

Yang Ming Marine Transport Corporation and Subsidiaries

Consolidated Financial Statements as of December 31, 2002 and 2001

Together with Independent Auditors' Report

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

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

February 28, 2003

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

We have audited the accompanying consolidated balance sheets of Yang Ming Marine Transport Corporation and subsidiaries as of December 31, 2002 and 2001 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. We did not audit the financial statements of Kuang Ming Shipping Corp., Transyang Shipping Pte. Ltd., Yang Ming Line (Singapore) Pte. Ltd. and China Mariners' Assurance Corp., in which the Corporation has equity investments accounted for by the equity method. As shown in the accompanying balance sheets, the carrying values of these investments were NT\$1,719,597 thousand and NT\$1,660,161 thousand as of December 31, 2002 and 2001, respectively. The equity in these investees' net income was NT\$614,370 thousand in 2002 and NT\$124,942 thousand in 2001. The financial statements of these investees were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the above investees' amounts is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yang Ming Marine Transport Corporation and subsidiaries as of December 31, 2002 and 2001 and the consolidated results of its operations and its cash flows for the years then ended, in conformity with the Guidelines for Securities Issuers' Financial Reporting for Public Company and generally accepted accounting principles in the Republic of China.

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

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

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2002 and 2001

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

ASSETS	2002		2001		LIABILITIES AND STOCKHOLDERS' EQUITY	2002		2001	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 5)	\$ 2,098,984	4	\$ 4,612,466	8	Short-term debts (Notes 12 and 22)	\$ 110,203	-	\$ 202,283	-
Short-term investments - net (Notes 2 and 6)	6,130,776	10	1,785,007	3	Accounts payable	76,835	-	44,764	-
Accounts receivable - net of allowance for doubtful accounts of \$9,313 in 2002 and \$7,415 in 2001 (Note 2)	1,816,983	3	1,411,155	2	Payables to related parties (Note 21)	501,570	1	912,431	2
Receivables from related parties (Note 21)	557,393	1	349,116	-	Accrued expenses	1,727,834	3	983,675	2
Shipping fuel - net (Note 2)	753,150	1	568,030	1	Advances from customers (Note 21)	830,935	1	901,938	2
Prepaid expenses (Note 21)	263,409	-	358,316	-	Current portion of long-term debts (Notes 2, 8, 13 and 22)	1,318,952	2	3,516,720	6
Advances to shipping agents	1,469,405	3	969,577	2	Payables to shipping agents	3,034,880	5	3,847,622	6
Pledged time deposits (Note 22)	18,645	-	434,909	1	Other current liabilities (Notes 2 and 18)	393,284	1	702,215	1
Other current assets (Notes 2 and 18)	412,879	1	430,460	1	Total Current Liabilities	7,994,493	13	11,111,648	19
Total Current Assets	13,521,624	23	10,919,036	18					
INVESTMENTS IN SHARES OF STOCK (Notes 2, 7 and 17)	4,747,987	8	5,153,767	9	LONG-TERM DEBTS				
PROPERTIES (Notes 2, 8 and 22)					Bank loans (Notes 13 and 22)	6,605,245	11	7,449,172	13
Cost					Bonds (Notes 13 and 22)	11,117,200	19	8,117,200	13
Land	38,901	-	38,901	-	Obligations under capital leases (Notes 2, 8 and 13)	7,470,014	12	7,063,252	12
Buildings	691,014	1	691,014	1	Total Long-Term Debts	25,192,459	42	22,629,624	38
Containers and chassis	10,789,225	18	11,659,634	20	RESERVE FOR LAND VALUE INCREMENT TAX (Note 14)	479,639	1	479,639	1
Ships	29,882,770	50	31,193,425	52	OTHER LIABILITIES (Notes 2, 7, 15, 18, 20 and 22)	1,607,930	3	1,209,130	2
Leased assets	8,344,644	14	8,254,539	14	Total Liabilities	35,274,521	59	35,430,041	60
Leasehold improvements	190,741	-	110,219	-	STOCKHOLDERS' EQUITY				
Miscellaneous equipment	1,497,849	3	1,484,683	3	Capital stock - \$10 par value				
Total cost	51,435,144	86	53,432,415	90	Authorized - 2,400,000 thousand shares				
Accumulated depreciation	19,895,307	33	18,883,874	32	Issued - 1,834,316 thousand shares	18,343,160	31	18,343,160	31
Construction in progress	602,643	1	68,315	-	Capital surplus:				
Net Properties	32,142,480	54	34,616,856	58	Paid-in capital in excess of par value	2,390,186	4	2,390,186	4
OTHER ASSETS					Treasury stocks transactions	4,242	-	-	-
Assets leased to others - net (Notes 2, 8 and 9)	1,106,569	2	962,134	2	Gain on sales of properties	-	-	1,431,387	2
Nonoperating assets - net (Notes 2, 8, 10 and 22)	498,247	1	686,171	1	From investments in shares of stock	5,816	-	7,087	-
Refundable deposits (Note 23)	6,781,669	11	6,454,459	11	Total capital surplus	2,400,244	4	3,828,660	6
Deferred charges - net (Note 2)	393,179	1	450,864	1	Retained earnings:				
Prepaid expenses on long-term rent agreements	348,930	-	211,615	-	Legal reserve	414,623	1	906,167	2
Restricted assets (Notes 11 and 22)	40,609	-	-	-	Special reserve	1,141,939	2	1,141,939	1
Miscellaneous (Note 2)	50,211	-	28,170	-	Unappropriated earnings (accumulated losses)	2,424,970	4	(634,683)	(1)
Total Other Assets	9,219,414	15	8,793,413	15	Total retained earnings	3,981,532	7	1,413,423	2
					Unrealized loss on investments in shares of stock	(21,293)	-	(3,172)	-
					Cumulative translation adjustments	186,469	-	470,960	1
					Net loss not recognized as pension cost	(7,687)	-	-	-
					Treasury stocks - 67,619 thousand shares	(525,441)	(1)	-	-
					Total Stockholders' Equity	24,356,984	41	24,053,031	40
TOTAL ASSETS	\$59,631,505	100	\$59,483,072	100	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$59,631,505	100	\$59,483,072	100

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

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

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2002 and 2001

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

	<u>2002</u>		<u>2001</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Notes 2 and 21)	\$ 53,584,426	100	\$ 53,276,226	100
OPERATING COSTS (Notes 2 and 21)	<u>51,589,043</u>	<u>96</u>	<u>52,627,007</u>	<u>99</u>
GROSS INCOME	<u>1,995,383</u>	<u>4</u>	<u>649,219</u>	<u>1</u>
OPERATING EXPENSES (Note 21)				
Selling	793,503	2	671,529	1
General and administrative	<u>194,370</u>	<u>-</u>	<u>212,771</u>	<u>1</u>
Total Operating Expenses	<u>987,873</u>	<u>2</u>	<u>884,300</u>	<u>2</u>
OPERATING INCOME (LOSS)	<u>1,007,510</u>	<u>2</u>	(<u>235,081</u>)	(<u>1</u>)
NONOPERATING INCOME				
Equity in investee's net income - net (Note 2)	537,812	1	-	-
Interest	393,277	1	541,060	1
Foreign exchange gain - net	266,903	-	249,755	1
Gain on sale of investments	260,861	-	197,808	-
Gain on sale of properties and nonoperating assets (Note 2)	89,403	-	247,635	-
Other	<u>287,869</u>	<u>1</u>	<u>274,177</u>	<u>1</u>
Total Nonoperating Income	<u>1,836,125</u>	<u>3</u>	<u>1,510,435</u>	<u>3</u>
NONOPERATING EXPENSES				
Interest (Note 8)	1,068,116	2	1,154,659	2
Provision for losses on investments (Note 2)	363,610	1	214,818	-
Equity in investee's net losses - net (Note 2)	-	-	266,741	1
Other (Note 24)	<u>268,021</u>	<u>-</u>	<u>94,661</u>	<u>-</u>
Total Nonoperating Expenses	<u>1,699,747</u>	<u>3</u>	<u>1,730,879</u>	<u>3</u>
INCOME (LOSS) BEFORE INCOME TAX	1,143,888	2	(455,525)	(1)
INCOME TAX EXPENSE (Notes 2 and 18)	<u>8,437</u>	<u>-</u>	<u>219,520</u>	<u>-</u>
CONSOLIDATED NET INCOME (LOSS)	<u>\$ 1,135,451</u>	<u>2</u>	(<u>\$ 675,045</u>)	(<u>1</u>)

(Forward)

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	2002		2001	
	Income (Loss) Before Income Tax	Consolidated Net Income (Loss)	Income (Loss) Before Income Tax	Consolidated Net Income (Loss)
CONSOLIDATED PRIMARY EARNINGS PER SHARE (Note 19)	<u>\$ 0.65</u>	<u>\$ 0.64</u>	<u>(\$ 0.25)</u>	<u>(\$ 0.37)</u>
CONSOLIDATED DILUTED EARNINGS PER SHARE (Note 19)	<u>\$ 0.65</u>	<u>\$ 0.64</u>	<u>(\$ 0.25)</u>	<u>(\$ 0.37)</u>

Pro forma information, assuming that the Corporation's stocks held by subsidiaries are accounted for as investments rather than as treasury stocks (Notes 2, 3, 17 and 19), is as follows:

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

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

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

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2002 and 2001

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

	CAPITAL STOCK		CAPITAL SURPLUS (Notes 2 and 16)				RETAINED EARNINGS (Notes 2 and 16)				UNREALIZED LOSS ON INVESTMENTS IN SHARES OF STOCK (Note 2)	CUMULATIVE TRANSLATION ADJUSTMENTS (Note 2)	NET LOSS NOT RECOGNIZED AS PENSION COSTS (Notes 2 and 20)	TREASURY STOCKS (Notes 2, 3 and 17)	TOTAL STOCKHOLDERS' EQUITY	
	Issued		Paid-in Capital in Excess of Par Value	Treasury Stocks transactions	Gain on Sales of Properties	From Investments in Shares of Stock	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Losses)						Total
	Shares (Thousands)	Amount														
BALANCE, JANUARY 1, 2001	1,780,889	\$ 17,808,893	\$ 2,568,275	\$ -	\$ 1,431,387	\$ 7,082	\$ 4,006,744	\$ 801,973	\$ 1,141,939	\$ 1,051,776	\$ 2,995,688	(\$ 15,386)	\$ 248,029	\$ -	\$ -	\$ 25,043,968
Appropriation of 2000 earnings																
Legal reserve	-	-	-	-	-	-	-	104,194	-	(104,194)	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	-	-	(9,476)	(9,476)	-	-	-	-	(9,476)
Cash dividends - \$0.3 per share	-	-	-	-	-	-	-	-	-	(534,266)	(534,266)	-	-	-	-	(534,266)
Stock dividends - 2%	35,618	356,178	-	-	-	-	-	-	-	(356,178)	(356,178)	-	-	-	-	-
Capitalization of capital surplus - 1%	17,809	178,089	(178,089)	-	-	(178,089)	-	-	-	-	-	-	-	-	-	-
Consolidated net loss in 2001	-	-	-	-	-	-	-	-	-	(675,045)	(675,045)	-	-	-	-	(675,045)
Reversal of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	12,214	-	-	-	12,214
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	222,931	-	-	222,931
Decrease in the equity in the net assets of an equity-accounted investee resulting from not subscribing proportionately to the additional shares issued by the investee companies	-	-	-	-	-	-	-	-	-	(7,295)	(7,295)	-	-	-	-	(7,295)
Equity in changes in capital surplus reported by equity-accounted investees	-	-	-	-	-	5	5	-	-	(5)	(5)	-	-	-	-	-
BALANCE, DECEMBER 31, 2001	1,834,316	18,343,160	2,390,186	-	1,431,387	7,087	3,828,660	906,167	1,141,939	(634,683)	1,413,423	(3,172)	470,960	-	-	24,053,031
Offset of accumulated losses in 2001	-	-	-	-	-	-	-	(634,683)	-	634,683	-	-	-	-	-	-
Reclassification of the Corporation's stock held by subsidiaries into treasury stocks - 67,619 thousand shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(525,441)	(525,441)	-
Disposal of the Corporation's stocks held by subsidiaries	-	-	-	4,242	-	-	4,242	-	-	-	-	-	-	-	-	4,242
Consolidated net income in 2002	-	-	-	-	-	-	-	-	-	1,135,451	1,135,451	-	-	-	-	1,135,451
Reclassification of capital surplus from gain on sales of properties to retained earnings	-	-	-	-	(1,431,387)	-	(1,431,387)	143,139	-	1,288,248	1,431,387	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(284,728)	-	-	(284,728)
Reversal of recognized equity in the capital surplus reported by equity-accounted investee as a result of the disposal of the investment	-	-	-	-	-	(9)	(9)	-	-	9	9	3,027	237	-	-	3,264
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,687)	(7,687)	-
Recognition of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	(21,292)	-	-	-	(21,292)
Equity in change in the capital surplus reported by equity-accounted investees	-	-	-	-	-	(1,262)	(1,262)	-	-	1,262	1,262	144	-	-	-	144
BALANCE, DECEMBER 31, 2002	<u>1,834,316</u>	<u>\$ 18,343,160</u>	<u>\$ 2,390,186</u>	<u>\$ 4,242</u>	<u>\$ -</u>	<u>\$ 5,816</u>	<u>\$ 2,400,244</u>	<u>\$ 414,623</u>	<u>\$ 1,141,939</u>	<u>\$ 2,424,970</u>	<u>\$ 3,981,532</u>	<u>(\$ 21,293)</u>	<u>\$ 186,469</u>	<u>(\$ 7,687)</u>	<u>(\$ 525,441)</u>	<u>\$ 24,356,984</u>

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

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

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2002 and 2001

(In Thousands of New Taiwan Dollars)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net (loss) income	\$ 1,135,451	(\$ 675,045)
Adjustments to reconcile consolidated net (loss) income with net cash provided by operating activities:		
Depreciation	3,586,651	3,176,962
Amortization	221,851	241,535
Gain on sale of investments	(260,861)	(197,808)
Net gain on sale of properties and nonoperating assets	(89,403)	(246,983)
Provision for pension cost	76,760	79,049
Provision for losses on investments	363,610	214,818
Equity in investees' net (income) loss - net	(537,812)	266,741
Provision for losses on properties	170,000	-
Cash dividends received on equity-accounted investments	41,141	27,409
Deferred income taxes	5,269	225,643
Other	(52,987)	(48,498)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(407,726)	274,387
Receivables from related parties	(124,877)	108,893
Shipping fuel	(187,115)	8,668
Prepaid expenses	94,907	46,486
Advances to shipping agents	(499,828)	(549,086)
Pledged time deposits	416,264	(422,072)
Other current assets	100,455	(350,285)
Increase (decrease) in:		
Accounts payable	32,071	(7,920)
Payables to related parties	(410,861)	(354,492)
Accrued expenses	744,159	(486,640)
Payables to shipping agents	(812,742)	1,584,154
Advances from customers	(71,003)	221,822
Other current liabilities	(285,111)	(144,993)
Net Cash Provided by Operating Activities	3,248,263	2,992,745
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in short-term investments	(4,407,989)	3,200
Acquisition of investments in shares of stock	(187,453)	(1,088,822)
Proceeds from disposal of investments in shares of stock	389,077	-
Acquisition of properties	(1,112,799)	(11,700,301)
Proceeds from sale of properties and nonoperating assets	182,480	1,002,264
Increase in prepaid expenses on long-term rent agreement	(137,315)	(211,615)
Increase in refundable deposits	(327,210)	(1,289,893)

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

	<u>2002</u>	<u>2001</u>
Increase in deferred charges	(\$ 270,849)	(\$ 246,171)
(Increase) decrease in restricted assets	(40,609)	3,751,751
(Increase) decrease in other assets	(22,041)	27,199
Net Cash Used in Investing Activities	<u>(5,934,708)</u>	<u>(9,752,388)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (principal repayments on) short-term debts	(92,080)	161,196
Proceeds from long-term debts	3,198,749	6,950,688
Repayment of principal long-term debts	(3,176,440)	(1,688,663)
Increase (decrease) in obligations under capital leases	207,308	(435,245)
Decrease in other liabilities	(3,897)	(3,329)
Payment of dividend and employees' bonus	-	(543,742)
Net Cash Provided by Financing Activities	<u>133,640</u>	<u>4,440,905</u>
 EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>39,323</u>	(190,264)
 NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(2,513,482)	(2,509,002)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	<u>4,612,466</u>	<u>7,121,468</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR		
	<u>\$ 2,098,984</u>	<u>\$ 4,612,466</u>
 SUPPLEMENTAL INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 1,056,431</u>	<u>\$ 1,124,817</u>
Income tax paid	<u>\$ 4,199</u>	<u>\$ 42,112</u>
Noncash investing and financing activities:		
Reclassification of investments in shares of stock into short-term investments	<u>\$ 122,753</u>	<u>\$ -</u>
Reclassification of nonoperating assets to assets leased to others	<u>\$ 187,934</u>	<u>\$ -</u>
Current portion of long-term debts	<u>\$ 1,318,952</u>	<u>\$ 3,516,720</u>
Reclassification of the Corporation's stock held by subsidiaries from investments into treasury stocks	<u>\$ 525,441</u>	<u>\$ -</u>
Cash paid for additions to properties:		
Cost of properties acquired	\$ 1,264,505	\$14,543,011
Increase in obligations under capital leases	(135,450)	(2,799,046)
Increase in current payable for equipment	(16,256)	(43,664)
	<u>\$ 1,112,799</u>	<u>\$11,700,301</u>

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

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

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

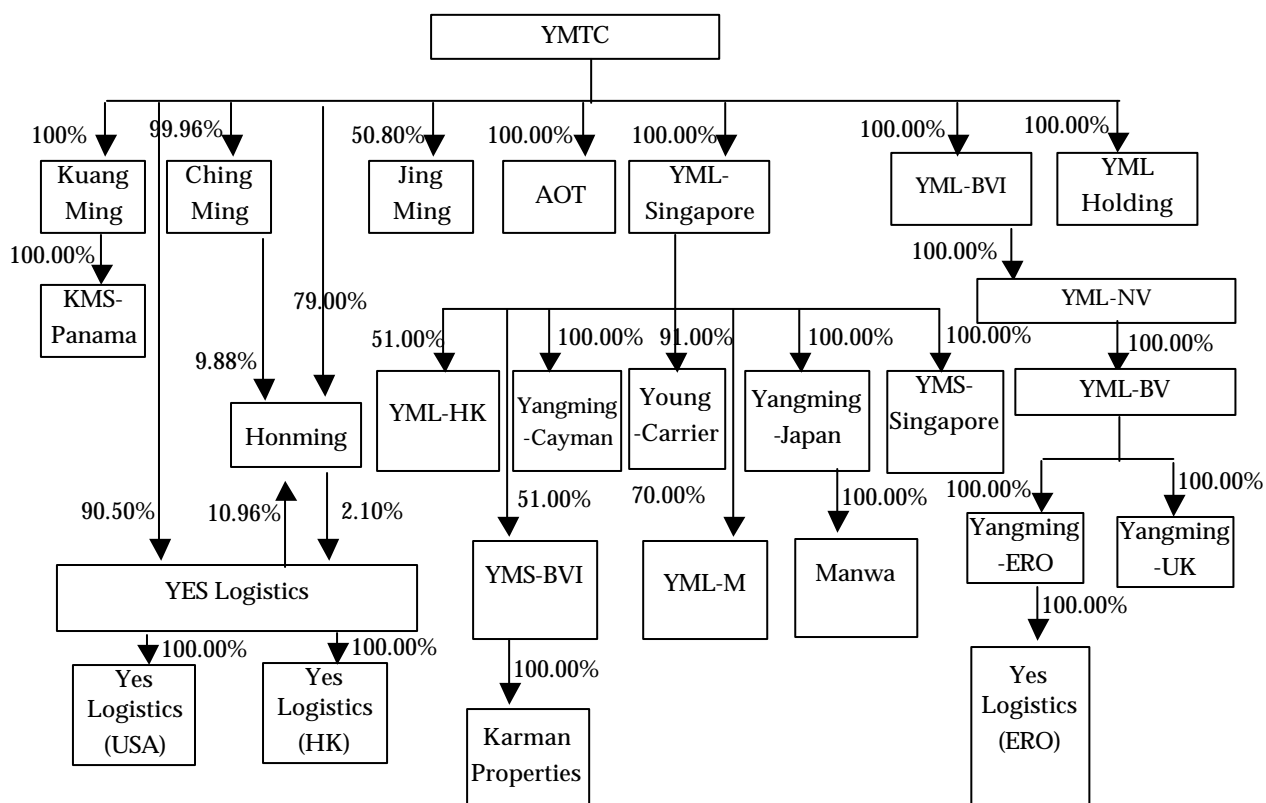
1. GENERAL

Yang Ming Marine Transport Corporation (YMTC) was majority-owned by the Ministry of Transportation and Communications (MOTC) until February 15, 1996 when MOTC reduced its holdings in YMTC. As of December 31, 2002, the MOTC owned 42.62% of the outstanding capital stock of YMTC. YMTC and All Oceans Transportation Inc. (AOT), Yangming (UK) Ltd. (Yangming-UK), Yang Ming Shipping Europe GmbH (Yangming-ERO) provide marine cargo transportation services; maintain, lease and sell old vessels, containers and chassis; and act as a shipping agent and manage ships owned by others.

The other wholly owned subsidiaries of YMTC, namely, Yang Ming Line (B.V.I.) Holding Co., Ltd. (YML - BVI), Yang Ming Line N.V. (YML - NV) and Yang Ming Line B.V. (YML - BV) are primarily investment holding companies.

YMTC and consolidated subsidiaries are hereinafter referred to as the “Group”.

The intercompany relationships and percentages of ownership as of December 31, 2002 are shown below:



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation

The consolidated financial statements include the accounts of YMTC and its direct and indirect subsidiaries with individual total assets or total operating revenues at least 10% of the total assets or total operating revenues of YMTC or their immediate parent company (referred to as "10% rule subsidiaries"). If subsidiaries do not meet the 10% requirement, their total assets and sales are added up. If the sum of either the total assets or total sales of subsidiaries is at least 30% of that of YMTC, these subsidiaries undergo a "3% check." That is, if the subsidiary's total assets or sales are at least 3% of those of YMTC or the immediate parent company, the subsidiary is included in the consolidation.

In the preparation of the consolidated financial statements, the financial statements of the foreign subsidiaries are translated from their respective functional currencies into New Taiwan dollars as follows:

- a. All assets and liabilities - at the exchange rate prevailing on the balance sheet dates;
- b. Share capital, retained earnings and/or accumulated deficit - at their historical rates of exchange; and
- c. All items in the statement of income - at the average rate of exchange for the year.

The resulting translation gains and losses are accounted for as cumulative translation adjustments.

All significant intercompany accounts and transactions have been eliminated from the consolidation.

The consolidated financial statements include the accounts of YMTC, AOT and the consolidated accounts of YML-BVI. The consolidated accounts of YML-BVI include the accounts of YML-NV, YML-BV, Yangming-UK and Yangming-ERO.

The total assets and operating revenues of Ching Ming, Kuang Ming, KMS-Panama, YES Logistics, Yes Logistics (USA), Yes Logistics (HK), Honming, Jing Ming, YML-Singapore, YML-HK, YMS-BVI, Yangming-Cayman, Young-Carrier, YML-M, Yangming-Japan, Manwa, YMS-Singapore, Karman Properties, YML Holding and Yes Logistics (ERO), were each less than 10% of those of YMTC or their immediate parent companies. Also, the sum of either the total assets or operating revenues of the foregoing companies was also less than 30% of those of YMTC or their immediate parent companies. Thus, the accounts of these subsidiaries were excluded from the consolidated financial statements.

Cash equivalents

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

Short-term investments

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

Costs of investments sold are determined using the first-in, first-out method.

Allowance for doubtful receivables

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

Shipping fuel

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

Investments in shares of stock and deferred income

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

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

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

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

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

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

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

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

Properties and assets leased to others

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

Depreciation is computed using the straight-line method over service lives initially estimated as follows (plus one year to represent estimated salvage value): buildings, 36 to 55 years; containers and chassis, 6 to 8 years; ships, 3 to 20 years; leased assets, 5 to 20 years; leasehold improvements, 2 to 10 years; and miscellaneous equipment, 3 to 10 years. Properties still being used by the Group beyond their initially estimated service lives are depreciated over newly estimated service lives.

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

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

Nonoperating assets

Nonoperating assets are stated at net realizable value.

Deferred charges

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

Pension

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

Pension cost of Yangming-UK consisted of actual contributions. The other consolidated subsidiaries do not have a pension plan.

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 Group is deferred and amortized over the term of the lease or their estimated service life, whichever is shorter.

Revenue recognition

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

Income tax

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

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

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

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

Foreign-currency transactions

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

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

Foreign-currency options

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

Cross-currency swap contracts

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

Forward exchange contracts

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

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

Reclassifications

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

3. CHANGE IN ACCOUNTING PRINCIPLE

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

4. ELIMINATED MATERIAL INTERCOMPANY TRANSACTIONS

<u>Company</u>	<u>Eliminated Account</u>	<u>Amount</u>	<u>Parties</u>
<u>For the year ended December 31, 2002</u>			
YMTC	Long-term receivables from related parties	\$9,720,111	AOT
	Operating costs	1,566,785	AOT
	Receivables from related parties	1,268,328	AOT
	Interest income	415,396	AOT
	Prepaid expenses	5,174	AOT
	Unrealized gain on sale and leaseback	627	AOT
	Payables to related parties	43,514	AOT
	Receivables from related parties	208,500	YML - BVI
	Operating costs	41,650	YML - BVI
	Operating revenues	1,545,936	Yangming - UK
	Operating costs	171,968	Yangming - UK
	Receivables from related parties	139,321	Yangming - UK
	Payables to related parties	1,218,325	Yangming - UK
	Operating costs	130,332	Yangming - ERO
	Receivables from related parties	55,432	Yangming - ERO
	Payables to related parties	29,714	Yangming - ERO
AOT	Payable for equipment	9,720,111	YMTC
	Operating revenues	1,567,308	YMTC
	Payable to related parties	1,268,328	YMTC
	Interest expenses	415,396	YMTC
	Advance from customers	5,174	YMTC
	Accumulated depreciation	1,642	YMTC
	Operating costs	523	YMTC
	Properties - ships	2,269	YMTC
	Receivables from related parties	43,514	YMTC
	Operating revenues	471,035	YMTC
YML - BVI	Payables to related parties	208,500	YMTC
	Operating revenues	41,650	YMTC
	Receivables from related parties	4,711	YML - BV
	Receivables from related parties	985	YML - NV
	Receivables from related parties	334,747	Yangming - UK
	Operating revenues	719,229	Yangming - UK
YML - NV	Payables to related parties	985	YML - BVI
	Receivables from related parties	5,824	YML - BV
YML - BV	Payables to related parties	4,711	YML - BVI
	Payables to related parties	5,824	YML - NV
Yangming - UK	Operating costs	1,545,936	YMTC
	Operating revenues	171,968	YMTC
	Payables to related parties	139,321	YMTC
	Receivables from related parties	1,218,325	YMTC
	Operating costs	719,229	YML-BVI
	Receivables from related parties	334,747	YML-BVI
	Operating costs	471,035	AOT
Yangming - ERO	Operating revenues	130,332	YMTC
	Payables to related parties	55,432	YMTC
	Receivables from related parties	29,714	YMTC

5. CASH AND CASH EQUIVALENTS

	December 31	
	2002	2001
Cash		
Petty cash and cash on hand	\$ 4,005	\$ 2,131
Checking deposits	103,906	102,789
Demand deposits	722,737	739,729
Time deposits - interest - 1.20% to 4.40% in 2002 and 1.76% to 3.95% in 2001	<u>1,268,336</u>	<u>1,967,817</u>
	2,098,984	2,812,466
Cash equivalents		
Bonds purchased under agreements to resell - 1.80% to 1.95% yield	-	<u>1,800,000</u>
	<u>\$2,098,984</u>	<u>\$4,612,466</u>

6. SHORT-TERM INVESTMENTS

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

7. INVESTMENTS IN SHARES OF STOCK

	December 31			
	2002		2001	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Equity method				
Yang Ming Line (Singapore) Pte. Ltd.	\$1,359,232	100.00	\$1,049,606	100.00
Chunghwa Investment Co., Ltd.	801,541	40.00	-	-
YES Logistics Corp.	427,186	90.50	427,460	90.50
Honming Terminal & Stevedoring Co., Ltd.	352,051	79.00	366,273	79.00
Kuang Ming Shipping Corp.	283,897	100.00	285,250	82.05
Yang Ming Line Holding Co.	106,181	100.00	43,233	100.00
Transyang Shipping Pte. Ltd.	76,468	24.99	65,943	24.99
Jing Ming Transport Co., Ltd.	61,018	50.80	56,087	50.80
Yang Ming (Italy) S.p.A	4,319	50.00	-	-
Yes Logistics (ERO)	913	100.00	-	-
CORSTOR	26	50.00	25	50.00
Ching Ming Investment Corp.	-	99.96	384,215	99.96
China Mariners' Assurance Corp.	-	-	<u>221,045</u>	22.71
	<u>3,472,832</u>		<u>2,899,137</u>	

(Forward)

	December 31			
	2002		2001	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Cost method				
Listed common stock				
Waterland Financial Holdings Co., Ltd.	\$ 70,000	0.43	\$ -	-
Hotung Investment Holdings Ltd.	40,268	0.70	40,268	0.70
Senao International Co., Ltd.	-	-	96,000	1.83
Data Corp.	-	-	430	0.01
	<u>110,268</u>		<u>136,698</u>	
Less - allowance for decline in value	(21,293)		-	
	<u>88,975</u>		<u>136,698</u>	
Unlisted common stock				
United Venture Capital Corp.	80,000	9.04	80,000	9.04
Ritek Photonics Corp.	45,000	2.00	45,000	2.00
SF Technology Venture Capital Investment Corp.	40,000	7.24	40,000	7.24
Taiwan Nano Electro-optical Technology Co., Ltd.	37,590	4.53	61,953	9.09
China Technology Venture Capital Corp.	30,000	8.96	-	-
Kingmax Technology Corp.	24,000	1.40	24,000	1.40
Ascentek Venture Capital Corp.	20,080	2.14	20,080	2.14
Forwin Securities Corp.	20,000	2.00	20,000	2.00
Imaging Quality Technology Inc.	3,500	2.14	4,000	3.09
Grand Orient Security Corp.	-	-	70,000	6.51
U-Tech Media Corp.	-	-	46,125	1.20
Yes Mobile Taiwan Inc.	-	1.00	6,000	1.00
	<u>300,170</u>		<u>417,158</u>	
Unlisted preferred stock				
New Century Infocomm Co., Ltd.	864,000	1.68	864,000	1.68
Penguin Computing Inc.	7,698	0.93	15,395	0.93
Arescom Inc.	7,698	0.24	15,395	0.24
	<u>879,396</u>		<u>894,790</u>	
	<u>1,268,541</u>		<u>1,448,646</u>	
Deposit on subscriptions				
Taipei Port Container Terminal Co., Ltd.	6,614		5,984	
Chunghwa Investment Co., Ltd.	-		800,000	
	<u>6,614</u>		<u>805,984</u>	
	<u>\$4,747,987</u>		<u>\$5,153,767</u>	

The YMTC'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 interest of YMTC as of the latest balance sheet date presented since the financial statements covering the same year as that of YMTC were not timely available.

The carrying values of the investments in shares of stock accounted for using the equity method are based on audited financial statements except CORSTOR, Yes Logistics (ERO), and Yang Ming (Italy) S.p.A. Management believes that the possible adjustments on the financial statements of these investments are not significant.

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

Information on cost method investments is as follows:

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

8. PROPERTIES

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Accumulated depreciation		
Buildings	\$ 59,458	\$ 47,093
Containers and chassis	5,586,642	5,445,847
Ships	12,336,771	12,113,556
Leased assets	1,279,874	764,402
Leasehold improvements	53,256	29,914
Miscellaneous equipment	<u>579,306</u>	<u>483,062</u>
	<u>\$19,895,307</u>	<u>\$18,883,874</u>

YMTC leases containers and chassis under agreements that qualify as capital leases. Lease terms are from five years to nine years for containers and seven years for chassis. The annual rent payable on leased containers under the agreements is US\$8,794 thousand. At the end of the lease terms, YMTC has an option to buy all leased containers at bargain purchase prices of US\$1. The annual rent payable on leased chassis is based on contract terms, and, at the end of the lease terms, the ownership of all the leased chassis will be transferred to YMTC at no additional cost. YML-BVI leases three ships under 25-year capital lease agreements. As of December 31, 2002 and 2001, the details of these leases were as follows:

	<u>December 31</u>			
	<u>2002</u>		<u>2001</u>	
	U.S. Dollars (Thousand)	New Taiwan Dollars (Thousand)	U.S. Dollars (Thousand)	New Taiwan Dollars (Thousand)
Total obligations under capital leases (undiscounted)	\$ 436,270	\$ 15,160,380	\$ 415,751	\$ 14,551,284
Less - unamortized interest expense	<u>(212,104)</u>	<u>(7,370,633)</u>	<u>(202,980)</u>	<u>(7,104,295)</u>
	<u>\$224,166</u>	<u>\$ 7,789,747</u>	<u>\$212,771</u>	<u>\$ 7,446,989</u>

Depreciation expenses for the years ended December 31, 2002 and 2001 aggregated to \$3,579,374 and \$3,169,627, respectively. Costs of properties included capitalized interest of \$12,296 for the years ended 2001. The annual interest rates for capitalization were 6.02%.

The insurance for properties, assets leased to others and nonoperating assets as of December 31, 2002 amounts to \$36,700,000.

9. ASSETS LEASED TO OTHERS - NET

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

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

10. NONOPERATING ASSETS - NET

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

11. RESTRICTED ASSETS

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

12. SHORT-TERM DEBTS

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Bank debts: Due in January 2003, 1.6% to 9.7% interest.	\$ 107,606	\$ -
Commercial paper issued. This is due in February 2002 and was issued at 3.13% discount.	-	199,400
Bank overdraft - interest - 6.94% in 2002 and 4.75% to 6.68% in 2001.	<u>2,597</u>	<u>2,883</u>
	<u>\$ 110,203</u>	<u>\$ 202,283</u>

As of December 31, 2002, YMTC has unused credit lines aggregating \$4,199,125.

13. LONG-TERM DEBTS	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<u>December 31, 2002</u>			
Secured bank loans	\$ 616,969	\$ 5,423,745	\$ 6,040,714
Unsecured bank loans	382,250	1,181,500	1,563,750
Domestic bonds:			
Unsecured	-	6,500,000	6,500,000
Secured	-	3,700,000	3,700,000
Unsecured convertible bond - domestic	-	917,200	917,200
Obligations under capital leases (Note 8)	<u>319,733</u>	<u>7,470,014</u>	<u>7,789,747</u>
	<u>\$ 1,318,952</u>	<u>\$25,192,459</u>	<u>\$26,511,411</u>
<u>December 31, 2001</u>			
Secured bank loans	\$ 832,983	\$ 6,084,172	\$ 6,917,155
Unsecured bank loans	-	1,365,000	1,365,000
Domestic bonds:			
Unsecured	-	6,500,000	6,500,000
Secured	2,300,000	700,000	3,000,000
Unsecured convertible bonds - domestic	-	917,200	917,200
Obligations under capital leases (Note 8)	<u>383,737</u>	<u>7,063,252</u>	<u>7,446,989</u>
	<u>\$ 3,516,720</u>	<u>\$22,629,624</u>	<u>\$26,146,344</u>

Secured bank loans

Bank loans are payable at varying amounts until March 2009, and bear interest at an annual rate ranging from 2.10125% to 2.63% in 2002 and from 2.58% to 3.10% in 2001.

AOT repaid \$700,213 of a secured bank loan on January 27, 2003 through the proceeds from another loan. The second loan is repayable semiannually until July 2008. Its interest rate was 1.725% as of March 31, 2003.

Unsecured bank loans

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

Domestic unsecured bonds

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

Other bond features and terms were as follows:

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

Domestic secured bonds

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

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

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

Domestic unsecured convertible bonds

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

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

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

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

14. RESERVE FOR LAND VALUE INCREMENT TAX

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

15. UNREALIZED GAIN ON SALE AND LEASEBACK

	December 31	
	<u>2002</u>	<u>2001</u>
Chassis	\$ 46,776	\$ 54,556
Vessel Ming North	10,918	12,068
Containers	9,316	36,252
Vessel Ming Zenith	<u>-</u>	<u>21,014</u>
	<u>\$ 67,010</u>	<u>\$ 123,890</u>

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

16. STOCKHOLDERS' EQUITY

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

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

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

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

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

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

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

Under the Company Law, legal reserve should be appropriated until the accumulated reserve equals the aggregate par value of YMTC's outstanding capital stock. This reserve can only be used to offset a deficit. When the reserve reaches 50% of the aggregate par value of YMTC's outstanding capital stock, up to 50% thereof can be capitalized.

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

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

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

17. TREASURY STOCKS

<u>Reasons of Repurchase</u>	<u>Outstanding Shares (Thousand)</u>			<u>Ending of the Year</u>
	<u>Beginning of the Year</u>	<u>Increase</u>	<u>Decrease</u>	
<u>For the year ended December 31, 2002</u>				
Stocks of YMTC held by subsidiaries	<u>68,981</u>	<u>187</u>	<u>1,549</u>	<u>67,619</u>

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

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

18. INCOME TAX

a. Components of income tax expense:

	<u>Year Ended December 31</u>	
	<u>2002</u>	<u>2001</u>
Income tax benefit - current	(\$ 502)	(\$ 6,123)
Income tax expense - deferred	5,269	225,643
Income tax (10%) on undistributed earnings	9,300	-
Adjustments of prior years' taxes	(5,630)	-
	<u>\$ 8,437</u>	<u>\$ 219,520</u>

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

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Current [included in other current assets (liabilities)]		
Loss carryforwards	\$ 189,292	\$ 39,470
Investment tax credits	10,169	3,668
Unrealized foreign exchange gain	(22,665)	(47,822)
Other	6,819	7,747
Valuation allowance on deferred income tax assets	(100,741)	(43,138)
	<u>\$ 82,874</u>	<u>(\$ 40,075)</u>
Noncurrent (included in other liabilities):		
Cumulative equity in investees' net income	(\$ 412,575)	(\$ 310,546)
Differences in estimated service lives of containers	(253,943)	(198,411)
Deferred pension cost	75,644	56,713
Provision for losses on properties	42,500	-
Investment tax credits	7,987	27,293
Loss carryforwards	-	261,384
Valuation allowance on deferred income tax assets	-	(248,602)
	<u>(\$ 540,387)</u>	<u>(\$ 412,169)</u>

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

c. Integrated income tax system information:

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Balance of ICA	<u>\$ 27,982</u>	<u>\$ 14,909</u>

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

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

- d. As of December 31, 2002 and 2001, the total of the balances of special reserve and unappropriated retained earnings that generated before June 30, 1998 aggregated to \$1,141,939.
- e. Unused investment tax credits as of December 31, 2002:

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

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

Income tax returns of YMTC through 1999 have been examined and cleared by the tax authorities, while that of subsidiaries (Yangming - UK and Yangming - ERO) have been examined by their respective local tax authorities through the year ended December 31, 2000.

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

19. CONSOLIDATED EARNINGS PER SHARE

The consolidated earnings per share are calculated as follows:

	<u>Amount (Numerator)</u>			<u>Consolidated Net Income (Loss) Per Share (Dollars)</u>	
	<u>Income (Loss) Before Income Tax</u>	<u>Consolidated Net Income (Loss)</u>	<u>Capital Stock (Denominator) (in Thousand Shares)</u>	<u>Income (Loss) Before Income Tax</u>	<u>Consolidated Net Income (Loss)</u>
<u>For the year ended December 31, 2002</u>					
Consolidated primary earnings per share	\$1,143,888	\$1,135,451	1,765,928	<u>\$ 0.65</u>	<u>\$ 0.64</u>
The impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>41,274</u>	<u>30,956</u>	<u>58,570</u>		
Consolidated diluted earnings per share	<u>\$1,185,162</u>	<u>\$1,166,407</u>	<u>1,824,498</u>	<u>\$ 0.65</u>	<u>\$ 0.64</u>
<u>For the year ended December 31, 2001</u>					
Consolidated primary losses per share	(\$ 455,525)	(\$ 675,045)	1,834,316	<u>(\$ 0.25)</u>	<u>(\$ 0.37)</u>
The impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>-</u>	<u>-</u>	<u>-</u>		
Consolidated diluted losses per share	<u>(\$ 455,525)</u>	<u>(\$ 675,045)</u>	<u>1,834,316</u>	<u>(\$ 0.25)</u>	<u>(\$ 0.37)</u>

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

	<u>Amount (Numerator)</u>			<u>Consolidated Earnings Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Consolidated Net Income</u>	<u>Capital Stock (Denominator) (in Thousand Shares)</u>	<u>Income Before Tax</u>	<u>Consolidated Net Income</u>
<u>For the year ended December 31, 2002</u>					
Pro forma primary earnings per share	\$1,310,234	\$1,301,797	1,834,316	<u>\$ 0.71</u>	<u>\$ 0.71</u>
The impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>41,274</u>	<u>30,956</u>	<u>58,570</u>		
Pro forma diluted earnings per share	<u>\$1,351,508</u>	<u>\$1,332,753</u>	<u>1,892,886</u>	<u>\$ 0.71</u>	<u>\$ 0.70</u>

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

20. PENSION PLAN

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

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

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

Certain information on pension is as follows:

	<u>Year Ended December 31</u>	
	<u>2002</u>	<u>2001</u>
a. Components of net pension costs:		
Service cost	\$ 99,905	\$ 105,216
Interest cost	23,691	25,097
Expected return on plan assets	(4,799)	(4,767)
Amortization of net transition assets	(14,171)	(14,171)
Amortization of prior service cost	436	436
Amortization of net loss	<u>968</u>	<u>3,330</u>
	<u>\$ 106,030</u>	<u>\$ 115,141</u>
	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
b. Reconciliation of funded status of the pension plan to accrued pension cost at end of year		
Benefit obligation:		
Vested benefit obligation	\$ 106,319	\$ 130,366
Non-vested benefit obligation	<u>360,039</u>	<u>210,935</u>
Accumulated benefit obligation	466,358	341,301
Additional benefits based on future salaries	<u>129,019</u>	<u>138,767</u>
Projected benefit obligation	595,377	480,068
Fair value of plan assets	(<u>105,321</u>)	(<u>88,976</u>)
Funded status	490,056	391,092
Unrecognized net transition assets	24,078	38,249
Unrecognized prior service cost	(5,671)	(6,107)
Unrecognized net loss	19,932	28,401
Additional liability	<u>7,687</u>	<u>-</u>
Accrued pension cost (included in other liabilities)	<u>\$ 536,082</u>	<u>\$ 451,635</u>
c. Vested benefits	<u>\$ 204,448</u>	<u>\$ 165,195</u>
	<u>Year Ended December 31</u>	
	<u>2002</u>	<u>2001</u>
d. Assumptions used		
Discount rate	4.00%	5.00%
Rate of increase in compensation	2.25%	3.25%
Expected rate of return on plan assets	4.00%	5.00%
e. Changes in pension fund		
Contributions	<u>\$ 15,196</u>	<u>\$ 14,201</u>
Payment of benefits	<u>\$ 14,074</u>	<u>\$ 21,891</u>

Yangming-UK has a defined contribution pension plan covering certain employees. The pension costs of \$2,503 in 2002 and \$2,285 in 2001 represent the amounts contributed.

21. RELATED PARTY TRANSACTIONS

In addition to those disclosed in Note 23, the Corporation and subsidiaries had significant transactions with related parties for the years ended December 31, 2002 and 2001. The summary of these transactions as well as the names of the related parties and nature of relationship with the Corporation and subsidiaries are summarized in Schedules A and B.

The transactions with related parties were conducted under contract terms.

22. ASSETS PLEDGED OR MORTGAGED

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

	December 31	
	<u>2002</u>	<u>2001</u>
Pledged time deposits	\$ 18,645	\$ 434,909
Properties - net	12,456,682	14,167,966
Nonoperating assets - net	<u>89,230</u>	<u>89,230</u>
	<u>\$12,564,557</u>	<u>\$14,692,105</u>

23. COMMITMENTS AND CONTINGENT LIABILITIES

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

- Obligations to provide crews to four ships of Chinese Petroleum Corporation under contracts expiring on various dates by August 2003. The daily compensation under the contracts is \$578.
- Operating lease of office premises, ships and container yard under agreements expiring on various dates until December 2010. The total rents for the year ended December 31, 2002 were \$2,098,691, and future minimum rentals are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$1,221,951
2004	461,136
2005	377,329
2006	82,973
2007	9,741

Rentals after 2007 amount to \$11,930, with present value of about \$10,476, based on 1.875% annual interest rate.

- c. Leases of ships, containers and chassis under capital lease agreements expiring on various until March 2026. Total rent for the year ended December 31, 2002 were about \$756,324 (deducted from leases payable), and future minimum rentals are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$ 747,456
2004	714,551
2005	698,650
2006	948,215
2007	442,505

Rentals after 2007 amount to \$11,592,948, with present value of about \$8,644,789, based on 1.875% annual interest rate.

- d. Guarantee on loans obtained by YML-BVI, AOT and Solar International Shipping Agency, Inc. amounting to US\$100,196,000, US\$89,302,000 and US\$1,500,000, respectively.
- e. YMTC and YML-Holding guaranteed a loan of US\$4,015,000 obtained by West Basin Container Terminal LLC.
- f. As of December 31, 2002, 43 former shipping crew members who retired after the YMTC's privatization sued YMTC and claimed \$102,749 as additional severance benefit. The computation of this amount was based on the Labor Standards Law instead of the Rules of Privatization for the Government-Owned Corporations. The Taipei District Court had decided in favor of YMTC. Nevertheless, those plaintiffs appealed to a higher court. No liability was accrued since management believed the appeal would not prosper.
- g. On December 23, 1998, YML-BVI entered into an agreement with Hill Samuel Finance Ltd. for capital lease of three 5,500 TEU of container ships constructed by Korea's Hyundai Heavy Industries Co. Ltd for twenty-five year. The contract is guaranteed by the stand by L/C issued by Halifax plc and Canadian Imperial Bank of Commerce (CIBC). YML-BVI provided same amount of deposit to Halifax plc and CIBC as collateral (included in refundable deposits).
- h. AOT entered into an agreement with Bel Tramp Shipping S.A. to purchase the ship Ming Equality for US\$13,459,000. As of December 31, 2002, future obligation on the contract was US\$12,113,000, and the ship was delivered on February 2003.
- i. AOT entered into a construction contract with Imabari Shipbuilding Co., Ltd. to build Ming Virtue for US\$21,150,000. As of December 31, 2002, future obligation on the contract was \$14,805,000. The ship was delivered to AOT in March 2003.

24. SUBSEQUENT EVENTS

- a. On December 26, 2002, the board of directors of YMTC approved to sell the ship Ming Courage. Under a contract made on February 12, 2003, Eddie Steamship Company agreed to buy the ship for US\$4,375,000. The ship will be delivered in March 2003, and an expected loss of \$170,000 on this sale was accrued in 2002.

- b. On January 24, 2003, AOT entered into a contract to build a 5,500-TEU container ship for a total contract price of US\$51,000,000. AOT paid US\$5,100,000 in January 2003.

25. FINANCIAL INSTRUMENTS

Following are the additional disclosure required by the SFC for YMTC and investees as well as investment in Mainland China.

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

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

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

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

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

- 2) Market risk

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

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

The exchange rate swap contracts are settled by net amount and the expected cash demand is not material. Management believes that YMTC has enough operating capital to meet its cash demand.

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

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

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

	December 31			
	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative instruments</u>				
<u>Assets</u>				
Short-term financial instruments				
Cash and cash equivalents	\$ 2,098,984	\$ 2,098,984	\$ 4,612,466	\$ 4,612,466
Short-term investments	6,130,776	6,130,776	1,785,007	1,785,007
Accounts receivable	1,816,983	1,816,983	1,411,155	1,411,155
Receivables from related parties	557,393	557,393	349,116	349,116
Advances to shipping agents	1,469,405	1,469,405	969,577	969,577
Pledged time deposits	18,645	18,645	434,909	434,909
Investment in shares of stock	4,748,231	4,748,231	5,153,767	5,153,767
Refundable deposits	6,781,669	6,781,669	6,454,459	6,454,459
<u>Liabilities</u>				
Short-term financial instruments				
Short-term debts	110,203	110,203	202,283	202,283
Accounts payable	76,835	76,835	44,764	44,764
Payables to related parties	501,570	501,570	912,431	912,431
Accrued expenses	1,727,834	1,727,834	983,675	983,675
Payables to shipping agents	3,034,880	3,034,880	3,847,622	3,847,622
Bank loans	7,604,464	7,604,464	8,282,155	8,282,155
Bonds	11,117,200	12,202,237	10,417,200	11,218,098
Obligations under capital leases	7,789,747	7,789,747	7,446,989	7,446,989
<u>Derivatives</u>				
Exchange rate swap contracts	-	-	742	742

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

- 1) Except for short-term investments, the carrying values of short-term financial instruments approximate fair values because of the short maturity of these instruments.
- 2) Fair values of short-term investments and investments in shares of stock are based on market prices or, if market prices are unavailable, upon the costs of investments.

- 3) Fair values of bank loans, bonds, and obligations under capital leases are based on market prices or, if market prices are unavailable, based on the present values of the expected cash inflows or outflows. Discount rate used in determining the present values is based on rate of bank loans that the Corporation can obtain under similar conditions.
- 4) Refundable deposits and guarantee deposits received - present values of future payments or receipts.
- 5) Fair values of derivatives for the remaining contract periods are calculated at quoted forward exchange rates, obtained from Reuter's New Agency or Associated Press.

26. ADDITIONAL DISCLOSURE

Except those mentioned in Note 5 and schedule C to H, there are no additional disclosures required by the SFC for YMTC, investees and investment in Mainland China.

27. SEGMENT AND GEOGRAPHIC INFORMATION

- a. The Corporation and subsidiaries operate in a single business, namely, ocean freight transportation.
- b. Geographic area information is summarized in the accompanying Schedule I.
- c. Cargo transportation revenues

<u>Line Service</u>	<u>Year Ended December 31</u>			
	<u>2002</u>		<u>2001</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
U.S. Western coast line	\$ 14,691,585	28	\$ 14,610,081	27
European line	10,478,302	20	10,354,023	19
Asia line	8,038,722	15	5,801,944	11
U.S. Eastern coast line	8,001,130	15	7,974,466	15

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

Related Party	Nature of Relationship (See Notes Below)	Operating Revenues				Operating Costs						Operating Expenses - Insurance			
		Rental of Containers		Ship Management		Haulage		Tally		Commission		Insurance		Amount	%
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%		
2002															
Kuang Ming Shipping Corp.	A	\$ 10,946	69	\$ 16,565	7	\$ 29,025	-	\$ -	-	\$ 82,127	3	\$ -	-	\$ -	-
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	326,010	2	-	-	-	-	-	-	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	431,757	3	-	-	-	-	-	-	-	-
China Mariners' Assurance Corp.	C	-	-	-	-	-	-	-	-	-	-	47,927	19	1,292	4
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	98,542	3	-	-	-	-
Young-Carrier Company Ltd.	B	-	-	-	-	-	-	-	-	411,925	14	-	-	-	-
Yangming (Cayman) Ltd.	B	-	-	-	-	178,896	D 1	-	-	-	-	-	-	-	-
Yang Ming Line (Hong Kong) Limited.	B	-	-	-	-	-	-	-	-	330,814	11	-	-	-	-
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	55,558	2	-	-	-	-
Kuang Ming Shipping (Panama)	B	-	-	-	-	18,933	E	-	-	-	-	-	-	-	-
Yang Ming (M) Sdn. Bhd.	B	80	1	-	-	-	-	-	-	23,042	1	-	-	-	-
		<u>\$ 11,026</u>	<u>70</u>	<u>\$ 16,565</u>	<u>7</u>	<u>\$ 984,621</u>	<u>6</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 1,002,008</u>	<u>33</u>	<u>\$ 47,927</u>	<u>19</u>	<u>\$ 1,292</u>	<u>4</u>
2001															
Kuang Ming Shipping Corp.	A	\$ 24,111	70	\$ 26,289	11	\$ -	-	\$ -	-	\$ 141,877	5	\$ -	-	\$ -	-
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	264,776	2	380,980	13	-	-	-	-	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	283,436	2	-	-	-	-	-	-	-	-
China Mariners' Assurance Corp.	C	-	-	-	-	-	-	-	-	-	-	51,262	24	2,837	9
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	126,806	4	-	-	-	-
Young-Carrier Company Ltd.	B	-	-	-	-	-	-	-	-	309,861	10	-	-	-	-
Yangming (Cayman) Ltd.	B	-	-	-	-	170,331	2	-	-	-	-	-	-	-	-
Yang Ming Line (Hong Kong) Limited	B	-	-	-	-	-	-	-	-	289,079	10	-	-	-	-
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	73,927	2	-	-	-	-
Kuang Ming Shipping (Panama)	B	-	-	-	-	18,495	-	-	-	-	-	-	-	-	-
Yang Ming (M) Sdn. Bhd.	B	-	-	-	-	-	-	-	-	26,188	1	-	-	-	-
		<u>\$ 24,111</u>	<u>70</u>	<u>\$ 26,289</u>	<u>11</u>	<u>\$ 737,038</u>	<u>6</u>	<u>\$ 380,980</u>	<u>13</u>	<u>\$ 967,738</u>	<u>32</u>	<u>\$ 51,262</u>	<u>24</u>	<u>\$ 2,837</u>	<u>9</u>

- Notes: A. An equity-accounted investee of YMTC.
B. An equity-accounted investee of a wholly-owned subsidiary of YMTC.
C. An equity-accounted investee of YMTC in 2001, whereas YMTC sold the shares out in 2002.
D. Lease of one ship from Yang Ming (Cayman) Ltd. under an agreement that expires on December 31, 2002. The rent payment is payable every three months.
E. Lease of one ship from Kuang Ming Shipping (Panama) under on agreement that expires on December 31, 2005. The rent is payable semi-monthly.

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

Related Party	Nature of Relationship (See Notes Below)	Receivables from Related Parties						Payables to Related Parties						Advances from Customers			
		Accounts Receivables		Other Receivables		Total		Prepaid Expense		Accrued Expense		Payable to Shipping Agents				Total	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			Amount	%
2002																	
Honming Terminal & Stevedoring Co., Ltd	A	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 11,940	2	\$ -	-	\$ 11,940	2	\$ -	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	44,131	9	-	-	44,131	9	-	-
China Mariners' Assurance Corp.	C	-	-	-	-	-	-	-	-	15,822	3	-	-	15,822	3	-	-
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	134,753	27	134,753	27	8,332	1
Yang Ming Line Holding Co.	A	-	-	73,239	13	73,239	13	-	-	-	-	-	-	-	-	-	-
Young-Carrier Company Ltd.	B	355,101	64	-	-	355,101	64	-	-	-	-	119,026	24	119,026	24	-	-
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	6,169	2	-	-	-	-	-	-	-	-
Yang Ming Line (Hong Kong) Limited.	B	-	-	-	-	-	-	-	-	-	-	127,838	25	127,838	25	96,058	13
Yangming Shipping (Singapore) Pte. Ltd.	B	9,344	1	-	-	9,344	1	-	-	-	-	10,461	2	10,461	2	11,884	2
Yang MingLine (M) Sdn. Bhd	B	25,761	5	-	-	25,761	5	-	-	-	-	37,599	8	37,599	8	632	-
Yang Ming Line (Singapore) Pte. Ltd.	A	-	-	83,400	D 15	83,400	15	-	-	-	-	-	-	-	-	-	-
Yes Logistics Corp.	A, B and G	5,934	1	3,636	1	9,570	2	-	-	-	-	-	-	-	-	-	-
Others	A	-	-	978	-	978	-	-	-	-	-	-	-	-	-	-	-
		<u>\$ 396,140</u>	<u>71</u>	<u>\$ 161,253</u>	<u>29</u>	<u>\$ 557,393</u>	<u>100</u>	<u>\$ 6,169</u>	<u>2</u>	<u>\$ 71,893</u>	<u>14</u>	<u>\$ 429,677</u>	<u>86</u>	<u>\$ 501,570</u>	<u>100</u>	<u>\$ 116,906</u>	<u>16</u>
2001																	
Kuang Ming Shipping Corp.	A	\$ -	-	\$ 7,932	2	\$ 7,932	2	\$ -	-	\$ -	-	\$ 90,471	10	\$ 90,471	10	\$ 122,225	15
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	6,359	2	10,230	1	-	-	10,230	1	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	35,430	4	-	-	35,430	4	-	-
Yangming (Japan) Co., Ltd.	B	97,861	28	-	-	97,861	28	-	-	-	-	398,108	44	398,108	44	32,849	4
Young-Carrier Company Ltd.	B	188,321	54	-	-	188,321	54	-	-	-	-	135,072	15	135,072	15	-	-
Yang Ming Line (Hong Kong) Limited.	B	13,490	4	-	-	13,490	4	-	-	-	-	126,815	14	126,815	14	64,080	7
Yangming Shipping (Singapore) Pte. Ltd.	B	16,851	5	-	-	16,851	5	-	-	-	-	76,721	8	76,721	8	11,138	1
Yang MingLine (M) Sdn. Bhd	B	20,266	6	-	-	20,266	6	-	-	-	-	39,428	4	39,428	4	993	-
Others	A, B and G	1,874	-	2,521	1	4,395	1	-	-	156	-	-	-	156	-	299	-
		<u>\$ 338,663</u>	<u>97</u>	<u>\$ 10,453</u>	<u>3</u>	<u>\$ 349,116</u>	<u>100</u>	<u>\$ 6,359</u>	<u>2</u>	<u>\$ 45,816</u>	<u>5</u>	<u>\$ 866,615</u>	<u>95</u>	<u>\$ 912,431</u>	<u>100</u>	<u>\$ 231,584</u>	<u>27</u>

- Notes: A. An equity-accounted investee of YMTC.
 B. An equity-accounted investee of a wholly-owned subsidiary of YMTC.
 C. An equity-accounted investee of YMTC in 2001, whereas YMTC sold the shares out in 2002.
 D. The dividends receivable.
 E. YMTC purchased the shares of China Mariners' Assurance Corp. and China Technology Venture Capital Corporation from Ching Ming Investment Co., Ltd. with purchase price of NT\$62,375 in May and September 2002. The shares of China Mariners' Assurance Corp. have been sold out in 2002.
 F. In October 2002, the Corporation sold the shares of Taiwan Nano Electro-optical Technology Co., Ltd. to Honming Terminal & Stevedoring Co., Ltd. with selling price of NT\$35,892. The gain on sale of investments has been included in other liabilities - deferred incomes.
 G. Balances of other related parties were less than 5% of the respective accounts.

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

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

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED

December 31, 2002

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

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

Notes:

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

December 31, 2002

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2002				Maximum Shares/Units for the Year	Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)		
Yang Ming Marine Transport Corp.	<u>Common stock</u>								
	Ritek Corporation	-	Short-term investment	9,842,625	\$ 731,463	0.47	\$ 158,082	\$ 9,842,625	
	Sunplus Technology Co., Ltd.	-	Short-term investment	1,625,000	134,665	0.23	113,527	1,625,000	
	United Microelectronics Corp.	-	Short-term investment	1,428,300	104,243	0.01	34,091	1,428,300	
	Senao International Co, Ltd.	-	Short-term investment	3,370,752	96,000	1.80	103,280	3,370,752	
	Chunghwa Picture Tubes, Ltd.	-	Short-term investment	2,954,129	75,768	0.06	36,643	2,954,129	
	Asustek Computer Inc.	-	Short-term investment	289,000	64,402	0.01	19,521	289,000	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investment	591,360	55,020	-	28,441	591,360	
	Elan Microelectronics Corp	-	Short-term investment	2,469,220	50,962	0.76	59,461	2,469,220	
	Macronix International Co., Ltd	-	Short-term investment	858,000	49,362	0.02	10,304	858,000	
	Compal Electronics, Inc.	-	Short-term investment	633,000	42,012	0.03	24,684	633,000	
	Dbtel Incorporated	-	Short-term investment	563,036	39,932	0.09	12,008	563,036	
	Twinhead International Corp.	-	Short-term investment	796,400	29,788	0.15	5,518	796,400	
	U-Tech Media Corp.	-	Short-term investment	1,000,000	26,753	0.66	45,209	1,609,500	
	Orient Semiconductor Electronics, Limited	-	Short-term investment	598,097	24,062	0.05	3,544	598,097	
	Polaris Securities Co., Ltd.	-	Short-term investment	455,768	23,620	0.04	5,999	455,768	
	Advanced Semiconductor Engineering, Inc.	-	Short-term investment	308,000	18,341	0.01	6,656	308,000	
	Inventec Corporation	-	Short-term investment	264,000	16,474	0.01	5,626	264,000	
	Winbond Electronics Corp	-	Short-term investment	240,000	15,970	0.01	3,797	240,000	
	Micro-Star International Co., Ltd.	-	Short-term investment	135,000	15,503	0.02	8,646	135,000	
	Yageo Corporation	-	Short-term investment	499,468	15,337	0.02	5,090	499,468	
	Gigastorage Corporation	-	Short-term investment	495,000	14,972	0.20	4,575	495,000	
	Delpha Construction Co., Ltd.	-	Short-term investment	376,310	14,523	0.09	802	376,310	
	Quanta Computer Inc.	-	Short-term investment	115,000	13,730	-	7,512	115,000	
	Ichia Technologies, Inc	-	Short-term investment	230,000	13,279	0.17	11,003	230,000	
	Universal Scientific Industrial Co., Ltd.	-	Short-term investment	166,600	12,517	0.02	1,792	166,600	
	Realtek Semiconductor Corp	-	Short-term investment	91,000	11,504	0.02	9,123	91,000	
	Prodisc Technology Inc.	-	Short-term investment	158,270	10,830	0.03	2,919	158,270	
	Accton Technology Corp.	-	Short-term investment	122,500	10,265	0.02	4,753	122,500	
	Mosel Vitelic Inc.	-	Short-term investment	200,000	10,164	0.01	1,102	200,000	
	Siliconware Precision Industries Co., Ltd.	-	Short-term investment	165,995	7,687	0.01	3,080	165,995	
	Aurora Corporation	-	Short-term investment	132,000	7,459	0.04	1,096	132,000	
	Ambit Microsystems Corp.	-	Short-term investment	50,800	6,369	0.02	5,924	50,800	
Hannstar Display Corp.	-	Short-term investment	100,000	3,135	-	1,107	213,800		
Huanan Commercial Bank	-	Short-term investment	62,383	2,529	-	1,493	62,383		
Taiwan Mask Corp.	-	Short-term investment	26,967	2,135	-	492	26,967		
Weltrend Semiconductor, Inc.	-	Short-term investment	34,730	1,924	0.02	1,143	34,730		
Cheng Loong Corp.	-	Short-term investment	80,112	1,479	0.01	729	80,112		
Chang Hwa Commercial Bank, Ltd	-	Short-term investment	61,200	1,252	-	1,032	61,200		
Silicon Integrated Systems Corp.	-	Short-term investment	3,427	234	-	85	3,427		
Taiwan Fu Hsing Industrial Co., Ltd.	-	Short-term investment	4,279	173	-	84	4,279		
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	67,505,031	2,789,686	100.00	2,789,686	67,505,031	Note H	
Yang Ming Line (Singapore) Pte. Ltd.	Investee accounted for using the equity method	Investment in shares of stock	28,400,000	1,359,232	100.00	1,359,232	28,400,000		

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2002				Maximum Shares/Units for the Year	Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)		
	Chunghwa Investment Co., Ltd	Investee accounted for using the equity method	Investment in shares of stock	80,000,000	\$ 801,541	40.00	\$ 801,541	\$ 80,000,000	
	Yes Logistics Corp.	Investee accounted for using the equity method	Investment in shares of stock	45,251,100	427,186	90.50	427,449	45,251,100	Note G
	Honming Terminal & Stevedoring Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	31,600,000	352,051	79.00	352,051	31,600,000	
	Kuang Ming Shipping Corp.	Investee accounted for using the equity method	Investment in shares of stock	31,498,417	283,897	100.00	307,614	31,498,417	Note G
	All Oceans Transportation, Inc.	Investee accounted for using the equity method	Investment in shares of stock	1,000	228,780	100.00	228,780	1,000	Note H
	Yang Ming Line Holding Co.	Investee accounted for using the equity method	Investment in shares of stock	7,500	106,181	100.00	106,181	7,500	
	Transyang Shipping Pte. Ltd.	Investee accounted for using the equity method	Investment in shares of stock	686	76,468	24.99	76,468	686	
	Jing Ming Transportation Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	4,899,539	61,018	50.80	62,083	4,899,539	Note G
	Ching Ming Investment Corp.	Investee accounted for using the equity method	Investment in shares of stock	149,946,800	(244,213)	99.96	479,175	149,946,800	Notes D and G
	United Venture Capital Corp.	-	Investment in shares of stock	8,000,000	80,000	9.04	68,011	8,000,000	
	Waterland Financial Holdings Co., Ltd.	-	Investment in shares of stock	9,086,561	70,000	0.43	58,335	9,086,561	
	Ritek Photonics Corp.	-	Investment in shares of stock	3,000,000	45,000	2.00	27,542	3,000,000	
	Hotung Investment Holding Ltd.	-	Investment in shares of stock	8,861,600	40,268	0.70	30,640	8,861,600	
	SF Technology Venture Capital Investment Corp.	-	Investment in shares of stock	4,000,000	40,000	7.24	39,138	4,000,000	
	Taiwan Nano Electro-Optical Technology Co., Ltd.	-	Investment in shares of stock	2,719,839	37,590	4.53	19,890	5,319,839	
	China Technology Venture Capital Corp.	-	Investment in shares of stock	3,000,000	30,000	8.96	29,389	3,000,000	
	Kingmax Technology Corp.	-	Investment in shares of stock	1,534,944	24,000	1.40	22,962	1,534,944	
	Ascentek Venture Capital Corp.	-	Investment in shares of stock	2,000,000	20,080	2.14	21,070	2,000,000	
	Forwin Securities Corp.	-	Investment in shares of stock	2,500,000	20,000	2.00	15,945	4,000,000	
	Imaging Quality Technology Inc.	-	Investment in shares of stock	350,000	3,500	2.14	1,660	1,000,000	
	<u>Preferred stock</u>								
	New Century Infocomm Co., Ltd.	-	Investment in shares of stock	80,000,000	864,000	1.68	759,134	80,000,000	
	Penguin Computing, Inc.	-	Investment in shares of stock	218,341	7,698	0.93	-	218,341	
	Arescom Inc.	-	Investment in shares of stock	100,000	7,698	0.24	1	100,000	
	<u>Mutual fund</u>								
	Entrust KIRIN Bond Fund	-	Short-term investment	99,847,017	1,035,563	-	1,037,011	99,847,017	
	Fuh-Hwa Bond Fund	-	Short-term investment	46,624,838	579,481	-	580,246	46,624,838	
	Rsit Enhanced Bond Fund	-	Short-term investment	52,784,584	544,420	-	544,584	52,784,584	
	Prudential Well Pool Fund	-	Short-term investment	41,307,080	488,000	-	488,155	41,307,080	
	Sun Bond Fund	-	Short-term investment	42,308,746	424,000	-	424,708	42,308,746	
	Tiim Bond Fund	-	Short-term investment	29,885,601	397,326	-	397,816	29,885,601	
	Solomon Bond Fund	-	Short-term investment	34,638,957	379,498	-	379,601	34,638,957	
	Phoenix Bond Fund	-	Short-term investment	13,211,317	186,720	-	186,986	13,919,623	
	Tiim High Yield Fund	-	Short-term investment	15,870,460	182,761	-	182,761	15,870,460	
	Capital Cash Reserves Fund	-	Short-term investment	15,642,550	171,420	-	171,546	15,642,550	
	KGI Victory Fund	-	Short-term investment	12,943,312	130,410	-	131,155	13,736,770	
	Capital Safe Income Fund	-	Short-term investment	9,171,615	126,900	-	127,001	9,171,615	
	Prudential Bond Fund	-	Short-term investment	7,667,872	112,000	-	112,212	7,667,872	
	Core Pacific European Fund	-	Short-term investment	9,000,000	90,000	-	48,780	9,000,000	
	Fuh-Hwa Albatross Fund	-	Short-term investment	7,004,494	73,524	-	73,620	7,004,494	
	Iit Wan Pao Fund	-	Short-term investment	4,859,486	68,464	-	69,334	21,502,155	
	Taiyu Long River Bond Fund	-	Short-term investment	5,791,226	64,000	-	64,280	5,791,226	
	Jih Sun Bond Fund	-	Short-term investment	4,679,530	60,000	-	60,053	12,024,820	
	Taiwan Bond Fund	-	Short-term investment	3,985,302	55,967	-	56,030	34,005,880	
	Abn Amro Aggressive Taiwan Bond Fund	-	Short-term investment	5,019,324	50,000	-	50,460	6,702,279	
	Apollo Fund	-	Short-term investment	5,000,000	50,000	-	25,300	5,000,000	
	Fubon Ju-I Two Fund	-	Short-term investment	3,208,799	44,000	-	44,011	3,208,799	
	Capital Cash Reserves Fund	-	Short-term investment	2,523,665	31,185	-	31,328	2,524,686	
	Sheng Hua 1699 Bond Fund	-	Short-term investment	1,889,888	22,000	-	22,013	1,889,888	

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2002			Market Value or Net Asset Value (Note A)	Maximum Shares/Units for the Year	Note	
				Shares/Units	Carrying Value	% of Ownership				
Ching Ming Investment Co., Ltd.	Nitc Value Fund	-	Short-term investment	2,000,000	\$ 20,000	-	\$ 11,660	\$ 2,000,000		
	Abn Amro Global Leader Fund	-	Short-term investment	1,000,000	10,010	-	10,350	1,000,000		
	Tiim Prime Balanced Fund	-	Short-term investment	1,000,000	10,000	-	7,570	1,000,000		
	Fareastern Alliance Technology Fund	-	Short-term investment	1,000,000	10,000	-	5,930	1,000,000		
	Dashin Dashin Fund	-	Short-term investment	1,000,000	10,000	-	4,860	1,000,000		
	United Triumph Bund Fund	-	Short-term investment	997,168	10,000	-	10,160	997,168		
	Kgi Pioneer Fund	-	Short-term investment	166,806	2,000	-	1,416	166,806		
	<u>Convertible bonds</u>									
	China Airlines Ltd. Convertible Bond-I	-	Short-term investment	160,000	16,000	-	19,758	160,000		
	I-Chiun Precision Convertible Bond-I	-	Short-term investment	1,000	115	-	108	1,000		
	<u>Deposit on subscriptions</u>									
	Taipei Port Container Terminal Co, Ltd.	-	Long-term investment	-	6,614	-	-	-		
	<u>Common stocks</u>									
	Yang Ming Marine Transport Corp.	Parent company		Short-term investment	65,838,308	1,271,737	0.04	669,444	66,081,308	61,400,000 shares pledged as collateral for short-term bank loan.
	Ritek Corporation	-	Short-term investment	7,002,336	459,757	-	112,465	7,002,336	5,599,000 shares pledged as collateral for short-term bank loan.	
	China Container Terminal Corporation	-	Short-term investment	1,620,000	105,965	0.02	6,057	1,620,000		
	Micro-Star International Co., Ltd.	-	Short-term investment	135,000	15,462	-	8,646	135,000		
	Gigabyte Technology Co.	-	Short-term investment	115,000	9,113	-	6,234	115,000		
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investment	110,000	9,098	-	5,290	110,000		
	Realtek Semiconductor Corp	-	Short-term investment	65,000	7,781	-	6,592	65,000		
	Nanya Technology Corporation	-	Short-term investment	100,000	4,528	-	2,294	100,000		
	Waterland Financial Holdings	-	Short-term investment	478,240	3,180	-	3,071	478,240		
	Honming Terminal & Stevedoring Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	3,950,000	44,216	9.88	44,117	3,950,000		
Imaging Quality Technology Inc.	-	Investment in shares of stock	185,325	1,866	0.02	894	529,500			
Tytech Co, Ltd.	-	Investment in shares of stock	150,000	1,500	0.18	543	300,000			
Ritek Photonics Corp.	-	Investment in shares of stock	45,000	516	-	443	45,000			
<u>Mutual fund</u>										
Rsit Enhanced Bond Fund	-	Short-term investment	73,878	752	-	762	343,984			
Waterland Vision Fund	-	Short-term investment	50,000	500	-	468	50,000			
Yes Logistics Corp.	<u>Common stocks</u>									
	Winbond Electronics Corp	-	Short-term investment	29,875	1,631	-	473	29,875		
	Silicon Integrated Systems Corp.	-	Short-term investment	16,499	1,522	-	408	16,499		
	United Microelectronics Corp.	-	Short-term investment	19,837	1,238	-	724	19,837		
	Ritek Corporation	-	Short-term investment	16,250	1,182	-	261	16,250		
	Elite Semi-Conductor Memory Technology Inc.	-	Short-term investment	2,600	855	-	303	2,600		
	Media Tek Inc.	-	Short-term investment	1,400	712	-	406	1,400		
	Synnex Technology International Corp.	-	Short-term investment	6,875	696	-	376	6,875		
	Vanguard International Semiconductor Co.	-	Short-term investment	15,000	659	0.01	117	15,000		
	Holy Store Enterprise Co, Ltd.	-	Short-term investment	4,256	495	-	214	4,256		
	Promos Technology Inc.	-	Short-term investment	5,950	393	-	62	5,950		

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2002			Market Value or Net Asset Value (Note A)	Maximum Shares/Units for the Year	Note
				Shares/Units	Carrying Value	% of Ownership			
	Walsin Technology Corp.	-	Short-term investment	7,000	\$ 340	-	\$ 139	\$ 7,000	
	Macronix International Co., Ltd	-	Short-term investment	7,150	340	-	86	7,150	
	Via Technologies, Inc.	-	Short-term investment	1,952	318	-	79	1,952	
	Tailyn Communication Co, Ltd.	-	Short-term investment	5,512	180	-	49	5,512	
	Honming Terminal & Stevedoring Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	4,382,370	44,037	10.96	48,837	4,382,370	
	Yes Logistics Corp.	Investee accounted for using the equity method	Investment in shares of stock	100,000	2,750	100.00	2,750	100,000	
	Yes Logistics Company Ltd.	Investee accounted for using the equity method	Investment in shares of stock	100,000	447	100.00	447	100,000	
	B2B.Com Holdings	-	Investment in shares of stock	800,000	39,533	8.00	41,579	800,000	
	United Raw Material Solutions, Inc.	-	Investment in shares of stock	200,000	33,128	1.33	5,083	200,000	
	<u>Mutual fund</u>								
	Phoenix Bond Fund	-	Short-term investment	5,098,006	68,000	-	72,155	5,098,006	
	Rsit Enhanced Bond Fund	-	Short-term investment	3,630,018	37,000	-	37,451	3,630,018	
	Fuh-Hwa Bond Fund	-	Short-term investment	2,758,585	33,000	-	34,331	2,758,585	
	Forever Fund	-	Short-term investment	1,671,740	21,040	-	22,758	4,198,193	
	Tiim Bond Fund	-	Short-term investment	1,604,143	20,311	-	34,935	3,435,261	
	Nam Short Term Fixed Income Fund	-	Short-term investment	45,614	19,845	-	20,061	120,398	
	Asia Pacific Bond Fund	-	Short-term investment	250,355	3,000	-	3,002	250,355	
	Capital High Yield	-	Short-term investment	981,070	12,060	-	12,179	981,070	
	HSBC Taiwan Safe And Rich Fund	-	Short-term investment	397,773	10,080	-	4,932	397,773	
	Fuh-Hwa Global Bond Fund	-	Short-term investment	1,000,000	10,020	-	10,341	1,000,000	
	Fuh-Hwa Heirloom Balance Fund	-	Short-term investment	815,067	9,100	-	9,458	815,067	
	Tiim High Yield Fund	-	Short-term investment	670,469	7,600	-	7,721	670,469	
	Chung Hsing Ping-An Fund	-	Short-term investment	598,874	6,000	-	6,022	598,874	
	Fuh-Hwa Yu-Li Fund	-	Short-term investment	453,358	5,005	-	5,220	453,358	
	Jump Fund	-	Short-term investment	500,000	5,000	-	4,770	500,000	
	Prudential Financial Return Fund	-	Short-term investment	385,642	5,000	-	5,060	385,642	
	Entrust KIRIN Bond Fund	-	Short-term investment	481,417	5,000	-	5,000	481,417	
	Tung Hsing Fund	-	Short-term investment	332,696	4,000	-	3,722	332,696	
	Nitc Us Technology Fund	-	Short-term investment	200,000	2,006	-	1,786	200,000	
	Mid-Small Cap. Fund	-	Short-term investment	199,700	2,000	-	1,851	199,700	
	Optima Fund	-	Short-term investment	159,794	1,911	-	1,731	159,794	
	Prudential Financial Taiwan Enterprise Fund	-	Short-term investment	68,353	1,003	-	619	68,353	
	Prudential Financial Maxima Fund	-	Short-term investment	39,262	1,000	-	605	39,262	
	Barits Bond Fund	-	Short-term investment	187,205	214	-	2,149	1,770,805	
	<u>Common stocks</u>								
Yang Ming Line (Singapore) Pte. Ltd.	Sunplus Technology Co., Ltd.	-	Short-term investment	759,375	66,499	0.14	53,052	759,375	
	Dbtel Incorporated	-	Short-term investment	426,059	33,154	0.07	9,087	426,059	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investment	295,680	27,787	-	14,221	295,680	
	Ritek Corporation	-	Short-term investment	279,500	25,553	0.01	4,489	279,500	
	Macronix International Co., Ltd	-	Short-term investment	228,800	13,674	0.01	2,748	228,800	
	Au Optronics Corp.	-	Short-term investment	200,000	8,599	0.01	4,342	200,000	
	Winbond Electronics Corp	-	Short-term investment	47,800	3,445	-	756	47,800	
	Silicon Integrated Systems Corp.	-	Short-term investment	50,000	2,659	-	1,236	50,000	
	Yang Ming Shipping (B.V.I) Inc.	Investee accounted for using the equity method	Investment in shares of stock	510	191,587	51.00	191,587	510	
	Young-Carrier Company Ltd.	Investee accounted for using the equity method	Investment in shares of stock	910,000	220,289	91.00	220,289	910,000	
	Yangming (Japan) Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	3,000	40,775	100.00	40,775	3,000	
	Yangming Shipping (Singapore) Pte Ltd.	Investee accounted for using the equity method	Investment in shares of stock	1,000,000	25,231	100.00	25,231	1,000,000	
	Yang Ming Line (M) Sdn. Bhd.	Investee accounted for using the equity method	Investment in shares of stock	700,000	11,501	70.00	11,501	700,000	
	Yangming (Cayman) Ltd.	Investee accounted for using the equity method	Investment in shares of stock	20,000	13	100.00	13	20,000	
	Yang Ming Line (Hong Kong) Ltd.	Investee accounted for using the equity method	Investment in shares of stock	510,000	(32,308)	51.00	(32,308)	510,000	Note D

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2002			Market Value or Net Asset Value (Note A)	Maximum Shares/Units for the Year	Note
				Shares/Units	Carrying Value	% of Ownership			
	<u>Global depository receipt</u>								
	Permal Emerging Market Holdings N.V.	-	Short-term investment	358	\$ 17,405	-	\$ 16,510	\$ 358	
	Permal Investment Holdings N.V.	-	Short-term investment	175	17,396	-	16,408	175	
	Viasource Policy Fund	-	Short-term investment	5	17,375	-	17,375	5	
	Sunplus Technology Co., Ltd. GDR	-	Short-term investment	83,837	16,393	-	11,715	83,837	
	Synnex Technology International Corp. Gdr	-	Short-term investment	50,749	11,097	-	11,106	50,749	
	<u>Foreign Convertible Bond</u>								
	Giga-Byte Technology International Co, Ltd.	-	Short-term investment						
			Short-term investment	500,000	17,375	-	11,547	500,000	
Yangming (Japan) Co., Ltd.	<u>Common stocks</u> Manwa &Co, Ltd.	Investee accounted for using the equity method	Investment in shares of stock	200	2,814	100.00	2,814	200	
Yang Ming Shipping (B.V.I) Inc.	<u>Common stocks</u> Karman Properties Limited	Investee accounted for using the equity method	Investment in shares of stock	1,000	(6,840)	100.00	(6,840)	1,000	Note D
Jing Ming Transportation Co., Ltd.	<u>Common stocks</u> Yang Ming Marine Transport Corp.	Parent company	Short-term investment	200,412	2,033	-	2,038	200,412	
Yang Ming Line (B.V.I.) Holding Co., Ltd.	<u>Common stocks</u> Yang Ming Line N.V.	Investee accounted for using the equity method	Investment in shares of stock	1,500,000	(150,684)	100.00	(150,684)	1,500,000	Note H
Yang Ming Line N.V.	<u>Common stocks</u> Yang Ming Line B.V.	Investee accounted for using the equity method	Investment in shares of stock	2,500	(154,724)	100.00	(154,724)	2,500	Note H
Yang Ming Line B.V.	<u>Common stocks</u> Yangming (UK) Ltd.	Investee accounted for using the equity method	Investment in shares of stock	900,000	(157,420)	100.00	(157,420)	900,000	Note H
	Yang Ming Shipping Europe GmbH	Investee accounted for using the equity method	Investment in shares of stock	(Note B)	20,576	100.00	20,576	(Note B)	Note H
	Yang Ming Italy S.p.A.	Investee accounted for using the equity method	Investment in shares of stock	125,000	4,319	50.00	4,319	125,000	
Yangming (UK) Ltd.	<u>Common stocks</u> Corstor Ltd.	Investee accounted for using the equity method	Investment in shares of stock	(Note C)	26	50.00	26	(Note C)	
Yangming shipping Europe GmbH	<u>Common stocks</u> Yes Logistics Europe GmbH	Investee accounted for using the equity method	Investment in shares of stock	1	912	100.00	912	1	
Kuang Ming Shipping Corp.	<u>Common stocks</u> Kuang Ming Shipping Corp. (Panama)	Investee accounted for using the equity method	Investment in shares of stock	49,500	68,418	100.00	81,499	49,500	
	Yang Ming Marine Transport Corp.	Parent company	Short-term investment	1,704,995	34,405	0.09	17,336	1,704,995	
	China Steel Corporation	-	Short-term investment	607,603	14,183	-	11,901	607,603	
	Yuen Foong Yu Paper Mfg. Co, Ltd.	-	Short-term investment	3,440	57	-	32	3,440	
	Siliconware Precision Industries Co, Ltd.	-	Short-term investment	594	32	-	11	594	
	<u>Mutual fund</u>								
	Transcend Fortune Bond Fund	-	Short-term investment	880,012	10,000	-	10,077	880,012	
	Asia Pacific Bond Fund	-	Short-term investment	840,655	10,000	-	10,079	840,655	
	Sheng Hua 5599 Bond Fund	-	Short-term investment	669,363	7,000	-	7,047	669,363	
	Capital Cash Reserves Fund	-	Short-term investment	642,644	7,000	-	7,048	642,644	
	Prudential Bond Fund	-	Short-term investment	355,205	5,000	-	5,198	355,205	
	Home Run Fund	-	Short-term investment	382,462	5,000	-	5,050	389,132	
	Jih Sun Bond Fund	-	Short-term investment	392,215	5,000	-	5,033	392,215	
	Solomon Bond Fund	-	Short-term investment	460,876	5,000	-	5,051	460,876	
	Forever Fund	-	Short-term investment	381,263	5,000	-	5,190	381,263	

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2002			Market Value or Net Asset Value (Note A)	Maximum Shares/Units for the Year	Note
				Shares/Units	Carrying Value	% of Ownership			
	Fuh-Hwa Bond Fund	-	Short-term investment	412,718	\$ 5,000	-	\$ 5,136	\$ 412,718	
	Sheng Hua 1699 Bond Fund	-	Short-term investment	433,670	5,000	-	5,051	438,239	
	Capital Safe Income Fund	-	Short-term investment	364,894	5,000	-	5,053	364,894	
	Dashin Bond Fund	-	Short-term investment	421,845	5,000	-	5,063	421,845	
	<u>Convertible bonds</u>								
	Yang Ming Marine Transport Corp. Convertible Bond - I	Parent Company	Long-term investment	50,000	5,000	-	5,175	50,000	
Honming Terminal & Stevedoring Co., Ltd.	<u>Common stocks</u> Yes Logistics Corp.	Investee accounted for using the equity method	Investment in shares of stock	1,061,000	10,139	2.10	10,023	1,061,000	
Yang Ming Line Holding Co.	<u>Common stocks</u> West Basin Container Terminal LLC	Investee accounted for using the equity method	Investment in shares of stock	(Note E)	144,441	40.00	144,441	(Note E)	
	United Terminal Leasing LLC	Investee accounted for using the equity method	Investment in shares of stock	(Note F)	34,750	40.00	34,750	(Note F)	

Notes:

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

For the Year Ended December 31, 2002

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

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

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

December 31, 2002

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

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

Notes:

- A. An equity-accounted investee.
- B. An investee of equity-accounted wholly owned subsidiaries.
- C. In consolidation, the intercompany accounts and transaction have been eliminated.

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note D)		Balance as of December 31, 2002			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2002	Dec. 31, 2001	Shares	Percentage of Ownership	Carrying Value			
Yang Ming Marine Transport Corp.	Yang Ming Line (B.V.I.) Holding Co., Ltd. (Note H)	British Virgin Islands	Investment, shipping agency, forwarding agency and shipping managers	\$ 2,136,925	\$ 2,136,925	67,505,031	100.00	\$ 2,789,686	\$ 442,912	\$ 442,912	Subsidiary of the Corporation
	Yang Ming Line (Singapore) Pte. Ltd.	Singapore	Investment, shipping service, chartering, sales and purchase of ships and forwarding agency	569,686	569,686	28,400,000	100.00	1,359,232	650,861	650,861	Subsidiary of the Corporation
	Ching Ming Investment Corp.	Taipei	Investment	1,499,468	1,499,468	149,946,800	99.96	(244,213)	40,765	(117,199)	Subsidiary of the Corporation
	All Oceans Transportation, Inc. (Note H)	Monrovia, Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,235	3,235	1,000	100.00	228,780	(35,432)	(35,432)	Subsidiary of the Corporation
	YES Logistics Corp.	Keelung	Warehouse operation and forwarding agency	451,944	451,944	45,251,100	90.50	427,186	(303)	(3,617)	Subsidiary of the Corporation
	Kuang Ming Shipping Corp.	Taipei	Shipping service, shipping agency and forwarding agency	145,085	89,920	31,499,417	100.00	283,897	(43,577)	(47,092)	Subsidiary of the Corporation
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung	Terminal operation and stevedoring	316,000	316,000	31,600,000	79.00	352,051	29,964	23,671	Subsidiary of the Corporation
	Jing Ming Transportation Co., Ltd.	Kaohsiung	Container transportation	35,560	35,560	4,899,539	50.80	61,018	18,080	8,216	Subsidiary of the Corporation
	Yang Ming Line Holding Co.	Wilmington, USA	Investment, shipping agency, forwarding agency and shipping managers	52,297	82	7,500	100.00	106,181	11,074	11,074	Subsidiary of the Corporation
	Transyang Shipping Pte. Ltd.	Singapore	Shipping service, chartering, sales and purchase of ships, forwarding agency and shipping agency	24,842	24,842	686	24.99	76,468	40,823	10,601	(Note C)
	Chunghwa Investment Co., Ltd	Taipei	Investment	800,000	800,000	80,000,000	40.00	801,541	3,240	1,296	Exercised significant influence on the Company
Ching Ming Investment Corp.	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung	Terminal operation and stevedoring	39,500	39,500	3,950,000	9.88	44,216	29,964	-	Subsidiary of the Corporation
Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Los Angeles, USA	Terminal operation and stevedoring	132,050	-	(Note F)	40.00	144,441	30,818	-	Exercised significant influence on the Company
	United Terminal Leasing LLC	Los Angeles, USA	Terminal operation machine leasement	34,750	-	(Note G)	40.00	34,750	(52)	-	Exercised significant influence on the Company
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line N.V. (Note H)	Netherlands Antilles	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	1,500,000	100.00	(150,684)	(56,825)	-	Subsidiary of a wholly-owned subsidiary
Yang Ming Line N.V.	Yang Ming Line B.V. (Note H)	Amsterdam, The Netherlands	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	2,500	100.00	(154,724)	(56,672)	-	Subsidiary of a wholly-owned subsidiary
Yang Ming Line B.V.	Yangming (UK) Ltd. (Note H)	London U.K.	Investment, shipping agency, forwarding agency and shipping managers	42,408	42,408	900,000	100.00	(157,420)	(58,279)	-	Subsidiary of a wholly-owned subsidiary

(Forward)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note E)		Balance as of December 31, 2002			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 30, 2002	Dec. 31, 2001	Shares	Percentage of Ownership	Carrying Value			
Yangming (UK) Ltd.	Yang Ming Shipping Europe GmbH (Note H)	Hamburg, Germany	Investment, shipping agency, forwarding agency and shipping managers	\$ 14,448	\$ 14,448	(Note A)	100.00	\$ 20,576	(\$ 2,057)	-	Subsidiary of a wholly-owned subsidiary
	Yang Ming Italy S.p.A.	Genova, Italy	Shipping agency	4,319	-	125,000	50.00	4,319	-	-	Subsidiary of a wholly-owned subsidiary
	Corstor Ltd.	U.K.	Forwarding agency and shipping management	25	25	(Note B)	50.00	26	-	-	Subsidiary of a wholly-owned subsidiary
	Yes Logistics Europe GmbH	Hamburg, Germany	Forwarding agency and shipping managers	912	-	1	100.00	912	-	-	Subsidiary of a wholly-owned subsidiary
	Young-Carrier Company Ltd.	Hong Kong	Investment, shipping agency, forwarding agency and shipping managers	3,229	3,229	910,000	91.00	220,289	146,700	-	Subsidiary of a wholly-owned subsidiary
	Yang Ming Shipping (B.V.I) Inc.	British Virgin Islands	Forwarding agency and shipping agency	16	16	510	51.00	191,587	142,303	-	Subsidiary of a wholly-owned subsidiary
	Yangming (Japan) Co., Ltd.	Tokyo, Japan	Shipping service, chartering, sales and purchase of ships and forwarding agency	36,235	36,235	3,000	100.00	40,775	(901)	-	Subsidiary of a wholly-owned subsidiary
	Yang Ming Line (Hong Kong) Ltd.	Hong Kong	Forwarding agency and shipping agency	2,138	2,138	510,000	51.00	(32,308) (Note E)	(62,854)	-	Subsidiary of a wholly-owned subsidiary
	Yangming Shipping (Singapore) Pte Ltd.	Singapore	Shipping agency, forwarding agency and shipping managers	18,851	18,851	1,000,000	100.00	25,231	455	-	Subsidiary of a wholly-owned subsidiary
	Yang Ming Line (M) Sdn. Bhd.	Malaysia	Shipping agency, forwarding agency and shipping managers	5,784	5,784	700,000	70.00	11,501	2,269	-	Subsidiary of a wholly-owned subsidiary
Yangming (Cayman) Ltd.	Cayman Island	Shipping leaseament	629	629	20,000	100.00	13	(200)	-	Subsidiary of a wholly-owned subsidiary	
Yangming (Japan) Co., Ltd.	Manwa & Co., Ltd.	Tokyo, Japan	Forwarding agency and shipping agency	2,666	2,666	200	100.00	2,814	135	-	Subsidiary of a wholly-owned subsidiary
Yang Ming Shipping (B.V.I) Inc.	Karman Properties Limited	Hong Kong	Properties agency	4	4	1,000	100.00	(6,840) (Note E)	(2,675)	-	Subsidiary of a wholly-owned subsidiary
Kuang Ming Shipping Corp.	Kuang Ming Shipping Corp. (Panama)	Panama	Forwarding agency	30,887	30,887	49,500	100.00	68,418	14,942	-	Subsidiary of a wholly-owned subsidiary
Honming Terminal & Stevedoring Co., Ltd.	YES Logistics Corp.	Keelung	Warehouse operation and forwarding agency	10,610	10,523	1,061,000	2.10	10,139	(330)	-	Subsidiary of the Corporation
YES Logistics Corp.	Yes Logistics Corp. (USA)	Auckland, USA	Shipping agency, forwarding agency and shipping managers	3,313	3,313	100,000	100.00	2,750	(161)	-	Subsidiary of a wholly-owned subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung	Terminal operation and stevedoring	43,824	43,824	4,382,370	10.96	44,037	29,964	-	Subsidiary of the Corporation
	Yes Logistics Corp., Ltd. (Hong Kong)	Hong Kong	Shipping agency	425	-	100,000	100.00	447	1	-	Subsidiary of a wholly-owned subsidiary

Notes:

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

GEOGRAPHIC AREA INFORMATION
For the Years Ended December 31, 2002 and 2001
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	2002					2001						
	Domestic Area	Africa	Europe	Oceania	Adjustment and Eliminations	Combined (Note A)	Domestic Area	Africa	Europe	Oceania	Adjustment and Eliminations	Combined (Note A)
Sales to customers	\$43,965,674	\$ 521,274	\$ 9,097,478	\$ -	\$ -	\$53,584,426	\$44,021,276	\$ 73,803	\$ 9,168,700	\$ 12,447	\$ -	\$53,276,226
Intracompany sales (Note B)	<u>1,545,936</u>	<u>2,038,343</u>	<u>302,300</u>	<u>760,879</u>	<u>(4,647,458)</u>	-	<u>1,390,243</u>	<u>1,047,224</u>	<u>313,140</u>	<u>722,920</u>	<u>(3,473,527)</u>	-
Total revenues	<u>\$45,511,610</u>	<u>\$ 2,559,617</u>	<u>\$ 9,399,778</u>	<u>\$ 760,879</u>	<u>(\$ 4,647,458)</u>	<u>\$53,584,426</u>	<u>\$45,411,519</u>	<u>\$ 1,121,027</u>	<u>\$ 9,481,840</u>	<u>\$ 735,367</u>	<u>(\$ 3,473,527)</u>	<u>\$53,276,226</u>
Segment operating income (Note C)	<u>\$ 354,137</u>	<u>\$ 434,479</u>	<u>(\$ 64,799)</u>	<u>\$ 478,063</u>	<u>\$ -</u>	\$ 1,201,880	<u>(\$ 625,508)</u>	<u>\$ 218,913</u>	<u>(\$ 138,577)</u>	<u>\$ 522,862</u>	<u>\$ -</u>	(\$ 22,310)
Equity in investees' net income (loss)						537,812						(266,741)
General income - net						666,682						1,200,956
General expenses (Note D)						(194,370)						(212,771)
Interest expense						(1,068,116)						(1,154,659)
Income (loss) before income tax						<u>\$ 1,143,888</u>						<u>(\$ 455,525)</u>
Identifiable assets (Note E)	<u>\$39,312,014</u>	<u>\$13,854,704</u>	<u>\$ 2,292,834</u>	<u>\$13,053,532</u>	<u>(\$13,035,313)</u>	\$55,477,771	<u>\$38,689,949</u>	<u>\$ 9,108,652</u>	<u>\$ 1,541,874</u>	<u>\$12,643,046</u>	<u>(\$ 6,351,048)</u>	\$55,632,473
Investments in shares of stock						3,472,832						2,899,137
General assets						680,902						951,462
Total assets						<u>\$59,631,505</u>						<u>\$59,483,072</u>

Notes:

- A. The Corporation operates principally in four geographic areas, namely, Republic of China (domestic), Africa, Europe and Oceania.
- B. Revenues from inter-division goods and services.
- C. Representing revenues minus costs and operating expenses. Operating expenses include costs and expenses that are directly identifiable to a geographic area, excluding general and administrative expenses and interest expense.
- D. Representing general, administrative and selling expenses which can not be allocated to each division.
- E. Representing tangible assets that are used by the geographic area directly, excluding.
 - a. Assets maintained for general corporate purpose.
 - b. Advances or loans to, or investments in, another geographic area.
 - c. Investments in shares of stock under equity method.