YANG MING MARINE TRANSPORT CORPORATION

2004 ANNUAL REPORT

APRIL 2005

http://mops.tse.com.tw ; http://www.yml.com.tw

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Company Website

http://www.yml.com.tw

CONTENTS

CHAPTER 1 LETTER TO SHAREHOLDERS

1. Business Report, 2004

Following a brilliant performance in 2003, Yang Ming once again made a record in business operations in 2004: the total quantity of containers handled in the year reached 2.31 million TEU with a growth rate of 14%, business revenue amounted to NT$78.4 billion growing 24%, and after-tax net profits topping NT$9.8 billion, increasing 47%.

In 2004, global political and economic situation was full of uncertainties, such as macroeconomic adjustments and control in Mainland China, devaluation of the US Dollar, high pressures on cost inflation from fuel prices, charter rates, prices for vessel construction, and vessel congestion on the U.S. west coast, which together posing great challenges to the shipping industry. Fortunately, thanks to our shareholders' strong support, our board of directors' able leadership, and our employees' hard work, Yang Ming has successfully reached our operations goal.

2. Business Outlook and Strategies for 2005

The 2005 outlook of the shipping industry is good. According to the forecasts of most global economy think tanks, global economic growth may slow down a little bit, but world trade will continue to grow at a fast rate of 10~12%. For container transportation, despite the expected deployment of vessels with capacity of over 8,000 TEU by most carriers during the second half of 2005, the balance in terms of tonnage supply and demand still remains stable due to the bottleneck in both port operations and inland transportation, and a strong demand side as well. As for the bulk market, no doubt Mainland China's government will continue its policy of macroeconomic adjustments and controls, but the supply gap will still exist owing to the strong demand for raw materials in China.

However, the shipping industry also high pressures of cost inflation from depot, feeder, inland transportation, canal, vessel charter and fuel costs. Furthermore, the threatening depreciation of U.S. Dollar and the rise of U.S. interest rates may become important factors, further affecting the Asian economy.

To cope with the changing business environment and to meet the requirements of our customers, four new 1,500-TEU full-container vessels are expected to join the fleet and a new exclusive container terminal at Tacoma is expected to be inaugurated in 2005. Yang Ming's business strategies for 2005 are as follows:

1. To strengthen the competitiveness of the liner services to uplift the operations performance of our core business
2. To expand non-liner services at the right time to lower the risk of the liner business
3. To strengthen strategic cooperation among our partners in our operations on the U.S. East Coast, the Mediterranean and the Middle East
4. To deploy a new loop from Asia to the U.S. Northwest Coast to strengthen this market and to mitigate the pressure of port congestion on the U.S. Southwest Coast
5. To integrate information technology systems for the improvement of our service quality and management efficiency
6. To embed the system of risk management to strengthen the quality of our day-to-day operations

In light of a future full of opportunities and challenges, Yang Ming is fully committed to the continuous improvement of our operations and the ongoing innovations to assure sustained growth in years. Yang Ming is extremely grateful to all of our shareholders, customers and employees for their significant contribution and hopes that our whole-hearted endeavors will continue to earn your trust and support.

Yours truly,

Dr. Frank F.H. Lu

Chairman

CHAPTER 2 COMPANY UPDATE

1. About our company

Yang Ming was established on December 28, 1972, and publicly listed on the Taiwan Stock Exchange in 1992. Originally, it was a state-owned enterprise, which was privatized in February 1996 as part of the government's privatization program. The company is headquartered at No. 271, Ming De 1st Road, Chidu, Keelung, Taiwan, and maintains branch offices at Keelung, Taichung, and Kaohsiung. To provide global service, it has subsidiaries, agents, and representatives' offices in all service districts around the world.

International shipping of containers is its core business with additional operations via bulk carriers and oil tankers. Yang Ming has established a close-knit and rapid global shipping network with various kinds of vessels including bulk carriers, and oil tankers operated on behalf of the Chinese Petroleum Corporation, as well as large numbers of full-container ships, which serve 73 nations in Asia, North America, Europe, the Mediterranean, and the Middle East, through more than 170 business stations. In 1996, Yang Ming obtained ISO 9002 and ISM Code accreditation and also won the ROC's National Outstanding Quality Case Award. In 2003, the company again passed the verification of ISO 9001:2000 and in the following year, it successfully obtained ISPS Code for all self-owned vessels and ISO 14001 certificate for environmental protection.

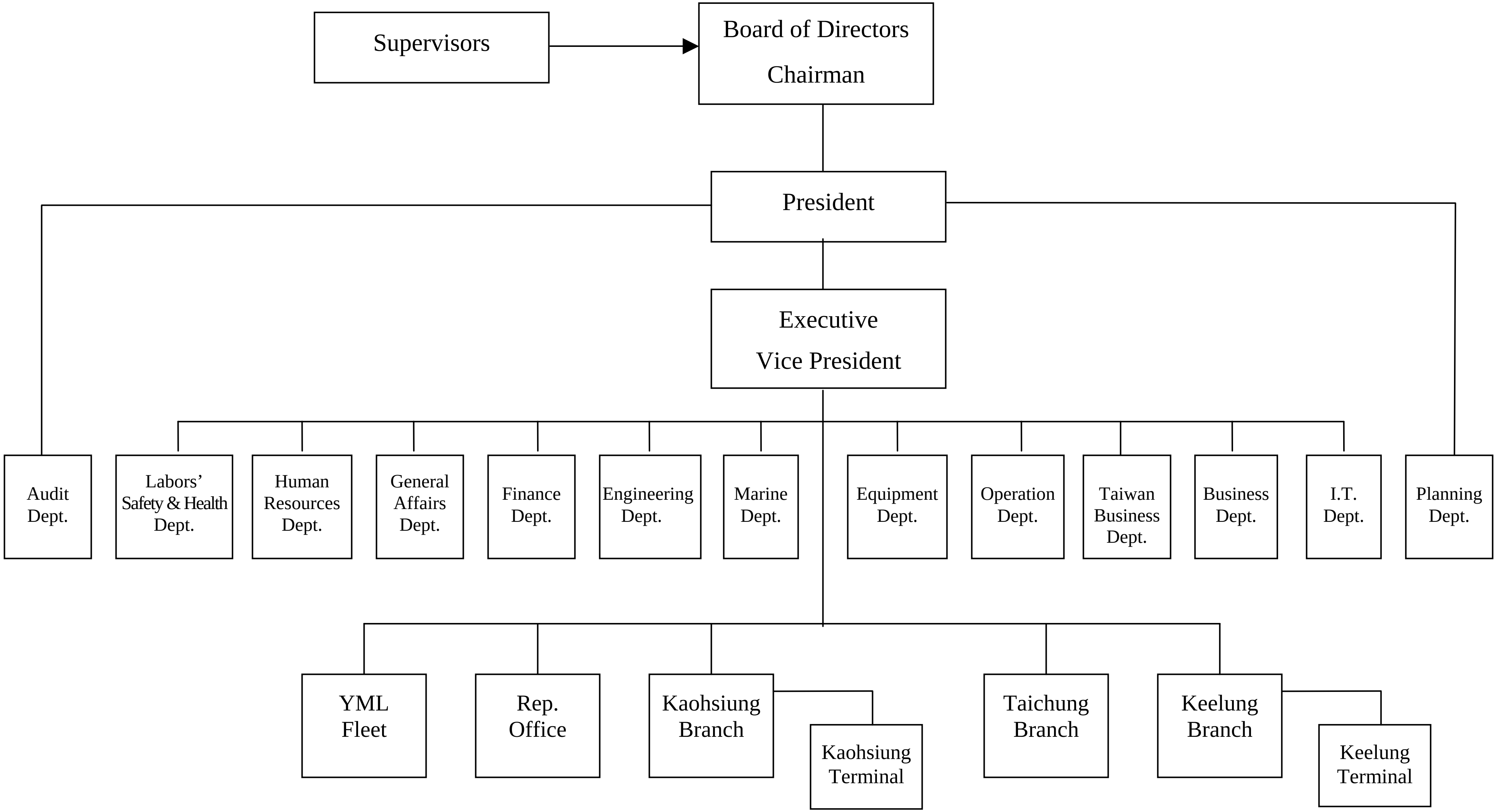
Since being privatized in 1996, Yang Ming has followed the policy of diversification and has gradually become an international conglomerate by extending its antenna to the fields of international logistics, wharf operations, inland transportation, and holding companies and by forming strong alliances with other shipping firms. This has enabled Yang Ming to greatly expand its business realm, increase its shipping routes, shorten the time of transportation, and reduce the costs of operations. Since 2002, it has picked up its steps to rejuvenate its fleet aimed at providing better services and making more business breakthroughs. Owing to these persistent efforts, Yang Ming registered the highest record in revenue in the recent two years, and was credited by Common Wealth Magazine as one of the most reputable enterprises in the marine industry. Furthermore, in an evaluation of "the Best Corporate Governance Models in emerging market all over the world" Yang Ming was rated by Euromoney Magazine as the only winner of the award of the best governance model in the shipping industry of Taiwan.

Besides business operations, Yang Ming pays great attention to requiting the society by holding international art carnivals, children's drawing contests, and by making marine visual materials for distribution to primary schools throughout the nation as teaching aids.

When the devastating tsunami hit South Asia, Yang Ming shipped large amounts of relief goods to the disaster area for free. In addition, it has regularly sponsored various public-interest and environmental-protection activities, including the International Container Art Festival, the Hakka Tong-flower Festivities, and the Clean Beach Campaign. To play an active cultural role, Yang Ming established a Cultural Foundation to promote oceanic activities and opened the "Ocean Culture & Art Museum (OCAM)," which is housed in a building refurbished from a 100-year-old former office of the company's Keelung branch on December 28, 2004. Focused on oceanic culture and humanist works of art, the museum will be able to provide a venue for diversified activities and leisure.

2. Organizational Structure

2.1 Yang Ming organizational structure is shown below:



2.2 Directors and Supervisors

Dec. 31, 2004

Position		Chairman Board of Directors	Director	Director	Director	Director	Executive Supervisor	Supervisor	Director	Director
Name		Feng –Hai Lu	Wong-hsiu Huang	Jin-yuan Chen	Chia-juch Chang	Fu-mei Chu	Pin-Jan Ku	He-gui Chen	Benny T. Hu	Nina Kung
Date appointed		Jun. 24, 2004	Jun. 24, 2004	Jun. 24, 2004	Jun. 24, 2004	Jun. 24, 2004	Jun. 24, 2004	Jun. 24, 2004	Jun. 24, 2004	Jun. 24, 2004
Term of appointment		Reelection upon expiration of effectual period								
Holding shares	shares	Directors and Supervisors herein as representatives of the MOTC, and holding a total of 820,603,367 shares (Note)							971,875	53,874,366
	ratio of holding shares(%)	which represent 36.17％of the company’s stocks							0.04%	2.37%
Spouse, under-aged children’s holding shares	shares	—	805	—	—	—	—	—	—	—
	ratio of holding shares(%)	—	—	—	—	—	—	—	—	—

Note: The holding shares of the MOTC shifted to the MOF on March 8,2005

2.3 Top management

Dec. 31, 2004

Position	Name	Date appointed	Entitled for other companies presently
President	Wong-hsiu Huang	Aug. 1, 2001	Chairman of Ching Ming Investment Co.,Ltd.
Senior Executive Vice President	Ming-sheu Tsai	July 3, 2001	President of Young-Carrier Co., Ltd.
Executive Vice President	Robert Shuh-shun Ho	Feb. 15, 1996	Chairman of All Oceans Transportation Inc.
Executive Vice President	R.B.Chiou	Nov. 1, 1998	Director of Yang Ming Shipping Europe GmbH Hamburg
Executive Vice President	Chi-shung Liu	Jan. 1, 2001	President of All Oceans Transportation Inc.
Executive Vice President	P.Y.Shieh	July 1,1996	President of Yang Ming Shipping Europe GmbH Hamburg
Executive Vice President	Spring Wu	Nov. 1, 1998	President of Yang Ming (America) Corp.

3. Capital and Shares Issuance

3.1 Capital and shares

3.1.1 Shares category

Dec. 31, 2004

Shares category	Authorized capital					Amount of shares of convertible bonds
	Shares Issued			Non-issuance shares	Total shares	
	Listed	Unlisted	Total			
Common stock	2,268,754,549	—	2,268,754,549	131,245,451	2,400,000,000	42,970,954

3.1.2 Shares issuance

Date	Par value (NT$)	Authorized capital		Actual capital received		Notes	
		Shares	Amount (NT$)	Shares	Amount (NT$)	Sources of capital	Capital source other than cash
Feb. 2004	10	2,400,000,000	24,000,000,000	1,946,706,501	19,467,065,010	Convertible bonds transformation 933,483,490	-
Apr.2004	10	2,400,000,000	24,000,000,000	2,050,774,246	20,507,742,460	Convertible bonds transformation 1,040,677,450	
Aug.2004	10	2,400,000,000	24,000,000,000	2,051,903,214	20,519,032,140	Convertible bonds transformation 11,289,680	
Sep.2004	10	2,400,000,000	24,000,000,000	2,206,485,301	22,064,853,010	Capital increase from earnings 1,025,387,130 Convertible bonds transformation 520,433,740	
Nov.2004	10	2,400,000,000	24,000,000,000	2,246,738,133	22,467,381,330	Convertible bonds transformation 402,528,320	
Jan.2005	10	2,400,000,000	24,000,000,000	2,268,754,549	22,687,545,490	Convertible bonds transformation 220,164,160	

3.2Market price per share, net worth, earnings, and dividends during the latest 2 years

Unit：NT Dollars

Items \ Year		2003	2004	Jan. 1, 2005~ Apr. 30, 2005
Market-price per share	Highest price	35.50	44.80	33.40
	Lowest price	12.65	24.50	27.40
	Average price	24.52	31.73	30.20
Net worth per share	Unappropriated	17.10	19.32	20.11
	Appropriated	14.64	-	-
Earnings per share	Weighted average number of outstanding shares	1,796,716(Note) thousand shares	2,143,187(Note) thousand shares	2,238,720(Note) thousand shares
	Earnings per share	3.70	4.57	0.80
Dividends per share	Cash dividend	2.28697	3.00	-
	Stock dividend	0.49716	0	-
Return on Investment	Price / Earnings ratio	6.63	6.94	-
	Price / Cash dividends ratio	10.72	10.58	-
	Cash dividends/ Price ratio	0.093	0.095	-

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

4. Issuance of Corporate Bonds

4.1 Status of Corporate Bonds Issuance：

April 30,2005

Bond Category	Sixth Debenture Bonds	Seventh Debenture Bonds	Eighth Debenture Bonds	Ninth Debenture Bonds	Second Domestic Convertible Bonds	Tenth Debenture Bonds	Eleventh Debenture Bonds	Twelfth Debenture Bonds
Date of Issuance	June 1, 2000	Nov. 20, 2000	July 16, 2001	Jun 27, 2002	Aug. 7, 2003	Jun 18, 2004	Oct 8, 2004	Dec 8, 2004
Par Value	NTD 1 million	NTD 1 million	NTD 1 million	NTD 1 million	NTD 100 thousand	NTD 10million	NTD 10 million	NTD 10 million
Place of Issuance and Exchange	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.
Issuance Price	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value
Total Amount	NTD 3,000 million	NTD 2,400 million	NTD 1,100 million	NTD 3,000 million	NTD 8,000 million	NTD 1,600 million	NTD 5,000 million	NTD 2,500 million
Interest Rate	7 years（1,200 million）-5.70% 10 years（1,800 million）-6.09%	6.02%	4.49%	3.85%	0%	Note1	3.30%	2.99%
Terms of Reimbursement	7 years, Date of maturity: June 7, 2007 10 years, Date of maturity: June 9, 2010	12years,Date of maturity: Nov. 29, 2012	7years, Date of maturity: July 20, 2008	5years, Date of maturity: July 5, 2007	5years, Date of maturity: Aug 7, 2008	7years, Date of maturity: Jun 18, 2011	7years, Date of maturity: Oct 20, 2011	7years, Date of maturity: Dec 14, 2011
Guarantor	Nil	Nil	Nil	First Commercial Bank Keelung Branch、Land Bank of Taiwan Business Dept、The International Commercial Bank of China Foreign Dept、Chiao Tung Bank Loan Dept、Hua Nan Commercial Bank Chi Du Branch.	Nil	Nil	Nil	Nil
Trustee	Central Trust of China Trust Dep.	Central Trust of China Trust Dep.	Central Trust of China Trust Dep.	Central Trust of China Trust Dep.	Land Bank Of Taiwan Trust Dep.	Bank SinoPac Trust Division	Bank SinoPac Trust Division	Bank SinoPac Trust Division
Underwriter	Taiwan International SecuritiesCorp.、Taiwan Securities Corp.、Capital Securities Corp.、MasterLink Securities Corp.、Core Securities Corp.	Jih Sun Securities Corp. Taiwan Securities Corp.	Yuanta Core Pacific Securities	Nil	KGI Securities Co.Ltd	Nil	Nil	Nil
Audit Lawyer	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin
Audit Accountant	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche
Way of Reimbursement	Maturity : 7years:For5,6,7years, 33%, 33%,34% due respectively. 10years: For8,9,10 years, 33%, 33%, 34% due respectively.	Maturity : For 10,11,12 years, 20%, 40%,40% due respectively.	Maturity : For 5,6,7 years, 20%, 40%,40% due respectively.	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity
Unreimbursed Amount	NTD 3,000 million	NTD 2,400 million	NTD 1,100 million	NTD 3,000 million	NTD 624.3million	NTD 1,600 million	NTD 5,000 million	NTD 2,500 million
Conditions of Recall or Recall in Advance	Nil	Nil	Nil	Nil	Yes	Nil	Nil	Nil
Conditions of Restriction	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Credit Rating Agency, Rating Date, Rating	Taiwan Ratings Corporation, Mar. 6, 2000 twA	Taiwan Ratings Corporation, Sep. 26, 2000 twA	Taiwan Ratings Corporation, June 21, 2001 twA	Nil	Taiwan Ratings Corporation, Jan. 27, 2003 twBBB+	Taiwan Ratings Corporation, May. 11, 2004 twA	Taiwan Ratings Corporation, Sep 3, 2004 twA	Taiwan Ratings Corporation, Nov 9, 2004 twA
Amount of Converted Common Stock , GDR or other valuable securities	Nil	Nil	Nil	Nil	NTD 7,375.7 million	Nil	Nil	Nil

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

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

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

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

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

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

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

"LO LIMIT, HI LIMIT" are as following:

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

4.2 Issuance of Convertible Bonds

Bond Category		Second Domestic Convertible Bonds					
		2A			2B		
Items \ Period		2003	2004	Jan. 1, 2005~ Apr.30, 2005	2003	2004	Jan. 1, 2005~ Apr.30, 2005
Market Price	the highest	133.30	170	138	133.20	168	138
	the lowest	103.10	103	118	103.10	102.7	118
	the average	119.97	130.69	127.25	119.44	129.97	126.82
Convertible Price		26.13	24.1	24.1	26.13	24.1	24.1
Issuance Date		Aug. 7, 2003					
Convertible Price at Issuance Date		NT$26.13					

5. Issuance of GDR

Conditions of the issuance of GDR

Apr. 30, 2005

Items \ Date of Issuance			Nov. 14, 1996
Place of Issuance and Exchange			London Stock Exchange
Total amount of Issuance			USD 116,392,201.2
Issuance price			USD 11.64
Total units of Issuance			9,999,330 units of GDR
Underling security			Capital increase by public offering of common shares
Units of underling security			99,993,300 common shares
The right & obligation of GDR holders			Same right & obligation with the YMTC'S common shares
Depository			Citibank N. A.
Custodian			Citibank N. A. Taipei branch
Outstanding shares (Apr 30,2005)			63,177,957 shares
Allocation of related expenses for issuance and During existence.			To be borne by the company
Major covenants of deposit agreement and Custody agreement			In accordance with the law of R.O.C. and State of New York, U.S.A.
Market price per unit	2004	the highest	USD 13.392
		the lowest	USD 7.36
		the average	USD 9.689
	From Jan. 1, 2005 to Apr.30, 2005	the highest	USD10.752
		the lowest	USD8.649
		the average	USD9.75

CHAPTER 3　BUSINESS UPDATE

1. Business Profile, Operating Fleet & Service Scope

1.1 Business Profile

1.1.1 Domestic and overseas marine shipment service.
1.1.2 Domestic and overseas marine passenger service.
1.1.3 Warehouse, pier, tugboat, barge, container freight station and terminal operations.
1.1.4 Maintenance and repair, chartering, sale and purchase of ships.
1.1.5 Maintenance and repair, lease, sale and purchase of containers as well as chassis.
1.1.6 Shipping agency.
1.1.7 Ocean freight forwarding service.
1.1.8 Besides licensed business, all other business items that are not banned or restricted.

1.2 Operating Fleet＆Service Scope

As of Dec. 31, 2004, YML operates 75 vessels consisting of 66 full container vessels, 7 panamax bulk carriers and 2 tankers.

The service scope of year 2004 includes the following three categories:

－Container Liner Service

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

－Tramp Service

Providing bulk cargo service.

－Proxy Service

Operating 2 tankers on behalf of other Carriers.

1.3 Liner Services for full container vessels from 2002 to 2004

Unit : TEU

Items	2004	Pct.	2003	Pct.	2002	Pct.
Cargo for Trans-ocean	1,466,646	63	1,290,166	64	1,159,005	68
Cargo for Intra-Asia	851,698	37	737,790	36	553,040	32
Total	2,318,344	100	2,027,956	100	1,712,045	100

2. Market Analysis

2.1 Transpacific Trade

According to the JOC PIERS report, YML's market share on the Transpacific eastbound was around 4.7% in 2004. The launching of the new YM-PNW service provides moderate expansion for YML in 2005, with expected market share enhancement of 4.72%.

Looking ahead toward the FY 2005, market supply and demand could be maintained in manageable balance.

2.2 F.E.-Europe/Mediterranean Trade

It is widely expected that the Asia-Europe/Mediterranean trade will stay at the star position of the main East-West liner routes in 2005 with projections showing overall market growth at 16% against 13% growth in the supply side.

2.3 Transatlantic Trade

Viewing the overall liner market, the growth of cargo volume in the Transatlantic trade is lower than the Transpacific trade and the F.E.- Europe trade. Nevertheless, the development of YM's Transatlantic trade is focusing on the Westbound sector from Europe and the Mediterranean to the East Coast of America.

2.4 Intra-Asia Trade

Despite the act of Macro Economic Control conducted by the China government, expected slot demand for Intra-Asia trade still strong in year 2005.

In the meantime , the soaring chartering market accounts for lack of new tonnage input, which leads to overwhelming imbalance in supply-demand.

3.Employees Status

Year		2003	2004	Apr. 30, 2005
Number of employees	Office service	871	959	955
	Sea service	245	279	258
	Total	1,116	1,238	1,213
Average age		40.82	40.45	40.80
Average service years		11.86	11.84	12.20
Education level	Ph. D	3	4	4
	Master's degree	84	103	106
	College degree	858	910	881
	High school degree	143	163	172
	Middle school and below	28	58	50

4. Environmental Protection

All of our company’s vessels are installed with pollution prevention equipment which is periodically inspected in order to meet the requirements of international conventions.

5. Relationship with Employees

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

6. Important Contracts

Apr. 30, 2005

Name of contract	Party	Contract Period	Primary content
Vessel Sharing and Slot Allocation Agreement	K LINE HJS SEN	1/1/2003-the indefinite duration	Asia/U.S. West Coast ; Asia/U.S. East Coast ; Asia/Med/Europe ; U.S. East Coast / North Europe ; U.S. East Coast / Med liner service
Slot Release Agreement	MOL HMM K LINE	5/29/2003-11/28/2006	Asia/Med liner service Asia/North-Europe Service
Slot Exchange Agreement	CNC	10/1/2004-9/30/2005	Intra-Asia service
Vessel Sharing and Slot Allocation Agreement	CNC	8/1/2004~7/31/2005	China-Indonesia Liner Service
Slot Exchange Agreement	EMC	10/1/2004-9/30/2005	Intra-Asia service
Vessel Sharing and Slot Allocation Agreement	EMC/YTS	10/1/2004~8/31/2006	Taiwan-Hongkong Liner Service
Slot Release Agreement	YTS	3/22/2004-3/21/2006	Intra-Asia service
Cross Slot Charter Agreement	PIL K LINE	5/29/2004~11/28/2006	Far East- Middle East liner service
Slot Charter Agreement	TCH	12/16/2004 ~12/15/2005	Taiwan – China liner service
Vessel Sharing and Slot Allocation Agreement	WHL/HLCL	2/24/2004~2/23/2006	Taiwan-Middle East Liner Service
Vessel Sharing and Slot Allocation Agreement	WHL/EMC	9/27/2004~9/26/2005	Intra-Asia Service
Vessel Sharing and Slot Allocation Agreement	EMC	3/14/2004~3/13/2006	Intra-Asia Service
Long-term Charter-in Vessels	SHOEI/Imabari	2003/Jun~2013/Jun 2003/Jul~2013/Jul 2003/Sep~2013/Sep	3 x 1620 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	SHOEI/Imabari	2004/Apr~2014/Apr 2004/May~2014/May	2 x 5500 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Zodiac Maritime Agencies Ltd.	2004/Sep~2012/Sep 2004/Nov~2012/Nov 2005/Jan~2013/Jan	3 x 4000 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	SHOEI/Imabari	2005/2Q~2015/2Q 2005/2Q~2015/2Q	2 x 5017 TEU Long-term Charter-in Container Vessels

CHAPTER4　FUND UTILIZATION PLAN

Fund Utilization for the Tenth Debenture Bonds issued in 2004

UNIT：NT$1,000

Items of Plan	Utilization		Accumulated
To purchase Chong-Qing Taipei office building	Expenditure	Planned	1,677,000
		Actual	1,677,000
	Completion	Planned	100 %
		Actual	100 %
Total	Expenditure	Planned	1,677,000
		Actual	1,677,000
	Completion	Planned	100 %
		Actual	100 %

Fund Utilization for the Eleventh Debenture Bonds and Twelfth Debenture Bonds issued in 2004

UNIT：NT$1,000

Items of Plan	Utilization		Accumulated
Build four 1,500 TEU container vessels	Expenditure	Planned	1,288,893
		Actual	1,211,502
	Completion	Planned	57.19 %
		Actual	53.76 %
Build four 1,799 TEU container vessels	Expenditure	Planned	0
		Actual	0
	Completion	Planned	0 %
		Actual	0 %
Build four 1,799 TEU container vessels	Expenditure	Planned	0
		Actual	0
	Completion	Planned	0 %
		Actual	0 %
Total	Expenditure	Planned	1,288,893
		Actual	1,211,502
	Completion	Planned	16.89 %
		Actual	15.87 %

CHAPTER 5 FINANCIAL STATEMENTS AND REPORTS

1. Condensed Balance Sheets and Income Statements for the years from 2000 to 2005

1.1 Balance Sheet

UNIT：NT$1,000

Items \ Year		Accounting data for the recent 5 years					
		Dec. 31, 2000	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004	Mar. 31, 2005
Current Assets		13,603,805	10,572,307	13,993,990	29,895,976	39,891,136	41,192,124
Investments in Shares of Stock		7,369,362	8,383,490	7,761,195	10,357,106	13,354,483	15,133,159
Net Properties		16,275,097	19,443,064	12,538,377	13,208,046	17,030,994	18,525,912
Other Assets		7,078,853	7,106,119	12,108,382	7,424,229	7,524,106	6,471,713
Total Assets		44,327,117	45,504,980	46,401,944	60,885,357	77,800,719	81,322,908
Current Liabilities	Unappropriated	8,464,124	9,067,338	6,553,383	8,962,103	11,221,109	12,465,124
	Appropriated	9,007,866	9,067,338	7,677,086	13,750,601	-	-
Total Long-Term Debts		10,020,069	11,210,422	13,917,769	16,633,644	19,976,133	19,335,078
Other Liabilities		798,956	1,174,189	1,573,808	1,999,666	2,765,909	3,260,834
Total Liabilities	Unappropriated	19,283,149	21,451,949	22,044,960	27,595,413	33,963,151	35,540,675
	Appropriated	19,826,891	21,451,949	23,168,663	32,383,911	-	-
Capital stock		17,808,893	18,343,160	18,343,160	19,569,299	22,687,545	22,761,030
Capital surplus		4,006,744	3,828,660	2,400,244	4,316,068	7,908,492	8,027,775
Retained earnings	Unappropriated	2,995,688	1,413,423	3,981,532	9,506,926	13,490,305	15,290,935
	Appropriated	2,095,768	2,844,810	2,857,829	3,693,041	-	-
Unrealized loss on investments in shares of stock		(15,386)	(3,172)	(21,293)	(1)	(1)	(1)
Cumulative translation adjustmenrs		248,029	470,960	186,469	338,729	28,301	(25,375)
Net loss not recognized as pension costs		-	-	(7,687)	(18,457)	(35,717)	(35,717)
Total Stockholders' Equities	Unappropriated	25,043,968	24,053,031	24,356,984	33,289,944	43,837,568	45,782,233
	Appropriated	24,500,226	24,053,031	23,233,281	28,501,446	-	-

1.2 Income Statement

UNIT：NT$1,000

Items \ Year	Accounting data for the recent 5 years					
	Jan. 1, 2000~ Dec. 31, 2000	Jan. 1, 2001~ Dec. 31, 2001	Jan. 1, 2002~ Dec. 31, 2002	Jan. 1, 2003~ Dec. 31, 2003	Jan. 1, 2004~ Dec. 31, 2004	Jan. 1, 2005~ Mar. 31, 2005
Operating revenue	50,575,836	45,411,519	45,511,610	62,932,016	78,429,274	18,717,505
Gross profit (loss)	1,583,778	46,021	1,147,639	6,284,113	8,075,087	1,106,640
Operating income (loss)	609,523	(813,886)	159,815	4,500,875	6,035,003	681,354
Non-operating income	2,639,347	1,471,354	2,334,577	4,631,925	6,978,424	2,162,438
Non-operating expenses	1,484,941	1,106,870	1,350,002	894,274	1,113,750	470,444
Income (loss) before income tax	1,763,929	(449,402)	1,144,390	8,238,526	11,899,677	2,373,348
Net income (loss)	1,200,846	(675,045)	1,135,451	6,649,097	9,797,264	1,800,630
Earnings per share	0.67	(0.37)	0.64	3.70	4.57	0.80

1.3 CPA and Audit results for the past 5 years

Year	CPA name	Audit results
Jan. 1, 2000 ~ Dec. 31, 2000	Clark Chen、Victor Wang	Revise Unqualified
Jan. 1, 2001 ~ Dec. 31, 2001	Clark Chen、Victor Wang	Revise Unqualified
Jan. 1, 2002 ~ Dec. 31, 2002	Clark Chen、Victor Wang	Revise Unqualified
Jan. 1, 2003 ~ Dec. 31, 2003	Annie Lin、Clark Chen	Revise Unqualified
Jan. 1, 2004 ~ Dec. 31, 2004	Annie Lin、Yung Do Way	Revise Unqualified

2. Financial Statement Analysis for the years from 2000 to 2005

Items \ Year			Financial Analysis for the years from 2000 to 2005					
			Jan. 1, 2000~ Dec. 31, 2000	Jan. 1, 2001~ Dec. 31, 2001	Jan. 1, 2002~ Dec. 31, 2002	Jan. 1, 2003~ Dec. 31, 2003	Jan. 1, 2004~ Dec. 31, 2004	Jan. 1, 2005~ Mar. 31, 2005
Financial conditions	Debt to Total Assets Ratio		43.50	47.14	47.51	45.32	43.65	43.70
	Long-term funds to net properties		212.28	178.90	301.44	374.35	371.88	351.49
Institutional solvency	Current ratio（%）		160.57	116.60	213.54	333.58	355.50	320.11
	Acid-test ratio（%）		149.57	106.68	202.18	323.86	345.24	327.88
	Time interest earned		4.32	0.34	2.59	13.45	18.72	12.61
Operating performance	Receivables turnover		30.55	26.15	26.47	35.13	37.24	32.13
	Average collection period(days)		11.95	13.96	13.79	10.39	9.80	11.36
	Payables turnover		-	-	-	-	-	-
	Turnover of the fixed assets		3.10	2.34	3.63	4.76	4.61	4.04
	Turnover of the total assets		1.14	1.00	0.98	1.03	1.01	0.92
Profitability	Return on total assets（%）		3.86	(0.36)	3.65	13.32	14.86	2.46
	Return on stockholder’s equity（%）		4.86	(2.75)	4.69	23.07	25.41	4.02
	Ratio of income against paid-in capital（%）	Operating income	3.42	(4.44)	0.87	23.00	26.60	2.99
		Pre-tax income	9.90	(2.45)	6.24	42.10	52.45	10.43
	Profit Margin（%）		2.37	(1.49)	2.49	10.57	12.49	9.62
	Earnings per share (note1)		0.67 0.67	(0.37) (0.37)	0.64 0.64	3.70 3.24	4.57 4.34	0.80 0.80
Cash flow	Cash flow ratio（%）		45.59	31.15	27.08	111.62	86.05	24.52
	Cash flow adequacy ratio（%）		66.60	50.15	60.80	91.30	62.25	69.92
	Cash reinvestment ratio（%）		5.76	4.23	3.10	13.36	5.96	3.62
Leverage	Operation Leverage		11.73	-	37.80	2.40	2.01	3.23
	Finance Leverage		7.83	0.54	(0.29)	1.17	1.13	1.43

Note 1：According to the adjusted outstanding shares.

3. Financial Report as of Dec. 31, 2004

3.1 INDEPENDENT AUDITORS' REPORT

March 1, 2005

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, 2004 and 2003, 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 years ended December 31, 2004 and 2003 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 1.5% (NT$1,184,469 thousand) and 2.2% (NT$1,350,190 thousand) of the Corporation's total assets as of December 31, 2004 and 2003, respectively. The equity in these investees' net income was 1.3% (NT$150,816 thousand) and 3.7% (NT$305,233 thousand) of the Corporation's income before income tax for the years ended December 31, 2004 and 2003, respectively. The financial statements of these investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Yang Ming Marine Transport Corporation as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

March 1, 2005

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

3.3YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2004		2003	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 19)	$ 78,429,274	100	$ 62,932,016	100
OPERATING COSTS (Notes 2, 16 and 19)	70,354,187	90	56,647,903	90
GROSS INCOME	8,075,087	10	6,284,113	10
OPERATING EXPENSES (Note 16)				
Selling	1,677,017	2	1,477,201	2
General and administrative	363,067	-	306,037	1
Total operating expenses	2,040,084	2	1,783,238	3
OPERATING INCOME	6,035,003	8	4,500,875	7
NONOPERATING INCOME AND GAINS				
Equity in net income of investee companies, net (Notes 2 and 5)	6,352,944	8	3,569,111	6
Interest (Note 19)	254,414	-	391,173	1
Foreign exchange gain, net	60,904	-	175,370	-
Investment gain	-	-	306,434	-
Others	310,162	1	189,837	-
Total nonoperating income and gains	6,978,424	9	4,631,925	7
NONOPERATING EXPENSES AND LOSSES				
Interest (Note 6)	671,600	1	661,964	1
Investment loss (Note 2)	228,338	1	-	-
Others	213,812	-	232,310	-
Total nonoperating expenses and losses	1,113,750	2	894,274	1
INCOME BEFORE INCOME TAX	11,899,677	15	8,238,526	13
INCOME TAX EXPENSE (Notes 2 and 15)	2,102,413	3	1,589,429	2
NET INCOME	$ 9,797,264	12	$ 6,649,097	11

(Continued)

	2004		2003	
	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income
BASIC EARNINGS PER SHARE (Note 17)	$ 5.55	$ 4.57	$ 4.37	$ 3.52
DILUTED EARNINGS PER SHARE (Note 17)	$ 5.27	$ 4.34	$ 3.82	$ 3.09

Pro forma information, assuming that the stocks of Corporation held by subsidiaries are accounted for as investments rather than as treasury stocks (Notes 2, 14 and 17), is as follows:

	2004		2003	
	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income
NET INCOME	$ 12,186,424	$ 10,084,011	$ 8,936,375	$ 7,346,946
BASIC EARNINGS PER SHARE	$ 5.55	$ 4.59	$ 4.58	$ 3.78
DILUTED EARNINGS PER SHARE	$ 5.28	$ 4.37	$ 4.03	$ 3.31

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

(With Deloitte & Touche audit report dated March 1, 2005) (Concluded)

3.4YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Capital Stock ($10 Par Value, Notes 2 and 10)				Capital Surplus (Notes 2 and 14)				Retained Earnings (Notes 2 and 14)				Other Items of Stockholder's Equity (Notes 2 and 18)					
	Shares (Thousands)	Amount	Certificates of Conversion of Bonds to Stocks	Total	Paid-in Capital in Excess of Par Value	Treasury Stock Transactions	Equity in Capital Surplus Reported by Equity-method Investees	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Total	Unrealized Loss on Investments in Shares of Stock	Cumulative Translation Adjustments	Net Loss not Recognized as Pension Cost	Total	Treasury Stocks (Notes 2, and 14)	Total Stockholders' Equity
BALANCE, JANUARY 1, 2003	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																		
Legal reserve	-	-	-	-	-	-	-	-	113,672	-	(113,672)	-	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	-	-	-	(23,113)	(23,113)	-	-	-	-	-	(23,113)
Cash dividends - $0.6 per share	-	-	-	-	-	-	-	-	-	-	(1,100,590)	(1,100,590)	-	-	-	-	-	(1,100,590)
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 on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	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	1,946,707	19,467,065	102,234	19,569,299	4,075,397	234,855	5,816	4,316,068	528,295	1,141,939	7,836,692	9,506,926	(1)	338,729	(18,457)	320,271	(422,620)	33,289,944
Appropriation of 2003 earnings																		
Legal reserve	-	-	-	-	-	-	-	-	664,910	-	(664,910)	-	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	-	-	-	(71,717)	(71,717)	-	-	-	-	-	(71,717)
Cash dividends - $2.28697 per share	-	-	-	-	-	-	-	-	-	-	(4,716,781)	(4,716,781)	-	-	-	-	-	(4,716,781)
Stock dividends - $0.49716 per share	102,539	1,025,387	-	1,025,387	-	-	-	-	-	-	(1,025,387)	(1,025,387)	-	-	-	-	-	-
Cash dividends acquired by subsidiaries	-	-	-	-	-	124,371	-	124,371	-	-	-	-	-	-	-	-	-	124,371
Disposal of the Corporation's stocks held by subsidiaries	-	-	-	-	-	556,604	-	556,604	-	-	-	-	-	-	-	-	181,263	737,867
Net income in 2004	-	-	-	-	-	-	-	-	-	-	9,797,264	9,797,264	-	-	-	-	-	9,797,264
Recognition of net loss not recognized as pension cost reported by equity-method investees in percentage of ownership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,267)	(5,267)	-	(5,267)
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,993)	(11,993)	-	(11,993)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	(310,428)	-	(310,428)	-	(310,428)
Certificates of conversion of bonds converted into capital stock	10,223	102,234	(102,234)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Domestic convertible bonds converted into certificates of conversion of bonds to stocks and capital surplus	209,286	2,092,859	-	2,092,859	2,911,449	-	-	2,911,449	-	-	-	-	-	-	-	-	-	5,004,308
BALANCE, DECEMBER 31, 2004	2,268,755	$ 22,687,545	$ -	$ 22,687,545	$ 6,986,846	$ 915,830	$ 5,816	$ 7,908,492	$ 1,193,205	$ 1,141,939	$ 11,155,161	$ 13,490,305	$ (1)	$ 28,301	$ (35,717)	$ (7,417)	$ (241,357)	$ 43,837,568

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

(With Deloitte & Touche audit report dated March 1, 2005)

3.5YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 9,797,264	$ 6,649,097
Adjustments to reconcile net income with net cash provided by operating activities:		
Depreciation	1,927,724	2,015,229
Amortization	53,101	223,375
Provision for pension cost	48,210	49,627
Investment loss (gain)	228,338	(306,434)
Equity in net income of investees companies, net	(6,352,944)	(3,569,111)
Cash dividends received on equity-method investments	1,958,195	856,079
Deferred income taxes	608,430	736,416
Others	86,693	89,234
Net changes in operating assets and liabilities		
Accounts receivable	(74,539)	568,580
Receivables from related parties	(762,511)	672,726
Other receivable from related parties	(6,019)	(380,064)
Shipping fuel	(248,002)	(179,821)
Prepaid expenses	(102,234)	43,488
Advances to shipping agents	332,402	910,660
Pledged time deposits	-	18,645
Other current assets	(183,616)	151,663
Advances on long-term rent agreements	10,532	17,021
Payables to related parties	525,683	(496,205)
Notes payable	(14,166)	892
Income tax payable	396,648	841,388
Accrued expenses	433,082	495,851
Advances from customers	(225,656)	364,081
Payables to shipping agents	803,048	163,171
Other current liabilities	416,453	68,184
Net cash provided by operating activities	9,656,116	10,003,772
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments	(2,345,079)	(7,437,640)
Increase in other financial instruments, net	(38,630)	-
Acquisition of investments in shares of stock	(3,378)	(73,391)
Proceeds from disposal of investments in shares of stock	346,731	36,450
Acquisition of properties and asset leased to others	(15,336,825)	(4,168,523)
Proceeds from sale of properties and nonoperating assets	8,324,425	962,028
Increase in deferred charges	(75,856)	(4,307)
Decrease in other assets	46,775	38,609
Net cash used in investing activities	(9,081,837)	(10,646,774)

(Continued)

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on short-term debts	$ (15,080)	$ (87,517)
Proceeds from issuance of bonds	9,100,000	8,000,000
Proceeds from interest-bearing long-term debts	-	611,403
Repayment of principal of bonds	(700,000)	-
Repayment of principal of interest-bearing long-term debts	(322,433)	(1,619,250)
Payment of capital lease obligations	(265,624)	(281,343)
Decrease in other liabilities	25,513	(1,760)
Payment of dividend and employees' bonus	(4,786,749)	(1,122,705)
Net cash provided by financing activities	3,035,627	5,498,828
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,609,906	4,855,826
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,614,016	1,758,190
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 10,223,922	$ 6,614,016
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	$ 593,814	$ 666,033
Income tax paid	$ 1,350,804	$ 7,952
Noncash investing and financing activities		
Reclassification of nonoperating assets as properties	$ 84,626	$ 5,164
Reclassification of assets leased to others as properties	$ -	$ 38,979
Current portion of interest-bearing long-term debts	$ 1,196,088	$ 1,712,660
Domestic unsecured convertible bonds converted into capital stock, certificates of bonds convertible to stocks and capital surplus	$ 5,004,308	$ 2,911,350
CASH PAID FOR ACQUISITION OF PROPERTIES		
Costs of properties acquired	$ 15,934,339	$ 4,142,658
(Increase) decrease in payables for equipment	(623,058)	51,408
Decrease (increase) in payables to related parties	25,544	(25,543)
	$ 15,336,825	$ 4,168,523
PROCEEDS FROM SALE OF PROPERTIES AND NONOPERATING ASSETS		
Total contracted selling prices	$ 8,614,072	$ 1,428,589
Increase in other receivables	(16,643)	(44,174)
Increase in other receivables from related parties	(1,708,526)	(4,351,340)
Decrease in long-term receivables from related parties	1,435,522	3,958,261
Increase in long-term receivables for ships	-	(29,308)
	$ 8,324,425	$ 962,028

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

(With Deloitte & Touche audit report dated March 1, 2005) (Concluded)

3.6 NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND OPERATIONS

Yang Ming Marine Transport Corporation (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 Corporation's listing of its shares of stock on the ROC Taiwan Stock Exchange. The MOTC owned 36.17% and 40.16% of the Corporation's outstanding capital stock as of December 31, 2004 and 2003.

To comply with the administration rule of the central government, MOTC planned to transfer its holdings in the Corporation to the Ministry of Finance of the Republic of China by March 9, 2005.

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

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

As of December 31, 2004 and 2003, the Corporation had 1,238 and 1,282 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC. In preparing financial statements in conformity with these guidelines and principles, the Corporation is required to make certain estimates and assumptions that could affect the amounts of the allowance for doubtful accounts, provision for losses on shipping fuel, provision for losses on investments in shares of stock, depreciation of properties, income tax, pension cost, unsettled litigation cost, and payables to shipping agents. Actual results could differ from these estimates.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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

Current/Noncurrent Assets and Liabilities

Current assets include unrestricted cash or cash equivalents as well as items to be converted into cash or used within one year. Current liabilities are obligations to be settled within one year. All other assets and liabilities are classified as noncurrent.

Cash Equivalents

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

Short-term Investments

Short-term investments are mainly listed stocks or stocks traded on the over-the-counter securities exchange, mutual funds and bonds. 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 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. Any annual recovery of the market value to the extent of the original carrying value is recognized as income. Costs of investment sold are determined using the first-in, first-out method.

Market values of the listed stocks, mutual funds and bonds are based on the average closing prices of the last month of the reporting period or the net asset values of the funds on the balance sheet date.

Allowance for Doubtful Accounts

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 or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Under this method, the investment is carried at cost on the acquisition date and then adjusted proportionately 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 credited 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. 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 is deferred entirely for subsidiaries and in proportion to the Company's equity for less than majority-owned investees. This gain is credited to income when it is realized 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 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 stocks with no quoted market prices are reduced to recognize other-than-temporary decline in the value, and this decline is charged to current income. Cash dividends received within a year from the investment acquisition date are accounted for as reduction of the carrying value of investment and subsequently 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 on 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 initially estimated as follows (plus one year to represent the estimated salvage value): buildings, 52 to 55 years; containers and chassis, 6 to 8 years; ships, 13 to 20 years; leased containers and chassis, 5 to 9 years; leasehold improvements, 5 to 10 years; and miscellaneous equipment, 3 to 18 years. Properties being used by the Corporation beyond their initially estimated service lives are depreciated over their newly 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.

Nonoperating Assets

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

Deferred Charges

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

Convertible Bonds

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 using the 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

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

The shares of the Corporation held by subsidiaries were 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.

Revenue Recognition

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

Cargo revenues are recognized using the completion of voyage method. Monthly rental revenues on ships 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 within 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 prevailing 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.

Financial Derivatives

The Corporation accounts for derivative transactions as follows:

a. 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. Currency swaps

Currency swap contracts, which are used for nontrading purposes, are recorded at spot rates when the transactions occur. The corresponding forward-position assets or liabilities are recorded at the difference between the spot rate and the contracted forward rates. Premiums or discounts, computed using the foreign currency-amount of the contract multiplied by the difference between the contracted forward rate and the spot rate on the contract starting dates, is also recognized, and is amortized over the term of the currency swap contract using the straight-line method. 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. Interest rate swaps

The amounts of interest rate swap agreements are not recognized in the financial statements because these amounts are only notional and the agreements therefore do not require the settlement of these amounts. On the balance sheet dates or settlement dates, the amounts receivable or payable under the agreements, which result from differences in interest rates, are accrued as interest income or interest expense of the hedged item.

d. Forward contract transactions

The foreign currency amounts of forward exchange contracts (the "contracts"), which are 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. For contracts open as of the balance sheet date, the balances of the receivables and payables 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, 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.

e. Other financial instruments

The notional amounts paid on equity-linked notes (ELNs) with their redemption amounts linked to underlying equity stock market value are treated as assets. The difference between the carrying value and the redemption amount of ELNs is charged to income.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2003 have been reclassified to be consistent with the presentation of financial statements as of and for the year ended December 31, 2004.

3. CASH AND CASH EQUIVALENTS

	December 31	
	2004	**2003**
Cash		
Petty cash and cash on hand	$ 2,079	$ 2,927
Checking deposits	287,017	472,071
Demand deposits	2,114,508	2,450,488
Time deposits: Interest - 1.98% to 4.58% in 2004 and 1.00% to 4.25% in 2003	5,841,278	2,251,176
	8,244,882	5,176,662
Cash equivalents		
Bonds purchased under resell agreements - interest of 2.5%-2.6% in 2004 and 1.80%-2.15% in 2003	1,979,040	1,437,354
	$ 10,223,922	$ 6,614,016

There were no deposits due over one year as of December 31, 2004 and 2003.

The overseas deposits as of December 31, 2004 are summarized in the accompanying Schedule A.

4. SHORT-TERM INVESTMENTS

	December 31 2004	December 31 2003
Mutual funds	$ 15,381,667	$ 13,035,144
Marketable equity securities	920,274	1,742,641
Convertible bonds	-	16,000
	16,301,941	14,793,785
Less: Allowance for decline in value	676,061	893,772
	$ 15,625,880	$ 13,900,013

5. INVESTMENTS IN SHARES OF STOCK

	December 31			
	2004		2003	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Equity method (stocks with no quoted market prices)				
All Oceans Transportation, Inc.	$ 5,548,560	100.00	$ 2,340,821	100.00
Yang Ming Line (B.V.I.) Holding Co., Ltd.	2,857,464	100.00	3,206,423	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,094,306	100.00	1,268,228	100.00
Ching Ming Investment Co., Ltd.	908,442	99.96	131,983	99.96
Chunghwa Investment Co., Ltd.	759,267	40.00	806,139	40.00
YES Logistics Corp.	429,012	90.50	432,641	90.50
Honming Terminal & Stevedoring Co., Ltd.	364,302	79.00	358,854	79.00
Kuang Ming Shipping Corp.	221,576	100.00	169,208	100.00
Yang Ming Line Holding Co.	193,578	100.00	182,745	100.00
Transyang Shipping Pte. Ltd.	90,163	24.99	81,962	24.99
Jing Ming Transportation Co., Ltd.	79,134	50.80	69,880	50.80
Yang Ming (Liberia) Corp.	3,169	100.00	-	
	12,548,973		9,048,884	
Cost method				
Listed common stock				
Hotung Investment Holdings Ltd.	22,331	0.70	40,268	0.70
Waterland Financial Holdings Co., Ltd.	-	-	70,000	0.43
	22,331		110,268	
Emerging common stock				
Taiwan Nano Electro-optical Technology Co., Ltd.	5,579	0.70	24,478	3.89
Common stock with no quoted market prices				
Taipei Port Container Terminal Co., Ltd.	80,000	10.00	80,000	10.00
United Venture Capital Corp.	-	-	80,000	9.04
SF Technology Venture Capital Corp.	-	-	40,000	7.24
China Technology Venture Capital Corp.	-	-	30,000	8.96
Kingmax Technology Corp.	-	-	24,000	1.40
Ascentek Venture Capital Corp.	-	-	20,080	2.14
Forwin Securities Corp.	-	-	20,000	2.00
	80,000		294,080	

(Continued)

	December 31			
	2004		2003	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Preferred stock with no quoted market prices				
New Century Infocomm Co., Ltd.	$ 697,600	1.68	$ 864,000	1.68
Penguin Computing Inc.	-	-	7,698	0.93
Arescom Inc.	-	-	7,698	0.24
	697,600		879,396	
	805,510		1,308,222	
	$ 13,354,483		$ 10,357,106	

In 2004 and 2003, equity in net income (loss) of investees companies was as follows:

Investee	2004	2003
All Oceans Transportation, Inc.	$ 5,467,739	$ 2,262,701
Yang Ming Line (B.V.I.) Holding Co., Ltd.	747,522	942,583
Yang Ming Line (Singapore) Pte. Ltd.	143,010	297,427
Honming Terminal & Stevedoring Co., Ltd.	30,570	27,975
Kuang Ming Shipping Corp.	27,602	(115,716)
Transyang Shipping Pte. Ltd.	7,806	7,806
Jing Ming Transportation Co., Ltd.	13,730	10,336
YES Logistics Corp.	2,183	5,455
Chunghwa Investment Co., Ltd.	(42,982)	4,598
Yang Ming Line Holding Co.	22,889	79,969
Ching Ming Investment Co., Ltd.	(67,101)	45,977
Yang Ming (Liberia) Corp.	(24)	-
	$ 6,352,944	$ 3,569,111

The Corporation’s equity in the net income or net loss of Transyang Shipping Pte Ltd. was recognized using the financial statements of the immediately preceding year, and the equity of the Corporation in this investee was as of the latest balance sheet date presented because the financial statements covering the same financial reporting year as that of the Corporation were not timely available.

The carrying values of the equity-method investments were based on audited financial statements, except those of Yang Ming (Liberia) Corp. Yang Ming (Liberia) Corp. was established in 2004 with less than $3,000 in capital and had not yet started operations as of December 31, 2004. The Company believes there would not have material adjustments had this investee’s financial statements been audited.

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 operating 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 the total assets or of total revenues of all these subsidiaries did not reach 30% of the total assets or total operating revenues of the Corporation; hence, the subsidiaries were not consolidated.

Information on cost-method investments is as follows:

	December 31	
	2004	2003
Listed stocks (based on market value)	$ 22,331	$ 125,263
Equity in net assets pertaining to emerging stock and stocks with no quoted market prices (mainly based on unaudited financial statements)	780,325	1,002,183
	$ 802,656	$ 1,127,446

6. PROPERTIES

	December 31	
	2004	2003
Accumulated depreciation		
Buildings	$ 63,203	$ 53,926
Containers and chassis	7,898,588	6,645,498
Ships	4,878,506	6,031,693
Leased containers and chassis	1,288,545	1,044,399
Leasehold improvements	118,112	86,713
Miscellaneous equipment	811,876	690,342
	$ 15,058,830	$ 14,552,571

The Corporation leases containers and chassis under capital lease agreements. The related information for future rentals is shown in Note 21. 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. The details of these leases as of December 31, 2004 and 2003 were as follows:

	December 31			
	2004		2003	
	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)
Total capital lease obligations (undiscounted)	$ 29,449	$ 940,022	$ 37,831	$ 1,285,134
Less: Unamortized interest expense	(3,764)	(120,145)	(5,877)	(199,633)
	$ 25,685	$ 819,877	$ 31,954	$ 1,085,501

Depreciation expenses were $1,914,969 thousand in 2004 and $2,009,125 thousand in 2003.

Insurance for properties, assets leased to others and nonoperating assets as of December 31, 2004 amounted to $15,335,727 thousand.

7. ASSETS LEASED TO OTHERS, NET

	December 31	
	2004	2003
Cost		
Land	$ 1,987,031	$ 798,896
Buildings	838,944	309,985
	2,825,975	1,108,881
Accumulated depreciation	56,044	43,646
	$ 2,769,931	$ 1,065,235

Depreciation expenses were $12,398 thousand in 2004 and $6,075 thousand in 2003.

8. NONOPERATING ASSETS, NET

	December 31	
	2004	2003
Cost		
Land	$ 360,261	$ 492,662
Buildings	12,383	12,389
	372,644	505,051
Accumulated depreciation	11,837	11,486
	$ 360,807	$ 493,565

9. SHORT-TERM DEBTS

	December 31	
	2004	2003
Bank overdraft: 3.524% interest in 2003	$ -	$ 15,080

10. INTEREST-BEARING LONG-TERM DEBTS

	Current	Long-term	Total
December 31, 2004			
Unsecured bank loans	$ 233,470	$ -	$ 233,470
Domestic unsecured bonds	396,000	15,204,000	15,600,000
Domestic secured bonds	-	3,000,000	3,000,000
Domestic unsecured convertible bonds	316,700	718,900	1,035,600
Interest premium - domestic unsecured convertible bonds	1,112	2,523	3,635
Capital leases	248,806	571,071	819,877
	$ 1,196,088	$ 19,496,494	$ 20,692,582

(Continued)

December 31, 2003	Current		Long-term		Total	
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
Interest premium - domestic unsecured convertible bonds		-		5,561		5,561
Capital leases (Note 7)		235,960		849,541		1,085,501
	$	1,712,660	$	16,154,005	$	17,866,665

Unsecured Bank Loans

Unsecured bank loans in Japanese yen are repayable in eight quarterly installments from October 2003 to July 2005. Annual interest on the yen loans was 0.4123% in 2004 and 0.4112% in 2003, compounded monthly.

Domestic Unsecured Bonds

On various dates, the Corporation issued domestic unsecured bonds; the dates and the aggregate face values were as follows: $3,000,000 on June 1, 2000 (the "June 2000 Bonds"); $2,400,000 on November 20, 2000 (the "November 2000 Bonds"); $1,100,000 on July 16, 2001 (the "July 2001 Bonds"), $1,600,000 on June 18, 2004 (the "June 2004 Bonds"), $5,000,000 from October 8 to October 20 in 2004 (the "October 2004 Bonds") and $2,500,000 from December 8 to December 14 in 2004 (the "December 2004 Bonds").

Other bond features and terms are as follows:

June 2000 Bonds	Type A - Aggregate face value: $1,200,000; repayments: 33% - June 1, 2005, 33% - June 1, 2006, and 34% - June 1, 2007; 5.7% annual interest.
	Type B - Aggregate face value: $1,800,000; repayments: 33% - June 1, 2008, 33% - June 1, 2009, and 34%, and June 1, 2010; 6.09% annual interest.
November 2000 Bonds	Repayments: 20% - November 20, 2010, 40% - November 20, 2011, and 40% - November 20, 2012; 6.02% annual interest.
July 2001 bonds	Repayments: 20% - July 2006, 40% - July 2007, and 40% - July 2008; 4.49% annual interest.
June 2004 bonds	Type A - Aggregate face value of $600,000 and maturity on June 18, 2011; 2.46% annual interest.
	Type B - Aggregate face value of $500,000 thousand and maturity on June 18, 2011 at USD 6-month LIBOR rate (the target rate) when the target rate is smaller than 1.15%; at 4.4% when the target rate is between 1.15% and 3.5%; at 6% less the target rate when the target rate is greater than 3.5%. The interest rate should not be smaller than 0% and will be reseted quarterly.
	Type C - Aggregate face value of $500,000 thousand and maturity on June 18, 2011 at 4.5% interest multiplied by a ratio (interest-bearing days per month divided by interest-bearing days per year) when USD 6-month LIBOR rate (the target rate) is between a certain interest range; at 0% when the target rate is out of the interest range.

October 2004 Bonds: Type A, B, D, E, G, H, I - Aggregate face value of $500,000 thousand and maturity from October 8 to October 20 in 2011; 3.30% annual interest.

Type C - Aggregate face value of $800,000 thousand and maturity on October 12, 2011; 3.30% annual interest.

Type F - Aggregate face value of $700,000 thousand and maturity on October 15, 2011; 3.30% annual interest.

December 2004 Bonds: Aggregate face value of $2,500,000 thousand and maturity from December 8 to 14 in 2011; 2.99% annual interest.

Domestic Secured Bonds

On November 25, 1999, the Corporation issued domestic secured bonds with aggregate face value of $700,000 thousand and maturity on November 25, 2004 at 5.75% annual interest. The Corporation had repaid total outstanding balance as of December 31, 2004.

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 thousand and $3.85% annual interest.

Domestic Unsecured Convertible Bonds

These bonds were issued on August 2, 1997 at an aggregate face value of $2,500,000 thousand (the "1997 Convertible Bonds"). Annual interest on the bonds was 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 the Corporation's common shares at the prevailing conversion price; and

c. Redemption by the Corporation, under certain conditions, at varying prices before bond maturity.

As of December 31, 2004, the 1997 convertible bonds with an aggregate face value of $2,500,000 thousand had been all converted into 131,846 thousand common shares of the Corporation. The Corporation had registered the change in its issued stock with the Ministry of Economic Affairs, R.O.C.

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

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

b. Conversion by the holders, from November 2003 to 10 days before the due date, into the Corporation's common shares at the prevailing conversion price (NT$24.10 per share as of December 31, 2004);

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

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

As of December 31, 2004, the 2003 Convertible Bonds with aggregate face value of $6,964,400 thousand had been converted into 271,365 thousand common shares of the Corporation.
Between October 1, 2004 and December 31, 2004, the holders of the 2003 convertible bonds with aggregate face value of $530,600 thousand applied to convert the bonds into 22,016 thousand common shares. The Corporation set January 7, 2005 as the date to change the registration of the issued stock with the Ministry of Economic Affairs, R.O.C.

As of December 31, 2004, the Corporation had used all its credit lines available for long-term bank loans.

11. 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.

12. UNREALIZED GAIN ON SALE AND LEASEBACK

	December 31	
	2004	2003
Chassis	$ 31,215	$ 38,996
Vessel Ming North	8,620	9,769
Vessel Med Keelung	-	112
	$ 39,835	$ 48,877

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 expected term of the lease or estimated service lives, whichever was shorter.

13. 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 Corporation’s stocks. However, starting February 14, 1997, the holders of the GDR may request the depository bank to sell the shares represented by the GDRs. As of December 31 2004, there were 4,973,238 units outstanding, representing 49,732,437 shares.

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

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 tax and any losses of prior years:

a. 10% as legal reserve;

b. 10% as special reserve, as needed; and

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 provide 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 same amount of the special reserve should be still appropriated in percentage of ownership for the amount of the stock price less than the carrying value of the shares of the Corporation held by subsidiaries. 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 from January 1, 1998. An imputation credit account (ICA) is maintained by the Corporation to monitor the balance of such income tax and the tax credits allocated to each stockholder. The maximum credit available for allocation to each stockholder cannot exceed the ICA balance on the date of dividend distribution.

The stockholders resolved to appropriate the 2003 and 2002 earnings on June 24, 2004 and June 20, 2003, respectively, as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2003	2002	2003	2002
Legal reserve	$ 664,910	$ 113,672		
Bonus to employees	71,717	23,113		
Cash dividends	4,716,781	1,100,590	$ 2.30	$ 0.60
Stock dividends	1,025,387	-	0.50	-

Because of the conversion of the 1997 Convertible Bonds, the actual cash dividends and stock dividends per share were NT$2.28697 and NT$0.49716, respectively.

The above appropriation of the earnings resolved by stockholders did not differ from the appropriation of the earnings resolved by board of directors on April 4, 2004 and March 14, 2003. Had the Corporation recognized bonus to employees as expense in 2003 and 2002, the primary and diluted earnings in 2003 would have declined from NT$3.52 to NT$3.49 and from NT$3.09 to NT$3.05, respectively, and in 2002, would have declined from NT$0.62 to NT$0.60.

As of March 1, 2005, the Corporation's board of directors had not decided the appropriation of the 2004 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.

14. TREASURY STOCKS

Reason for Repurchase	Outstanding Shares (Thousands) Beginning of the Year	Increase	Decrease	End of the Year
For the year ended December 31, 2004				
Stocks of the Corporation held by subsidiaries	54,384	2,704	24,481	32,607
For the year ended December 31, 2003				
Stocks of the Corporation held by subsidiaries	67,619	-	13,235	54,384

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 $737,867 thousand in 2004 and $300,791 thousand in 2003. As of December 31, 2004 and 2003, the carrying values of the Corporation's shares held by subsidiaries were $241,357 thousand and $422,620 thousand, respectively, and the market values were $977,220 and thousand $1,786,141 thousand.

The increase in the stocks of the Corporation held by subsidiaries in 2004 was due to the Corporation's appropriation of 2003 earnings as stock dividends.

Although the Corporation's shares held by subsidiaries are treated as treasury stocks instead of investments, the subsidiaries retain stockholders' rights on those shares, except the right to subscribe for new shares issued by the Corporation.

15. INCOME TAX

a. Computation of current income tax payable:

	2004	2003
Tax on pretax income at 25% statutory rate	$ 2,974,919	$ 2,059,632
Add (deduct) tax effects of:		
Permanent differences	(768,211)	(363,122)
Deferred income tax	(612,105)	(630,954)
Loss carryforward	-	(180,806)
Investment tax credit	(1,963)	(28,258)
Current tax payable	$ 1,592,640	$ 856,492

The balance of income tax payable as of December 31, 2004 was net of creditable income tax of $467,261 and accrual income tax payable of $1,279 for the year not yet examined and cleared by authorities. The balance of income tax payable as of December 31, 2003 was net of the creditable income tax of $5,804.

b. Income tax expense consisted of:

	2004	2003
Income tax expense - current	$ 1,592,640	$ 856,492
Income tax expense - deferred	608,430	736,416
Adjustments of prior years' taxes	(98,657)	(3,479)
	$ 2,102,413	$ 1,589,429

c. Deferred income tax assets (liabilities) as of December 31, 2004 and 2003 consisted of the following

	December 31	
	2004	2003
Current (included in other current assets or liabilities)		
Unrealized foreign exchange loss (gain)	$ 35,994	$ (11,905)
Unrealized loss on allowance for shipping fuel valuation losses	24,938	7,312
Others	7,095	1,843
	$ 68,027	$ (2,750)
Noncurrent (included in other liabilities)		
Cumulative equity in net income of investee companies	$ (1,758,409)	$ (1,007,002)
Differences in estimated service lives of containers	(213,271)	(273,750)
Deferred pension cost	101,294	89,573
	$ (1,870,386)	$ (1,191,179)

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

d. Integrated income tax system information:

	December 31	
	2004	2003
Balance of the imputation credit account (ICA)	$ 40,914	$ 7,682

The estimated creditable tax ratio for the 2004 earnings was 4.56%. The creditable tax ratio for the 2003 earnings was 9.28%.

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. The estimated creditable tax ratio for 2004, for which income tax payable had been taken into account, might differ from the actual ratio on the dividend distribution date.

e. As of December 31, 2004 and 2003, the balances of the special reserve and unappropriated retained earnings generated before January 1, 1998 aggregated $2,064,438.

f. Income tax returns through 2002 had been examined and cleared by the tax authorities.

16. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2004		
	Operating Costs	**Operating Expenses**	**Total**
Personnel expenses			
Salary	$ 558,414	$ 1,348,166	$ 1,906,580
Insurance	24,036	45,257	69,293
Pension	64,589	56,464	121,053
Others	42,166	79,001	121,167
Depreciation	1,856,403	57,072	1,913,475
Amortization	23,477	24,660	48,137
	$ 2,569,085	$ 1,610,620	$ 4,179,705

	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	32,517	79,268	111,785
Others	50,761	79,233	129,994
Depreciation	1,905,555	110,370	2,015,925
Amortization	195,371	21,603	216,974
	$ 2,770,528	$ 1,431,212	$ 4,201,740

17. EARNINGS PER SHARE

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

	Amount (Numerator)			**Net Income Per Share (Dollars)**	
	Income Before Income Tax	**Net Income**	**Capital Stock (Denominator) (in Thousand Shares)**	**Income Before Income Tax**	**Net Income**
2004					
Basic EPS	$ 11,899,677	$ 9,797,264	2,143,187	$ 5.55	$ 4.57
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	9,750	7,313	116,318		
Diluted EPS	$ 11,909,427	$ 9,804,577	2,259,505	$ 5.27	$ 4.34

(Continued)

	Amount (Numerator)			Net Income Per Share (Dollars)	
	Income Before Income Tax	Net Income	Capital Stock (Denominator) (in Thousand Shares)	Income Before Income Tax	Net Income
2003					
Basic EPS	$ 8,238,526	$ 6,649,097	1,886,552	$ 4.37	$ 3.52
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	41,001	30,751	277,942		
Diluted EPS	$ 8,279,527	$ 6,679,848	2,164,494	$ 3.82	$ 3.09

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

	Amount (Numerator)			Earnings Per Share (Dollars)	
	Income Before Income Tax	Net Income	Capital Stock (Denominator) (in Thousand Shares)	Income Before Income Tax	Net Income
2004					
Pro forma basic EPS	$ 12,186,424	$ 10,084,011	2,195,408	$ 5.55	$ 4.59
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	9,750	7,313	116,318		
Pro forma diluted EPS	$ 12,196,174	$ 10,091,324	2,311,726	$ 5.28	$ 4.37
2003					
Pro forma basic EPS	$ 8,936,375	$ 7,346,946	1,949,378	$ 4.58	$ 3.78
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	41,001	30,751	277,942		
Pro forma diluted EPS	$ 8,977,376	$ 7,377,697	2,227,320	$ 4.03	$ 3.31

The EPS had been retroactively adjusted for the stock dividend declared. Due to retroactive adjustment, the basic and diluted earnings per share had declined from NT$3.70 to NT$3.52 and from NT$3.24 to $3.09, respectively, and the pro forma basic and diluted earnings had declined from NT$3.96 to NT$3.78 and from NT$3.48 to NT$3.31.

18. 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% of salaries every month, is administered by an employees' pension fund committee and deposited in the committee's name in the Central Trust of China.

b. Pension plan for 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.

Under SFAS No. 18, "Accounting for Pensions," pension cost should be recognized using the actuarial method. Other pension information is as follows:

	2004	2003
a. Components of net pension costs:		
Service cost	$ 134,703	$ 112,782
Interest cost	29,645	23,814
Expected return on plan assets	(5,979)	(4,529)
Amortization of net transition assets	(7,249)	(14,171)
Amortization of prior service cost	436	436
Amortization of net loss	4,259	1,423
Actuarial pension cost	155,815	119,755
Less: Pension costs included in other receivables from related parties	(34,762)	(7,970)
Net pension cost	$ 121,053	$ 111,785

	December 31	
	2004	2003
b. Reconciliation of funded status of the pension plan to accrued pension cost at end of year		
Benefit obligation:		
Vested benefit obligation	$ 251,324	$ 213,384
Non-vested benefit obligation	513,220	400,505
Accumulated benefit obligation	764,544	613,889
Additional benefits based on future salaries	292,802	235,075
Projected benefit obligation	1,057,346	848,964
Fair value of plan assets	(198,291)	(148,312)
Funded status	859,055	700,652
Unrecognized net transition assets	2,658	9,907

(Continued)

	December 31 2004	2003
Unrecognized prior service cost	$ (4,799)	$ (5,235)
Unrecognized net (loss) gain	(187,949)	(119,331)
Additional liability	30,450	18,457
Accrued pension cost	$ 699,415	$ 604,450

		2004	2003
c.	Vested benefits	$ 339,322	$ 281,285

		Years Ended December 31 2004	2003
d.	Assumptions used		
	Discount rate	3.50%	3.50%
	Rate of increase in compensation	2.75%	2.75%
	Expected rate of return on plan assets	3.25%	3.50%
e.	Changes in pension fund		
	Contributions	$ 50,209	$ 47,380
	Payment of benefits	$ 22,633	$ 14,778

The Labor Pension Act, a "portable" defined contribution type scheme, will be enforced on July 1, 2005. Employees may choose to remain to be subject to the pension mechanism under the Labor Standards Law, or to be subject to the pension mechanism under this Act, with their service years before the enforcement of the Act to be maintained. Based on the Act, the rate of contribution by an employer to the Labor Pension Fund per month should be at amounts at least 6% of the employee's monthly basic wages.

19. RELATED-PARTY TRANSACTIONS

The significant transactions with related parties for the years ended December 31, 2004 and 2003 and the related balances, in addition to those mentioned in Notes 21, 22 and Schedule E, are summarized in the accompanying schedules B and C.

The transactions with related parties were conducted under contract terms.

20. ASSETS PLEDGED OR MORTGAGED

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

	December 31 2004	2003
Properties, net	$ 800,272	$ 1,033,432
Nonoperating assets, net	89,230	89,230
	$ 889,502	$ 1,122,662

21. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Note 23, commitments and contingent liability as of December 31, 2004 were as follows:

a. Obligations to provide crews to two ships of Chinese Petroleum Corporation under contracts expiring on various dates by October 2006. The daily compensation under the contracts is $273 thousand for all the crews.

b. Leases of office premises, ships and container yard under operating lease agreements that will expire on various dates until May 2014. The total rents in 2004 were $12,816,269 thousand, and future minimum rentals are as follows:

Fiscal Year	Amount
2005	$ 4,369,802
2006	3,157,756
2007	1,384,528
2008	1,037,181
2009	1,037,181

Rentals after 2009 amount to $3,876,544 thousand. The present value of those rentals, computed at an annual interest rate of 1.525%, is $3,735,374 thousand.

c. Leases of containers and chassis under capital lease agreements expiring on various dates until May 2011. Rentals in 2004 were about $216,497 thousand (deducted from leases payable). Future minimum rentals are as follows:

Fiscal Year	Amount
2005	$ 267,966
2006	227,200
2007	133,212
2008	57,062
2009	228,240

Rentals after 2009 amount to $26,241 thousand. The present value of those rentals, computed at an annual interest rate of 1.525%, is $23,874.

d. Guarantee of loans obtained by two subsidiaries, Yang Ming Line (B.V.I.) Holding Co., Ltd. (US$73,682,000) and All Oceans Transportation Inc. (US$42,385,000); Yang Ming (America) Corp., an indirect subsidiary (US$1,500,000); two investees of a subsidiary, United Terminal Leasing LLC (US$5,544,000) and West Basin Container Terminal LLC (US$4,535,000).

e. To expand the growth of business, the Corporation entered into a contract with Tacom Harbor Bureau to lease the wharf in the West Coast of United States. The 12-year lease will start in June 2005, and annual rent is US$5,672,000. As of December 31, 2004, the Corporation had not paid any rent.

f. Agreement between the Corporation and China Shipbuilding Corp. (CSBC) for CSBC to construct 12 vessels for US$255,480,000 for delivery by 2007. As of December 31, 2004, the Corporation had paid US$33,184,000 to CSBC.

g. Agreement between the Corporation and Hyundai Heavy Industries Co., Ltd. (HHICL) for HHICL to construct four vessels for US$316,800,000 for delivery by February 2007. As of December 31, 2004, the Corporation had paid US$63,360,000 to HHICL.

h. Agreement between the Corporation and China International Marine Containers (Group) Co., Ltd. (CIMC) to acquire containers for US$42,702,000. As of December 31, 2004, CIMC had delivered containers, amounting to US$19,309,000. Other vessels, amounting to US$23,392,000, will be delivered by February 2005. The Corporation had not made any payments to CIMC.

i. One vessel leased by the Corporation to a third party have been investigated to have fuel oil leaks, which caused pollution. As of December 31, 2004, the Corporation had paid US$1,000,000 as refundable deposits in line with the ongoing legal proceedings on this case. On the basis of the conservatism principle, the Corporation had accrued a loss of US$1,000,000.

j. Claim against the Corporation. The buyer of one vessel sold in June 2003 alleged that the Corporation knowingly did not comply with vessel specifications and demanded that the Corporation pay damages of US$2,800,000. No liability was accrued since management and appointed lawyers believed the Corporation's work was in line with buyer's specifications.

k. An agreement, entered into on October 8, 2004, for the Corporation to build the second logistics center in Kaohsiung jointly with the MOTC Harbor Bureau. The center, to be used to package, store, process, transfer and distribute goods, will be built by October 2005. As of December 31, 2004, the Corporation had not made any payment for this construction.

22. SUBSEQUENT EVENT

In December 2004, the board of directors resolved to sell four vessels at carrying value to All Oceans Transportation Inc., a subsidiary. One of the vessels, with a carrying value of $636,805, was delivered on January 7, 2005.

23. FINANCIAL INSTRUMENTS

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

a. The Corporation and two subsidiaries (Yang Ming Line (B.V.I.) Holding Co., Ltd. and Yes Logistics Corp.) used derivative instruments for trading and nontrading purposes in 2004 and 2003. Nontrading purposes refer to the Corporation's and subsidiaries' hedging of interest rate fluctuations on liabilities and exchange rate fluctuations on net assets or liabilities denominated in foreign currencies. Trading purposes refer to the Corporation's and subsidiaries intent to profit from derivative transactions.

1) Open contracts and credit risk

Information on unsettled contracts entered into by the Corporation and two subsidiaries is as follows:

a) Nontrading purposes

	December 31, 2004						
Type of Transaction	Notional Amount	Fixed Rate	Market Rate	Settlement Date	Maturity Date	Credit Risk	Place of Transaction
Yang Ming Marine Transport Corporation							
Interest rate swap	$1,000,000	2.46%-2.47%	4.4%-4.5%	Annually	June 18, 2004-June 18, 2011	$13,381	Overseas

The Corporation and subsidiaries had no interest rate swap contracts in 2003.

b) Trading purposes

i. Type of transaction

Type of Transaction	December 31, 2004 Carrying Value		Notional Amount		Credit Risk
Yang Ming Maring Transport Corporation					
Equity-linked notes	$ 38,630	$	40,000	$	39,876
Yang Ming Line (B.V.I.) Holding Co., Ltd.					
Credit-linked notes	95,760	US$	3,000,000		95,760
Interest-linked notes	31,920	US$	1,000,000		32,006
Credit linked structured time deposit	63,840	US$	2,000,000		64,002
Yes Logistics Corp.					
Credit-linked notes	17,441	US$	550,000		17,462

Type of Transaction	December 31, 2003 Carrying Value		Notional Amount		Credit Risk
Yes Logistics Corp.					
Credit-linked notes	$ 25,478	US$	750,000	$	25,591
Equity-linked notes	1,932		2,000		1,891

ii. Place of transaction

Place of Transaction	December 31, 2004 Carrying Value		Notional Amount		Credit Risk
Taiwan	$ 38,630	$	40,000	$	39,876
Overseas (including foreign institutions in Taiwan)	208,961	US$	6,550,000		209,230

Place of Transaction	December 31, 2003 Carrying Value		Notional Amount		Credit Risk
Taiwan	$ 1,932	$	2,000	$	1,891
Overseas (including foreign institutions in Taiwan)	25,478	US$	750,000		25,591

The Corporation is exposed to credit risks from counter-parties' default on contracts. The credit risk on the above contracts is the positive net fair value of open contracts as of balance date, which represents the Corporation's possible losses from defaults. To manage this risk, the Corporation transacts only with selected financial institutions and securities firms with good credit ratings. Thus, management does not anticipate any material losses resulting from defaults.

2) Market risk

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

The Corporation and subsidiaries set control activities for trading in equity- and credit-linked deposit and notes. Thus, the market risk is not significant.

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

The interest rate swap contracts are settled at net amounts, and the expected cash demand is not significant. The cross-currency swap contracts, forward exchange contracts and the currency option contracts are settled at net or nominal amounts based on the Corporation's preference, and the exchange rate is fixed for currency options. As a result, the expected cash demand is not material. In addition, for cross-currency swap contracts, there is simultaneous cash inflow and outflow; thus, the aggregate net cash outflow is expected to be insignificant. Management believes that the Corporation has sufficient operating capital to meet its cash demand.

For all its derivative contracts, the Corporation and subsidiaries have paid the total principal on the contract dates; thus, there is no material cash demand in the future. In addition, based on the Corporation's budget, limits are set on the amounts used for derivative transactions.

The Corporation can pre-terminate some of contracts but it has to compensate counter-parties for losses and charges.

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

As of December 31, 2004, the interest rate swap contracts held by the Corporation were for nontrading purposes, i.e., to hedge overall fluctuations on interest rates. The Corporation and subsidiaries use interest rate swap contracts with gains or losses that offset the gains or losses on floating interest-bearing liabilities. Through these contracts, the Corporation and subsidiaries hedges most of the risks in the market. The interest rates on the contracts are fixed. In addition, the Corporation and subsidiaries evaluate the hedging effectiveness of the contracts periodically.

The Corporation and subsidiaries use cross-currency swap contracts, forward contracts and currency options 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.

The Corporation and subsidiaries use equity-linked notes for trading purposes to earn investment income. The Corporation and subsidiaries would settle on contract value if the underlying equity stock market value is higher than contract value; otherwise, the Corporation would convert them to beneficiary certificates representing the shares of underlying equity stock and earn dividends before selling the notes in the market.

The Corporation and subsidiaries use interest-linked notes and credit-linked structured time deposit for trading purposes to earn higher interest income. The Corporation and subsidiaries choose commodities highly correlated to interest rates.

5) Presentation method of derivative instruments in the financial statements

Related receivables (included in other current assets) and gains of the Corporation on the interest rate swap was $10,699 thousand in 2004.

Related receivables, payables and gains on equity- and credit-linked contracts used by the Corporation and two subsidiaries were as follows:

	December 31	
	2004	**2003**
Yang Ming Marine Transport Corporation		
Other financial instruments - current (included in other current assets)	$ 38,630	$ -
Yang Ming Line (B.V.I.) Holding Co., Ltd.		
Other financial instruments - current	31,920	-
Other financial instruments - noncurrent	159,600	-
Yes Logistics Corp.		
Other financial instruments - current	17,441	8,726
Other financial instruments - noncurrent	-	18,684

	2004	**2003**
Yang Ming Marine Transport Corporation		
Investment loss, net - equity linked notes	$ (3,102)	$ -
Interest income - structured time deposit	12,878	45,948
Yes Logistics Corp.		
Investment gain, net	84	-
Interest income	973	345

The above investment loss - net of the Corporation included settlement gains of $6,946 thousand; loss of $32,451 thousand on the conversion to beneficiary certificates; dividend income of $6,385 thousand; and disposal gains of $16,018 on beneficiary certificates.

Net gains of the Corporation and two subsidiaries (included in foreign exchange gain) on various derivative instruments in 2004 and 2003 are summarized as follows:

	2004	**2003**
a) Trading purposes		
Yang Ming Marine Transport Corporation		
Currency options	$ 4,278	$ 4,318
Forward exchange contracts	-	1,469
	$ 4,287	$ 5,787
Yang Ming Line (B.V.I.) Holding Co., Ltd.		
Forward exchange contracts	$ 326	$ -

(Continued)

	2004	2003
b) Nontrading purposes		
Yang Ming Marine Transport Corporation		
Cross-currency swap	$ -	$ 12,025
Forward exchange contracts	-	1,607
Currency options	-	(11,284)
	$ -	$ 2,348
Yang Ming Line (B.V.I.) Holding Co., Ltd.		
Cross-currency swaps	$ 264	$ -

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

	December 31			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Nonderivative instruments				
Assets				
Financial assets				
Short-term financial instruments				
Cash and cash equivalents	$ 10,223,922	$ 10,223,922	$ 6,614,016	$ 6,614,016
Short-term investments	15,625,880	15,625,880	13,900,013	13,900,013
Accounts receivable	769,083	769,083	722,115	722,115
Accounts receivables from related parties	1,741,438	1,741,438	978,927	978,927
Other receivables from related parties	9,282,259	9,282,259	6,088,369	6,088,369
Advances to shipping agents	226,343	226,343	558,745	558,745
Investments in shares of stock	13,354,483	13,354,483	10,357,106	10,372,101
Long-term receivables from related parties	3,946,328	3,946,328	5,381,850	5,381,850
Liabilities				
Financial liabilities				
Short-term debts	-	-	15,080	15,080
Notes payable	-	-	14,166	14,166
Payables to related parties	1,822,601	1,822,601	1,322,462	1,322,462
Accrued expenses	2,531,287	2,531,287	2,118,474	2,118,474
Payables for equipment	623,058	623,058	-	-
Payables to shipping agents	2,241,445	2,241,445	1,438,397	1,438,397
Bank loans	233,470	233,470	555,903	555,903
Bonds	19,639,235	20,477,994	16,225,261	18,729,745

(Continued)

	December 31			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Derivative instruments				
Yang Ming Marine Transport Corporation				
Interest rate swap	$ 10,699	$ 13,381	$ -	$ -
Equity-linked notes	38,630	39,876	-	-
Yang Ming Line (B.V.I.) Holding Co., Ltd.				
Credit-linked notes	95,760	95,760	-	-
Interest-linked notes	31,920	32,006	-	-
Credit-linked structured time deposit	63,840	64,002	-	-
Yes Logistics Corp.				
Credit-linked notes	17,441	17,462	25,478	25,591
Equity-linked notes	-	-	1,932	1,891

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 and bonds 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.

4) Fair values of derivatives are calculated at exchange rates quoted from the Reuter's New Agency or the Associated Press and market value quoted by banks.

24. ADDITIONAL DISCLOSURES

Aside from those mentioned in Note 23 and Schedules D to K, no additional disclosures are required by the Securities and Futures Bureau for the Corporation and its investees.

25. SEGMENT INFORMATION

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

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

c. Cargo transport revenues

Line Service	2004 Amount	2004 %	2003 Amount	2003 %
U.S. Western coast line	$ 26,905,522	34	$ 20,859,815	33
Asia line	14,161,544	18	10,608,663	17
U.S. Eastern coast line	10,297,828	13	9,575,710	15
Northwest European line	9,039,916	12	8,132,715	13

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

4. Parents and Subisidiaries Financial Report as of Dec. 31, 2004
4.1 INDEPENDENT AUDITORS' REPORT

March 1, 2005

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

We have audited the accompanying consolidated balance sheets of Yang Ming Marine Transport Corporation and its subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, we did not audit the financial statements as of and for the years ended December 31, 2004 and 2003 of a subsidiary, Yang Ming Shipping Europe GmbH, of which investment amounts of the Corporation are included in the accompanying consolidated financial statements. The assets of this subsidiary were 0.4% (NT$365,147 thousand) and 0.4% (NT$274,533 thousand) of the total consolidated assets as of December 31, 2004 and 2003, respectively. The operating revenues of this subsidiary were 0% (NT$2,416 thousand) and 0.1% (NT$79,232 thousand) of the consolidated revenue in 2004 and 2003, respectively. Also, we did not audit the financial statements of Transyang Shipping Pte. Ltd., Yang Ming Line (Singapore) Pte. Ltd., Corstor Ltd., Yang Ming-Italy and Yang Ming (Netherlands) B.V. as of and for the year ended December 31, 2004, and those of Transyang Shipping Pte. Ltd., Yang Ming Line (Singapore) Pte. Ltd., Yes Logistic (UK), Corstor Ltd. and Yang Ming-Italy as of and for the year ended December 31, 2003, in which the Corporation and consolidated subsidiaries have equity-method investments. As shown in the accompanying balance sheets, the carrying values of these five investments were 1.3% (NT$1,210,180 thousand) and 1.9% (NT$1,369,248 thousand presented as assets and NT$1,058 thousand presented as liabilities) of the total consolidated assets as of December 31, 2004 and 2003, respectively. The equity in these investees' net income was 1.3% (NT$155,969 thousand) and 3.8% (NT$316,752 thousand) of the consolidated income before income tax in 2004 and 2003, respectively. The financial statements of these investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to these investees' amounts included in the accompanying consolidated financial statements, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yang Ming Marine Transport Corporation and its subsidiaries as of December 31, 2004 and 2003, and the results of their operations and cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

March 1, 2005

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretatio.

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

4.2 CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2004 Amount	2004 %	2003 Amount	2003 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 10,806,667	12	$ 7,339,205	10
Short-term investments, net (Notes 2 and 5)	15,625,880	17	13,900,013	19
Accounts receivable, net of allowance for doubtful accounts of $45,203 in 2004 and $13,657 in 2003 (Note 2)	1,268,681	2	1,366,545	2
Accounts receivables from related parties (Note 20)	1,639,055	2	718,838	1
Other receivables from related parties (Notes 19 and 20)	365,431	-	720,250	1
Shipping fuel, net (Note 2)	1,145,868	1	924,233	1
Prepaid expenses (Note 20)	487,173	1	255,137	-
Advances to shipping agents (Note 20)	226,343	-	558,745	1
Other current assets (Notes 2, 16 and 23)	1,089,860	1	251,300	-
Total current assets	32,654,958	36	26,034,266	35
INVESTMENTS IN SHARES OF STOCK AND BONDS (Notes 2, 6 and 20)				
Equity method in share of stock	4,169,734	5	3,521,760	5
Cost method in share of stock	805,510	1	1,308,222	2
Corporate bonds	31,920	-	-	-
Total investments in shares of stock	5,007,164	6	4,829,982	7
OTHER FINANCIAL INSTRUMENTS - NONCURRENT (Notes 2 and 23)	159,600	-	-	-
PROPERTIES (Notes 2, 7, 20, 21 and 22)				
Cost				
Land	133,014	-	48,388	-
Buildings	549,723	1	549,723	1
Containers and chassis	15,273,092	17	11,822,031	16
Ships	30,906,894	34	25,499,801	35
Leased containers and chassis	7,831,339	9	8,203,168	11
Leasehold improvements	209,070	-	214,067	-
Miscellaneous equipment	1,854,943	2	1,752,104	3
Total cost	56,758,075	63	48,089,282	66
Accumulated depreciation	19,778,847	22	18,180,117	25
	36,979,228	41	29,909,165	41
Construction in progress	3,648,844	4	2,685,756	3
Net properties	40,628,072	45	32,594,921	44
OTHER ASSETS				
Assets leased to others, net (Notes 2, 7 and 8)	2,769,931	3	1,065,235	1
Nonoperating assets, net (Notes 2, 7, 9 and 21)	360,807	1	493,565	1
Refundable deposits (Notes 7 and 21)	7,475,034	8	7,363,924	10
Deferred charges, net (Note 2)	186,789	-	107,318	-
Advances on long-term rent agreements	321,377	-	331,909	1
Long-term receivables from related parties (Note 20)	434,650	1	554,800	1
Miscellaneous	47,633	-	84,107	-
Total other assets	11,596,221	13	10,000,858	14
TOTAL	$ 90,046,015	100	$ 73,460,027	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2004 Amount	2004 %	2003 Amount	2003 %
CURRENT LIABILITIES				
Short-term debts (Notes 10 and 21)	$ -	-	$ 16,514	-
Payables to related parties (Note 20)	1,291,838	2	766,727	1
Income tax payable (Notes 2 and 16)	1,126,658	1	850,688	1
Accrued expenses	2,977,458	3	2,244,672	3
Payables for equipment	623,058	1	-	-
Advances from customers (Note 20)	1,187,486	1	1,283,858	2
Current portion of interest-bearing long-term debts (Notes 2, 7, 11 and 21)	2,133,340	2	2,703,263	4
Payables to shipping agents	2,999,897	3	2,201,711	3
Other current liabilities (Notes 2 and 16)	1,525,126	2	881,645	1
Total current liabilities	13,864,861	15	10,949,078	15
INTEREST-BEARING LONG-TERM DEBTS, NET OF CURRENT PORTION				
Bonds (Notes 2, 11 and 21)	18,925,423	21	15,066,361	21
Bank loans (Notes 11 and 21)	2,666,606	3	3,985,738	5
Capital lease obligations (Notes 2, 7, 11 and 21)	7,499,778	8	7,688,659	10
Total interest-bearing long-term debts	29,091,807	32	26,740,758	36
RESERVE FOR LAND VALUE INCREMENT TAX (Note 12)	479,639	1	479,639	1
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 19)	699,415	1	604,450	1
Cumulative losses in excess of cost of investment in Yes Logistic UK Ltd. (Notes 2 and 6)	-	-	1,058	-
Deferred income tax liabilities - noncurrent (Notes 2 and 16)	1,870,386	2	1,191,179	2
Others (Notes 2, 13 and 20)	202,339	-	203,921	-
Total other liabilities	2,772,140	3	2,000,608	3
Total liabilities	46,208,447	51	40,170,083	55
STOCKHOLDERS' EQUITY				
Capital stock - $10 par value				
Authorized - 2,400,000 thousand shares				
Issued - 2,268,755 and 1,946,707 thousand shares in 2004 and 2003	22,687,545	25	19,467,065	27
Certificates of conversion of bonds to stock - 10,223 thousand shares	-	-	102,234	-
Total capital stock	22,687,545	25	19,569,299	27
Capital surplus				
Paid-in capital in excess of par value	6,986,846	8	4,075,397	6
Treasury stock transactions	915,830	1	234,855	-
Equity on capital surplus reported by equity-accounted investees	5,816	-	5,816	-
Total capital surplus	7,908,492	9	4,316,068	6
Retained earnings				
Legal reserve	1,193,205	1	528,295	1
Special reserve	1,141,939	1	1,141,939	1
Unappropriated earnings	11,155,161	13	7,836,692	11
Total retained earnings	13,490,305	15	9,506,926	13
Other items of stockholders' equity				
Unrealized loss on investments in shares of stock	(1)	-	(1)	-
Cumulative translation adjustments	28,301	-	338,729	-
Net loss not recognized as pension cost	(35,717)	-	(18,457)	-
Total other items of stockholders' equity	(7,417)	-	320,271	-
Treasury stocks - 32,607 and 54,384 thousand shares in 2004 and 2003	(241,357)	-	(422,620)	(1)
Total stockholders' equity	43,837,568	49	33,289,944	45
TOTAL	$ 90,046,015	100	$ 73,460,027	100

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

(With Deloitte & Touche audit report dated March 1, 2005)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

4.3 CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2004		2003	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 20)	$ 88,572,301	100	$ 72,650,091	100
OPERATING COSTS (Notes 2, 17 and 20)	74,276,740	84	62,966,373	87
GROSS INCOME	14,295,561	16	9,683,718	13
OPERATING EXPENSES (Note 17)				
Selling	1,677,017	2	1,479,393	2
General and administrative	364,071	-	307,221	-
Total operating expenses	2,041,088	2	1,786,614	2
OPERATING INCOME	12,254,473	14	7,897,104	11
NONOPERATING INCOME AND GAINS				
Interest (Note 20)	455,722	1	348,148	1
Foreign exchange gain, net	168,185	-	290,131	-
Equity in net income of investee companies, net (Notes 2 and 6)	144,234	-	375,346	1
Investment gain	-	-	310,413	-
Others	322,002	-	207,063	-
Total nonoperating income and gains	1,090,143	1	1,531,101	2
NONOPERATING EXPENSES AND LOSSES				
Interest (Note 7)	1,002,665	1	957,346	1
Investment loss (Note 2)	228,338	1	-	-
Others	213,936	-	232,333	1
Total nonoperating expenses and losses	1,444,939	2	1,189,679	2
INCOME BEFORE INCOME TAX	11,899,677	13	8,238,526	11
INCOME TAX EXPENSE (Notes 2 and 16)	2,102,413	2	1,589,429	2
CONSOLIDATED NET INCOME	$ 9,797,264	11	$ 6,649,097	9

(Continued)

	2004		2003	
	Income Before Income Tax	**Net Income**	**Income Before Income Tax**	**Net Income**
CONSOLIDATED BASIC EARNINGS PER SHARE (Note 18)	$ 5.55	$ 4.57	$ 4.37	$ 3.52
CONSOLIDATED DILUTED EARNINGS PER SHARE (Note 18)	$ 5.27	$ 4.34	$ 3.82	$ 3.09

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

	2004		2003	
	Income Before Income Tax	**Net Income**	**Income Before Income Tax**	**Net Income**
CONSOLIDATED NET INCOME	$ 12,186,424	$ 10,084,011	$ 8,936,375	$ 7,346,946
CONSOLIDATED BASIC EARNINGS PER SHARE	$ 5.55	$ 4.59	$ 4.58	$ 3.78
CONSOLIDATED DILUTED EARNINGS PER SHARE	$ 5.28	$ 4.37	$ 4.03	$ 3.31

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

(With Deloitte & Touche audit report dated March 1, 2005) (Concluded)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

4.4 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Capital Stock ($10 Par Value, Notes 2 and 11)				Capital Surplus (Notes 2 and 15)				Retained Earnings (Notes 2 and 15)				Other Items of Stockholder's Equity (Notes 2 and 19)					
	Shares (Thousands)	Amount	Certificates of Conversion of Bonds to Stocks	Total	Paid-in Capital in Excess of Par Value	Treasury Stock Transactions	Equity in Capital Surplus Reported by Equity-method Investees	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Total	Unrealized Loss on Investments in Shares of Stock	Cumulative Translation Adjustments	Net Loss not Recognized as Pension Cost	Total	Treasury Stocks (Notes 2 and 15)	Total Stockholders' Equity
BALANCE, JANUARY 1, 2003	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																		
Legal reserve	-	-	-	-	-	-	-	-	113,672	-	(113,672)	-	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	-	-	-	(23,113)	(23,113)	-	-	-	-	-	(23,113)
Cash dividends - $0.6 per share	-	-	-	-	-	-	-	-	-	-	(1,100,590)	(1,100,590)	-	-	-	-	-	(1,100,590)
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
Consolidated 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 on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	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	1,946,707	19,467,065	102,234	19,569,299	4,075,397	234,855	5,816	4,316,068	528,295	1,141,939	7,836,692	9,506,926	(1)	338,729	(18,457)	320,271	(422,620)	33,289,944
Appropriation of 2003 earnings																		
Legal reserve	-	-	-	-	-	-	-	-	664,910	-	(664,910)	-	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	-	-	-	(71,717)	(71,717)	-	-	-	-	-	(71,717)
Cash dividends - $2.28697 per share	-	-	-	-	-	-	-	-	-	-	(4,716,781)	(4,716,781)	-	-	-	-	-	(4,716,781)
Stock dividends - $0.49716 per share	102,539	1,025,387	-	1,025,387	-	-	-	-	-	-	(1,025,387)	(1,025,387)	-	-	-	-	-	-
Cash dividends acquired by subsidiaries	-	-	-	-	-	124,371	-	124,371	-	-	-	-	-	-	-	-	-	124,371
Disposal of the Corporation's stocks held by subsidiaries	-	-	-	-	-	556,604	-	556,604	-	-	-	-	-	-	-	-	181,263	737,867
Consolidated net income in 2004	-	-	-	-	-	-	-	-	-	-	9,797,264	9,797,264	-	-	-	-	-	9,797,264
Recognition of net loss not recognized as pension cost reported by equity-method investees in percentage of ownership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,267)	(5,267)	-	(5,267)
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,993)	(11,993)	-	(11,993)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	(310,428)	-	(310,428)	-	(310,428)
Certificates of conversion of bonds converted into capital stock	10,223	102,234	(102,234)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Domestic convertible bonds converted into certificates of conversion of bonds to stocks and capital stocks	209,286	2,092,859	-	2,092,859	2,911,449	-	-	2,911,449	-	-	-	-	-	-	-	-	-	5,004,308
BALANCE, DECEMBER 31, 2004	2,268,755	$ 22,687,545	$ -	$ 22,687,545	$ 6,986,846	$ 915,830	$ 5,816	$ 7,908,492	$ 1,193,205	$ 1,141,939	$ 11,155,161	$ 13,490,305	$ (1)	$ 28,301	$ (35,717)	$ (7,417)	$ (241,357)	$ 43,837,568

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

(With Deloitte & Touche audit report dated March 1, 2005)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

4.5 CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 9,797,264	$ 6,649,097
Adjustments to reconcile net income with net cash provided by operating activities:		
Depreciation	3,527,501	3,541,984
Amortization	117,747	269,070
Provision for pension cost	82,973	57,597
Investment loss (gain)	228,338	(310,413)
Equity in net income of investees companies, net	(144,234)	(375,346)
Cash dividends received on equity-method investments	643,294	119,579
Deferred income taxes	608,430	736,416
Others	92,121	99,240
Net changes in operating assets and liabilities		
Accounts receivable	66,318	446,095
Receivables from related parties	(920,217)	(322,698)
Other receivable from related parties	(24,244)	11,286
Shipping fuel	(292,142)	(180,569)
Prepaid expenses	(232,036)	8,272
Advances to shipping agents	332,402	910,660
Pledged time deposits	-	18,645
Other current assets	(249,645)	122,881
Payables to related parties	550,655	239,613
Income tax payable	396,648	841,388
Accrued expenses	753,055	538,843
Advances from customers	(96,372)	452,923
Payables to shipping agents	798,186	(480,245)
Other current liabilities	644,480	115,561
Advances on long-term rent agreements	10,532	17,021
Net cash provided by operating activities	16,691,054	13,526,900
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments	(2,345,079)	(7,433,661)
Acquisition of investments in shares of stock and bonds	(35,298)	(73,402)
Proceeds from disposal of investments in shares of stock	347,075	36,450
Increase in other financial instruments, net	(262,070)	-
Acquisition of properties and asset leased to others	(12,855,830)	(5,240,158)
Proceeds from sale of properties and nonoperating assets	111,580	393,314
Increase in deferred charges	(199,215)	(37,608)
Decrease in other assets	46,774	33,430
Net cash used in investing activities	(15,192,063)	(12,321,635)

(Continued)

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on short-term debts	$ (16,514)	$ (93,689)
Proceeds from issuance of bonds	9,100,000	8,000,000
Proceeds from interest-bearing long-term debts	-	2,485,400
Repayment of principal of bonds	(700,000)	-
Repayment of principal of interest-bearing long-term debts	(1,200,524)	(4,748,950)
Payment of capital lease obligations	(304,195)	(330,285)
Increase (decrease) in other liabilities	31,747	(36,509)
Payment of dividend and employees' bonus	(4,786,749)	(1,122,705)
Net cash provided by financing activities	2,123,765	4,153,262
EFFECT OF EXCHANGE RATE CHANGES	(155,294)	(118,306)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,467,462	5,240,221
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,339,205	2,098,984
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 10,806,667	$ 7,339,205
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	$ 940,467	$ 1,252,296
Income tax paid	$ 1,350,804	$ 7,952
Noncash investing and financing activities		
Reclassification of nonoperating assets as properties	$ 84,626	$ 5,164
Reclassification of assets leased to others as properties	$ -	$ 38,979
Current portion of interest-bearing long-term debts	$ 2,133,340	$ 2,703,263
Domestic unsecured convertible bonds converted into capital stock, certificates of bonds convertible to stocks and capital surplus	$ 5,004,308	$ 2,911,350
CASH PAID FOR ACQUISITION OF PROPERTIES		
Costs of properties acquired	$ 13,453,344	$ 5,214,294
Increase in payables for equipment	(623,058)	-
Decrease (increase) in payables to related parties	25,544	(25,544)
Decrease in other current liabilities	-	51,408
	$ 12,855,830	$ 5,240,158
PROCEEDS FROM SALE OF PROPERTIES AND NONOPERATING ASSETS		
Total contracted selling prices	$ 4,353	$ 1,063,639
Increase in other receivables	(16,643)	(44,174)
Increase in other receivables from related parties	3,720	(42,043)
Decrease (increase) in long-term receivables from related parties	120,150	(554,800)
Increase in long-term receivables for ships	-	(29,308)
	$ 111,580	$ 393,314

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

(With Deloitte & Touche audit report dated March 1, 2005) (Concluded)