

Yang Ming Marine Transport Corporation

**Financial Statements for the Years Ended
December 31, 2003 and 2002
Together with Independent Auditors' Report**

Readers are advised that the original version of these financial statements is in Chinese. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

INDEPENDENT AUDITORS' REPORT

March 1, 2004

The Board of Directors and the Stockholders
Yang Ming Marine Transport Corporation

We have audited the accompanying balance sheets of Yang Ming Marine Transport Corporation as of December 31, 2003 and 2002 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Transyang Shipping Pte. Ltd. and Yang Ming Line (Singapore) Pte. Ltd. as of and for the year ended December 31, 2003 and those of Kuang Ming Shipping Corp., Transyang Shipping Pte. Ltd., and Yang Ming Line (Singapore) Pte. Ltd. as of and for the year ended December 31, 2002, in which the Corporation has equity investments accounted for by the equity method. As shown in the accompanying balance sheets, the carrying values of these investments were 2.2% (NT\$1,350,190 thousand) and 3.7% (NT\$1,719,597 thousand) of the Corporation's total assets as of December 31, 2003 and 2002, respectively. The equity in these investees' net income was 3.7% (NT\$305,233 thousand) and 53.7% (NT\$614,370 thousand) of the Corporation's income before income tax for the years ended December 31, 2003 and 2002, respectively. The financial statements of these 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 these investees, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Yang Ming Marine Transport Corporation as of December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines for Securities Issuers' Financial Reporting for Public Company and generally accepted accounting principles in the Republic of China.

As described in Note 3 to the financial statements, effective January 1, 2002, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 30, "Accounting for Treasury Stocks," which requires the Corporation to treat its stocks held by subsidiaries as treasury stocks.

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.

YANG MING MARINE TRANSPORT CORPORATION

BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

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

ASSETS	2003		2002	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$ 6,614,016	11	\$ 1,758,190	4
Short-term investments—net (Notes 2 and 5)	13,900,013	23	6,130,776	13
Accounts receivable—net of allowance for doubtful accounts of \$7,415 (Note 2)	722,115	1	1,290,695	3
Receivables from related parties (Note 20)	7,067,296	12	2,228,974	5
Shipping fuel—net (Note 2)	652,498	-	482,161	1
Prepaid expenses (Note 20)	218,883	-	262,371	-
Advances to shipping agents (Note 20)	558,745	1	1,469,405	3
Pledged time deposits (Note 21)	-	-	18,645	-
Other current assets (Notes 2 and 16)	162,410	-	352,773	1
Total current assets	29,895,976	49	13,993,990	30
INVESTMENTS IN SHARES OF STOCK (Notes 2 and 6)				
Equity method	9,048,884	15	6,486,040	14
Cost method	1,308,222	2	1,268,541	3
Deposit on subscriptions	-	-	6,614	-
Total investments in shares of stocks	10,357,106	17	7,761,195	17
PROPERTIES (Notes 2, 7, 20, 21, 22 and 23)				
Cost				
Land	48,388	-	38,901	-
Buildings	549,722	1	521,410	1
Containers and chassis	11,822,031	20	10,789,226	23
Ships	8,926,011	15	14,764,752	32
Leased containers and chassis	2,041,688	3	2,041,688	5
Leasehold improvements	209,070	-	183,541	-
Miscellaneous equipment	1,609,924	3	1,549,546	3
Total cost	25,206,834	42	29,889,064	64
Accumulated depreciation	(14,552,571)	(24)	(17,350,687)	(37)
	10,654,263	18	12,538,377	27
Construction in progress	2,553,783	4	-	-
Net properties	13,208,046	22	12,538,377	27
OTHER ASSETS				
Assets leased to others—net (Notes 2, 7 and 8)	1,065,235	2	1,106,569	2
Nonoperating assets—net (Notes 2, 7, 9 and 21)	493,565	1	498,247	1
Prepaid expenses on long-term rent agreements	331,909	-	348,930	1
Deferred charges—net (Note 2)	57,263	-	330,817	1
Receivables from related parties (Note 20)	5,381,850	9	9,720,111	21
Miscellaneous	94,407	-	103,708	-
Total other assets	7,424,229	12	12,108,382	26
TOTAL ASSETS	\$60,885,357	100	\$46,401,944	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2003		2002	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term debts (Notes 10 and 21)	\$ 15,080	-	\$ 102,597	-
Payables to related parties (Note 20)	1,322,462	2	1,793,123	4
Income tax payable (Notes 2 and 16)	850,688	1	9,300	-
Accrued expenses	2,124,035	4	1,644,628	3
Advances from customers (Note 20)	1,108,418	2	744,337	2
Current portion of interest-bearing long-term debts (Notes 2, 7, 11, 13 and 21)	1,712,660	3	609,664	1
Payables to shipping agents	1,438,397	2	1,275,226	3
Other current liabilities (Notes 2 and 16)	395,924	1	374,508	1
Total current liabilities	8,967,664	15	6,553,383	14
INTEREST-BEARING LONG-TERM DEBTS—Net of current portion				
Bonds (Notes 2, 11 and 21)	15,060,800	25	11,117,200	24
Bank loans (Notes 11 and 21)	238,103	-	1,181,500	3
Capital lease obligations (Notes 2, 7 and 11)	849,541	1	1,139,430	2
Total interest-bearing long-term debts	16,148,444	26	13,438,130	29
RESERVE FOR LAND VALUE INCREMENT TAX (Note 12)	479,639	1	479,639	1
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 19)	604,450	1	536,082	1
Cumulative losses in excess of cost of investment in China Ming Investment Corp. (Notes 2 and 6)	-	-	244,213	1
Deferred income tax liabilities—noncurrent (Notes 2 and 16)	1,191,179	2	540,387	1
Others (Notes 2, 13 and 20)	204,037	-	253,126	1
Total other liabilities	1,999,666	3	1,573,808	4
Total liabilities	27,595,413	45	22,044,960	48
STOCKHOLDERS' EQUITY				
Capital stock—\$10 par value				
Authorized—2,400,000 thousand shares				
Issued—1,946,707 thousand shares in 2003 and 1,834,316 thousand shares in 2003 and 2002	19,467,065	32	18,343,160	39
Certificates of conversion of bonds to stock—10,224 thousand shares	102,234	-	-	-
Total capital stock	19,569,299	32	18,343,160	39
Capital surplus:				
Issue of stock in excess of par value	4,075,397	7	2,390,186	5
Treasury stock transactions	234,855	-	4,242	-
Equity on capital surplus reported by equity—accounted investees	5,816	-	5,816	-
Total capital surplus	4,316,068	7	2,400,244	5
Retained earnings:				
Legal reserve	528,295	1	414,623	1
Special reserve	1,141,939	2	1,141,939	3
Unappropriated earnings	7,836,692	13	2,424,970	5
Total retained earnings	9,506,926	16	3,981,532	9
Other items of stockholders' equity				
Unrealized loss on investments in shares of stock	(1)	-	(21,293)	-
Cumulative translation adjustments	338,729	1	186,469	-
Net loss not recognized as pension costs	(18,457)	-	(7,687)	-
Total other items of stockholders' equity	320,271	1	157,489	-
Treasury stocks—54,384 and 67,619 thousand shares in 2003 and 2002	(422,620)	(1)	(525,441)	(1)
Total stockholders' equity	33,289,944	55	24,356,984	52
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$60,885,357	100	\$46,401,944	100

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

(With Deloitte & Touche auditors' report dated March 1, 2004)

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

	<u>2003</u>		<u>2002</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Notes 2 and 20)	\$62,913,555	100	\$45,511,610	100
OPERATING COSTS (Notes 2, 17 and 20)	<u>56,655,873</u>	<u>90</u>	<u>44,363,971</u>	<u>98</u>
GROSS INCOME	<u>6,257,682</u>	<u>10</u>	<u>1,147,639</u>	<u>2</u>
OPERATING EXPENSES (Note 17)				
Selling	1,477,141	2	793,503	2
General and administrative	<u>306,037</u>	<u>1</u>	<u>194,321</u>	<u>-</u>
Total operating expenses	<u>1,783,178</u>	<u>3</u>	<u>987,824</u>	<u>2</u>
OPERATING INCOME	<u>4,474,504</u>	<u>7</u>	<u>159,815</u>	<u>-</u>
NONOPERATING INCOME AND GAINS				
Equity in investees' net income—net (Notes 2 and 6)	3,569,111	6	945,291	2
Interest (Note 20)	391,173	1	535,460	1
Gain on market price recovery of short-term investments (Note 2)	207,052	-	-	-
Foreign exchange gain—net	175,370	-	215,784	-
Gain on sale of investments	160,994	-	260,861	1
Gain on sale of properties and nonoperating assets	2,407	-	89,403	-
Others	<u>213,861</u>	<u>1</u>	<u>287,778</u>	<u>1</u>
Total nonoperating income and gains	<u>4,719,968</u>	<u>8</u>	<u>2,334,577</u>	<u>5</u>
NONOPERATING EXPENSES AND LOSSES				
Interest (Note 7)	661,964	1	719,968	1
Loss on disposal of properties	129,487	1	307	-
Provision for losses on investments (Note 2)	61,612	-	363,610	1
Others	<u>102,883</u>	<u>-</u>	<u>266,117</u>	<u>1</u>
Total nonoperating expenses and losses	<u>955,946</u>	<u>2</u>	<u>1,350,002</u>	<u>3</u>
INCOME BEFORE INCOME TAX	8,238,526	13	1,144,390	2
INCOME TAX EXPENSE (Notes 2 and 16)	<u>1,589,429</u>	<u>2</u>	<u>8,939</u>	<u>-</u>
NET INCOME	<u>\$ 6,649,097</u>	<u>11</u>	<u>\$ 1,135,451</u>	<u>2</u>

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	<u>2003</u>		<u>2002</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>	<u>Income Before Income Tax</u>	<u>Net Income</u>
PRIMARY EARNINGS PER SHARE (Note 18)	<u>\$ 4.59</u>	<u>\$ 3.70</u>	<u>\$ 0.65</u>	<u>\$ 0.64</u>
DILUTED EARNINGS PER SHARE (Note 18)	<u>\$ 4.02</u>	<u>\$ 3.24</u>	<u>\$ 0.65</u>	<u>\$ 0.64</u>

Pro forma information, assuming that the Corporation's stocks held by subsidiaries had been accounted for as investments rather than as treasury stocks (Notes 2, 3, 15 and 18), is as follows:

	<u>2003</u>		<u>2002</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>	<u>Income Before Income Tax</u>	<u>Net Income</u>
NET INCOME	<u>\$8,936,375</u>	<u>\$7,346,946</u>	<u>\$1,310,736</u>	<u>\$1,301,797</u>
PRIMARY EARNINGS PER SHARE	<u>\$ 4.81</u>	<u>\$ 3.96</u>	<u>\$ 0.71</u>	<u>\$ 0.71</u>
DILUTED EARNINGS PER SHARE	<u>\$ 4.23</u>	<u>\$ 3.48</u>	<u>\$ 0.71</u>	<u>\$ 0.70</u>

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

(With Deloitte & Touche auditors' report dated March 1, 2004)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Stock (\$10 Par Value)				Capital Surplus (Notes 2 and 14)					Retained Earnings (Notes 2 and 14)				Other Items of Stockholder's Equity (Note 2)				Treasury Stocks (Notes 2, 3 and 15)	Total Stockholders' Equity	
	Shares (thousands)	Amount	Certificates of conversion of bonds to stocks	Total	Issue of stock in excess of par value	Treasury stock transactions	Gain on sale of properties	Equity on capital surplus reported by equity-accounted investees	Total	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)		Unrealized loss on investments in shares of stock	Cumulative translation adjustments	Net loss not recognized as pension costs				Total
												(accumulated deficit)	Total			Total	Total			
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	\$ -	\$ 467,788	\$ -	\$ 24,053,031	
Offset of accumulated losses in 2001	-	-	-	-	-	-	-	-	-	(634,683)	-	634,683	-	-	-	-	-	-	-	
Reclassification of the Corporation's stocks held by subsidiaries into treasury stocks—67,619 thousand shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(525,441)	(525,441)	
Disposal of the Corporation's stocks held by subsidiaries	-	-	-	-	-	4,242	-	-	4,242	-	-	-	-	-	-	-	-	-	4,242	
Net income in 2002	-	-	-	-	-	-	-	-	-	-	-	1,135,451	1,135,451	-	-	-	-	-	1,135,451	
Reclassification of capital surplus from gain on sales of properties to retained earnings	-	-	-	-	-	-	(1,431,387)	-	(1,431,387)	143,139	-	1,288,248	1,431,387	-	-	-	-	-	-	
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	(284,728)	-	(284,728)	-	(284,728)	-	
Reversal of recognized equity in the capital surplus reported by equity-method investee as a result of the investee's disposal of an investment	-	-	-	-	-	-	-	(9)	(9)	-	-	9	9	3,027	237	-	3,264	-	3,264	
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,687)	(7,687)	-	(7,687)	-	
Recognition of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,292)	-	-	(21,292)	-	(21,292)	
Equity in changes in capital surplus reported by equity-method investees	-	-	-	-	-	-	(1,262)	(1,262)	-	-	-	1,262	1,262	144	-	-	144	-	144	
BALANCE, DECEMBER 31, 2002	1,834,316	18,343,160	-	18,343,160	2,390,186	4,242	-	5,816	2,400,244	414,623	1,141,939	2,424,970	3,981,532	(21,293)	186,469	(7,687)	157,489	(525,441)	24,356,984	
Appropriation of 2002 earnings	-	-	-	-	-	-	-	-	-	113,672	-	(113,672)	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	(23,113)	(23,113)	-	-	-	-	-	(23,113)	
Bonus to employees	-	-	-	-	-	-	-	-	-	-	-	(1,100,590)	(1,100,590)	-	-	-	-	-	(1,100,590)	
Cash dividends—\$0.6 per share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash dividends acquired by subsidiaries	-	-	-	-	-	32,643	-	-	32,643	-	-	-	-	-	-	-	-	-	32,643	
Disposal of the Corporation's stocks held by subsidiaries	-	-	-	-	-	197,970	-	-	197,970	-	-	-	-	-	-	-	-	102,821	300,791	
Net income in 2003	-	-	-	-	-	-	-	-	-	-	-	6,649,097	6,649,097	-	-	-	-	-	6,649,097	
Reversal of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	21,292	-	-	21,292	-	21,292	
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	152,260	-	152,260	-	152,260	
Domestic convertible bonds converted into certificates of conversion of bonds to stock and capital stocks	112,391	1,123,905	102,234	1,226,139	1,685,211	-	-	-	1,685,211	-	-	-	-	-	-	-	-	-	2,911,350	
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,770)	(10,770)	-	(10,770)	-	
BALANCE, DECEMBER 31, 2003	<u>1,946,707</u>	<u>\$ 19,467,065</u>	<u>\$ 102,234</u>	<u>\$ 19,569,299</u>	<u>\$ 4,075,397</u>	<u>\$ 234,855</u>	<u>\$ -</u>	<u>\$ 5,816</u>	<u>\$ 4,316,068</u>	<u>\$ 528,295</u>	<u>\$ 1,141,939</u>	<u>\$ 7,836,692</u>	<u>\$ 9,506,926</u>	<u>(\$ 1)</u>	<u>\$ 338,729</u>	<u>(\$ 18,457)</u>	<u>\$ 320,271</u>	<u>(\$ 422,620)</u>	<u>\$ 33,289,944</u>	

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

(With Deloitte & Touche auditors' report dated March 1, 2004)

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(In Thousands of New Taiwan Dollars)**

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 6,649,097	\$ 1,135,451
Adjustments to reconcile net income with net cash provided by operating activities:		
Depreciation	2,015,229	2,268,539
Amortization	223,375	191,473
Gain on sale of investments	(160,994)	(260,861)
Net loss (gain) on sale of properties and nonoperating assets	127,080	(89,096)
Provision for pension cost	57,597	76,760
Provision for losses on investments	61,612	363,610
Equity in investees' net income—net	(3,569,111)	(945,291)
Gain on market price recovery of short-term investments	(207,052)	-
Provision for losses on properties	-	170,000
Cash dividends received from equity-method investments	856,079	41,141
Deferred income taxes	736,416	5,269
Others	(37,846)	(55,409)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	568,580	(302,686)
Receivables from related parties	284,692	(552,290)
Shipping fuel	(179,821)	(85,146)
Prepaid expenses	43,488	237,719
Advances to shipping agents	910,660	(499,828)
Pledged time deposits	18,645	416,264
Other current assets	151,663	77,196
Prepaid expenses on long-term rent agreements	17,021	(137,315)
Increase (decrease) in:		
Payables to related parties	(496,205)	50,608
Income tax payable	841,388	-
Accrued expenses	495,851	771,157
Advances from customers	364,081	35,111
Payables to shipping agents	163,171	(1,295,966)
Other current liabilities	69,076	20,927
Net cash provided by operating activities	<u>10,003,772</u>	<u>1,637,337</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments	(7,437,640)	(4,407,989)
Acquisition of investments in shares of stock	(73,391)	(151,959)
Proceeds from disposal of investments in shares of stock	36,450	389,077
Acquisition of properties	(4,168,523)	(557,952)
Proceeds from sale of properties and nonoperating assets	962,028	332,344
Increase in deferred charges	(4,307)	(170,718)
Decrease (increase) in other assets	<u>38,609</u>	<u>(60,566)</u>
Net cash used in investing activities	<u>(10,646,774)</u>	<u>(4,627,763)</u>

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English Translation of Financial Statements Originally Issued in Chinese

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on short-term debts	(\$ 87,517)	(\$ 99,686)
Proceeds from interest-bearing long-term debts	8,611,403	3,198,749
Repayment of principal of interest-bearing long-term debts	(1,619,250)	(2,300,000)
Payment of capital lease obligations	(281,343)	(299,141)
Decrease in other liabilities	(1,760)	(2,554)
Payment of dividend and employees' bonus	(<u>1,122,705</u>)	<u>-</u>
Net cash provided by financing activities	<u>5,498,828</u>	<u>497,368</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,855,826	(2,493,058)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,758,190</u>	<u>4,251,248</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,614,016</u>	<u>\$ 1,758,190</u>
SUPPLEMENTAL INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 666,033</u>	<u>\$ 727,923</u>
Income tax paid	<u>\$ 7,952</u>	<u>\$ 4,199</u>
Noncash investing and financing activities		
Reclassification of investments in shares of stock into short-term investments	<u>\$ -</u>	<u>\$ 122,753</u>
Reclassification of the Corporation's stock held by subsidiaries from investments into treasury stocks	<u>\$ -</u>	<u>\$ 525,441</u>
Reclassification of nonoperating assets as properties	<u>\$ 5,164</u>	<u>\$ 187,934</u>
Reclassification of assets leased to others as properties	<u>\$ 38,979</u>	<u>\$ -</u>
Current portion of interest-bearing long-term debts	<u>\$ 1,712,660</u>	<u>\$ 609,664</u>
Domestic unsecured convertible bonds converted into capital stock, certificates of bonds convertible to stocks and capital surplus	<u>\$ 2,911,350</u>	<u>\$ -</u>
Cash paid for acquisition of properties:		
Costs of properties acquired	\$ 4,142,658	\$ 709,658
Decrease (increase) in payable for equipment	51,408	(16,256)
Increase in payables to related parties	(25,543)	-
Increase in obligations under capital leases	<u>-</u>	<u>(135,450)</u>
	<u>\$ 4,168,523</u>	<u>\$ 557,952</u>
Proceeds from sale of properties and nonoperating assets		
Total contracted selling prices	\$ 1,428,589	\$ 5,363,560
Increase in other receivables	(4,395,514)	(487,422)
Increase in long-term receivables	<u>3,928,953</u>	<u>(4,543,794)</u>
	<u>\$ 962,028</u>	<u>\$ 332,344</u>

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

(With Deloitte & Touche auditors' report dated March 1, 2004)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

1. ORGANIZATION AND OPERATIONS

Yang Ming Marine Transport Corporation (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 was majority owned by the Ministry of Transportation and Communications (MOTC) of the Republic of China (ROC) until February 15, 1996 when MOTC reduced its holdings in the Corporation simultaneous to the listing of its shares of stock on the ROC Taiwan Stock Exchange. MOTC owned 40.16% of the outstanding capital stock of the Corporation as of December 31, 2003.

The Corporation's shares have been listed on the ROC Taiwan Stock Exchange since April 1992.

As of December 31, 2003 and 2002, the Corporation had 1,282 and 1,320 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's financial statements conform to the Guidelines for Securities Issuers' Financial Reporting for Public Company and accounting principles generally accepted in the ROC.

The Corporation estimates the allowance for doubtful accounts, provisions for losses on shipping fuel and on investments in shares of stock, depreciation of properties, income tax, pension cost, unsettled litigation cost, and payables to shipping agents. Because of the uncertainty of circumstances, estimates may differ from the actual outcome.

The Corporation's significant accounting policies are summarized as follows:

Current and Noncurrent Assets and Liabilities

Assets to be converted into cash or used within one year are classified as current. Obligations to be settled within one year are classified as current. All other assets and liabilities are classified as noncurrent.

Cash Equivalents

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

Short-term Investments

These are mainly stocks listed on the ROC Taiwan Stock Exchange or stocks traded over the over-the-counter securities exchange, bonds, certificates of conversion of bonds to stocks and mutual funds. The investments are carried at the lower of aggregate cost or market value. If the aggregate carrying value of the investments exceeds their total market value, an allowance for losses is recognized and charged to current year's income. Any annual recovery of the market value to the extent of the original carrying value is recognized as income. Any stock dividends received are recorded as an increase in the number of shares held but are not recognized as investment income. Any cash dividends received are recognized as investment income of the current year. Costs of investment sold are determined using the first-in, first-out method.

Market values are based on the average closing prices of the listed stocks, bonds and certificates of conversion of bonds to stocks in the last month of the reporting period or the net asset values of the funds on the last trading day in the last month of the reporting period.

Allowance for Doubtful

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of individual receivables.

Shipping Fuel

Shipping fuel is carried at the lower of aggregate 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 in which the Corporation owns at least 20% of their outstanding common stock and exercises significant influence over their operating and financial decisions are accounted for by the equity method. Under this method, the investment is carried at cost on the acquisition date, and this cost is subsequently adjusted for the Corporation's equity in net income or net loss. The difference between the cost of the investment and the Corporation's equity in the investee's net assets on the acquisition date is amortized over five years. If an investee issues additional shares and the Corporation subscribes for these shares at a percentage different from its current equity in the investee, the resulting increase in the Corporation's equity in its investee's net assets is credited to capital surplus. Any decrease in the Corporation's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings. Any cash dividends received are recognized as a reduction of the carrying value of the investments. Any cumulative equity of the Corporation in the net loss of the investees in excess of the related investment costs is presented as other liabilities. The Corporation's equity in the net income or net loss of an investee 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 of investees that also have investments in the Corporation (reciprocal holdings) is computed using the treasury stock method.

Gain on sale of stocks to equity-method investees based on the Corporation's equity is realized as income through a subsequent sale to third parties.

Other investments in shares of stock are carried at cost. An allowance is recognized for any temporary decline in the aggregate market value below carrying value of listed stocks and stocks traded over the counter and is debited to stockholders' equity. But if the decline in market value is not temporary and there is no strong evidence that the market value will go up, the allowance is recognized as losses. Also, the carrying amounts of the investments in emerging stocks and unlisted stock are reduced to recognize other-than-temporary decline in the value, and this decline is charged to current losses. 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.

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

For both equity-method and cost-method investments, stock dividends received are recorded only as an increase in the number of shares held but are not recognized as investment income. 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. During construction, the interest on the payment for the construction is capitalized as cost of assets. Major renewals and betterments are capitalized, while maintenance and repairs are expensed currently.

Containers and chassis under capital lease and the corresponding obligation are recorded at the lower of the (a) fair market value of leased equipment, or (b) present value of the sum of the future minimum lease payables and the bargain purchase option price. The imputed interest on lease payment is recognized as current interest expense.

Depreciation is computed using the straight-line method over the service lives of properties as follows (plus one year to represent the estimated salvage value): buildings, 52 to 55 years; containers and chassis, 6 to 8 years; ships, 13 to 20 years; leased containers and chassis, 5 to 9 years; leasehold improvements, 5 years; and miscellaneous equipment, 3 to 10 years. Properties being used by the Corporation beyond their initially estimated service lives are depreciated over the estimated remaining service lives.

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

Nonoperating Assets

Nonoperating assets are stated at the lower of net carrying value or net realizable value.

Deferred Charges

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

Convertible Bonds

The convertible bonds are issued at face value and the interest expense is recognized on the basis of their face value and interest rate. The effective interest rate is calculated using the repayment price, and the interest compensation expense should be recognized over the term of the convertible bonds. Direct and necessary costs of issuing convertible bonds are recorded as deferred charges and amortized over the term of the convertible bonds in straight-line method.

To convert bonds to common shares, the Corporation uses the book value approach, which involves writing off the unamortized issued costs, recognized interest-premium, unpaid accrued interests and par value of the convertible bonds. The common stock exchange certificate (capital stock) should be valued at the net written-off carrying amount, and the difference of this amount from the par value of the common stock exchange certificate (capital stock) should be recognized as additional paid-in capital.

Pension

The Corporation has a defined benefit pension for all regular employees. Benefits are based on the number of service years and average basic pay of the last six months before retirement.

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 years of employees.

Unrealized Gain (Loss) on Sale and Leaseback

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

Treasury Stocks

Effective January 1, 2002, the Corporation adopted Statement of Financial Accounting Standard (SFAS) No. 30, "Accounting for Treasury Stocks." SFAS No. 30 requires that the shares of the Corporation held by subsidiaries be reclassified from investments in those subsidiaries to treasury stocks. The reclassification was based on carrying value as of January 1, 2002 of the subsidiaries' investments in the Corporation as shown in their books.

Revenues Recognition

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

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

Revenue is measured by the transaction price (after consideration of discount) agreed upon by the Corporation and its clients. The pro forma interest rate method cannot be used to measure fair value of revenue because the collectibility of accounts receivable on operating revenue is not longer than one year, transaction volumes are huge, and the present value and fair value of receivables approximate each other.

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 on the basis of the classification of the related assets or liabilities for financial reporting. A deferred tax liability or asset that cannot be related to an asset or liability or financial reporting is classified as current or noncurrent according to the expected realization date of the temporary difference.

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

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

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

Foreign-currency Transactions

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

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

Derivative Transactions

The Corporation accounts for derivative transactions as follows:

- a. 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 as current income. The carrying amounts (either assets or liabilities) of the options are credited or charged to income once the options are exercised.

- b. Cross-currency swap contracts

The contract (notional) amounts of cross-currency swap agreements are not recognized in the financial statements because the agreements do not require the settlement of such amounts. However, a memorandum entry is made to note the transaction. The forward components 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 as current income. The carrying amounts (either assets or liabilities) of the contracts are credited or charged to income once the swap contracts are settled.

- c. Forward exchange contracts

The foreign currency amounts of forward exchange contracts (the “contracts”) used for hedging purposes are recorded in New Taiwan dollars at spot rates (forward rates if the contracts are used for trading purposes) on the starting dates of the contracts. 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 on the starting date of the contract, is also recognized. The premium or discount is amortized using the straight-line method over the term of the forward contract, with the amortization charged to income. On the balance sheet dates, the gains or losses on the contracts, computed by multiplying the foreign currency amounts of the contracts by the difference between the spot rates on the contract starting dates and the balance sheet 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 out, and the resulting net amount is classified as either an asset or a liability.

On the balance sheet date, if exchange loss is incurred on an open contract that is used for hedging and this contract clearly refers to a specific commitment, the recording of the loss may be deferred. In addition, when these contracts are settled, the costs of related commitments may be adjusted, but the adjusted costs of these commitments should not exceed the market value of the commitments on the settlement date.

Reclassifications

Certain accounts for 2002 have been reclassified to conform to the 2003 financial statement presentation.

3. CHANGE IN ACCOUNTING PRINCIPLE

The Corporation adopted Statement of Financial Accounting Standard (SFAS) No. 30, "Accounting for Treasury Stocks," on January 1, 2002. SFAS No. 30 requires that a portion (\$535,973) of 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) be reclassified in the Corporation's balance sheet from investment in those subsidiaries to treasury stocks. The adoption of SFAS No. 30 resulted in a decrease in long-term investments and an increase in shares of the Corporation held by subsidiaries by \$525,441 each as of December 31, 2002, and a decrease of \$166,346 in the 2002 net income.

4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Cash		
Petty cash and cash on hand	\$ 2,927	\$ 3,815
Checking deposits	472,071	103,906
Demand deposits	2,450,488	437,498
Time deposits: Interest—1.00% to 4.25% in 2003 and 1.20% to 4.40% in 2002	<u>2,251,176</u>	<u>1,212,971</u>
	5,176,662	1,758,190
Cash equivalents		
Bonds purchased under agreements to resell—1.80%-2.15% yield	<u>1,437,354</u>	<u>-</u>
	<u>\$ 6,614,016</u>	<u>\$ 1,758,190</u>

5. SHORT-TERM INVESTMENTS

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Mutual funds	\$ 13,035,144	\$ 5,439,649
Marketable equity securities	1,742,641	1,775,837
Certificates of conversion of bonds to stock	16,000	-
Convertible bonds: Interest—0% to 5%	<u>-</u>	<u>16,115</u>
	14,793,785	7,231,601
Less: Allowance for decline in value	<u>893,772</u>	<u>1,100,825</u>
	<u>\$ 13,900,013</u>	<u>\$ 6,130,776</u>

6. INVESTMENTS IN SHARES OF STOCK

	December 31			
	2003		2002	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Equity method (unlisted stocks)				
Yang Ming Line (B.V.I.) Holding Co., Ltd.	\$ 3,206,423	100.00	\$ 2,789,686	100.00
All Oceans Transportation, Inc.	2,340,821	100.00	228,780	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,268,228	100.00	1,359,232	100.00
Chunghwa Investment Co., Ltd.	806,139	40.00	801,541	40.00
YES Logistics Corp.	432,641	90.50	427,186	90.50
Honming Terminal & Stevedoring Co., Ltd.	358,854	79.00	352,051	79.00
Yang Ming Line Holding Co.	182,745	100.00	106,181	100.00
Kuang Ming Shipping Corp.	169,208	100.00	283,897	100.00
Ching Ming Investment Co., Ltd.	131,983	99.96	-	99.96
Transyang Shipping Pte. Ltd.	81,962	24.99	76,468	24.99
Jing Ming Transportation Co., Ltd.	69,880	50.80	61,018	50.80
	<u>9,048,884</u>		<u>6,486,040</u>	
Cost method				
Listed common stock				
Waterland Financial Holdings Co., Ltd.	70,000	0.43	70,000	0.43
Hotung Investment Holdings Ltd.	40,268	0.70	40,268	0.70
	110,268		110,268	
Less—allowance for decline in value	-		(21,293)	
	<u>110,268</u>		<u>88,975</u>	
Emerging common stock				
Taiwan Nano Electro-optical Technology Co., Ltd.	24,478	3.89	37,590	4.53
Common stock with no quoted market prices				
United Venture Capital Corp.	80,000	9.04	80,000	9.04
Taipei Port Container Terminal Co., Ltd.	80,000	10.00	-	-
SF Technology Venture Capital Investment Corp.	40,000	7.24	40,000	7.24
China Technology Venture Capital Corp.	30,000	8.96	30,000	8.96
Kingmax Technology Corp.	24,000	1.40	24,000	1.40
Ascentek Venture Capital Corp.	20,080	2.14	20,080	2.14
Forwin Securities Corp.	20,000	2.00	20,000	2.00
Imaging Quality Technology Inc.	-	2.14	3,500	2.14
Ritekcom Photonics Corp.	-	2.00	45,000	2.00
	<u>294,080</u>		<u>262,580</u>	
Preferred stock with no quoted market prices				
New Century Infocomm Co., Ltd.	864,000	1.68	864,000	1.68
Penguin Computing Inc.	7,698	0.93	7,698	0.93
Arescom Inc.	7,698	0.24	7,698	0.24
	<u>879,396</u>		<u>879,396</u>	
	<u>1,308,222</u>		<u>1,268,541</u>	
Deposit on subscriptions				
Taipei Port Container Terminal Co., Ltd.	-		6,614	
	<u>\$10,357,106</u>		<u>\$ 7,761,195</u>	

The calculation of the Corporation's equity in the net income or net loss of Transyang Shipping Pte Ltd. was based on the investee's financial statements of the immediately preceding year since the financial statements covering the same year as that of the Corporation were not timely available.

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

The Corporation continued to recognize the losses of Ching Ming Investment Co., Ltd. although the cumulative losses already exceeded investment cost by \$244,213 as of December 31, 2002 because the Corporation intended to continue giving financial support to this investee. The excess was presented as liability.

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

Information on cost-method investments is as follows:

	December 31	
	2003	2002
Listed stocks (based on market value)	\$ 125,263	\$ 88,975
Equity in net assets pertaining to emerging stocks and unlisted stocks (mainly based on unaudited financial statements)	<u>1,002,183</u>	<u>1,004,742</u>
	<u>\$1,127,446</u>	<u>\$1,093,717</u>

7. PROPERTIES

	December 31	
	2003	2002
Accumulated depreciation		
Buildings	\$ 53,926	\$ 45,965
Containers and chassis	6,645,498	5,586,642
Ships	6,031,693	10,367,940
Leased containers and chassis	1,044,399	787,200
Leasehold improvements	86,713	51,436
Miscellaneous equipment	<u>690,342</u>	<u>511,504</u>
	<u>\$14,552,571</u>	<u>\$17,350,687</u>

The Corporation leases containers and chassis under capital lease agreements. The terms of the leases were from five years to nine years for containers and from five years to eight years for chassis. The annual rent payable on leased containers under the agreements is US\$5,471 thousand. The Corporation has the option to buy at the end of the lease terms, all leased containers at a bargain purchase price of US\$1. The annual rent payable on leased chassis is based on contract terms, and, at the end of the lease terms, the ownership of all the leased chassis will be transferred to the Corporation at no additional cost. Information of these leases as of December 31, 2003 and 2002 is as follows:

	December 31			
	2003		2002	
	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)
Total capital lease obligations (undiscounted)	\$ 37,831	\$ 1,285,134	\$ 47,111	\$ 1,637,102
Less: Unamortized interest expense	(5,877)	(199,633)	(7,777)	(270,258)
	<u>\$ 31,954</u>	<u>\$ 1,085,501</u>	<u>\$ 39,334</u>	<u>\$ 1,366,844</u>

Depreciation expenses for the years ended December 31, 2003 and 2002 aggregated \$2,009,124 and \$2,261,263, respectively.

The insurance for properties, assets leased to others and nonoperating assets as of December 31, 2003 amounted to \$13,804,099.

8. ASSETS LEASED TO OTHERS—NET

	December 31	
	2003	2002
Cost		
Land	\$ 798,896	\$ 803,218
Buildings	<u>309,985</u>	<u>344,642</u>
	1,108,881	1,147,860
Accumulated depreciation	(43,646)	(41,291)
	<u>\$ 1,065,235</u>	<u>\$ 1,106,569</u>

Depreciation expenses for the years ended December 31, 2003 and 2002 were \$6,075 and \$7,300, respectively.

9. NONOPERATING ASSETS—NET

	December 31	
	2003	2002
Cost		
Land	\$ 492,662	\$ 497,827
Buildings	<u>12,389</u>	<u>6,044</u>
	505,051	503,871
Accumulated depreciation	<u>11,486</u>	<u>5,624</u>
	<u>\$ 493,565</u>	<u>\$ 498,247</u>

10. SHORT-TERM DEBTS

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Bank overdraft: Interest—3.524% in 2003 and 6.94% in 2002	\$ 15,080	\$ 2,597
Bank debts: Due in January 2003, 1.6% to 1.8% interest	<u>-</u>	<u>100,000</u>
	<u>\$ 15,080</u>	<u>\$ 102,597</u>

As of December 31, 2003, the Corporation had unused credit lines aggregating \$4,074,498, which were available for short-term financing.

11. INTEREST-BEARING LONG-TERM DEBTS

	<u>Current Portion</u>	<u>Long-term</u>	<u>Total</u>
<u>December 31, 2003</u>			
Unsecured bank loans	\$ 317,800	\$ 238,103	\$ 555,903
Domestic unsecured bonds	-	6,500,000	6,500,000
Domestic secured bonds	700,000	3,000,000	3,700,000
Domestic unsecured convertible bonds	458,900	5,560,800	6,019,700
Capital leases (Note 7)	<u>235,960</u>	<u>849,541</u>	<u>1,085,501</u>
	<u>\$ 1,712,660</u>	<u>\$ 16,148,444</u>	<u>\$ 17,861,104</u>
<u>December 31, 2002</u>			
Unsecured bank loans	\$ 382,250	\$ 1,181,500	\$ 1,563,750
Domestic unsecured bonds	-	6,500,000	6,500,000
Domestic secured bonds	-	3,700,000	3,700,000
Domestic unsecured convertible bonds	-	917,200	917,200
Capital leases (Note 7)	<u>227,414</u>	<u>1,139,430</u>	<u>1,366,844</u>
	<u>\$ 609,664</u>	<u>\$ 13,438,130</u>	<u>\$ 14,047,794</u>

Unsecured Bank Loans

Unsecured bank loans in Japanese Yen (the “Yen Loan”) are repayable in eight quarterly installments from October 2003 to July 2005. Interest on the YEN Loan is 0.4112% annually, compounded monthly. Unsecured bank loans in U.S. dollars (the “US Loan”) are repayable in eight semiannual installments from February 2003 to April 2007. The annual rate of the interest on the US Loan is between 2.2643% and 2.4259%. As of December 31, 2003, the Corporation made full advance repayments of the US Loan. Other information on the Corporation’s unsecured bank loans in as follows:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Unsecured bank loan of YEN \$2,000,000 thousand	\$ 555,903	\$ -
Unsecured bank loan of US\$45,000 thousand	<u>-</u>	<u>1,563,750</u>
	<u>\$ 555,903</u>	<u>\$ 1,563,750</u>

Domestic Unsecured Bonds

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

Other bond features and terms were as follows:

June 2000 Bonds Type A—Face value: \$1,200,000; repayments as follows: 33%—June 1, 2005, 33%—June 1, 2006, and 34%—June 1, 2007; 5.7% annual interest;

Type B—Face value: \$1,800,000; repayments as follows: 33%—June 1, 2008, 33%—June 1, 2009, and 34%, and June 1, 2010; 6.09% annual interest;

November 2000 Bonds Repayments as follows: 20%—November 20, 2010; 40%—November 20, 2011; and 40%—November 20, 2012; 6.02% annual interest;

July 2001 Bonds Repayments as follows: 20%—July 2006; 40%—July 2007, and 40%—July 2008; 4.49% annual interest.

Domestic Secured Bonds

On November 25, 1999, the Corporation issued domestic secured bonds with aggregate face value of \$700,000 and maturity on November 25, 2004 at 5.75% annual interest.

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

Domestic Unsecured Convertible Bonds

On August 2, 1997, the Corporation issued seven-year domestic secured bonds (the “1997 convertible bonds”) with an aggregate face value of \$2,500,000. Annual interest on the bonds is 4.5%, payable every June 27 from 1998 to 2004. Bond settlement is as follows:

- a. Lump-sum payment to the holders upon maturity (in 2004) at face value plus accrued interest;
- b. Conversion by the holders, starting September 2, 1997, into common shares of the Corporation at the prevailing conversion price (NT\$15.66 per share as of December 31, 2003); and
- c. Redemption by the Corporation, under certain conditions, at varying prices before bond maturity.

As of December 31, 2003, the 1997 Convertible Bonds with an aggregate face value of \$2,041,100 had been converted into 92,318 thousand common shares and 10,224 thousand certificates of conversion of bonds to stocks of the Corporation.

On August 7, 2003, the Corporation issued five-year domestic secured bonds (the “2003 Convertible Bonds”) with an aggregate face value of \$8,000,000 and 0% interest. The bonds are classified as “Type A” (with face value of \$3,000,000) and “Type B” (with face value of \$5,000,000). Bond settlement is as follows:

- a. Lump-sum payment to the holders upon maturity (in 2008) at 101.256% of the face value;
- b. Conversion by the holders, from November 2003 to 10 days before due date, into common shares of the Corporation at the prevailing conversion price (NT\$26.13 per share as of December 31, 2003);

- c. Reselling to the Corporation by the holders before maturity. The reselling of Type A bonds starts from August 7, 2005 at face value while that of Type B bonds starts from August 7, 2006 at 100.451% of the face value; and
- d. Redemption by the Corporation, under certain conditions, at face value before bond maturity.

As of December 31, 2003, the 2003 Convertible Bonds with aggregate face value of \$2,439,200 had been converted into 93,348 thousand common shares of the Corporation.

As of December 31, 2003, the Corporation had no unused credit lines available for long-term bank loans.

12. RESERVE FOR LAND VALUE INCREMENT TAX

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

13. UNREALIZED GAIN ON SALE AND LEASEBACK

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Chassis	\$ 38,996	\$ 46,776
Vessel Ming North	9,769	10,918
Vessel Med Keelung	112	627
Containers	<u>-</u>	<u>9,316</u>
	<u>\$ 48,877</u>	<u>\$ 67,637</u>

The above properties had been sold and then leased back by the Corporation. The resulting gains on the sale were deferred (included in "other liabilities" in the balance sheets) and amortized over the term of the lease or estimated service lives, whichever is shorter.

14. STOCKHOLDERS' EQUITY

On November 14, 1996, the Corporation issued 10 million units of global depositary receipts (GDRs), representing 100 million shares, at an issue price of US\$11.64 per unit. The holders of the GDRs may not exchange them for the 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. As of December 31 2003, there were 7,497,641 units outstanding, representing 74,976,458 shares.

Under the Company Law and related regulations, capital surplus from equity-method investments should not be used for any purpose. All other components of capital surplus may only be used to offset a deficit. In addition, only the capital surplus from the issue of stock in excess of par value and treasury stock transactions may be transferred to capital. For this capitalization, new shares should be issued to stockholders in proportion to their holdings, and capitalized amounts should be within certain limits.

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

- a. 10% as legal reserve;
- b. 10% as special reserve, as needed;
- c. Dividends, and at least 1% as bonus to employees and up to 2% as remuneration to directors and supervisors.

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

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

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

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

Under the Integrated Income Tax System, which took effect on July 1, 1998, noncorporate ROC resident stockholders are entitled to tax credit on income tax paid by the Corporation on earnings generated 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 stockholder. The maximum credit available for allocation to each stockholder cannot exceed the balance shown in the ICA on the date of distribution of dividends.

On June 21, 2002, the stockholders resolved not to appropriate 2001 earnings and to use the legal reserve of \$634,683 to offset accumulated losses. The stockholders also resolved the reclassification of capital surplus of \$1,431,387 from gain on sale of properties as retained earnings after appropriating a legal reserve of \$143,139.

On June 20, 2003, the stockholders resolved to appropriate the 2002 earnings as following:

	Appropriation of 2002 Earnings	Dividends Per Share (Dollars)
Legal reserve	\$ 113,672	\$ -
Bonus to employees	23,113	-
Dividends	1,100,590	0.60

Had the Corporation recognized bonus to employees as expenses in 2002, the primary and diluted earnings per share for 2002 would have declined from NT\$0.65 to NT\$0.63.

As of March 1, 2004, the Corporation's board of directors had not decided the appropriation of the 2003 earnings. Information on the appropriation of the Corporation's earnings can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

15. TREASURY STOCKS

<u>Reason for Repurchase</u>	<u>Outstanding Shares (Thousands)</u>			<u>End of the Year</u>
	<u>Beginning of the Year</u>	<u>Increase</u>	<u>Decrease</u>	
<u>For the year ended December 31, 2003</u>				
Stocks of the Corporation held by subsidiaries	<u>67,619</u>	<u>-</u>	<u>13,235</u>	<u>54,384</u>
<u>For the year ended December 31, 2002</u>				
Stocks of the Corporation held by subsidiaries	<u>68,981</u>	<u>187</u>	<u>1,549</u>	<u>67,619</u>

On January 1, 2002, the Corporation reclassified the shares of the Corporation held by subsidiaries from investments into treasury stocks. The proceeds from the subsidiaries' disposal of these shares were \$300,791 in 2003 and \$16,229 in 2002. As of December 31, 2003 and 2002, the carrying values of the Corporation's shares held by subsidiaries were \$422,620 and \$525,441, respectively, and the market values were \$1,786,141 and \$687,545, respectively.

Although the Corporation's shares held by subsidiaries are treated as treasury stocks instead of investments, the subsidiaries retain stockholders' rights on those shares.

16. INCOME TAX

- a. Computation of current income tax payable:

	<u>Year Ended December 31</u>	
	<u>2003</u>	<u>2002</u>
Tax on pretax income at 25% statutory rate	\$ 2,059,632	\$ 286,098
Add (deduct) tax effects of:		
Permanent differences	(363,122)	(120,937)
Deferred income tax	(630,954)	(73,835)
Loss carryforward and investment tax credit	(209,064)	(91,326)
Current tax payable	<u>\$ 856,492</u>	<u>\$ -</u>

- b. Income tax expense consisted of:

Income tax expense—current	\$ 856,492	\$ -
Income tax expense—deferred	736,416	5,269
Income tax (10%) on undistributed earnings	-	9,300
Adjustments of prior years' taxes	(3,479)	(5,630)
	<u>\$ 1,589,429</u>	<u>\$ 8,939</u>

c. Deferred income tax assets (liabilities) as of December 31, 2003 and 2002 were as follows:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Current (included in other current assets (liabilities))		
Unrealized foreign exchange gain	(\$ 11,905)	(\$ 22,665)
Loss carryforwards	-	189,292
Investment tax credits	-	10,169
Others	9,155	6,819
Valuation allowance on deferred income tax assets	<u>-</u>	<u>(100,741)</u>
	<u>(\$ 2,750)</u>	<u>\$ 82,874</u>
Noncurrent (included in other liabilities):		
Cumulative equity in investees' net income	(\$ 1,007,002)	(\$ 412,575)
Differences between financial and tax estimates of service lives of containers	(273,750)	(253,943)
Deferred pension cost	89,573	75,644
Provision for loss on properties	-	42,500
Investment tax credits	<u>-</u>	<u>7,987</u>
	<u>(\$ 1,191,179)</u>	<u>(\$ 540,387)</u>

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

d. Integrated income tax system information:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Balance of the imputation credit account (ICA)	<u>\$ 7,682</u>	<u>\$ 27,982</u>

The creditable tax ratio for the 2002 earnings was 2.80%. The estimated creditable tax ratio for the 2003 earnings was 12.50%.

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

e. As of December 31, 2003 and 2002, the balances of the special reserve and unappropriated retained earnings generated before June 30, 1998 aggregated \$2,064,438.

f. As of December 31, 2003, the investment tax credits were as follows:

<u>Regulation</u>	<u>Items</u>	<u>Total Investment Tax Credits</u>	<u>Unused Investment Tax Credits</u>	<u>Expiry Year</u>
Statute for Upgrading Industries	Purchase of equipment	\$ 21,462	\$ -	2003
	Investments in shares of stock	1,137	-	2003
	Investments in shares of stock	2,590	-	2004
	Personnel training	1,041	-	2003
	Personnel training	<u>2,028</u>	<u>-</u>	2005
		<u>\$ 28,258</u>	<u>\$ -</u>	

g. Income tax returns through 2000 had been examined and cleared by the tax authorities.

17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2003		
	Operating Costs	Operating Expenses	Total
Personnel expenses			
Salary	\$ 565,774	\$ 1,094,459	\$ 1,660,233
Insurance	20,550	46,279	66,829
Pension	40,487	79,268	119,755
Others	50,761	79,233	129,994
Depreciation	1,905,555	110,370	2,015,925
Amortization	<u>195,371</u>	<u>21,603</u>	<u>216,974</u>
	<u>\$ 2,778,498</u>	<u>\$ 1,431,212</u>	<u>\$ 4,209,710</u>

18. EARNINGS PER SHARE

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

	Amount (Numerator)		Capital Stock (Denominator) (in Thousand Shares)	Net Income Per Share (Dollars)	
	Income Before Income Tax	Net Income		Income Before Tax	Net Income
<u>For the year ended December 31, 2003</u>					
Primary EPS	\$ 8,238,526	\$ 6,649,097	1,796,716	<u>\$ 4.59</u>	<u>\$ 3.70</u>
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>41,001</u>	<u>30,751</u>	<u>264,707</u>		
Diluted EPS	<u>\$ 8,279,527</u>	<u>\$ 6,679,848</u>	<u>2,061,423</u>	<u>\$ 4.02</u>	<u>\$ 3.24</u>
<u>For the year ended December 31, 2002</u>					
Primary EPS	\$ 1,144,390	\$ 1,135,451	1,765,928	<u>\$ 0.65</u>	<u>\$ 0.64</u>
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>41,274</u>	<u>30,956</u>	<u>58,570</u>		
Diluted EPS	<u>\$ 1,185,664</u>	<u>\$ 1,166,407</u>	<u>1,824,498</u>	<u>\$ 0.65</u>	<u>\$ 0.64</u>

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

	<u>Amount (Numerator)</u>		<u>Capital Stock (Denominator) (in Thousand Shares)</u>	<u>Earnings Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>For the year ended December 31, 2003</u>					
Pro forma primary EPS	\$ 8,936,375	\$ 7,346,946	1,856,550	<u>\$ 4.81</u>	<u>\$ 3.96</u>
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>41,001</u>	<u>30,751</u>	<u>264,707</u>		
Pro forma diluted EPS	<u>\$ 8,977,376</u>	<u>\$ 7,377,697</u>	<u>2,121,257</u>	<u>\$ 4.23</u>	<u>\$ 3.48</u>
<u>For the year ended December 31, 2002</u>					
Pro forma primary EPS	\$ 1,310,736	\$ 1,301,797	1,834,316	<u>\$ 0.71</u>	<u>\$ 0.71</u>
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>41,274</u>	<u>30,956</u>	<u>58,570</u>		
Pro forma diluted EPS	<u>\$ 1,352,010</u>	<u>\$ 1,332,753</u>	<u>1,892,886</u>	<u>\$ 0.71</u>	<u>\$ 0.70</u>

The EPS had been retroactively adjusted for the stock dividend declared.

19. PENSION PLAN

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

- a. Pension plan for onshore employees. Benefits are based on service years and average basic salary of the six months before retirement. The pension fund, to which the Corporation contributes amounts equal to 9% and 3% of salaries every month for the years ended December 31, 2003 and 2002, respectively, is administered by an employees' pension fund committee and deposited in the committee's name in the Central Trust of China.
- b. Pension plan for shipping crews. Before the adoption of the ROC Maritime Labor Act, benefits were based on the amounts stated in the crews' hiring contracts. Under the Maritime Labor Act, benefits are based on service years and average basic salary of the six months before retirement.
- c. Pension plan for retired employees of China Merchants Steam Navigation Company (CMSNC). Benefits are based on service years and level of monthly basic salary at the time of retirement.

Before the Corporation's privatization, qualified employees received pension payments for service years ended before the start of the privatization. The service years of the employees who received pre-privatization pension payments and continued to work in the Corporation after privatization will be excluded from the calculation of pension payments after privatization.

Certain information on pension is as follows:

	<u>Year Ended December 31</u>	
	<u>2003</u>	<u>2002</u>
a. Components of net pension costs:		
Service cost	\$ 112,782	\$ 99,905
Interest cost	23,814	23,691
Expected return on plan assets	(4,529)	(4,799)
Amortization of net transition assets	(14,171)	(14,171)
Amortization of prior service cost	436	436
Amortization of net loss	<u>1,423</u>	<u>968</u>
	<u>\$ 119,755</u>	<u>\$ 106,030</u>
	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
b. Reconciliation of funded status of the pension plan to accrued pension cost at end of year		
Benefit obligation:		
Vested benefit obligation	\$ 213,384	\$ 106,319
Non-vested benefit obligation	<u>400,505</u>	<u>360,039</u>
Accumulated benefit obligation	613,889	466,358
Additional benefits based on future salaries	<u>235,075</u>	<u>129,019</u>
Projected benefit obligation	848,964	595,377
Fair value of plan assets	(<u>148,312</u>)	(<u>105,321</u>)
Funded status	700,652	490,056
Unrecognized net transition assets	9,907	24,078
Unrecognized prior service cost	(5,235)	(5,671)
Unrecognized net (loss) gain	(119,331)	19,932
Additional liability	<u>18,457</u>	<u>7,687</u>
Accrued pension cost (included in other liabilities)	<u>\$ 604,450</u>	<u>\$ 536,082</u>
c. Vested benefits	<u>\$ 281,285</u>	<u>\$ 204,448</u>
	<u>Year Ended December 31</u>	
	<u>2003</u>	<u>2002</u>
d. Assumptions used		
Discount rate	3.50%	4.00%
Rate of increase in compensation	2.75%	2.25%
Expected rate of return on plan assets	3.50%	4.00%
e. Changes in pension fund		
Contributions	<u>\$ 47,380</u>	<u>\$ 15,196</u>
Payment of benefits	<u>\$ 14,778</u>	<u>\$ 14,074</u>

20. RELATED-PARTY TRANSACTIONS

The Corporation's related parties are shown in Schedules A, B and H. The related-party transactions for the years ended December 31, 2003 and 2002 and the balances, except those mentioned in Notes 22 and 23 and Schedule C, are summarized in the accompanying Schedules A and B.

The transactions with related parties were conducted under contract terms.

21. ASSETS PLEDGED OR MORTGAGED

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

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Properties—net	\$ 1,033,432	\$ 1,114,919
Nonoperating assets—net	89,230	89,230
Pledged time deposits	-	18,645
	<u>\$ 1,122,662</u>	<u>\$ 1,222,794</u>

22. COMMITMENTS AND CONTINGENT LIABILITY

Commitments and contingent liability as of December 31, 2003 were as follows:

- a. Obligations to provide crews to four ships of Chinese Petroleum Corporation under contracts expiring on various dates by October 2008. The daily compensation under the contracts is \$578.
- b. Leases of office premises, ships and container yard under operating lease agreements that will expire on various dates until September 2013. The total rents were \$5,910,761 for the year ended December 31, 2003, and future minimum rentals are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2004	\$ 8,301,352
2005	1,241,376
2006	705,989
2007	546,244
2008	546,244

Rentals after 2008 amount to \$1,638,732. The present value of those rentals, computed at an annual interest rate of 1.40%, is \$1,486,860.

- c. Leases of containers and chassis under capital lease agreements expiring on various dates until May 2011. Rentals for the year ended December 31, 2003 was about \$240,108 (deducted from leases payable), and future minimum rentals are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2004	\$ 282,649
2005	285,176
2006	589,760
2007	73,865
2008	23,007

Rentals after 2008 amount to \$123,768, with present value of about \$113,717, based on 1.40% annual interest rate.

- d. Guarantee of loans obtained by two equity-method investees, Yang Ming Line (B.V.I.) Holding Co., Ltd. (US\$86,446,000) and All Oceans Transportation Inc. (US\$53,356,000); Yang Ming (America) Corp., an investee of an equity- method investee (US\$1,500,000); and United Terminal Leasing LLC, an investee of an equity- method investee (US\$1,095,000);
- e. Guarantee by the Corporation and Yang Ming Line Holding Co. (an equity-method investee of the Corporation) of a loan of US\$3,445,000 obtained by West Basin Container Terminal LLC (investee of an equity-method investee);
- f. As of December 31, 2003, 21 former shipping crew members, who retired after the Corporation's privatization, sued the Corporation and claimed \$43,270 as additional severance benefit based on the Labor Standards Law instead of the Rules of Privatization for Government-Owned Corporations. The Taipei District Court and Taiwan High Court decided this case in favor of the Corporation. The plaintiffs appealed this decision to a higher court. No liability was accrued since management believed the appeal would not prosper.
- g. The Corporation and China Shipbuilding Corp. (CSC) reached an agreement to construct seven vessels for US\$232,180,000, for delivery by 2007. As of December 31, 2003, the Corporation had paid US\$43,518,000.
- h. The Corporation and Hyundai Heavy Industries Co., Ltd. (HHICL) reached an agreement to construct four vessels for US\$316,800,000 for delivery by February 2007. As of December 31, 2003, the Corporation had paid US\$31,680,000 to HHICL).
- i. The Corporation and Hyundai Translead (HT) reached an agreement to construct containers and chassis for US\$16,284,000 for delivery in 2004. As of December 31, 2003, the Corporation had made no payments on this agreement.

23. SUBSEQUENT EVENTS

- a. In January 2004, the Corporation and Singamas Container Holding Limited reached an agreement to construct containers for US\$23,673,000 for delivery in 2004.
- b. In January 2004, the board of directors resolved to sell two vessels at carrying value of \$1,989,482 to All Oceans Transportation Inc., an equity-method investee. The vessels were delivered in February 2004.
- c. In February 2004, the board of directors resolved to buy two vessels with carrying value of \$3,322,526 from All Oceans Transportation Inc., an equity-method investee. The vessels will be delivered after April 2004.

24. FINANCIAL INSTRUMENTS

Under Statement of Financial Accounting Standards No. 27, "Disclosure of Financial Instruments," the information on the Corporation's financial instruments is shown as follows:

- a. The Corporation used derivative instruments for trading and nontrading purposes for the years ended December 31, 2003 and 2002. Nontrading purposes refer to the Corporation's hedging of exchange rate fluctuations on net assets or liabilities denominated in foreign currency; trading purposes refer to the Corporation's intent to profit from derivative transactions. As of December 31, 2003 and 2002, the Corporation had no open derivative contracts.

- 1) The realized gains on derivative instruments, shown as a component in the accompanying income statements, are as follows:

- a) For trading purposes

	Years Ended December 31	
	<u>2003</u>	<u>2002</u>
Forward exchange contracts	\$ 1,469	\$ -
Foreign-currency option	<u>4,318</u>	<u>378</u>
	<u>\$ 5,787</u>	<u>\$ 378</u>

- b) For nontrading purposes

Cross-currency swap contracts	\$ 12,025	\$ 5,783
Forward exchange contracts	1,607	319
Foreign-currency option	(<u>11,284</u>)	<u>-</u>
	<u>\$ 2,348</u>	<u>\$ 6,102</u>

- 2) Market risk

The Corporation is exposed to market risk arising from adverse exchange rate fluctuations on the cross-currency swap contract, forward exchange contracts and foreign-currency option contracts. The Corporation entered into nontrading purpose contracts to hedge the effects of adverse exchange rate fluctuations on foreign-currency net assets or liabilities. Since the contracts will be settled at net or nominal amounts, the market risk is not material. Further, the Corporation's observance of proper procedures when buying contracts for trading purposes as well as setting break-even points help the Corporation avoid losses that significantly impact its operations.

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

The cross-currency swap contracts and forward exchange contracts are settled at net or nominal amounts based on the Corporation's preference, and the exchange rate is fixed for foreign-currency options. As a result, the expected cash demand is not material. Management believes that the Corporation has enough operating capital to meet its cash demand.

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

There were no open contracts as of December 31, 2003 and 2002. The Corporation uses cross-currency swap contracts, forward contracts and foreign-currency option with gains or losses that offset the gains or losses on foreign-currency net assets and liabilities. Through these contracts, the Corporation hedges most of the risks in the market. The exchange rates on the contracts are fixed. In addition, the Corporation evaluates the hedging effectiveness of the contracts periodically.

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

	December 31			
	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative instruments</u>				
Assets				
Short-term financial instruments				
Cash and cash equivalents	\$ 6,614,016	\$ 6,614,016	\$ 1,758,190	\$ 1,758,190
Short-term investments	13,900,013	13,900,013	6,130,776	6,130,776
Accounts receivable	722,115	722,115	1,290,695	1,290,695
Receivables from related parties	7,067,296	7,067,296	2,228,974	2,228,974
Advances to shipping agents	558,745	558,745	1,469,405	1,469,405
Pledged time deposits	-	-	18,645	18,645
Investments in shares of stock	10,357,106	10,372,101	7,761,195	7,761,195
Long-term receivables from related parties	5,381,850	5,381,850	9,720,111	9,720,111
Liabilities				
Short-term financial instruments				
Short-term debts	15,080	15,080	102,597	102,597
Payables to related parties	1,322,462	1,322,462	1,793,123	1,793,123
Income tax payable	850,688	850,688	9,300	9,300
Accrued expenses	2,124,035	2,124,035	1,644,628	1,644,628
Payable to shipping agents	1,438,397	1,438,397	1,275,226	1,275,226
Bank loans	555,903	555,903	1,563,750	1,563,750
Bonds	16,219,700	18,724,184	11,117,200	12,202,237
Capital lease obligations	1,085,501	1,085,501	1,366,844	1,366,844

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

- 1) The carrying values of short-term financial instruments, except for short-term investments, approximate fair values because of the short maturities of these instruments.
- 2) Fair values of short-term investments and investments in shares of stock are based on market prices or, if market prices are unavailable, on the Corporation's equity in the equity-method investee's net assets or on investment costs of stocks with no quoted market prices.
- 3) Fair values of long-term receivable from related parties, bank loans, bonds, and capital lease obligations are based on market prices or, if market prices are unavailable, on the present values of the expected cash inflows or outflows. Discount rate used in determining the present values is based on the interest rate for bank loans that the Corporation can obtain under similar conditions.

25. ADDITIONAL DISCLOSURES

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

26. SEGMENT AND GEOGRAPHIC INFORMATION

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

<u>Line Service</u>	<u>Years Ended December 31</u>			
	<u>2003</u>		<u>2002</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
U.S. Western coast line	\$20,859,815	33	\$12,309,561	27
Asia line	10,608,663	17	8,038,722	18
U.S. Eastern coast line	9,575,710	15	8,001,130	18
European line	8,132,715	13	5,609,478	12

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

YANG MING MARINE TRANSPORT CORPORATION

RELATED PARTY TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (See Notes Below)	Operating Revenues												Operating Costs						Operating Expense		Interest Income		Acquisition of Properties		Sale of Properties												
		Charter Hire		Agents Income		Rent of Containers		Rent of Container Section		Ship Management		Cargo Transport Revenue		Haulage		Tally		Commission		Insurance		Insurance		Interest Income		Acquisition of Properties		Sale of Properties										
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%									
<u>2003</u>																																						
Kuang Ming Shipping Corp.	A	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 27,693	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-					
All Oceans Transportation Inc.	A	-	-	-	-	-	-	-	-	-	-	-	-	3,362,958	E	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	316,640	81	970,005	H	38	1,086,799	I	17
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	384,796	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	487,575	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	128,854	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Young-Carrier Company Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,506	-	523,514	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	155,568	F	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Yangming (U.K.) Limited	B	276,643	D	30	93,573	98	1,007,805	99	133,461	9	156,852	46	-	1,135,403	-	5	11,813	-	29,467	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Yang Ming Shipping Europe GmbH	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,032	1	117,866	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Yang Ming Line (Hong Kong) Limited.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	377,867	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62,103	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Kuang Ming Shipping Corp. (Panama)	B	-	-	-	-	-	-	-	-	-	-	-	-	161,738	G	1	-	-	-	-	-	-	-	-	-	-	-	-	-	138,440	J	5	-	-	-			
Yang Ming Line (M) Sdn. Bhd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,242	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Yang Ming Line Holding Co.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Yang Ming (America) Corp.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	883,671	23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Yes Logistics Corp.	A	-	-	-	-	141	-	-	-	-	-	-	-	67,388	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Yang Ming Italy S.p.A.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,750	1	132,063	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		<u>\$ 276,643</u>	<u>30</u>	<u>\$ 93,573</u>	<u>98</u>	<u>\$ 1,007,946</u>	<u>99</u>	<u>\$ 133,461</u>	<u>9</u>	<u>\$ 156,852</u>	<u>46</u>	<u>\$ 67,388</u>	<u>=</u>	<u>\$ 5,715,731</u>	<u>27</u>	<u>\$ 82,101</u>	<u>2</u>	<u>\$ 2,286,647</u>	<u>60</u>	<u>\$ -</u>	<u>=</u>	<u>\$ -</u>	<u>=</u>	<u>\$ -</u>	<u>=</u>	<u>\$ 317,416</u>	<u>81</u>	<u>\$ 1,108,445</u>	<u>43</u>	<u>\$ 1,086,799</u>	<u>17</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>			
<u>2002</u>																																						
Kuang Ming Shipping Corp.	A	\$ -	-	\$ -	-	\$ 10,946	1	\$ -	-	\$ 16,565	4	\$ -	-	\$ 29,025	-	\$ -	-	\$ 82,127	3	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-			
All Oceans Transportation Inc.	A	-	-	-	-	-	-	-	-	-	-	-	-	1,566,785	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	415,396	78	5,104,838	K	75
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	326,010	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	431,757	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
China Mariners' Assurance Corp.	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47,927	21	1,292	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	98,542	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Young-Carrier Company Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	411,925	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	178,896	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Yangming (U.K.) Limited	B	279,272	44	91,618	97	1,022,966	98	14,296	1	137,784	38	-	-	147,042	1	9,069	-	15,857	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Yang Ming Shipping Europe GmbH	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,329	2	96,003	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Yang Ming Line (Hong Kong) Limited.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	330,814	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,558	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Kuang Ming Shipping Corp. (Panama)	B	-	-	-	-	-	-	-	-	-	-	-	-	18,933	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Yang Ming (M) Sdn. Bhd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,042	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	41,650	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		<u>\$ 279,272</u>	<u>44</u>	<u>\$ 91,618</u>	<u>97</u>	<u>\$ 1,033,912</u>	<u>99</u>	<u>\$ 14,296</u>	<u>1</u>	<u>\$ 154,349</u>	<u>42</u>	<u>\$ -</u>	<u>=</u>	<u>\$ 2,740,098</u>	<u>18</u>	<u>\$ 43,398</u>	<u>2</u>	<u>\$ 1,113,868</u>	<u>42</u>	<u>\$ 47,927</u>	<u>21</u>	<u>\$ 1,292</u>	<u>4</u>	<u>\$ 47,927</u>	<u>21</u>	<u>\$ -</u>	<u>=</u>	<u>\$ 5,104,838</u>	<u>75</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>			

Notes: A. An equity-method investee of the Corporation.
 B. An equity-method investee of a wholly-owned subsidiary of the Corporation.
 C. An equity-method investee of the Corporation in 2001. The Corporation sold off to a third party all its shareholdings in this investee in 2002.
 D. Lease of 14 ships to Yangming (U.K.) Ltd. under several agreements expiring on various dates, with the latest expiry in December 2004. Rental is received monthly.
 E. Lease of 22 ships from All Oceans Transportation Inc. under several agreements expiring on various dates, with the latest expiry in December 2004. The rent is payable semiannually.
 F. Lease of one ship from Yang Ming (Cayman) Ltd. under an agreement that expired on December 31, 2003. Rental was payable quarterly.
 G. Lease of two ships from Kuang Ming Shipping (Panama) under two agreements expiring on December 31, 2005 and June 30, 2004, with rent payable monthly.
 H. Acquisition of one ship in May 2003 and three ships still under construction in July 2003 from All Oceans Transportation Inc. at book value.
 I. Sale of two ships to All Oceans Transportation Inc. in January and March of 2003 at book value.
 J. Acquisition of two ships still under construction from Kuang Ming Shipping Corp. (Panama) in July 2003 at book value.
 K. Sale of four ships and one ship still under construction at book value in 2001.
 L. Other related parties, with which the Corporation had no transactions in 2003 and 2002, are shown in Schedule H.

YANG MING MARINE TRANSPORT CORPORATION

RELATED PARTY ACCOUNT BALANCES
DECEMBER 31, 2003 AND 2002
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (See Notes Below)	Receivables from Related Parties								Advances to Shipping Agents	Prepaid Expense	Long-term Receivable from Related Parties	Payables to Related Parties								Advances from Customers	Unrealized Gain on Sale and Leaseback			
		Accounts Receivable		Other Receivables		Total		Amount	%				Amount	%	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%
		Amount	%	Amount	%	Amount	%																		
2003																									
All Oceans Transportation, Inc.	A	\$ -	-	\$ 4,976,348	E 70	\$ 4,976,348	70	\$ -	-	\$ -	-	\$ 5,381,850	E 100	\$ -	-	\$ -	-	\$ 10,555	1	\$ 10,555	1	\$ -	-	\$ 117	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	27,242	2	-	-	-	-	27,242	2	-	-	-	-
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	145,837	11	-	-	145,837	11	112,891	10	-	-
Yang Ming Line Holding Co.	A	-	-	45,924	-	45,924	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Young-Carrier Company Ltd.	B	426,367	6	-	-	426,367	6	-	-	-	-	-	-	-	-	170,820	13	-	-	170,820	13	-	-	-	-
Yang Ming (Cayman) Ltd.	B	-	-	67	-	67	-	-	-	3,146	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yangming (UK) Ltd.	B	198,019	3	-	-	198,019	3	-	-	-	-	-	-	-	-	27,305	2	493,088	F 38	520,393	40	-	-	-	-
Yang Ming Shipping Europe GmbH	B	62,070	1	-	-	62,070	1	-	-	-	-	-	-	-	-	24,821	2	-	-	24,821	2	358	-	-	-
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	176,525	13	-	-	176,525	13	107,931	10	-	-
Yangming Shipping (Singapore) Pte. Ltd.	B	8,327	-	-	-	8,327	-	198	-	-	-	-	-	-	-	32,747	3	-	-	32,747	3	17,916	2	-	-
Yang Ming Line (M) Sdn. Bhd.	B	40,658	1	-	-	40,658	1	-	-	-	-	-	-	-	-	59,502	4	-	-	59,502	4	1,401	-	-	-
Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	-	-	451,934	G 6	451,934	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yangming Shipping (Singapore) Pte. Ltd.	A	-	-	611,640	G 9	611,640	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yes Logistics Corp.	A	25,458	-	29	-	25,487	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming Line B.V.	B	-	-	486	-	486	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ching Ming Investment Co., Ltd.	A	-	-	978	-	978	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kuang Ming Shipping Corp.	A	-	-	963	-	963	-	-	-	-	-	-	-	29,077	2	-	-	-	-	29,077	2	-	-	-	-
Yang Ming (America) Corp.	B	-	-	-	-	-	-	351,532	63	-	-	-	-	-	-	-	-	-	-	-	-	383,541	35	-	-
Kuang Ming Shipping Corp. (Parama)	B	-	-	-	-	-	-	-	-	44,584	20	-	-	25,544	2	-	-	16,603	1	42,147	3	-	-	-	-
Yang Ming Italy S.p.A.	B	218,028	3	-	-	218,028	3	-	-	-	-	-	-	-	-	82,797	6	-	-	82,797	6	-	-	-	-
		<u>\$ 978,927</u>	<u>14</u>	<u>\$ 6,088,369</u>	<u>86</u>	<u>\$ 7,067,296</u>	<u>100</u>	<u>\$ 351,730</u>	<u>63</u>	<u>\$ 47,730</u>	<u>21</u>	<u>\$ 5,381,850</u>	<u>100</u>	<u>\$ 81,863</u>	<u>6</u>	<u>\$ 720,354</u>	<u>54</u>	<u>\$ 520,246</u>	<u>40</u>	<u>\$ 1,322,463</u>	<u>100</u>	<u>\$ 624,038</u>	<u>57</u>	<u>\$ 117</u>	<u>-</u>
2002																									
All Oceans Transportation, Inc.	A	\$ -	-	\$ 1,268,328	D 57	\$ 1,268,328	57	\$ -	-	\$ 5,174	2	\$ 9,720,111	D 100	\$ -	-	\$ -	-	\$ 43,514	2	\$ 43,514	2	\$ -	-	\$ 627	1
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	11,940	1	-	-	-	-	11,940	1	-	-	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	44,131	2	-	-	-	-	44,131	2	-	-	-	-
China Mariners' Assurance Corp.	C	-	-	-	-	-	-	-	-	-	-	-	-	15,822	1	-	-	-	-	15,822	1	-	-	-	-
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	134,753	7	-	-	134,753	7	8,332	1	-	-
Yang Ming Line Holding Co.	A	-	-	73,239	3	73,239	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Young-Carrier Company Ltd.	B	355,101	16	-	-	355,101	16	-	-	-	-	-	-	-	-	119,026	7	-	-	119,026	7	-	-	-	-
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	-	-	6,169	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yangming (UK) Ltd.	B	139,321	7	-	-	139,321	7	-	-	-	-	-	-	-	-	56,431	3	1,161,894	F 65	1,218,325	68	-	-	-	-
Yang Ming Shipping Europe GmbH	B	55,432	3	-	-	55,432	3	-	-	-	-	-	-	-	-	29,714	2	-	-	29,714	2	-	-	-	-
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	127,838	7	-	-	127,838	7	96,058	13	-	-
Yangming Shipping (Singapore) Pte. Ltd.	B	9,344	-	-	-	9,344	-	-	-	-	-	-	-	-	-	10,461	1	-	-	10,461	1	11,884	2	-	-
Yang Ming Line (M) Sdn. Bhd.	B	25,761	1	-	-	25,761	1	-	-	-	-	-	-	-	-	37,599	2	-	-	37,599	2	632	-	-	-
Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	-	-	208,500	G 9	208,500	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming Line (Singapore) Pte. Ltd.	A	-	-	83,400	G 4	83,400	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yes Logistics Corp.	B	5,934	-	3,636	-	9,570	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming Line B.V.	A	-	-	412	-	412	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ching Ming Investment Co., Ltd.		-	-	566	-	566	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<u>\$ 590,893</u>	<u>27</u>	<u>\$ 1,638,081</u>	<u>73</u>	<u>\$ 2,228,974</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 11,343</u>	<u>4</u>	<u>\$ 9,720,011</u>	<u>100</u>	<u>\$ 71,893</u>	<u>4</u>	<u>\$ 515,822</u>	<u>29</u>	<u>\$ 1,205,408</u>	<u>67</u>	<u>\$ 1,793,123</u>	<u>100</u>	<u>\$ 116,906</u>	<u>16</u>	<u>\$ 627</u>	<u>1</u>

Notes: A. An equity-method investee of the Corporation.
 B. An equity-method investee of a wholly-owned subsidiary of the Corporation.
 C. An equity-method investee of the Corporation in 2001. The Corporation sold to a third party all its stockholdings in this investee in 2002.
 D. Including the amount sales of ships financed and dividends receivable.
 E. Receivable of on sales of ships.
 F. Freight revenue receipt held on behalf of Yangming (UK) Limited.
 G. Dividends receivable.
 H. The Corporation bought the shares of China Mariners' Assurance Corp. and China Technology Venture Capital Corporation from Ching Ming Investment Co., Ltd. for \$62,375 in May and September of 2002. The shares of China Mariners' Assurance Corp. were sold to a third party in 2002.
 I. In October 2002, the Corporation sold the shares of Taiwan Nano Electro-optical Technology Co., Ltd. to Honming Terminal & Stevedoring Co., Ltd. \$35,892. The gain on this sale was included in other liabilities—deferred income.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

FINANCING PROVIDED

DECEMBER 31, 2003

(In Thousands of New Taiwan Dollars)

No.	Financier	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate	Nature of Financing (Note A)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counterparty	Maximum Amount of Financing that can be Provided by the Financier
											Item	Value		
0	Yang Ming Marine Transport Corporation	All Oceans Transportation, Inc. Yang Ming Line Holding Co.	Receivables from related parties	\$ 1,534,469 (US\$45,158,000)	\$ -	4%	1	\$ 3,362,958	-	\$ -	-	\$ -	\$ 4,993,492 (Note C)	\$ 9,986,983 (Note B)
			Receivables from related parties	71,358 (US\$ 2,100,000)	-	4%	2	-	Investment in West Basin Container Terminal LLC and United Terminal Leasing LLC	-	-	-	1,664,497 (Note C)	3,328,994 (Note B)
1	Yang Ming (America) Corp.	Yang Ming Line Holding Co.	Receivables from related parties	71,358 (US\$ 2,100,000)	42,475 (US\$ 1,250,000)	2.11%-2.27875%	2	-	Payment of debts	-	-	-	346,596 (Note I)	407,760 (US\$12,000,000)
2	Yang Ming Shipping (B.V.I.) Inc.	Karman Properties Limited	Other current assets	106,507 (HK\$24,339,000)	106,507 (HK\$24,339,000)	3%	2	-	Acquisition of office building	-	-	-	371,720 (Note E)	464,651 (Note D)
3	Kuang Ming Shipping Corp.	Kuang Ming Shipping Corp. (Panama)	Other receivables	108,736 (US\$ 3,200,000)	-	2.8%	2	-	Payment of debts	-	-	-	120,000	83,921 (Note F)
4	Yang Ming Shipping (Singapore) Pte. Ltd.	Yang Ming Line (M) Sdn. Bhd.	Other receivables	3,398 (US\$ 100,000)	1,971 (US\$ 58,000)	1.05%	2	-	Acquisition of equipment	-	-	-	946,275 (Note G)	1,892,550 (Note D)
5	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line B.V.	Other current assets	41,017 (Note J)	41,017 (Note J)	1.5%	2	-	Investment in Yang Ming Italy S.P.A. and Yangming (UK) Ltd.	-	-	-	2,565,898 (Note E)	3,207,372 (Note D)
6	Young-Carrier Company Ltd.	Yang Ming Line (Singapore) Pte. Ltd.	Receivables from related parties	135,920 (US\$ 4,000,000)	123,178 (US\$ 3,625,000)	1%	2	-	Acquisition of office building	-	-	-	345,510 (Note H)	345,510 (Note H)

Notes: A. Nature of Financing:

1. The Corporation has transactions with the borrower.
2. The borrower needs short-term financing.

B. Represents 40% of net assets of the Corporation. For borrowers with transactions with the Corporation, maximum financing is 30% of net assets of the Corporation. For borrowers with short-term financing need, the maximum is 10% of net assets of the Corporation.

C. For borrowers with transactions with the Corporation, maximum financing is 50% of the amounts mentioned in Note B or the total amount of transactions between the Corporation and the borrower in the last two years. For the borrower needing short-term financing, maximum financing is 50% of the amount mentioned in Note B.

D. Represents the lender's net asset value.

E. Represents 80% of the lender's, net asset value.

F. Represents 40% of the lender's net asset value.

G. Represents 50% of the lender's net asset value.

H. Represents undistributed earnings based on the latest financial statements.

I. Represents 85% of the amount mentioned in Note I.

J. Equivalent to GBP\$300,000 and EUR\$534,000 translated into New Taiwan dollars at the exchange rate of GBP1=NT\$60.46 and EUR1=NT\$42.845.

K. United States dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$33.98.

L. Hong Kong dollars translated into New Taiwan dollars at the exchange rate of HK\$1=NT\$4.376.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED

DECEMBER 31, 2003

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

No.	Guarantor	Counterparty		Maximum Amount of Guarantee to Individual Counter-parties	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity Shown in the Latest Financial Statement	Maximum Amount of Guarantee that can be Provided by the Guarantor
		Name	Nature of Relationship						
0	Yang Ming Marine Transport Corporation	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Equity-method investee	\$ 15,655,439 (Note B)	\$ 3,490,969 (US\$102,736,000)	\$ 2,937,435 (US\$ 86,446,000)	\$ -	8.82	\$ 19,569,299 (Note A)
		All Oceans Transportation, Inc.	Equity-method investee	15,655,439 (Note B)	3,732,669 (US\$109,849,000)	1,813,037 (US\$ 53,356,000)	-	5.45	19,569,299 (Note A)
		Yang Ming (America) Corp.	Equity-method investee	15,655,439 (Note B)	50,970 (US\$ 1,500,000)	50,970 (US\$ 1,500,000)	-	0.15	19,569,299 (Note A)
		United Terminal Leasing LLC	Equity-method investee	15,655,439 (Note B)	40,742 (US\$ 1,199,000)	37,208 (US\$ 1,095,000)	-	0.11	19,569,299 (Note A)
0, 1	Yang Ming Marine Transport Corporation and Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Equity-method investee	15,655,439 (Note B)	136,837 (US\$ 4,027,000)	117,061 (US\$ 3,445,000)	-	0.35	19,569,299 (Note A)
1	Yang Mine Line Holding Co.	West Basin Container Terminal LLC	Equity-method investee	489,312 (Note D)	19,776 (US\$ 582,000)	16,718 (US\$ 492,000)	-	9.14	611,640 (Note C)

Notes:

A. It represents 100% of the Corporation's paid-in capital.

B. It represents 80% of the Corporation's paid-in capital.

C. It represents US\$18,000,000.

D. It represents US\$14,400,000.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2003

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2003			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
Yang Ming Marine Transport Corp.	<u>Common stock</u>							
	Ritek Corporation	-	Short-term investments	9,842,625	\$ 731,463	0.47	\$ 213,152	
	Sunplus Technology Co., Ltd.	-	Short-term investments	1,787,500	134,665	0.23	111,174	
	United Microelectronics Corp.	-	Short-term investments	1,485,574	104,243	0.01	43,559	
	Senao International Co, Ltd.	-	Short-term investments	3,707,827	96,000	1.77	77,783	
	Asustek Computer Inc.	-	Short-term investments	325,125	64,402	0.01	25,147	
	Chunghwa Picture Tubes, Ltd.	-	Short-term investments	3,073,129	57,103	0.05	44,772	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investments	638,668	55,020	-	40,097	
	Elan Microelectronics Corp	-	Short-term investments	2,469,220	50,962	0.74	75,395	
	Macronix International Co., Ltd	-	Short-term investments	858,000	49,362	0.02	6,796	
	Compal Electronics, Inc.	-	Short-term investments	727,950	42,012	0.02	34,388	
	Dbtel Incorporated	-	Short-term investments	579,927	39,932	0.08	18,414	
	Twinhead International Corp.	-	Short-term investments	796,400	29,788	0.14	5,025	
	U-Tech Media Corp.	-	Short-term investments	1,120,000	26,753	0.65	40,076	
	Orient Semiconductor Electronics, Limited	-	Short-term investments	598,097	24,062	0.04	3,799	
	Polaris Securities Co., Ltd.	-	Short-term investments	492,229	23,619	0.04	7,625	
	Advanced Semiconductor Engineering, Inc.	-	Short-term investments	338,800	18,341	0.01	11,045	
	Inventec Corporation	-	Short-term investments	290,400	16,474	0.01	5,847	
	Winbond Electronics Corp	-	Short-term investments	240,000	15,970	0.01	3,760	
	Micro-Star International Co., Ltd.	-	Short-term investments	154,845	15,503	0.02	7,979	
	Yageo Corporation	-	Short-term investments	499,468	15,337	0.02	7,472	
	Gigastorage Corporation	-	Short-term investments	495,000	14,972	0.20	8,796	
	Delpha Construction Co., Ltd.	-	Short-term investments	376,310	14,523	0.09	1,581	
	Quanta Computer Inc.	-	Short-term investments	126,500	13,730	-	10,563	
	Universal Scientific Industrial Co., Ltd.	-	Short-term investments	166,600	12,517	0.02	2,302	
	Realtek Semiconductor Corp	-	Short-term investments	109,200	11,504	0.02	6,604	
	Prodisc Technology Inc.	-	Short-term investments	158,270	10,830	0.03	5,373	
	Accton Technology Corp.	-	Short-term investments	135,191	10,265	0.02	3,424	
	Mosel Vitelic Inc.	-	Short-term investments	200,000	10,164	-	399	
	Siliconware Precision Industries Co., Ltd.	-	Short-term investments	165,995	7,687	0.01	5,597	
	Aurora Corporation	-	Short-term investments	72,600	7,459	0.02	1,567	
	Ambit Microsystems Corp.	-	Short-term investments	55,880	6,369	0.02	4,939	
	Hannstar Display Corp.	-	Short-term investments	100,000	3,134	-	1,356	
	Huanan Commercial Bank	-	Short-term investments	62,383	2,529	-	1,530	
	Taiwan Mask Corp.	-	Short-term investments	26,967	2,135	0.01	472	
	Weltrend Semiconductor, Inc.	-	Short-term investments	38,897	1,924	0.02	1,015	
	Cheng Loong Corp.	-	Short-term investments	80,112	1,479	0.01	905	
	Silicon Integrated Systems Corp.	-	Short-term investments	3,427	234	-	79	
	Taiwan Fu Hsing Industrial Co., Ltd.	-	Short-term investments	4,279	173	-	125	
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Equity-method investee	Investments in shares of stock	67,505,031	3,206,423	100.00	3,206,423	
	Yang Ming Line (Singapore) Pte. Ltd.	Equity-method investee	Investments in shares of stock	28,400,000	1,268,228	100.00	1,268,228	
	Chunghwa Investment Co., Ltd	Equity-method investee	Investments in shares of stock	80,000,000	806,139	40.00	805,468	
	Yes Logistics Corp.	Equity-method investee	Investments in shares of stock	45,251,100	423,641	90.50	430,659	
	Honming Terminal & Stevedoring Co., Ltd.	Equity-method investee	Investments in shares of stock	31,600,000	358,854	79.00	358,733	
	Kuang Ming Shipping Corp.	Equity-method investee	Investments in shares of stock	31,500,000	169,208	100.00	175,397	Note G
	All Oceans Transportation, Inc.	Equity-method investee	Investments in shares of stock	1,000	2,340,821	100.00	2,340,821	
	Yang Ming Line Holding Co.	Equity-method investee	Investment in shares of stock	7,500	182,745	100.00	182,745	
	Transyang Shipping Pte. Ltd.	Equity-method investee	Investment in shares of stock	686	81,962	24.99	81,962	Note I
	Jing Ming Transportation Co., Ltd.	Equity-method investee	Investment in shares of stock	5,266,225	69,880	50.80	69,838	Note G
	Ching Ming Investment Corp.	Equity-method investee	Investment in shares of stock	149,946,800	131,983	99.96	186,181	Note G

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2003			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
	United Venture Capital Corp.	-	Investments in shares of stock	8,000,000	\$ 80,000	9.04	\$ 70,080	
	Waterland Financial Holdings Co., Ltd.	-	Investments in shares of stock	9,086,561	70,000	0.43	87,867	
	Hotung Investment Holding Ltd.	-	Investments in shares of stock	8,861,600	40,268	0.70	37,396	
	SF Technology Venture Capital Investment Corp.	-	Investments in shares of stock	4,000,000	40,000	7.24	32,360	
	Kingmax Technology Corp.	-	Investments in shares of stock	1,580,992	24,000	1.40	24,079	
	Ascentek Venture Capital Corp.	-	Investments in shares of stock	2,000,000	20,080	2.14	20,480	
	Forwin Securities Corp.	-	Investments in shares of stock	2,500,000	20,000	2.00	15,075	
	Taipei Port container Terminal Co., Ltd.	-	Investments in shares of stock	8,000,000	80,000	10.00	77,840	
	Taiwan Nano Electro-Optical Technology Co., Ltd.	-	Investments in shares of stock	2,719,839	24,478	3.89	18,821	
	China Technology Venture Capital Corporation	-	Investments in shares of stock	3,000,000	30,000	8.96	29,700	
	<u>Preferred stock</u>							
	New Century Infocomm Co., Ltd.	-	Investments in shares of stock	80,000,000	864,000	1.68	713,600	
	Penguin Computing, Inc.	-	Investments in shares of stock	218,341	7,698	0.93	148	
	Arescom Inc.	-	Investments in shares of stock	100,000	7,698	0.24	-	
	<u>Mutual fund</u>							
	Prudential Bond Fund	-	Short-term investments	106,988,808	1,597,140	-	1,597,600	
	The Duo Li-2 Bond Fund	-	Short-term investments	80,964,479	1,136,426	-	1,136,733	
	Entrust KIRIN Bond Fund	-	Short-term investments	96,971,080	1,027,981	-	1,028,272	
	Prudential Well Pool Fund	-	Short-term investments	54,949,038	661,663	-	661,834	
	Fuh-Hwa Bond Fund	-	Short-term investments	46,777,151	594,879	-	595,071	
	Fuhwa Bond Fund	-	Short-term investments	48,259,551	590,751	-	590,929	
	United Welli Bond Fund	-	Short-term investments	57,406,730	582,902	-	583,051	
	Truswell Yi Li Shi	-	Short-term investments	44,777,386	548,134	-	548,268	
	Sheng Hua 1699 Bond Fund	-	Short-term investments	43,265,735	514,407	-	514,590	
	IIT High-Yield Fund	-	Short-term investments	30,247,140	419,002	-	419,123	
	Phoenix Bond Fund	-	Short-term investments	27,198,618	392,966	-	393,077	
	Forever Fund	-	Short-term investments	28,290,607	392,747	-	392,858	
	Solomon Bond Fund	-	Short-term investments	33,655,267	376,037	-	376,138	
	Capital Safe Income Fund	-	Short-term investments	26,424,722	373,835	-	373,957	
	PCA Unique Fund	-	Short-term investments	21,436,302	313,000	-	315,064	
	Home Run Fund	-	Short-term investments	18,836,655	253,519	-	253,592	
	Union Bond Fund	-	Short-term investments	21,147,630	246,740	-	246,803	
	United Bond Fund	-	Short-term investments	18,175,135	227,805	-	227,865	
	Chung Hsing Ping-An Fund	-	Short-term investments	21,407,093	219,538	-	219,600	
	Capital Cash Reserves Fund	-	Short-term investments	19,172,142	214,649	-	214,720	
	Tiim High Yield Fund	-	Short-term investments	17,121,822	201,849	-	201,849	
	Diamond Bond Fund	-	Short-term investments	18,277,040	201,256	-	201,311	
	Prudential Unit-Link Fund	-	Short-term investments	19,869,069	200,000	-	202,343	
	Taiyu Long River Bond Fund	-	Short-term investments	16,479,155	186,506	-	186,559	
	Prudential Financial Bond Fund	-	Short-term investments	11,466,633	160,878	-	160,928	
	PCA Balance II Fund	-	Short-term investments	9,974,926	100,000	-	100,148	
	Classical Fund	-	Short-term investments	10,000,000	100,000	-	100,596	
	Shinkong NT High Yield Fund	-	Short-term investments	5,543,986	88,355	-	88,382	
	Iit Wan Pao Fund	-	Short-term investments	5,508,748	80,189	-	80,213	
	Barits Value Balance Fund	-	Short-term investments	7,496,357	80,000	-	80,287	
	Sheng Hua 5599 Bond Fund	-	Short-term investments	7,076,658	76,021	-	76,034	
	Fuh-Hwa Albatross Fund	-	Short-term investments	7,003,248	75,218	-	75,241	
	TLAM B.B Bond Fund	-	Short-term investments	6,826,662	73,954	-	74,009	
	UBS Soaring Eagle Bond Fund	-	Short-term investments	6,564,006	68,500	-	68,503	
	Cathay Capital Income Growth Bond Fund	-	Short-term investments	5,837,232	61,087	-	61,103	
	NITC Taiwan Bond Fund	-	Short-term investments	4,154,426	56,085	-	56,100	
	Apollo Fund	-	Short-term investments	5,000,000	50,000	-	34,700	
	Entrust New Star Fund	-	Short-term investments	11,520,737	50,000	-	53,456	
	Truswell Elite Fund	-	Short-term investments	4,975,471	50,000	-	50,779	
	United Triumph Bund Fund	-	Short-term investments	4,716,457	49,557	-	49,578	
	Capital Cash Reserves Fund	-	Short-term investments	2,523,449	32,423	-	32,443	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2003			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
	Jih Sun Bond Fund	-	Short-term investments	2,448,573	\$ 32,043	-	\$ 32,052	
	KGI Victory Fund	-	Short-term investments	2,904,978	30,000	-	30,019	
	Reliance Niche Fund	-	Short-term investments	3,000,000	30,000	-	30,750	
	Taiwan Growth Fund	-	Short-term investments	2,080,444	30,000	-	29,584	
	NITC High Dividend Yield Balance Fund	-	Short-term investments	3,000,000	30,000	-	30,210	
	IIT Increment Fund	-	Short-term investments	1,718,567	25,078	-	25,085	
	Ta Chong Quality Balance Fund	-	Short-term investments	2,100,840	20,000	-	20,630	
	Longma Fund	-	Short-term investments	995,520	20,000	-	19,701	
	The Duo Fu Fund	-	Short-term investments	961,453	15,172	-	15,412	
	The Duo Duo Fund	-	Short-term investments	1,262,626	15,000	-	17,172	
	Nitc Value Fund	-	Short-term investments	1,234,000	12,340	-	13,414	
	Abn Amro Global Leader Fund	-	Short-term investments	1,000,000	10,010	-	12,070	
	Cathy Global Bond Fund	-	Short-term investments	1,000,000	10,000	-	9,987	
	Transcend Property Fund	-	Short-term investments	773,994	10,000	-	9,768	
	Cathy Global Balance Fund	-	Short-term investments	1,000,000	10,000	-	10,450	
	Ta Chong Callop Bond Fund	-	Short-term investments	670,601	7,000	-	7,002	
	Tiim Bond Fund	-	Short-term investments	184,430	2,504	-	2,505	
	<u>Certificates of conversion of bond to stocks</u>							
	China Airlines Ltd.	-	Short-term investments	1,391,304	16,000	0.05	20,563	
Ching Ming Investment Co., Ltd.	<u>Common stocks</u>							
	Yang Ming Marine Transport Corp.	Parent company	Short-term investments	52,700,308	1,017,962	2.71	1,730,836	7,000,000 shares pledged as collateral for a short-term bank loan.
	Ritek Corporation	-	Short-term investments	7,002,336	459,757	-	151,643	1,300,000 shares pledged as collateral for a short-term bank loan.
	China Container Terminal Corporation	-	Short-term investments	1,200,000	78,492	-	8,356	
	Micro-Star International Co., Ltd.	-	Short-term investments	154,845	15,462	-	7,979	
	Gigabyte Technology Co,	-	Short-term investments	120,750	9,113	-	7,253	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investments	118,800	9,098	-	7,459	
	Realtek Semiconductor Corp	-	Short-term investments	78,000	7,781	-	4,717	
	Waterland Financial Holdings	-	Short-term investments	478,240	3,180	-	4,626	
	Greatek Electronics Inc.	-	Short-term investments	120,000	3,740	-	4,214	
	Jena Co., Ltd.	-	Short-term investments	130,000	2,516	-	1,705	
	Test Rite International Co., Ltd.	-	Short-term investments	295	6	-	6	
	CHI MEI Optoelectronics Corporation	-	Short-term investments	150,000	6,795	-	5,530	
	AU Optronics Corp.	-	Short-term investments	150,000	7,310	-	6,083	
	Honming Terminal & Stevedoring Co., Ltd.	Equity-method investee	Investments in shares of stock	3,950,000	44,873	9.88	44,873	
	Tytech Co, Ltd.	-	Investments in shares of stock	150,000	1,500	7.78	260	
	<u>Mutual fund</u>							
	Forever Fund	-	Short-term investments	72,101	1,000	-	1,001	
	Reliance US Short-term Fixed Income Fund	-	Short-term investments	3,922,001	40,000	-	39,314	
	Prudential Well Pool Fund	-	Short-term investments	275,074	3,304	-	3,313	
	Truswell Yi Li Shi	-	Short-term investments	409,386	5,000	-	5,013	
Yes Logistics Corp.	<u>Common stocks</u>							
	United Microelectronics Corp.	-	Short-term investments	20,632	1,238	-	605	
	Macronix International Co., Ltd	-	Short-term investments	7,150	340	-	57	
	Taiwan Mask Corp.	-	Short-term investments	100,000	1,953	-	1,751	
	Winbond Electronics Corp	-	Short-term investments	29,875	1,631	-	468	
	Synnex Technology International Corp.	-	Short-term investments	7,562	696	-	357	
	Ritek Corporation	-	Short-term investments	16,250	1,182	-	352	
	Benq Corp.	-	Short-term investments	100,000	4,637	-	4,099	
	Taiwan Mask Corp.	-	Short-term investments	51,500	786	-	724	
	Silicon Integrated Systems Corp.	-	Short-term investments	16,499	1,522	-	381	
	Via Technologies, Inc.	-	Short-term investments	2,049	318	-	85	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2003			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
	Media Tek Inc.	-	Short-term investments	890	\$ 335	-	\$ 282	
	Walsin Technology Corp.	-	Short-term investments	7,179	340	-	187	
	Elite Semi-Conductor Memory Technology Inc.	-	Short-term investments	2,912	855	-	201	
	CHI MEI Optoelectronics Corporation	-	Short-term investments	20,000	865	-	737	
	Holy Store Enterprise Co, Ltd.	-	Short-term investments	4,547	495	-	253	
	Vanguard International Semiconductor Co.	-	Short-term investments	15,000	659	0.01	200	
	Tailyn Communication Co, Ltd.	-	Short-term investments	5,512	180	-	63	
	Promos Technology Inc.	-	Short-term investments	5,950	393	-	69	
	Yang Ming Marine Transport Corp. Convertible Bond—I	Parent company	Short-term investments	170,000	17,000	-	21,607	
	Honming Terminal & Stevedoring Co., Ltd.	Equity-method investee	Investments in shares of stock	4,382,370	46,443	10.96	49,892	
	Yes Logistics Corp.	Equity-method investee	Investments in shares of stock	100,000	2,385	100.00	2,385	
	Yes Logistics Company Ltd.	Equity-method investee	Investments in shares of stock	100,000	-	100.00	(979)	
	B2B. Com Holdings Ltd.	-	Investments in shares of stock	800,000	39,533	8.00	40,630	
	United Raw Material Solutions, Inc.	-	Investments in shares of stock	200,000	33,128	1.33	2,355	
	<u>Mutual fund</u>							
	Fuhwa Bond Fund	-	Short-term investments	408,644	5,000	-	5,004	
	Tiim Bond Fund	-	Short-term investments	670,469	7,600	-	7,904	
	Cathay Global Balance Fund	-	Short-term investments	1,300,000	13,000	-	12,983	
	Sheng Hua 1699 Bond Fund	-	Short-term investments	336,728	4,001	-	4,005	
	ABN AMRO Aggressive Balance Fund	-	Short-term investments	1,141,610	12,000	-	12,020	
	Fuh-Hwa Bond Fund	-	Short-term investments	316,652	4,009	-	4,029	
	Fuh-Hwa Global Bond Fund	-	Short-term investments	1,000,000	10,020	-	10,607	
	Capital Safe Income Fund	-	Short-term investments	284,171	4,013	-	4,022	
	Capital Cash Reserves Fund	-	Short-term investments	195,562	2,404	-	2,514	
	Rsit Enhanced Bond Fund	-	Short-term investments	1,829,382	18,711	-	19,302	
	JF Taiwan Wealth Management Fund	-	Short-term investments	1,000,000	10,000	-	10,237	
	Nam Short-term Fixed Income Fund	-	Short-term investments	4,811	2,151	-	2,114	
	GC Dollar Fund	-	Short-term investments	1,308	466	-	466	
	Huanan Flamigo Balance Fund	-	Short-term investments	300,000	3,000	-	3,003	
	JF Global Balance Fund	-	Short-term investments	1,000,000	10,000	-	10,037	
	Fuhwa New Balance Fund	-	Short-term investments	1,496,460	15,000	-	16,451	
	Classical Fund	-	Short-term investments	500,086	5,001	-	5,031	
	Fuh-Hwa Heirloom Balance Fund	-	Short-term investments	815,067	9,010	-	10,024	
	Fuhwa Life Goal Bond Fund	-	Short-term investments	2,000,000	20,000	-	21,320	
	HSBC Taiwan Safe and Rich Fund	-	Short-term investments	397,773	10,080	-	5,609	
	Fuh-Hwa Global Bond Fund	-	Short-term investments	1,000,000	10,000	-	10,000	
	President Pao-An Balance Fund	-	Short-term investments	500,000	5,000	-	5,000	
	Prudential Financial Maxima Fund	-	Short-term investments	39,262	1,000	-	724	
	Prudential Financial Taiwan Enterprise Fund	-	Short-term investments	68,353	1,003	-	772	
	Fuhwa system Fund of Fund	-	Short-term investments	500,000	5,000	-	5,054	
	<u>Other financing assets—current</u>							
	NTD Equity Linked Note	-	Other current assets	(Note M)	1,955	-	1,955	
	<u>Long-term investment in bonds</u>							
	NAM AP Unison Series I Ltd.	-	Long-term investments in bonds	(Note J)	3,397	-	3,397	
	PowerChip Semiconductor Corp. Credit Linked Note	-	Long-term investments in bonds	(Note K)	6,794	-	6,794	
	Primax 0% 08 Credit Linked Note	-	Long-term investments in bonds	(Note L)	10,684	-	10,684	
Yang Ming Line (Singapore) Pte. Ltd.	<u>Common stocks</u>							
	Sunplus Technology Co., Ltd.	-	Short-term investments	835,312	66,499	0.11	35,042	
	Dbtel Incorporated	-	Short-term investments	438,840	33,154	0.06	13,780	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investments	319,334	27,787	-	20,278	
	Ritek Corporation	-	Short-term investments	279,500	25,553	0.01	5,870	
	Macronix International Co., Ltd	-	Short-term investments	228,800	13,674	0.01	1,762	
	Au Optonics Corp.	-	Short-term investments	210,000	8,599	0.01	8,337	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2003			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
	Winbond Electronics Corp	-	Short-term investments	47,800	\$ 3,445	-	\$ 784	
	Silicon Integrated Systems Corp.	-	Short-term investments	50,000	2,659	-	1,140	
	Yang Ming Shipping (B.V.I) Inc.	Equity-method investee	Investments in shares of stock	510	236,887	51.00	236,887	
	Young-Carrier Company Ltd.	Equity-method investee	Investments in shares of stock	910,000	313,865	91.00	313,865	
	Yangming (Japan) Co., Ltd.	Equity-method investee	Investments in shares of stock	3,000	30,554	100.00	30,554	
	Yangming Shipping (Singapore) Pte Ltd.	Equity-method investee	Investments in shares of stock	1,000,000	27,960	100.00	27,960	
	Yang Ming Line (M) Sdn. Bhd.	Equity-method investee	Investments in shares of stock	700,000	12,379	70.00	12,379	
	Yangming (Cayman) Ltd.	Equity-method investee	Investments in shares of stock	20,000	(120)	100.00	(120)	Note D
	Yang Ming Line (Hong Kong) Ltd.	Equity-method investee	Investments in shares of stock	510,000	(68,460)	51.00	(68,460)	Note D
	<u>Global depositary receipt</u>							
	Permal Emerging Market Holdings N.V.	-	Short-term investments	654	34,280	-	40,249	
	Permal Investment Holdings N.V.	-	Short-term investments	344	34,035	-	37,833	
	Viasource Policy Fund	-	Short-term investments	5	12,912	-	12,912	
	Permal Global Opportunities B	-	Short-term investments	666	34,076	-	36,149	
	Sunplus Technology Co., Ltd. GDR	-	Short-term investments	92,220	16,030	-	11,714	
	Synnex Technology International Corp. Gdr	-	Short-term investments	55,823	10,851	-	10,274	
Yangming (Japan) Co., Ltd.	<u>Common stocks</u>							
	Manwa &Co, Ltd.	Equity-method investee	Investments in shares of stock	200	2,965	100.00	2,965	
Yang Ming Shipping (B.V.I) Inc.	<u>Common stocks</u>							
	Karman Properties Limited	Equity-method investee	Investments in shares of stock	1,000	(9,874)	100.00	(9,874)	Note D
Honming Terminal & Stevedoring Co., Ltd.	<u>Common stocks</u>							
	Taiwan Nano Electro-Optical Technology Co.	-	Investments in shares of stock	2,400,000	36,000	4.00	21,600	
	Yes Logistics Corp.	Equity-method investee	Investments in shares of stock	1,068,800	10,262	2.00	10,262	
Yang Ming Line (B.V.I.) Holding Co., Ltd.	<u>Common stocks</u>							
	Yang Ming Line N.V.	Equity-method investee	Investments in shares of stock	1,500,000	26,174	100.00	26,174	
Yang Ming Line N.V.	<u>Common stocks</u>							
	Yang Ming Line B.V.	Equity-method investee	Investments in shares of stock	2,500	22,485	100.00	22,485	
Yang Ming Line B.V.	<u>Common stocks</u>							
	Yangming (UK) Ltd.	Equity-method investee	Investments in shares of stock	900,000	5,748	100.00	5,748	
	Yang Ming Shipping Europe GmbH	Equity-method investee	Investments in shares of stock	(Note B)	42,336	100.00	42,336	
	Yang Ming Italy S.p.A.	Equity-method investee	Investments in shares of stock	125,000	19,031	50.00	19,031	
Yangming (UK) Ltd.	<u>Common stocks</u>							
	Corstor Ltd.	Equity-method investee	Investments in shares of stock	(Note C)	27	50.00	27	
	Yes Logistic UK Ltd.	Equity-method investee	Investments in shares of stock	(Note H)	(1,058)	100.00	(1,058)	Note D
Yang Ming Shipping Europe GmbH	<u>Common stocks</u>							
	Yes Logistics Europe GmbH	Equity-method investee	Investments in shares of stock	(Note N)	1,062	100.00	1,062	
Yang Ming Italy S.p.A.	<u>Common stocks</u>							
	Yang Ming (Naples) S.r.l.	Equity-method investee	Investments in shares of stock	6,000	238	60.00	238	
Yang Ming Line Holding Co.	<u>Common stocks</u>							
	West Basin Container Terminal LLC	Equity-method investee	Investments in shares of stock	(Note E)	190,555	40.00	190,555	
	United Terminal Leasing LLC	Equity-method investee	Investments in shares of stock	(Note F)	33,430	40.00	33,430	
	Yang Ming (America) Co.	Equity-method investee	Investments in shares of stock	500,000	46,697	100.00	46,697	
Kuang Ming Shipping Corp.	<u>Common stocks</u>							
	Yang Ming Marine Transport Corp.	Parent company	Short-term investments	1,704,995	34,405	0.09	55,997	
	China Steel Corporation	-	Short-term investments	607,603	14,183	-	16,833	
	Yuen Foong Yu Paper Mfg. Co, Ltd.	-	Short-term investments	3,440	57	-	49	
	Siliconware Precision Industries Co, Ltd.	-	Short-term investments	594	32	-	20	
	Kuang Ming Shipping Corp. (Panama)	Equity-method investee	Investments in shares of stock	50,000	(50,433)	100.00	(50,433)	Note D

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2003			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
	<u>Mutual fund</u>							
	Forever Fund	-	Short-term investment	381,263	5,000		5,294	
	Rsit Enhanced Bond Fund	-	Short-term investment	482,174	5,000		5,087	
	Fuhwa Bond Fund	-	Short-term investment	332,925	4,000	-	4,077	
	Classical Fund	-	Short-term investment	99,993	1,000	-	1,006	
	Fuh-Hwa Bond Fund	-	Short-term investment	412,718	5,000	-	5,250	
	Capital Safe Income Fund	-	Short-term investment	364,894	5,000	-	5,173	
	Phoenix Bond Fund	-	Short-term investment	350,184	5,000	-	5,068	
	<u>Convertible bonds</u>							
	Yang Ming Marine Transport Corp. Convertible Bond—I	Parent Company	Short-term investment	50,000	\$ 5,000	-	\$ 8,955	
	Yang Ming Marine Transport Corp. Convertible Bond—II	Parent Company	Short-term investment	50,000	5,000	-	6,355	

Notes:

- A. The market values are based on average closing prices in December 2003 or the net value of the fund on December 31, 2003, or, if market prices are unavailable, on the investees' net assets.
- B. The issued capital stock amounted to DM818 thousand.
- C. The issued capital stock amounted to GBP1,000.
- D. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability.
- E. This is equivalent to US\$3,800,000, and no shares were issued.
- F. This is equivalent to US\$1,000,000, and no shares were issued.
- G. Reclassified from investment in shares of stock to treasury stock in proportion to subsidiaries' stockholdings.
- H. This is equivalent to GBP20,000, and no were shares issued.
- I. The investment income (loss) was recognized using the financial statements of the immediately preceding year, and the Corporation's equity was as of the investee's latest balance sheet presented since the investee's financial statements covering the same reporting year as that of the Corporation were not timely available. The Corporation recognized investment income for the year ended December 31, 2002 based on audited financial statements for the same period.
- J. There were 100 thousand units, and each unit represented one US dollar.
- K. The principal amount is US\$200 thousand.
- L. The principal amount is US\$550 thousand.
- M. The principal amount is \$2,000 thousand.
- N. This is equivalent to EUR\$25 thousand, and no shares were issued.

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 YEAR ENDED DECEMBER 31, 2003
(In Thousands of New Taiwan Dollars, Except Shares/Units Information)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Price	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Yang Ming Marine Transport Corp.	<u>Mutual Fund</u>													
	Entrust KIRIN Bond Fund	Short-term investments	-	-	99,847,019	\$ 1,035,563	389,366,052	\$ 4,095,527	392,241,991	\$ 4,123,393	\$ 4,103,109	\$ 20,283	96,971,080	\$ 1,027,981
	Solomon Bond Fund	Short-term investments	-	-	34,638,957	379,497	236,472,299	2,624,869	237,455,990	2,638,277	2,628,330	9,947	33,655,267	376,037
	Prudential Bond Fund	Short-term investments	-	-	7,667,872	112,000	257,145,333	3,817,905	157,824,397	2,350,078	2,332,765	17,312	106,988,808	1,597,140
	TIIM Bond Fund	Short-term investments	-	-	29,885,601	397,326	129,118,188	1,735,721	158,819,360	2,136,063	2,130,543	5,519	184,430	2,504
	Prudential Well Pool Fund	Short-term investments	-	-	41,307,080	488,000	187,291,856	2,243,663	173,649,898	2,077,098	2,070,000	7,098	54,949,038	661,663
	Fuh-Hwa Bond Fund	Short-term investments	-	-	46,624,838	579,481	140,179,139	1,768,501	140,026,826	1,766,533	1,753,103	13,430	46,777,151	594,879
	The Duo Li-2 Bond Fund	Short-term investments	-	-	-	-	178,737,095	2,501,426	97,772,616	1,371,437	1,365,000	6,437	80,964,479	1,136,426
	Sun Bond Fund	Short-term investments	-	-	42,308,746	424,000	92,354,570	936,000	134,663,316	1,368,191	1,360,000	8,191	-	-
	Diamond Bond Fund	Short-term investments	-	-	-	-	134,180,561	1,460,256	115,903,521	1,263,175	1,259,000	4,175	18,277,040	201,256
	Truswell Yi Li Shi	Short-term investments	-	-	-	-	130,573,298	1,592,929	85,795,912	1,047,972	1,044,795	3,177	44,777,386	548,134
	Barits Bond Fund	Short-term investments	-	-	-	-	86,137,096	1,000,000	86,137,096	1,001,166	1,000,000	1,166	-	-
	Phonix Bond Fund	Short-term investments	-	-	13,211,317	186,720	75,180,699	1,079,966	61,193,398	879,026	873,720	5,306	27,198,618	392,966
	Sheng Hua 1699 Bond Fund	Short-term investments	-	-	1,889,888	22,000	109,685,809	1,297,507	68,309,962	809,224	805,100	4,124	43,265,735	514,407
	Taiyu Long River Bond Fund	Short-term investments	-	-	5,791,226	64,000	81,867,698	920,506	71,179,769	801,405	798,000	3,405	16,479,155	186,506
	Fuhwa Bond Fund	Short-term investments	-	-	-	-	110,669,009	1,349,251	62,409,458	762,476	758,500	3,976	48,259,551	590,751
	Forever Fund	Short-term investments	-	-	-	-	81,247,566	1,122,747	52,956,959	733,108	730,000	3,108	28,290,607	392,747
	Capital Safe Income Fund	Short-term investments	-	-	9,171,615	126,900	68,978,024	969,338	51,724,917	727,938	722,403	5,535	26,424,722	373,835
	United Welli Bond Fund	Short-term investments	-	-	-	-	121,727,624	1,231,902	64,320,894	652,902	649,000	3,902	57,406,730	582,902
	Capital Cash Reserves Fund	Short-term investments	-	-	15,642,550	171,420	61,982,179	689,247	58,452,588	649,209	646,019	3,191	19,172,142	214,649
	KGI Victory Fund	Short-term investments	-	-	12,943,312	130,410	51,733,509	529,900	61,771,843	632,627	630,310	2,318	2,904,978	30,000
	Ta Chong Bond Fund	Short-term investments	-	-	-	-	50,376,338	621,800	50,376,338	623,473	621,800	1,673	-	-
	Rsit Enhanced Bond Fund	Short-term investments	-	-	52,784,584	544,420	1,345,442	14,000	54,130,026	561,537	558,420	3,117	-	-
	Taiwan Bond Fund	Short-term investments	-	-	3,985,302	55,967	35,164,217	500,000	39,149,519	557,109	555,967	1,142	-	-
	Union Bond Fund	Short-term investments	-	-	-	-	65,767,334	763,740	44,619,704	519,757	517,000	2,757	21,147,630	246,740
	IIT High-Yield Fund	Short-term investments	-	-	-	-	67,815,246	937,002	37,568,106	519,197	518,000	1,197	30,247,140	419,002
	UBS Soaring	Short-term investments	-	-	-	-	54,748,418	568,500	48,184,411	500,367	500,000	367	6,564,006	68,500
	Jih Sun Bond Fund	Short-term investments	-	-	4,679,530	60,000	34,103,514	441,043	36,334,471	469,924	469,000	924	2,448,573	32,043
	Transcend Fortune Bond Fund	Short-term investments	-	-	-	-	40,279,692	466,000	40,279,692	467,067	466,000	1,067	-	-
	Ta Chong Quality Balance Fund	Short-term investments	-	-	-	-	39,240,060	407,000	38,569,459	400,374	400,000	374	670,601	7,000
	Reliance US Short-term Fixed Income Fund	Short-term investments	-	-	-	-	39,522,524	400,000	39,522,524	399,446	400,000	(554)	-	-
	TIIM High Yield Fund	Short-term investments	-	-	15,870,460	182,761	34,676,900	406,849	33,425,538	392,280	387,761	4,519	17,121,822	201,849
	Chung Hsing Ping-An Fund	Short-term investments	-	-	-	-	58,032,156	592,538	36,625,062	374,757	373,000	1,757	21,407,093	219,538
	James Bond Fund	Short-term investments	-	-	-	-	21,686,498	319,000	21,686,498	319,142	319,000	142	-	-
	AIG Taiwan Bond Fund	Short-term investments	-	-	-	-	24,732,477	300,000	24,732,477	300,134	300,000	134	-	-
	Home Run Fund	Short-term investments	-	-	-	-	40,820,544	547,605	21,983,889	295,553	294,086	1,467	18,836,655	253,519
	United Bond Fund	Short-term investments	-	-	-	-	40,473,336	505,805	22,298,202	279,008	278,000	1,008	18,175,135	227,805
	Asia Pacific Bond Fund	Short-term investments	-	-	-	-	23,031,069	277,000	23,031,069	277,669	277,000	669	-	-
	TLAM B.B. Bond Fund	Short-term investments	-	-	-	-	30,811,451	333,784	23,984,789	260,000	259,830	170	6,826,662	73,954
	Shinkong Chi-Shin Fund	Short-term investments	-	-	-	-	15,174,071	213,000	15,174,071	213,296	213,000	296	-	-
	Prudential Financial Bond Fund	Short-term investments	-	-	-	-	25,796,360	360,878	14,329,727	200,878	200,000	878	11,466,633	160,878
	Grand Cathay Bond Fund	Short-term investments	-	-	-	-	16,163,053	200,000	16,163,053	200,259	200,000	259	-	-
	Fubon Ju-I Two Fund	Short-term investments	-	-	3,208,799	44,000	10,184,460	141,000	13,393,260	185,200	185,000	200	-	-
	Abn Amro Aggressive Taiwan Bond Fund	Short-term investments	-	-	5,019,324	50,000	10,943,102	113,000	15,962,426	163,911	163,000	911	-	-
	Polaris Fu-Li Strategic Income Fund	Short-term investments	-	-	-	-	16,179,726	162,000	16,179,726	162,441	162,000	441	-	-
	Fuh-Hwa Albatross Fund	Short-term investments	-	-	7,004,494	73,524	14,006,496	149,818	14,007,742	149,826	148,124	1,702	7,003,248	75,218
	Lit Wan Pao Fund	Short-term investments	-	-	4,859,486	68,463	11,017,495	160,189	10,368,233	149,709	148,463	1,246	5,508,748	80,189

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Price	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
	Deutsche Managed Euro Fund	Short-term investments	-	-	-	\$ -	-	\$ 145,595	-	\$ 146,623	\$ 145,595	\$ 1,028	-	\$ -
	Sheng Hua 5599 Bond Fund	Short-term investments	-	-	-	-	19,769,323	210,021	12,692,665	134,194	134,000	194	7,076,658	76,021
	Invesco GP ROC Bond Fund	Short-term investments	-	-	-	-	7,041,460	100,000	7,041,460	100,011	100,000	11	-	-
	Shinkong NT High Yield Fund	Short-term investments	-	-	-	-	11,087,973	176,355	5,543,986	88,355	88,000	355	5,543,986	88,355
	Taiwan Bond Fund	Short-term investments	-	-	-	-	8,308,852	112,085	4,154,426	56,085	56,000	85	4,154,426	56,085
	PCA Unique Fund	Short-term investments	-	-	-	-	21,436,302	313,000	-	-	-	-	21,436,302	313,000
	Prudential Unit-Link Fund	Short-term investments	-	-	-	-	19,869,069	200,000	-	-	-	-	19,869,069	200,000
	PCA Balance II Fund	Short-term investments	-	-	-	-	9,974,926	100,000	-	-	-	-	9,974,926	100,000
	Classical Fund	Short-term investments	-	-	-	-	10,000,000	100,000	-	-	-	-	10,000,000	100,000
All Oceans Transportation, Inc.	<u>Mutual fund</u>													
	Solomon Bond Fund	Short-term investments	-	-	-	-	56,362,828	621,000	56,362,828	622,234	621,000	1,234	-	-
	Entrust KIRIN Bond Fund	Short-term investments	-	-	-	-	97,094,816	1,014,000	97,094,816	1,016,114	1,014,000	2,114	-	-
	Phoenix Bond Fund	Short-term investments	-	-	-	-	13,487,503	192,000	13,487,503	192,391	192,000	391	-	-

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

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

DECEMBER 31, 2003

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yang Ming Marine Transport Corp.	All Oceans Transportation, Inc.	A	\$ 10,358,198 (Note C)	-	\$ -	-	\$ 624,692	\$ -
	Young-Carrier Company Ltd.	B	426,367	-	-	-	392,968	-
	Yang Ming Italy S.p.A.	B	218,028	-	-	-	218,028	-
	Yangming Shipping (Singapore) Pte. Ltd.	B	611,640 (Note D)	-	-	-	-	-
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	451,934 (Note D)	-	-	-	-	-
	Yangming (UK) Ltd.	B	198,019	-	-	-	-	-

Notes:

- A. Equity-method investee.
- B. Investee of a wholly owned subsidiary.
- C. Long-term receivables of related parties.
- D. Dividends receivable.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2003
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note D)		Balance as of December 31, 2003			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2003	Dec. 31, 2002	Shares	Percentage of Ownership	Carrying Value			
Yang Ming Marine Transport Corp.	Yang Ming Line (B.V.I.) Holding Co., Ltd.	British Virgin Islands	Investment, shipping agency, forwarding agency and shipping managers	\$ 2,136,925	\$ 2,136,925	67,505,031	100.00	\$ 3,206,423	\$ 942,583	\$ 942,583	Subsidiary
	Yang Ming Line (Singapore) Pte. Ltd.	Singapore	Investment, shipping service; chartering, sale and purchase of ships; and forwarding agency	569,686	569,686	28,400,000	100.00	1,268,228	272,691	297,427	Subsidiary
	Ching Ming Investment Corp.	Taipei, Taiwan	Investment	1,499,468	1,499,468	149,946,800	99.96	131,983	724,851	45,977	Subsidiary
	All Oceans Transportation, Inc.	Monrovia, Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,235	3,235	1,000	100.00	2,340,821	2,262,701	2,262,701	Subsidiary
	YES Logistics Corp.	Keelung	Warehouse operation and forwarding agency	451,944	451,944	45,251,100	90.50	432,641	6,027	5,455	Subsidiary
	Kuang Ming Shipping Corp.	Taipei, Taiwan	Shipping service, shipping agency and forwarding agency	145,085	145,085	31,500,000	100.00	169,208	(97,812)	(115,716)	Subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	316,000	316,000	31,600,000	79.00	358,854	35,733	27,975	Subsidiary
	Jing Ming Transportation Co., Ltd.	Kaohsiung, Taiwan	Container transportation	35,560	35,560	5,266,225	50.80	69,880	22,794	10,336	Subsidiary
	Yang Ming Line Holding Co.	Wilmington, USA	Investment, shipping agency, forwarding agency and shipping managers	52,297	52,297	7,500	100.00	182,745	79,969	79,969	Subsidiary
	Transyang Shipping Pte. Ltd.	Singapore	Shipping services; chartering, sale and purchase of ships; forwarding agency and shipping agency	24,842	24,842	686	24.99	81,962	31,238	7,806	(Note C)
	Chunghwa Investment Co., Ltd	Taipei, Taiwan	Investment	800,000	800,000	80,000,000	40.00	806,139	11,494	4,598	Equity-method investee
Ching Ming Investment Corp.	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	39,500	39,500	3,950,000	9.88	44,873	35,733	-	Subsidiary
Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Los Angeles, USA	Terminal operation and stevedoring	132,050	132,050	(Note F)	40.00	190,555	154,970	-	Equity-method investee
	United Terminal Leasing LLC	Los Angeles, USA	Terminal operation machine lease	34,750	34,750	(Note G)	40.00	33,430	(1,340)	-	Indirect equity-method investee
	Yang Ming (America) Corp.	New Jersey, U.S.A.	Shipping agency, forwarding agency and shipping managers	17,305	-	500,000	100.00	46,697	64,308	-	Indirect subsidiary
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line N.V.	Netherlands Antilles	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	1,500,000	100.00	26,174	175,083	-	Indirect 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	22,485	175,356	-	Indirect subsidiary
Yang Ming Line B.V.	Yangming (UK) Ltd.	London, U.K.	Investment, shipping agency, forwarding agency and shipping managers	42,408	42,408	900,000	100.00	5,748	163,478	-	Indirect subsidiary
	Yang Ming Shipping Europe GmbH	Hamburg, Germany	Investment, shipping agency, forwarding agency and shipping managers	29,697	14,448	(Note A)	100.00	42,336	(7,268)	-	Indirect subsidiary
	Yang Ming Italy S.p.A.	Genova, Italy	Shipping agency	4,319	4,319	125,000	50.00	19,031	24,821	-	Indirect subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note D)		Balance as of December 31, 2003			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2003	Dec. 31, 2002	Shares	Percentage of Ownership	Carrying Value			
Yangming (UK) Ltd.	Corstor Ltd.	U.K.	Forwarding agency and shipping management	\$ 25	\$ 25	(Note B)	50.00	\$ 27	\$ 206	\$ -	Indirect subsidiary
	Yes Logistics UK Ltd.	U.K.	Forwarding agency	1,097	-	(Note H)	100.00	(1,058) Note E	(995)	-	
Yang Ming Italy S.p.A.	Yang Ming Naples S.r.l.	Naples, Italy	Shipping agency	238	-	6,000	60.00	238	-	-	Indirect subsidiary
Yang Ming Shipping Europe GmbH	Yes Logistics Europe GmbH	Hamburg, Germany	Shipping agency	945	-	(Note I)	100.00	1,062	(8)	-	Indirect subsidiary
Yangming Shipping (Singapore) Pte Ltd.	Young-Carrier Company Ltd.	Hong Kong	Investment, shipping agency, forwarding agency and shipping managers	3,229	3,229	910,000	91.00	313,865	166,341	-	Indirect subsidiary
	Yang Ming Shipping (B.V.I) Inc. Yangming (Japan) Co., Ltd.	British Virgin Islands Tokyo, Japan	Forwarding agency and shipping agency Shipping services; chartering, sale and purchase of ships; and forwarding agency	16 36,235	16 36,235	510 3,000	51.00 100.00	236,887 30,554	101,890 (13,281)	- -	Indirect subsidiary Indirect subsidiary
Yangming (Japan) Co., Ltd.	Yang Ming Line (Hong Kong) Ltd.	Hong Kong	Forwarding agency and shipping agency	2,138	2,138	510,000	51.00	(68,460) Note E	(72,697)	-	Indirect subsidiary
	Yangming Shipping (Singapore) Pte Ltd.	Singapore	Shipping agency, forwarding agency and shipping managers	18,851	18,851	1,000,000	100.00	27,960	2,807	-	Indirect subsidiary
	Yang Ming Line (M) Sdn. Bhd.	Malaysia	Shipping agency, forwarding agency and shipping managers	5,784	5,784	700,000	70.00	12,379	1,587	-	Indirect subsidiary
	Yangming (Cayman) Ltd.	Cayman Island	Shipping lease	629	629	20,000	100.00	(120) Note E	(135)	-	Indirect subsidiary
Yangming (Japan) Co., Ltd.	Manwa & Co., Ltd.	Tokyo, Japan	Forwarding agency and shipping agency	2,666	2,666	200	100.00	2,964	(45)	-	Indirect subsidiary
Yang Ming Shipping (B.V.I) Inc.	Karman Properties Limited	Hong Kong	Properties agency	4	4	1,000	100.00	(9,874) Note E	(3,198)	-	Indirect subsidiary
Kuang Ming Shipping Corp.	Kuang Ming Shipping Corp. (Panama)	Panama	Forwarding agency	30,887	30,887	500,000	100.00	(50,443) Note E	(123,145)	-	Indirect subsidiary
Honming Terminal & Stevedoring Co., Ltd.	YES Logistics Corp.	Keelung	Warehouse operation and forwarding agency	10,610	10,523	1,061,000	2.10	10,262	6,027	-	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	2,385	(310)	-	Indirect subsidiary
	Honming Terminal & Stevedoring Co., Ltd. Yes Logistics Corp., Ltd. (Hong Kong)	Kaohsiung Hong Kong	Terminal operation and stevedoring Shipping agency	43,824 425	43,824 425	4,382,370 100,000	10.96 100.00	46,443 -	35,733 (1,434)	- -	Subsidiary Indirect subsidiary

Notes:

- A. Paid-in capital was equivalent to EUR818,000, and no shares were issued.
- B. Paid-in capital was equivalent to GBP1,000, and no shares were issued.
- C. Under approval of 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 Corporation's equity may be based on the investee's latest balance sheet date since the investee's financial statements covering the same reporting year as that of the Corporation are not timely available.
- D. This is translated into New Taiwan dollars at the exchange rate prevailing at the time of investment acquisition.
- E. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability.
- F. This is equivalent to US\$3,800,000, and no shares were issued.
- G. This is equivalent to US\$1,000,000, and no shares were issued.
- H. Paid-in capital was equivalent to GBP20,000, and no shares were issued.
- I. Paid-in capital was equivalent to EUR25,000, and no shares were issued.