rate of 6.02%

The insurance coverage on properties, assets leased to others and non-operating assets as of June 30, 2002 was \$17,674,000.

8. ASSETS LEASED TO OTHERS	<u>June 30</u>	
	<u>2002</u>	<u>2001</u>
Cost		
Land	\$ 615,323	\$ 533,195
Buildings	<u>408,263</u>	<u>408,207</u>
	1,023,586	941,402
Accumulated depreciation	<u>65,072</u>	<u>57,716</u>
	<u>\$ 958,514</u>	<u>\$ 883,686</u>

Depreciation expenses for the six months ended June 30, 2002 and 2001 aggregated to \$3,620 and \$3,621, respectively.

9. NON-OPERATING ASSETS - NET	<u>June 30</u>	
	<u>2002</u>	<u>2001</u>
Cost		
Land	\$ 685,722	\$ 767,850
Buildings	<u>6,265</u>	<u>6,337</u>
	691,987	774,187
Accumulated depreciation	<u>5,831</u>	<u>5,874</u>
	<u>\$ 686,156</u>	<u>\$ 768,313</u>

10. SHORT-TERM DEBTS	<u>June 30</u>	
	<u>2002</u>	<u>2001</u>
Bank overdraft. The interests ranged from 4.75% to 7% in 2002 and from 6.83% to 9.5% in 2001.	\$ 81,053	\$ 20,897
Unsecured loans. The interests ranged from 4.13% to 4.31%.	<u>-</u>	<u>154,980</u>
	<u>\$ 81,053</u>	<u>\$ 175,877</u>

As of June 30, 2002, the Corporation has unused credit lines aggregating to \$4,795,957 that were available for short-term financing and to secure short-term commercial paper that will be issued.

11. LONG-TERM DEBTS	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
<u>June 30, 2002</u>			
Unsecured bank loans	\$ 180,385	\$ 1,329,815	\$ 1,510,200
Domestic bonds			
Unsecured	-	6,500,000	6,500,000
Secured	2,100,000	1,200,000	3,300,000
Unsecured convertible bonds - domestic	-	917,200	917,200
Capital leases (Note 7)	<u>249,551</u>	<u>1,196,979</u>	<u>1,446,530</u>
	<u>\$ 2,529,936</u>	<u>\$11,143,994</u>	<u>\$13,673,930</u>
<u>June 30, 2001</u>			
Secured bank loans	\$ 216,000	\$ 396,000	\$ 612,000
Domestic bonds			
Unsecured	-	5,400,000	5,400,000
Secured	1,000,000	2,000,000	3,000,000
Unsecured convertible bonds:			
Domestic	-	921,100	921,100
Foreign	5,166	-	5,166
Capital leases (Note 7)	<u>181,562</u>	<u>663,904</u>	<u>845,466</u>
	<u>\$ 1,402,728</u>	<u>\$ 9,381,004</u>	<u>\$10,783,732</u>

Unsecured bank loans

This is payable in eight consecutive semi-annual installments starting February 2003 with the final payment due on April 2007. The loans bear interest (compounded semiannually) at an annual rate of 2.57% to 2.88%.

Secured bank loans

The Ministry of Economic Affairs (the "MOEA"), pursuant to an economic program of the ROC Government, reimbursed the Corporation the interest on the loans in excess of 5.50% per annum. The Corporation did not recognize any interest reimbursed by MOEA as interest expense.

Domestic unsecured bonds

The Corporation issued domestic unsecured bonds with face value of \$3,000,000 on June 1, 2000 (the "June 2000 Bonds"), with face value of \$2,400,000 on November 20, 2000 (the "November 2000 Bonds") and with an face value of \$1,100,000 on July 16, 2001 (the "July 2001 Bonds").

The June 2000 Bonds consist of "Type A" bonds with face value of \$1,200,000 and "Type B" bonds with face value of \$1,800,000. The face value representing 33%, 33% and 34% of the aggregate face value of the Type A bonds is payable on June 1, 2005, 2006 and 2007, respectively. It also bears annual interest rate of 5.7%. The face value representing 33%, 33% and 34% of the aggregate face value of the Type B bonds are payable on June 1, 2008, 2009 and 2010, respectively, and bear annual interest rate of 6.09%. The face value representing 20%, 40% and 40% of the November 2000 Bonds are payable on November 20, 2010, 2011 and 2012, respectively, and bear annual interest rate of 6.02%. The face value of the July 2001 Bonds representing 20%, 40% and 40% are payable on July 2006, 2007 and 2008, respectively, and bear annual interest rate of 4.49%.

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 either be redeemed at maturity or, starting June 30, 2001, the bondholders can exercise their option to have the Corporation to redeem the bonds at prices stipulated in the "Principal Terms and Conditions of Offering and Issuance of Domestic Secured Bonds".

The Corporation issued on July 20, 1999 domestic secured bonds with face value of \$1,300,000 that matures on July 20, 2002 and, on November 25, 1999, issued similar type of bonds with face value of \$700,000 that matures on November 25, 2004. The former bears annual interest rate of 5.72% that is compounded semi-annually while the latter bears annual interest rate of 5.75%.

The Corporation issued five-year domestic secured bonds over the period from June 27, 2002 to July 5, 2002, with an aggregate face value of \$3,000,000, bearing annual interest rate of 3.85%. As of June 30, 2002, bonds with fair value of \$500,000 has been issued.

Domestic unsecured convertible bonds

These bonds were issued on August 2, 1997 and have face value of \$2,500,000. The bonds bear annual interest rate of 4.5% that is payable every June 27. The modes of settling the bonds are as follows:

- a. Payment to the holders in one lump-sum upon maturity (in 2004) at face value plus accrued interest;
- 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 June 30, 2002); and
- c. Redemption by the Corporation, under certain conditions, at varying prices prior to their maturity.

As of June 30, 2002, bonds with face value of \$1,578,900 have been converted into 73,284 thousand shares of the Corporation.

Foreign unsecured convertible bonds

These bonds with an aggregate face value of US\$160,000 thousand were issued on October 6, 1994 in London, England. The said bonds, which matured and were redeemed in October 2001, bear annual interest rate of 2.5%. Such interest, net of applicable ROC withholding tax which is currently 20%, is payable every October 6. The modes of settling the bonds are as follows:

- a. Redemption at the option of the holders in one lump-sum payment upon maturity at face value plus accrued interest;

- b. Redemption at the option of the holders at 123.16% of par value on October 6, 1999. The redemption premium is being amortized as interest expense using the effective interest method over the period from issuance to redemption date;
- c. Conversion by the holders, starting July 8, 1995, into capital stock of the Corporation at the prevailing conversion price;
- d. Redemption at option of the Corporation, under certain conditions, at varying prices starting October 6, 1997.
- e. Redemption at the option of the Corporation at face value of the bonds, upon consent of the trustee, if the Corporation incurs additional income tax resulting from amendments of ROC tax laws and regulations.

Unless allowed by ROC laws and regulations, the aforementioned foreign unsecured bonds cannot be sold to any ROC persons (natural or juridical) or within the territory of the ROC. Proceeds from the issuance of the bonds were used to finance the acquisition of four 3,500 TEU container ships. As of June 30, 2002, bonds with aggregate face value of US\$7,861 thousand have been converted to 7,275 thousand shares of stock of the Corporation.

As of June 30, 2002, the Corporation has unused credit lines of about \$510,112 that are available for long-term bank loans.

12. RESERVE FOR LAND VALUE INCREMENT TAX

It arose from the merger with China Merchants Stean Navigation Company (CMSNC).

13. UNREALIZED GAIN ON SALE AND LEASEBACK

	<u>June 30</u>	
	<u>2002</u>	<u>2001</u>
Chassis	\$ 50,666	\$ -
Containers	22,784	49,720
Vessel Ming North	11,493	12,643
Vessel Ming Zenith	11,315	30,712
Vessel Med Keelung	<u>891</u>	<u>1,413</u>
	<u>\$ 97,149</u>	<u>\$ 94,488</u>

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

14. STOCKHOLDERS' EQUITY

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

The Corporation can not use for any purpose its share in the changes of the capital surplus reported by its equity-accounted investees. All other components of capital surplus, under the regulations, can only be used to offset a deficit. In addition, only the capital surplus attributable to paid-in capital in excess of par value can be capitalized. Capitalization of paid in capital in excess of par value is conducted by issuing new shares to stockholders in proportion to their holdings, and is restricted to a prescribed amount every year.

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

- a. 10% legal reserve.
- b. 10% special reserve, as needed.
- c. Dividends, bonus to employees and remuneration to directors and supervisors. The employee's bonus shall not be less than 1% and the remuneration of directors and supervisors shall not be more than 2%.

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

Under the regulation, the Corporation should appropriate special reserve equal to the debit balance of any stockholders' equity item (other than the deficit). The balance of the reserve is adjusted based on the debit balance of such items as at the end of the Corporation's current financial reporting year.

Under the Company Law, shall be made 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, or when reaching 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 that became effective on July 1, 1998, non-corporate shareholders are entitled to tax credit on income tax paid by the Corporation on earnings generated also starting 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 shareholder. The maximum credit available for allocation to each shareholder cannot exceed the balance shown in the ICA on the date of distribution of dividends.

On June 21, 2002, the stockholders approved not to distribute earnings and to use legal reserve of \$634,684 to offset the accumulated deficit.

The stockholders also resolved the reclassification of capital surplus attributable to gain on sale of properties, amounting \$1,431,387, to retained earnings after appropriating for legal reserve of \$143,139.

15. TREASURY STOCKS

<u>Reasons of Repurchase</u>	<u>Outstanding Shares (Thousand)</u>			<u>Ending of the Period</u>
	<u>Beginning of the Period</u>	<u>Increase</u>	<u>Decrease</u>	
<u>For the six months ended June 30, 2002</u>				
Stocks of the Corporation held by subsidiaries	<u>68,981</u>	<u>-</u>	<u>666</u>	<u>68,315</u>

The Corporation, on January 1, 2002, reclassified the stocks of the Corporation held by subsidiaries from investments into treasury stocks. The amount reclassified of \$535,973 was equal to the carrying value of stocks (shown as short-term investments in separate balance sheet of the subsidiaries). The proceeds from disposal of the said shares by the subsidiaries was \$5,910 in 2002. As of June 30, 2002, the carrying and market value of shares of the Corporation held by subsidiaries were \$530,803 and \$583,552, respectively.

The rights of the subsidiaries on shares of the Corporation they hold are similar to the rights held by other shareholders notwithstanding that the same are treated as treasury shares.

16. INCOME TAX

a. Income tax expense consisted of:

	<u>Six Months Ended June 30</u>	
	<u>2002</u>	<u>2001</u>
Income tax expense - current	\$ 9,300	\$ -
Income tax expense - deferred	69,453	133,716
Adjustments of prior years' taxes	(<u>1,217</u>)	<u>-</u>
	<u>\$ 77,536</u>	<u>\$ 133,716</u>

b. Deferred income tax assets (liabilities) as of June 30, 2002 and 2001 consist of the following:

	<u>June 30</u>	
	<u>2002</u>	<u>2001</u>
Current		
Unrealized foreign exchange gain	(\$ 59,139)	(\$ 2,592)
Other	<u>10,470</u>	<u>2,921</u>
	<u>(\$ 48,669)</u>	<u>\$ 329</u>
Non-current (included in other liabilities)		
Cumulative equity in net income of investee companies	(\$ 361,257)	(\$ 235,824)
Differences in estimated service lives of containers	(225,883)	(171,191)
Loss carryforwards	249,807	74,118
Deferred pension cost	65,443	46,370
Investment tax credits	18,156	30,962
Valuation allowance on deferred income tax assets	(<u>219,294</u>)	(<u>105,080</u>)
	<u>(\$ 473,028)</u>	<u>(\$ 360,645)</u>

The above deferred income taxes were computed based on an income tax rate of 25%.

c. Integrated income tax system information

	<u>June 30</u>	
	<u>2002</u>	<u>2001</u>
Balance of ICA	<u>\$ 15,047</u>	<u>\$ 27,538</u>

The stockholders resolved not to distribute any earnings in 2001. The applicable tax credit ratio on earnings as of December 31, 2000 distributed in 2001 was 2.90%. The tax credits allocable to stockholders are based on the balance of ICA on the dividend distribution date.

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

e. As of June 30, 2002, the unused investment tax credits as follows:

<u>Statutes</u>	<u>Items</u>	<u>Total Investment Tax Credits</u>	<u>Unused Investment Tax Credits</u>	<u>Year of Expiry</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>	

f. As of June 30, 2002, the Corporation has unused operating loss carryforwards of \$249,807 that 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 on 2003.

Income tax returns have been examined and cleared by the tax authorities through the year ended December 31, 1999.

The income tax returns of the Corporation for the year ended June 30, 1995 has been assessed for additional taxes amounting to \$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 the liabilities because it believed that it is probable to win the lawsuit.

17. EARNINGS PER SHARE

	Six Months Ended June 30, 2002 (Dollars)		Six Months Ended June 30, 2001 (Dollars)	
	<u>Income Before Income Tax</u>	<u>Net Income</u>	<u>Income Before Income Tax</u>	<u>Net Income</u>
Historical primary earnings per share	<u>\$ 0.23</u>	<u>\$ 0.18</u>	<u>\$ 0.19</u>	<u>\$ 0.12</u>
Pro forma primary earnings per share	<u>\$ 0.25</u>	<u>\$ 0.21</u>		

The earnings per share are calculated as follows:

	<u>Amount (Numerator)</u>			<u>Net Income 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>Six months ended June 30, 2002</u>					
Primary	<u>\$402,578</u>	<u>\$325,042</u>	<u>1,765,824</u>	<u>\$ 0.23</u>	<u>\$ 0.18</u>
<u>Six months ended June 30, 2001</u>					
Primary	<u>\$348,033</u>	<u>\$214,317</u>	<u>1,834,316</u>	<u>\$ 0.19</u>	<u>\$ 0.12</u>

The calculation of pro forma net income per share, assuming that stocks of the Corporation 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>
Pro-forma primary EPS	<u>\$456,066</u>	<u>\$378,530</u>	<u>1,834,316</u>	<u>\$ 0.25</u>	<u>\$ 0.21</u>

18. PENSION PLAN

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

- a. Pension plan for on-shore employees. The benefits under this plan are based on service years and average monthly salary (excluding bonus and allowance) before retirement. The pension fund, into which the Corporation contributes 3% of salaries every month, is administered by an employees pension fund committee and deposited in its name with the Central Trust of China.

- b. Pension plan for crews of ship. The benefit under this plan is based on service years and level of salary (excluding bonus and allowance) 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. The benefit under this plan is based on service years and level of salary (excluding bonus and allowance) at the time of retirement.

The service years of employees prior to the privatization are used to determine qualification for retirement. Those service years, however, are not considered in the calculations of the benefits.

Pension cost for the six months ended June 30, 2002 and 2001 aggregated to \$51,615 and \$57,570, respectively, and pension benefits paid for the same periods amounted to \$15,580 and \$25,252, respectively. As of June 30, 2002 and 2001, the balances of pension fund deposited in the Central Trust of China were \$95,030 and \$79,250, respectively.

19. RELATED PARTY TRANSACTIONS

The Corporation has significant transactions with related parties. Such transactions for the six months ended June 30, 2002 and 2001 and the balances, except those mentioned in Note 21, are summarized in the accompanying schedules A and B.

The transactions with related parties were conducted under contract terms.

20. ASSETS PLEDGED OR MORTGAGED

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

	<u>June 30</u>	
	<u>2002</u>	<u>2001</u>
Pledged time deposits	\$ 460,112	\$ 14,809
Properties - net	2,816,252	5,480,926
Non-operating assets - net	<u>89,230</u>	<u>89,230</u>
	<u><u>\$3,365,594</u></u>	<u><u>\$5,584,965</u></u>

21. COMMITMENTS

Commitments and contingent liabilities as of June 30, 2002 are as follows:

- a. Obligations to provide crews to four ships of Chinese Petroleum Corporation under contracts that will expire on various dates before August 2003. The daily compensation under the contracts is \$578.

- b. Leases of office premises, ships and container yard under agreements that will expire on various dates; the latest of which is March 2007. The total rents were \$2,013,750 for the six months ended June 30, 2002, and future minimum rentals are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2002 (July 1, 2002 to December 31, 2002)	\$1,854,910
2003	2,519,339
2004	2,129,989
2005	1,670,423
2006	907,226

- c. Leases of containers and chassis under capital lease agreements expiring on various dates; the latest of which is May 2011. Rentals for the six months ended June 30, 2002 were about \$156,042 (deducted from leases payable), and future minimum rentals are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2002 (July 1, 2002 to December 31, 2002)	\$ 161,795
2003	295,115
2004	281,526
2005	281,734
2006	533,652

Rentals subsequent to 2006 amount to \$173,615. The present value of those rentals is \$154,654 computed based on annual interest rate of 2.125%.

- d. Guaranty on loans obtained by Yang Ming Line (B.V.I.) Holding Co., Ltd., All Oceans Transportation Inc. and Solar International Shipping Agency, Inc. amounting to US\$108,049,000, US\$97,622,000 and US\$1,500,000, respectively.
- e. Guarantees amounting to \$9,000 on operation of Yangming (U.K.) Limited in Taiwan pursuant to the regulations under the UK Shipping Act.
- f. As of June 30, 2002, 43 former crews of ships, who retired after the Corporation's privatization, sued the Corporation and claimed \$102,749 as additional severance benefit computed using the provisions of the Labor Standard 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 higher court. No liability was accrued since management believed the appeal would not prosper.

22. SUBSEQUENT EVENTS

In July 2002, the Corporation granted loans aggregating to \$413,291 to All Oceans Transportation Inc. to finance constructions of ships. The loans were approved by the Board of Directors on March 15, 2002.

23. FINANCIAL INSTRUMENTS

- a. The Corporation uses foreign-currency forward contracts to hedge the effect of exchange rate fluctuations on net assets or liabilities denominated in foreign currency. It realized exchange gain on those contracts amounting to \$604 and \$458 for the six months ended June 30, 2002 and 2001, respectively. There are no such contracts outstanding as of June 30, 2002.
- b. The Corporation has written foreign currency options for trading purposes on which it realized losses amounting to \$1,417 for the six months ended June 30, 2002. The Corporation did not enter into any foreign currency options for the six months ended June 30, 2001.
- c. The Corporation used currency swap contracts to manage the effects of the exchange rate fluctuations on net assets or liabilities denominated in foreign currency. It realized gains amounting to \$5,783 for the six months ended June 30, 2002. The Corporation did not enter into any currency swap contracts for the six months ended June 30, 2001.

The fair values of the Corporation's financial instruments are as follows:

	June 30			
	2002		2001	
<u>Non-derivative Instruments</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Assets</u>				
Short-term financial instruments				
Cash and cash equivalents	\$ 2,497,653	\$ 2,497,653	\$ 7,515,200	\$ 7,515,200
Short-term investments	4,648,585	4,648,585	1,890,520	1,890,520
Accounts receivable	1,129,186	1,129,186	919,287	919,287
Receivables from related parties	987,825	987,825	746,494	746,494
Advances to shipping agents	880,300	880,300	284,563	284,563
Pledged time deposit	460,112	460,112	14,809	14,809
Investments in shares of stock	7,739,067	7,739,067	7,306,942	7,306,942
Long-term receivables from related parties	8,485,940	8,485,940	3,025,195	3,025,195
<u>Liabilities</u>				
Short-term financial instruments				
Short-term debts	81,053	81,053	175,877	175,877
Payables to related parties	1,046,997	1,046,997	1,424,294	1,424,294
Accrued expenses	1,566,564	1,566,564	1,121,582	1,121,582
Dividend payable	16,235	16,235	544,307	544,307
Payables for equipment	48,640	48,640	1,274,190	1,274,190
Payable to shipping agents	1,985,124	1,985,124	2,249,559	2,249,559
Bank loans	1,510,200	1,510,200	612,000	612,000
Bonds	10,717,200	11,344,129	9,326,266	9,530,631
Obligations under capital leases	1,446,530	1,446,530	845,466	845,466

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

- a. The carrying values of short-term financial instruments approximate fair values because of the short maturity of these instruments.
- b. 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 cost of investments.
- c. Fair values of long-term receivables from related parties, bank loans, bonds, and obligations under capital leases are based on market prices or, if market prices are unavailable, based on the present value of 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.

24. ADDITIONAL DISCLOSURE

Except those mentioned in Note 23 and Schedule C to H, there are no additional disclosures required for the Corporation, investees and investments in Mainland China.

YANG MING MARINE TRANSPORT CORPORATION

RELATED PARTY TRANSACTIONS
For the Six Months Ended June 30, 2002 and 2001
(In Thousand New Taiwan Dollars)

Related Party	Nature of Relationship (see Notes Below)	Operating Revenues										Operating Costs						Operating Expenses		Interest Income			
		Charter Hire		Agents Income		Rental of Containers		Slotage		Ship Management		Haulage		Tally		Commission		Insurance		Expenses		Income	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
2002																							
Kuang Ming Shipping Corp.	A	\$ -	-	\$ -	-	\$ 10,946	2	\$ -	-	\$ 17,559	9	\$ 27,979	-	\$ -	-	\$ 58,442	4	\$ -	-	\$ -	-	\$ -	-
All Oceans Transportation Inc.	A	-	-	-	-	-	-	-	-	-	-	695,235	D 10	-	-	-	-	-	-	-	-	175,817	72
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	83,000	1	-	-	-	-	-	-	-	-	-	
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	149,941	2	23,126	2	-	-	-	-	-	-	-	
China Mariners' Assurance Corp.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,994	1	402	2	-	-	
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22	-	-	-	-	-	-	
Young-Carrier Company Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	197,578	15	-	-	-	-	-	
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	-	-	-	-	95,254	E 2	-	-	-	-	-	-	-	-	-	
Yang Ming (U.K.) Ltd.	B	77,871	C 22	43,939	97	551,048	97	13,097	4	82,197	40	760,353	11	708	-	697	-	-	-	-	-	-	
Yang Ming Shipping Europe GmbH	B	-	-	-	-	-	-	-	-	-	-	-	-	16,193	1	44,248	3	-	-	-	-	-	
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	136,728	10	-	-	-	-	-	
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,437	2	-	-	-	-	-	
Kuang Ming Shipping (Panama)	B	-	-	-	-	-	-	-	-	-	-	9,555	F	-	-	-	-	-	-	-	-	-	
Yang Ming Line (M) Sdn. Bhd	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,312	1	-	-	-	-	-	
		<u>\$ 77,871</u>	<u>22</u>	<u>\$ 43,939</u>	<u>97</u>	<u>\$561,994</u>	<u>99</u>	<u>\$ 13,097</u>	<u>4</u>	<u>\$ 99,756</u>	<u>49</u>	<u>\$1,821,317</u>	<u>26</u>	<u>\$ 40,027</u>	<u>3</u>	<u>\$466,464</u>	<u>35</u>	<u>\$ 1,994</u>	<u>1</u>	<u>\$ 402</u>	<u>2</u>	<u>\$175,817</u>	<u>72</u>
2001																							
Kuang Ming Shipping Corp.	A	\$ -	-	\$ -	-	\$ 16,015	4	\$ -	-	\$ 17,882	11	\$ -	-	\$ -	-	\$ 84,101	6	\$ -	-	\$ -	-	\$ -	-
All Oceans Transportation Inc.	A	-	-	-	-	-	-	-	-	-	-	605,353	9	-	-	-	-	-	-	-	-	65,388	31
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	156,299	3	-	-	-	-	-	-	-	-	-	
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	58,449	1	170,438	13	-	-	-	-	-	-	-	
China Mariners' Assurance Corp.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,524	2	1,161	-	-	-	
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,209	1	-	-	-	-	-	
Young-Carrier Company Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	124,375	8	-	-	-	-	-	
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	-	-	-	-	65,638	1	-	-	-	-	-	-	-	-	-	
Yang Ming (U.K.) Ltd.	B	341,356	74	36,024	97	377,448	95	48,788	23	48,605	28	228,889	3	7,526	-	19,913	1	-	-	-	-	-	
Yang Ming Shipping Europe GmbH	B	-	-	-	-	-	-	-	-	-	-	-	-	29,352	2	75,304	5	-	-	-	-	-	
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	156,362	11	-	-	-	-	-	
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,560	2	-	-	-	-	-	
Kuang Ming Shipping (Panama)	B	-	-	-	-	-	-	-	-	-	-	9,558	-	-	-	-	-	-	-	-	-	-	
Yang MingLine (M) Sdn. Bhd	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,173	1	-	-	-	-	-	
		<u>\$341,356</u>	<u>74</u>	<u>\$ 36,024</u>	<u>97</u>	<u>\$393,463</u>	<u>99</u>	<u>\$ 48,788</u>	<u>23</u>	<u>\$ 66,487</u>	<u>39</u>	<u>\$1,124,186</u>	<u>17</u>	<u>\$207,316</u>	<u>15</u>	<u>\$513,997</u>	<u>35</u>	<u>\$ 1,524</u>	<u>2</u>	<u>\$ 1,161</u>	<u>-</u>	<u>\$ 65,388</u>	<u>31</u>

Notes: A. An equity-accounted investee of the Corporation.
 B. An equity-accounted investee of a wholly-owned subsidiary of the Corporation.
 C. Lease of seventeen 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.
 D. Lease of seventeen 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.
 E. 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.
 F. 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

June 30, 2002 and 2001

(In Thousand 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	%	Amount	%					
2002																							
Kuang Ming Shipping Corp.	A	\$ -	-	\$ 8,585	1	\$ 8,585	1	\$ -	-	\$ -	-	\$ -	-	\$125,317	12	\$ -	-	\$ 125,317	12	\$136,546	20	\$ -	-
All Oceans Transportation Inc.	A	-	-	556,147	C 56	556,147	56	26,123	10	8,485,940	C 100	13,085	1	-	-	66,767	7	79,852	8	-	-	890	1
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	26,908	3	-	-	-	-	26,908	3	-	-	-	-
Yangming (Japan) Co., Ltd.	B	15,699	2	-	-	15,699	2	-	-	-	-	-	-	170,611	16	-	-	170,611	16	1,199	-	-	-
Young-Carrier Company Ltd.	B	167,773	17	-	-	167,773	17	-	-	-	-	-	-	187,392	18	-	-	187,392	18	-	-	-	-
Yang Ming (U.K.) Ltd.	B	103,149	10	8,000	1	111,149	11	2,835	1	-	-	-	-	141,731	14	43,571	E 4	185,302	18	-	-	-	-
Yang Ming Shipping Europe GmbH	B	99,152	10	-	-	99,152	10	-	-	-	-	-	-	56,057	5	-	-	56,057	5	496	-	-	-
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	118,526	11	-	-	118,526	11	103,570	16	-	-
Yangming Shipping (Singapore) Pte. Ltd.	B	13,574	2	-	-	13,574	2	-	-	-	-	-	-	84,387	8	-	-	84,387	8	9,752	2	-	-
Yang MingLine (M) Sdn. Bhd	B	10,996	1	-	-	10,996	1	-	-	-	-	-	-	12,645	1	-	-	12,645	1	1,483	-	-	-
YES Logistics Corp.	A	2,193	-	1,525	-	3,718	-	-	-	-	-	-	-	-	-	-	-	-	-	1,381	-	-	-
Other		-	-	1,032	-	1,032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<u>\$412,536</u>	<u>42</u>	<u>\$575,289</u>	<u>58</u>	<u>\$987,825</u>	<u>100</u>	<u>\$ 28,958</u>	<u>11</u>	<u>\$8,485,940</u>	<u>100</u>	<u>\$ 39,993</u>	<u>4</u>	<u>\$896,666</u>	<u>85</u>	<u>\$110,338</u>	<u>11</u>	<u>\$1,046,997</u>	<u>100</u>	<u>\$254,427</u>	<u>38</u>	<u>\$ 890</u>	<u>1</u>
2001																							
Kuang Ming Shipping Corp.	A	\$ -	-	\$ 14,282	2	\$ 14,282	2	\$ -	-	\$ -	-	\$ -	-	\$ 59,556	4	\$ -	-	\$ 59,556	4	\$101,898	12	\$ -	-
All Oceans Transportation Inc.	A	-	-	151,813	D 21	151,813	21	-	-	3,025,195	D 100	135,885	10	-	-	85,396	6	221,281	16	-	-	1,413	-
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	7,632	1	-	-	-	-	7,632	1	-	-	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	21,314	1	-	-	-	-	21,314	1	-	-	-	-
China Mariners' Assurance Corp.	A	-	-	-	-	-	-	447	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yangming (Japan) Co., Ltd.	B	61,946	8	-	-	61,946	8	-	-	-	-	-	-	386,964	27	-	-	386,964	27	2,973	-	-	-
Young-Carrier Company Ltd.	B	212,979	29	-	-	212,979	29	-	-	-	-	-	-	93,554	7	-	-	93,554	7	-	-	-	-
Yang Ming (U.K.) Ltd.	B	82,208	11	17,700	2	99,908	13	-	-	-	-	-	-	23,014	1	352,662	25	375,676	26	2,149	-	-	-
Yang Ming Shipping Europe GmbH	B	152,807	21	-	-	152,807	21	-	-	-	-	-	-	95,033	7	-	-	95,033	7	21	-	-	-
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	90,804	6	-	-	90,804	6	106,041	13	-	-
Yangming Shipping (Singapore) Pte. Ltd.	B	576	-	-	-	576	-	-	-	-	-	-	-	62,161	4	-	-	62,161	4	14,234	2	-	-
Yang Ming Line (M) Sdn. Bhd	B	9,045	1	-	-	9,045	1	-	-	-	-	-	-	10,319	1	-	-	10,319	1	2,481	-	-	-
Ching Ming Investment Corp.	A	-	-	726	-	726	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming (B.V.I.) Holding Co., Ltd.	A	-	-	40,048	5	40,048	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming Line B.V.	B	-	-	331	-	331	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yes Logistics Corp.	A	-	-	2,033	-	2,033	-	-	-	-	-	-	-	-	-	-	-	-	-	1,902	-	-	-
		<u>\$519,561</u>	<u>70</u>	<u>\$226,933</u>	<u>30</u>	<u>\$746,494</u>	<u>100</u>	<u>\$ 477</u>	<u>-</u>	<u>\$3,025,195</u>	<u>100</u>	<u>\$164,831</u>	<u>12</u>	<u>\$821,405</u>	<u>57</u>	<u>\$438,058</u>	<u>31</u>	<u>\$1,424,294</u>	<u>100</u>	<u>\$231,699</u>	<u>27</u>	<u>\$ 1,413</u>	<u>-</u>

Notes: A. An equity-accounted investee of the Corporation.

B. An equity-accounted investee of a wholly-owned subsidiary of the Corporation.

C. The Corporation sold in February 2002 Vessel Ming Bamboo, Vessel Ming Plum and related equipments with carrying value of \$3,774,243 to All Oceans and leased them back. In addition, the Corporation sold a vessel (that is still being constructed) to All Oceans at its carrying value of \$68,315 in June 2002.

D. The Corporation sold vessel Ming Cypress with carrying value of \$1,776,190 to All Oceans in May 2001.

E. This represents freight revenue receipt held on behalf of Yangming (UK) Limited.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

FINANCING PROVIDED
June 30, 2002
(Amounts in Thousands of New Taiwan Dollars)

No.	Financier	Counterparty	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Nature of Financing (Note A)	Transaction Amount	Purpose of the Financing	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		
1	Yang Ming Shipping (B.V.I.) Inc.	Karman Properties Limited (Note E)	Other current assets	\$ 98,835 Note D	\$ 98,835 Note D	3%	2	-	Acquisition of an office building	-	-	-	\$ 239,037 Note B	\$ 298,796 Note C

Notes: A. Nature of Financing:

1. With which the Corporation has transactions.

2. There is a need for short-term financing.

B. This represents 80% of the net assets of the Corporation.

C. This represents 100% of the net assets of the Corporation.

D. This is equivalent to HK\$22,970,000 translated into New Taiwan Dollars using exchange rate of HK\$1:NT\$4.3028.

E. This is calculated based on unaudited financial statements.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED

June 30, 2002

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

No.	Guarantor	Counterparty		Maximum Amount of Guarantee to Individual Counterparties (Note A)	Maximum Balance for the Period	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 (Note B)
		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	\$ 3,887,835 (Note H)	\$ 3,626,136 (Note I)	\$ -	15.30%	\$ 18,343,160
		All Oceans Transportation, Inc.	Investees accounted for using the equity method	14,674,528	3,430,203 (Note F)	3,276,203 (Note G)	-	13.83%	18,343,160
		Solar International Shipping Agency Inc.	Shipping agent	14,674,528	50,340 (Note E)	50,340 (Note E)	-	0.21%	18,343,160
		Yangming (UK) Ltd.	Investees accounted for using the equity method	14,674,528	9,000	9,000	-	0.04%	18,343,160
1	Kuang Ming Shipping Corp. (Note L)	Kuang Ming Shipping (Panama)	Investees accounted for using the equity method	157,500 (Note C)	75,510 (Note J)	50,340 (Note K)	-	18.59%	315,000 (Note D)

Notes:

- A. This is 80% capital stock of the Corporation.
- B. This is the capital stock of the Corporation.
- C. This is 50% capital stock of the Corporation.
- D. This is the capital stock of the Corporation.
- E. This is equivalent to US\$1,500,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$33.56.
- F. This is equivalent to US\$102,211,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$33.56.
- G. This is equivalent to US\$97,622,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$33.56.
- H. This is equivalent to US\$115,847,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$33.56.
- I. This is equivalent to US\$108,049,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$33.56.
- J. This is equivalent to US\$2,250,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$33.56.
- K. This is equivalent to US\$1,500,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$33.56.
- L. This is calculated based on unaudited financial statements.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

SECURITIES HELD

June 30, 2002

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

Investor	Type and Name of Securities Held	Relationship with the Investor	Financial Statement Account	June 30, 2002				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note A)	
Yang Ming Marine Transport Corporation	<u>Common stock</u>							
	Ritek Corporation	-	Short-term investment	7,874,100	\$ 731,463	0.47	\$ 237,837	
	Sunplus Technology Co., Ltd.	-	Short-term investment	1,625,000	134,665	0.30	137,930	
	United Microelectronics Corp.	-	Short-term investment	1,242,000	104,243	0.01	52,151	
	Chung Hwa Picture Tubes Ltd.	-	Short-term investment	2,954,129	75,768	0.07	75,242	
	Asustek Computer Inc.	-	Short-term investment	289,000	64,402	0.01	31,371	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investment	591,360	55,020	-	40,993	
	Elan Microelectronics Corp.	-	Short-term investment	2,239,250	50,962	0.76	88,753	
	Macronix International Co., Ltd.	-	Short-term investment	780,000	49,362	0.02	17,090	
	Compal Electronics, Inc.	-	Short-term investment	527,500	42,012	0.03	18,882	
	Dbtel Incorporated	-	Short-term investment	477,960	39,932	0.09	11,815	
	Twinhead International Corp.	-	Short-term investment	796,400	29,788	0.15	7,269	
	Orient Semiconductor Electronics, Limited	-	Short-term investment	598,097	24,062	0.05	7,340	
	Polaris Securities Co., Ltd.	-	Short-term investment	412,081	23,620	0.04	6,617	
	Advanced Semiconductor Engineering, Inc.	-	Short-term investment	308,000	18,341	0.01	7,759	
	Inventec Corporation	-	Short-term investment	240,000	16,474	0.01	7,112	
	Winbond Electronics Corp.	-	Short-term investment	240,000	15,970	0.01	4,802	
	Micro-star International Co., Ltd.	-	Short-term investment	135,000	15,503	0.02	13,237	
	Yageo	-	Short-term investment	462,471	15,337	0.02	8,509	
	Gigastorage Corp.	-	Short-term investment	495,000	14,972	0.20	6,806	
	Delpha Construction Co., Ltd.	-	Short-term investment	376,310	14,523	0.09	1,379	
	Quanta Computer Inc.	-	Short-term investment	100,000	13,730	-	9,430	
	Ichia Technologies Inc.	-	Short-term investment	200,000	13,279	0.17	10,624	
	Universal Scientific Industrial Co., Ltd.	-	Short-term investment	166,600	12,517	0.02	2,500	
	Realtek Semiconductor Corp.	-	Short-term investment	70,000	11,504	0.02	9,620	
	Prodisc Technology Inc.	-	Short-term investment	158,270	10,830	0.04	3,993	
	Accton Technology Inc.	-	Short-term investment	100,000	10,265	0.02	6,825	
	Mosel Vitelic Inc.	-	Short-term investment	200,000	10,164	0.01	2,209	
	Siliconware Precision Industries Co., Ltd.	-	Short-term investment	165,995	7,687	0.01	4,244	
	Aurora Corporation	-	Short-term investment	132,000	7,459	0.02	1,282	
	Ambit Microsystems Corp.	-	Short-term investment	40,000	6,369	0.02	5,561	
	Hannstar Display Corp.	-	Short-term investment	100,000	3,135	-	2,535	
	Hua Nan Financial Holdings Co., Ltd.	-	Short-term investment	57,750	2,529	-	1,521	
Epistar Corporation	-	Short-term investment	50,000	2,151	0.06	1,882		
Taiwan Mask Corp.	-	Short-term investment	23,865	2,135	0.01	616		
Weltrend Semiconductor, Inc.	-	Short-term investment	30,200	1,924	0.02	1,218		
Cheng Loong Corp.	-	Short-term investment	80,112	1,479	0.01	663		
Chang Hwa Commercial Bank Ltd.	-	Short-term investment	60,000	1,252	-	1,079		
Silicon Integrated Systems Corp.	-	Short-term investment	3,427	234	-	115		
Taiwan Fu Hsing Industrial Co., Ltd.	-	Short-term investment	4,076	173	-	102		
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	67,505,031	2,507,882	100.00	2,507,882		
Yang Ming Line (Singapore) Pte Ltd.	Investee accounted for using the equity method	Investment in shares of stock	28,400,000	1,058,307	100.00	1,058,307		
Chunghwa Investment Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	80,000,000	803,909	40.00	803,909		
All Oceans Transportation, Inc.	Investee accounted for using the equity method	Investment in shares of stock	1,000	750,458	100.00	750,458		
YES Logistics Corp.	Investee accounted for using the equity method	Investment in shares of stock	45,251,100	415,438	90.50	415,438		

(Forward)

Investor	Type and Name of Securities Held	Relationship with the Investor	Financial Statement Account	June 30, 2002				Note
				Shares	Carrying Value	Percentage 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	\$ 349,611	79.00	\$ 349,611	Note D
	Kuang Ming Shipping Corp.	Investee accounted for using the equity method	Investment in shares of stock	28,042,289	229,395	89.02	229,395	
	Transyang Shipping Pte. Ltd.	Investee accounted for using the equity method	Investment in shares of stock	686	73,849	24.99	73,849	
	Jing Ming Investment Corp.	Investee accounted for using the equity method	Investment in shares of stock	4,577,464	56,941	50.80	56,941	
	Yang Ming Line Holding Co.	Investee accounted for using the equity method	Investment in shares of stock	3,000	43,945	100.00	43,945	
	Ching Ming Investment Corp.	Investee accounted for using the equity method	Investment in shares of stock	149,946,800	(162,133)	99.96	(162,133)	
	Senao International Co., Ltd.	-	Investment in shares of stock	2,956,800	96,000	1.83	101,004	
	United Venture Capital Corp.	-	Investment in shares of stock	8,000,000	80,000	9.04	79,956	
	Taiwan Nano Electro-optical Technology Co., Ltd.	-	Investment in shares of stock	5,119,839	70,783	8.53	43,485	
	Waterland Financial Holdings Co., Ltd.	-	Investment in shares of stock	9,086,561	70,000	0.43	68,422	
	U-Tech Media Corp.	-	Investment in shares of stock	1,609,500	46,125	1.20	42,829	
	Ritek Photonics Corp.	-	Investment in shares of stock	3,000,000	45,000	2.00	30,812	
	Hotung Investment Holding Ltd.	-	Investment in shares of stock	8,861,600	40,268	0.70	38,637	
	SF Technology Venture Capital Corp.	-	Investment in shares of stock	4,000,000	40,000	7.24	42,437	
	Kingmax Technology Corp.	-	Investment in shares of stock	1,534,944	24,000	1.40	23,002	
	Ascentek Venture Capital Corp.	-	Investment in shares of stock	2,000,000	20,080	2.14	20,808	
	Forwin Securities Corp.	-	Investment in shares of stock	4,000,000	20,000	2.00	20,002	
	Imaging Quality Technology Inc.	-	Investment in shares of stock	1,000,000	4,000	3.09	3,455	
	Yieh United Steel Corp.	-	Investment in shares of stock	2,090,000	-	0.16	-	
	Digital United Holdings Ltd.	-	Investment in shares of stock	300,000	-	0.43	-	
	Yes Mobile Taiwan Inc.	-	Investment in shares of stock	200,000	-	1.00	-	
	CTX Corp.	-	Investment in shares of stock	333,000	-	0.06	-	
	Argo System Inc.	-	Investment in shares of stock	8,000,000	-	8.00	-	
	A-trend Technology Co., Ltd.	-	Investment in shares of stock	1,877,325	-	1.04	-	
	International Strategies Holding Corp.	-	Investment in shares of stock	62,500	-	0.60	-	
	Minchali Metal Industry Co., Ltd.	-	Investment in shares of stock	700,000	-	0.26	-	
	<u>Preferred</u>							
	New Century InfoComm Co., Ltd.	-	Investment in shares of stock	80,000,000	864,000	1.68	777,641	
	Penguin Computing, Inc.	-	Investment in shares of stock	218,340	15,395	0.96	593	
	Arescom Inc.	-	Investment in shares of stock	100,000	7,697	0.27	290	
	Prominent Communications, Inc.	-	Investment in shares of stock	285,714	-	1.51	-	
	<u>Mutual fund</u>							
	Entrust Kirin Bond Fund	-	Short-term investment	72,111,915	727,164	-	738,888	
	Diamond Bond Fund	-	Short-term investment	65,056,969	689,351	-	693,130	
	Fuh-hwa Bond Fund	-	Short-term investment	44,814,662	527,300	-	550,109	
	Tiim Bond Fund	-	Short-term investment	26,238,528	342,068	-	344,714	
	Transcend Fortune Bond Fund	-	Short-term investment	26,573,869	297,230	-	300,386	
	Tiim High Yield Fund	-	Short-term investment	15,563,566	168,000	-	176,576	
	Dashin Bond Fund	-	Short-term investment	12,116,475	143,155	-	143,546	
	Capital Cash Reserves	-	Short-term investment	11,310,523	122,124	-	122,399	
	The Wan Pao Fund	-	Short-term investment	7,306,281	101,454	-	102,904	
	Ta Chong Bond Fund	-	Short-term investment	8,275,845	100,000	-	100,053	
	Jih Sun Bond Fund	-	Short-term investment	7,842,212	99,121	-	99,356	
	Core Pacific European Fund	-	Short-term investment	9,000,000	90,000	-	52,560	
	Phoenix Bond Fund	-	Short-term investment	4,956,486	69,000	-	69,180	
	United Taiwan Bond Fund	-	Short-term investment	3,985,302	55,013	-	55,370	
	Apollo Fund	-	Short-term investment	5,000,000	50,000	-	26,050	
	Capital Safe Income Fund	-	Short-term investment	3,015,399	41,000	-	41,195	
	Forever Fund	-	Short-term investment	2,754,657	37,000	-	37,012	
	Fuh-hwa Albatross Fund	-	Short-term investment	3,362,238	34,401	-	34,855	
	High Yield Bond Fund	-	Short-term investment	2,524,686	26,000	-	30,570	

(Forward)

Investor	Type and Name of Securities Held	Relationship with the Corporation	Financial Statement Account	June 30, 2002				Note	
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note A)		
Ching Ming Investment Corp. (Note E)	Nitc Value Fund	-	Short-term investment	2,000,000	\$ 20,000	-	\$ 11,560	58,586,000 shares pledged as collateral for short-term bank loan. 5,599,000 shares pledged as collateral for short-term bank loan.	
	Taiyu Long River Bond Fund	-	Short-term investment	1,278,840	14,000	-	14,009		
	B. B. Bond Fund	-	Short-term investment	952,548	10,000	-	10,017		
	Tiim Prime Balanced Fund	-	Short-term investment	1,000,000	10,000	-	8,700		
	FarEastern Alliance Technology Fund	-	Short-term investment	1,000,000	10,000	-	7,220		
	Truswell Fund	-	Short-term investment	1,000,000	10,000	-	5,440		
	Prudential Financial Bond Fund	-	Short-term investment	295,057	4,000	-	4,009		
	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	-	17,248		
	Chang Ku A-Life Technology Co., Ltd. Convertible Bond- II	-	Short-term investment	100,000	10,000	-	1,200		
	<u>Deposit on subscriptions</u>								
	Taipei Port Container Terminal Co., Ltd.	-	Long-term investment	-	5,984	-	-		
	<u>Common stocks</u>								
	Yang Ming Marine Transport Corp.	Parent company		Short-term investment	65,838,308	1,271,737	0.04		562,391
	Ritek Corporation	-	Short-term investment	5,601,869	459,757	-	169,204		
	China Container Terminal Corporation	-	Short-term investment	1,620,000	105,965	0.02	8,852		
	Micro-star International Co., Ltd.	-	Short-term investment	135,000	15,462	-	13,236		
	Gigabyte Technology Co., Ltd.	-	Short-term investment	100,000	9,113	-	8,218		
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investment	110,000	9,098	-	7,625		
	Realtek Semiconductor corp.	-	Short-term investment	50,000	7,781	-	6,871		
	Nanya Technology Corporation	-	Short-term investment	100,000	4,787	-	3,317		
	Honming Terminal & Stevedoring Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	3,950,000	43,893	0.10	43,696		
	China Technology Venture Capital Crop.	-	Investment in shares of stock	3,000,000	30,000	0.09	28,805		
	Imaging Quality Technology Inc.	-	Investment in shares of stock	529,500	5,330	0.03	3,626		
	Waterland Financial Holdings Co., Ltd.	-	Investment in shares of stock	478,240	5,000	-	3,603		
	Tytech Co., Ltd.	-	Investment in shares of stock	300,000	3,000	0.18	1,331		
Ritekcom Photonics Corp.	-	Investment in shares of stock	45,000	516	-	360			
<u>Mutual fund</u>									
Sheng Hwa 1699 Bond Fund	-	Short-term investment	2,833,479	32,500	-	32,500			
The High Yield Fund	-	Short-term investment	466,222	6,230	-	6,203			
Yes Logistics Corp. (Note E)	<u>Common stocks</u>								
	Yang Ming Marine Transport Corp.	Parent company	Short-term investment	800,000	7,632	0.04	6,834		
	Winbond Electronics Corp.	-	Short-term investment	29,875	1,631	-	598		
	Silicon Integrated Systems Corp.	-	Short-term investment	16,499	1,522	-	553		
	Taiwan Navigation Co., Ltd.	-	Short-term investment	100,000	1,282	-	1,375		
	United Microelectronics Corp.	-	Short-term investment	17,250	1,238	-	724		
	Ritek Corporation	-	Short-term investment	13,000	1,182	-	393		
	Elite Semi-conductor Memory Technology Inc.	-	Short-term investment	2,000	855	-	421		
	Media Tek Inc.	-	Short-term investment	1,000	712	-	456		
	Synnex Technology International Corp.	-	Short-term investment	6,875	696	-	307		

(Forward)

Investor	Type and Name of Securities Held	Relationship with the Investor	Financial Statement Account	June 30, 2002				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note A)	
	Vanguard International Semiconductor Co.	-	Short-term investment	15,000	\$ 659	-	\$ 294	
	Holy Stone Enterprise Co., Ltd.	-	Short-term investment	3,800	495	-	239	
	ProMOS Technologies Inc.	-	Short-term investment	5,950	393	-	120	
	Walsin Technology Corp.	-	Short-term investment	7,000	340	-	216	
	Macronix International Co., Ltd.	-	Short-term investment	6,500	340	-	142	
	Via Technologies, Inc.	-	Short-term investment	1,600	318	-	132	
	Tailyn Communication Co., Ltd.	-	Short-term investment	5,250	180	-	75	
	Honming Terminal & Stevedoring Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	4,382,370	45,692	10.98	45,692	
	Yes Logistics (USA) Corp.	Investee accounted for using the equity method	Investment in shares of stock	100,000	2,918	100.00	2,918	
	B2B.Com Holdings	-	Investment in shares of stock	800,000	39,533	8.00	41,931	
	United Raw Material Solutions, Inc.	-	Investment in shares of stock	200,000	33,128	1.33	2,111	
	U-Tech Media Corp.	-	Investment in shares of stock	277,500	8,325	0.21	7,097	
	<u>Mutual fund</u>							
	NAM Short Term Fixed Income Fund	-	Short-term investment	120,398	52,500	-	50,340	
	Forever Fund	-	Short-term investment	4,198,193	51,335	-	56,407	
	Phoenix	-	Short-term investment	3,114,170	40,000	-	43,466	
	Tiim Bond Fund	-	Short-term investment	2,659,126	33,668	-	34,935	
	Fuh-hwa Bond Fund	-	Short-term investment	2,758,585	33,000	-	33,862	
	Barits Bond Fund	-	Short-term investment	1,770,805	20,000	-	20,080	
	HSBC Taiwan Safe And Rich Fund	-	Short-term investment	397,773	10,080	-	5,322	
	Fuh-hwa Heirloom Balance Fund	-	Short-term investment	468,486	5,010	-	5,359	
	Fuh-hwa Yu-Li Fund	-	Short-term investment	453,358	5,005	-	5,141	
	High Yield Bond Fund	-	Short-term investment	451,011	5,000	-	5,461	
	Tiim High Yield Fund	-	Short-term investment	408,878	4,600	-	4,639	
	Tung Hsing Fund	-	Short-term investment	332,696	4,000	-	3,656	
	AHL Diversified Future Limited	-	Short-term investment	5,959	3,500	-	3,430	
	Sheng Hwa 1699 Bond Fund	-	Short-term investment	266,897	3,000	-	3,068	
	Nitc US TEchnology Fund	-	Short-term investment	200,000	2,006	-	2,006	
	Mid-Small Cap. Fund	-	Short-term investment	199,700	2,000	-	1,851	
	Prudential Financial Taiwan Enterprise Fund	-	Short-term investment	68,353	1,003	-	688	
	Prudential Financial Maxima Fund	-	Short-term investment	39,262	1,000	-	667	
Yang Ming Line (Singapore) Pte. Ltd. (Note E)	<u>Common stocks</u>							
	Sunplus Technology Co., Ltd.	-	Short-term investment	759,375	66,499	0.14	64,456	
	Dbtel Incorporated	-	Short-term investment	361,680	33,154	0.07	8,941	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investment	295,680	27,787	-	20,497	
	Ritek Corporation	-	Short-term investment	223,600	25,553	0.01	6,754	
	Macronix International Co., Ltd.	-	Short-term investment	208,000	13,674	0.01	4,557	
	Au Optronics Corp.	-	Short-term investment	200,000	8,599	0.01	7,647	
	Winbond Electronics Corp.	-	Short-term investment	47,800	3,445	-	956	
	Silicon Integrated System Corp.	-	Short-term investment	50,000	2,659	-	1,676	
	Yang Ming Shipping (B.V.I.) Inc.	Investee accounted for using the equity method	Investment in shares of stock	510	149,400	51.00	149,400	
	Young-Carrier Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	910,000	122,597	91.00	122,597	
	Yangming Shipping (Singapore) Pte. Ltd.	Investee accounted for using the equity method	Investment in shares of stock	1,000,000	24,258	100.00	24,258	
	Yangming (Japan) Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	3,000	18,300	100.00	18,300	
	Yang Ming Line (M) Sdn. Bhd.	Investee accounted for using the equity method	Investment in shares of stock	700,000	11,154	70.00	11,154	
	Yangming (Cayman) Ltd.	Investee accounted for using the equity method	Investment in shares of stock	20,000	77	100.00	77	
	Yang Ming Line (Hong Kong) Ltd.	Investee accounted for using the equity method	Investment in shares of stock	510,000	(19,244)	51.00	(19,244)	Note D
	<u>Preferred stock</u>							
	GRC Leasing II Pte. Ltd.	-	Investment in shares of stock	1	335,600	-	335,600	

(Forward)

Investor	Type and Name of Securities Held	Relationship with the Corporation	Financial Statement Account	June 30, 2002				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note A)	
	<u>Global depository receipt</u> Permal Emerging Market Holdings N.V.	-	Short-term investment	358	\$ 16,809	-	\$ 16,360	
	Permal Investment Holdings N.V.	-	Short-term investment	175	16,800	-	16,459	
	ViaSource Policy Fund	-	Short-term investment	5	16,780	-	16,780	
	Synnex Technology International Corp. GDR	-	Short-term investment	50,749	10,717	-	7,614	
	<u>Foreign convertible bond</u> Giga-Byte Technology Co., Ltd.	-	Short-term investment	500,000	16,780	-	18,491	
	Sunplus Technology Co., Ltd.	-	Short-term investment	83,837	15,832	-	12,133	
Yangming (Japan) Co., Ltd. (Note E)	<u>Common stocks</u> Manwa & Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	200	2,666	100.00	2,666	
Yang Ming Shipping (B.V.I.) Inc. (Note E)	<u>Common stocks</u> Karman Properties Limited	Investee accounted for using the equity method	Investment in shares of stock	1,000	(4,179)	100.00	(4,179)	Note D
Jing Ming Transportation Co., Ltd. (Note E)	<u>Common stocks</u> Yang Ming Marine Transport Corp.	Parent company	Short-term investment	515,412	5,228	0.03	4,403	
Yang Ming Line (B.V.I.) Holding Co., Ltd. (Note E)	<u>Common stocks</u> Yang Ming Line N.V.	Investee accounted for using the equity method	Investment in shares of stock	1,500,000	(298,679)	100.00	(298,679)	Note D
Yang Ming Line N.V. (Note E)	<u>Common stocks</u> Yang Ming Line B.V.	Investee accounted for using the equity method	Investment in shares of stock	2,500	(302,581)	100.00	(302,581)	Note D
Yang Ming Line B.V. (Note E)	<u>Common stocks</u> Yangming (UK) Ltd. YANG MING Shipping Europe GmbH	Investee accounted for using the equity method Investee accounted for using the equity method	Investment in shares of stock Investment in shares of stock	900,000 (Note B)	(329,167) 28,830	100.00 100.00	(329,167) 28,830	Note D
Yangming (UK) Ltd. (Note E)	<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. (Note E)	<u>Common stocks</u> Yang Ming Marine Transport Corp. China Steel Corporation Yuen Foong Yu Paper Mfg. Co., Ltd. Siliconware Precision Industries Co., Ltd. Kuang Ming Shipping Corp.(Panama)	Parent company - - - Investee accounted for using the equity method	Short-term investment Short-term investment Short-term investment Short-term investment Investment in shares of stock	1,704,995 595,690 3,390 594 49,500	34,405 14,183 57 32 65,044	0.09 - - - 100.00	14,564 10,532 35 15 78,726	
	<u>Convertible bonds</u> Yang Ming Marine Transport Corp. Convertible Bond-I	Parent company	Long-term investment	50,000	5,000	-	5,039	
Honming Terminal & Stevedoring Co., Ltd. (Note E)	<u>Common stocks</u> Yes Logistics Corp.	Investee accounted for using the equity method	Investment in shares of stock	1,052,300	10,061	2.10	10,026	

Notes:

- The market values are based on average closing prices for the month of June 2002 or the net value of the fund on June 30, 2002. If market prices are unavailable, upon the net assets of investees.
- The authorized capital stock is DMS1,600,000 and the issued capital stock is DMS800,000.
- The issued capital stock is GBPS1,000.
- Investees had negative net assets. Accordingly, the negative carrying value of the investments were presented as liability
- This is calculated based on unaudited financial statement.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

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

For the Six Months Ended June 30, 2002

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Yang Ming Marine Transport Corporation	<u>Common stocks</u> China Mariners' Assurance Corp.	Investment in shares of stock	Honming Terminal & Stevedoring Co., Ltd.	Investee accounted for using the equity method	24,982,219	\$ 221,045	-	\$ -	24,982,219	\$ 298,887	\$ 221,045	\$ 77,842	-	\$ -
	<u>Mutual fund</u>													
	Entrust Kirin Bond Fund	Short-term investment	-	-	9,511,416	95,500	63,583,523	641,500	983,024	10,000	9,836	164	72,111,915	727,164
	Diamond Bond Fund	Short-term investment	-	-	-	-	75,446,579	798,480	10,389,610	110,000	109,129	871	65,056,969	689,351
	Fuh-hwa Bond Fund	Short-term investment	-	-	27,778,748	321,100	17,035,914	206,200	-	-	-	-	44,814,662	527,300
	Tiim Bond Fund	Short-term investment	-	-	3,867,395	50,000	31,901,604	415,300	9,530,471	125,000	123,232	1,768	26,238,528	342,068
	Transcend Fortune Bond Fund	Short-term investment	-	-	-	-	34,184,151	382,000	7,610,282	85,000	84,770	230	26,573,869	297,230
	Tiim High Yield Fund	Short-term investment	-	-	5,000,000	50,000	10,563,566	118,000	-	-	-	-	15,563,566	168,000
	Dashin Bond Fund	Short-term investment	-	-	-	-	60,661,608	712,000	48,545,133	570,615	568,845	1,770	12,116,475	143,155
	Capital cash Reserves	Short-term investment	-	-	-	-	13,160,893	142,000	1,850,370	20,000	19,876	124	11,310,523	122,124
	The Wan Pao Fund	Short-term investment	-	-	-	-	14,406,940	200,000	7,100,659	100,000	98,546	1,454	7,306,281	101,454
	Ta Chong Bond Fund	Short-term investment	-	-	-	-	17,781,607	214,000	9,505,762	114,364	114,000	364	8,275,845	100,000
	Jih Sun Bond Fund	Short-term investment	-	-	-	-	9,421,928	119,000	1,579,716	20,000	19,878	122	7,842,212	99,122
	United Taiwan Bond Fund	Short-term investment	-	-	-	-	36,333,077	500,000	32,347,775	447,000	444,987	2,013	3,985,302	55,013
	Forever Fund	Short-term investment	-	-	-	-	17,108,243	227,000	14,353,586	190,921	190,000	921	2,754,657	37,000
	Taiyu Long River Bond Fund	Short-term investment	-	-	-	-	18,830,650	204,000	17,551,810	191,971	190,000	1,971	1,278,840	14,000
	Polaris De-Pao Fund	Short-term investment	-	-	-	-	13,859,070	141,000	13,859,070	142,637	141,000	1,637	-	-
	Sheng Hua 1699 Bond Fund	Short-term investment	-	-	-	-	31,740,046	361,000	31,740,046	364,868	361,000	3,868	-	-
	Shinkong chi-Shin Fund	Short-term investment	-	-	-	-	30,890,976	408,000	30,890,976	410,307	408,000	2,307	-	-
	Bartis Bond Fund	Short-term investment	-	-	-	-	32,995,529	369,000	32,995,529	373,151	369,000	4,151	-	-
	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	-	-	-	-	52,496,079	589,000	52,496,079	591,313	589,000	2,313	-	-
	IIT Increment Fund	Short-term investment	-	-	-	-	23,226,035	323,000	23,226,035	327,717	323,000	4,717	-	-
	IIT High Yield Fund	Short-term investment	-	-	-	-	29,486,995	389,890	29,486,995	392,993	389,890	3,103	-	-

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

June 30, 2002

(Amounts 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 Corporation	All Oceans Transportation, Inc.	A	\$ 9,042,087 C	-	-	-	\$ -	\$ -
	Young-Carrier Co., Ltd.	B	167,773	-	-	-	148,444	-
	Yangming (UK) Ltd.	B	111,149	-	-	-	12,746	-

Notes:

- A. An equity-accounted investee.
- B. An investee of equity-accounted wholly owned subsidiaries.
- C. This included long-term receivables.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 For the Six Months Ended June 30, 2002
 (Amounts 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 June 30, 2002			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2000	Dec. 31, 2001	Shares	Percentage of Ownership	Carrying Value			
Yang Ming Marine Transportation 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	\$ 2,507,882	\$ 29,724	\$ 29,724	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	1,058,307	53,694	53,694	Subsidiary of the Corporation
	Ching Ming Investment Corp.	Taipei	Investment	1,499,468	1,499,468	149,946,800	99.96	(162,133) (Note E)	17,220	(33,723)	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	750,458	106,246	106,246	Subsidiary of the Corporation
	YES Logistics Corp.	Keelung	Warehouse operation and forwarding agency	451,944	451,944	45,251,100	90.50	415,438	(6,450)	(6,954)	Subsidiary of the Corporation
	Kuang Ming Shipping Corp.	Taipei	Shipping service, shipping agency and forwarding agency	115,388	89,920	28,042,289	89.02	229,395	(76,644)	(69,528)	Subsidiary of the Corporation
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung	Terminal operation and stevedoring	316,000	316,000	31,600,000	79.00	349,611	26,970	21,115	Subsidiary of the Corporation
	Jing Ming Transportation Co., Ltd.	Kaohsiung	Container transportation	35,560	35,560	4,577,464	50.80	56,941	6,120	2,826	Subsidiary of the Corporation
	Yang Ming Line Holding Co.	Wilmington, USA	Investment, shipping agency, forwarding agency and shipping managers	82	82	3,000	100.00	43,945	2,577	2,577	Subsidiary of the Corporation
	Transyang Shipping Pte. Ltd.	Singapore	Shipping service, chartering, sales and purchase of ships, forwarding agency and shipping agency	24,842	16,686	686	24.99	73,849	40,823	10,601	(Note C)
	Chungwa Investment Corp.	Taipei	Investment	800,000	800,000	80,000,000	40.00	803,909	8,311	3,909	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	43,893	26,970	-	Subsidiary of the Corporation
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	(298,679) (Note E)	(229,693)	-	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	(302,581) (Note E)	(229,539)	-	Subsidiary of a wholly-owned subsidiary
Yang Ming Line B.V.	Yangming (UK) Ltd.	London U.K.	Shipping agency, forwarding agency and shipping managers	42,408	42,408	900,000	100.00	(329,167) (Note E)	(235,672)	-	Subsidiary of a wholly-owned subsidiary
	YANG MING Shipping Europe GmbH	Hamburg, Germany	Shipping agency, forwarding agency and shipping managers	14,448	14,448	(Note A)	100.00	28,830	6,303	-	Subsidiary of a wholly-owned subsidiary

(Forward)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note D)		Balance as of June 30, 2002			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2000	Dec. 31, 2001	Shares	Percentage of Ownership	Carrying Value			
Yangming (UK) Ltd.	CORSTOR Ltd.	U.K.	Forwarding agency and shipping managers	\$ 25	\$ 25	(Note B)	50.00	\$ 26	\$ -	\$ -	- Subsidiary of a wholly-owned subsidiary
Yang Ming Line (Singapore) Pte. Ltd.	Young-Carrier Co., Ltd.	Hong Kong	Investment, shipping agency, forwarding agency and shipping managers	3,229	3,229	910,000	91.00	122,597	41,087	-	- 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	149,400	33,770	-	- 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	18,300	(18,835)	-	- 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	(19,244) (Note E)	(19,828)	-	- 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	24,258	1,860	-	- 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	11,154	1,694	-	- Subsidiary of a wholly-owned subsidiary
	Yangming (Cayman) Ltd.	Cayman Islands	Lease of ships	629	629	20,000	100.00	77	(134)	-	- Subsidiary of a wholly-owned subsidiary
Yangming (Japan) Co., Ltd.	Manwa & Co., Ltd.	Tokyo Japan	Shipping agency and shipping managers	2,666	2,666	200	100.00	2,600	-	-	- 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	(6,580) (Note E)	(2,401)	-	- 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	65,044	12,425	-	- Subsidiary of a wholly-owned subsidiary
Honming Terminal & Stevedoring Co., Ltd.	YES Logistics Corp.	Keelung	Warehouse operation and forwarding agency	10,523	10,523	1,052,300	2.10	10,061	(6,450)	-	- Subsidiary of the Corporation
YES Logistics Corp.	YES Logistics Corp. (USA)	Auckland, USA	Shipping agency, forwarding agency and shipping managers	3,313	3,313	100,000	100.00	2,918	-	-	- 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	1,117	25,970	-	- Subsidiary of the Corporation

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 GBP\$1,000.
- 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. Except for Transyang Shipping, calculated based on unaudited financial statements.