

Yang Ming Marine Transport Corporation

Financial Statements as of December 31, 2001 and 2000

Together with Independent Auditors' Report

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

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

March 5, 2002

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

We have audited the accompanying balance sheets of Yang Ming Marine Transport Corporation as of December 31, 2001 and 2000 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements as of and for the years ended December 31, 2001 and 2000 of China Mariners' Assurance Corp., Kuang Ming Shipping Corp., Transyang shipping Pte. Ltd., Yang Ming Line (Hong Kong) Ltd., Yangming Shipping (Singapore) Pte. Ltd., Yang Ming (M) Sdn. Bhd, and Yang Ming Shipping (B.V.I.) Inc. The investments in the shares of stock of these companies, either directly owned by the Corporation or owned through its wholly owned subsidiaries, are all accounted for using the equity method. The carrying values of these investments included in the accompanying balance sheets, amounted to NT\$765,771 thousands and NT\$725,611 thousands as of December 31, 2001 and 2000, respectively. Also, the equity in the net income from said investees amounted to NT\$20,461 thousands in 2001 and NT\$83,145 thousands in 2000. The financial statements of the said subsidiaries were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the investee companies mentioned above, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Yang Ming Marine Transport Corporation as of December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in conformity with Guidelines for Securities Issuers' Financial Reporting for Public Company and generally accepted accounting principles in the Republic of China.

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

BALANCE SHEETS
December 31, 2001 and 2000
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2001		2000		LIABILITIES AND STOCKHOLDERS' EQUITY	2001		2000	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 3)	\$ 4,251,248	9	\$ 6,757,153	15	Short-term debts (Notes 10 and 18)	\$ 202,283	-	\$ 41,087	-
Short-term investments - net (Notes 2 and 4)	1,785,007	4	1,642,839	4	Payables to related parties (Note 17)	1,742,515	4	1,892,669	4
Accounts receivable - net of allowance for doubtful accounts of \$7,415 in 2001 and \$13,160 in 2000 (Note 2)	693,507	2	1,173,300	3	Accrued expenses	873,472	2	1,330,335	3
Receivables from related parties (Note 17)	897,362	2	2,331,555	5	Advances from customers (Note 17)	709,226	2	666,573	2
Shipping fuel - net (Note 2)	399,010	1	559,269	1	Current portion of long-term debts (Notes 2, 6, 11 and 18)	2,581,952	6	1,893,309	4
Prepaid expenses (Note 17)	500,090	1	371,885	1	Payables to shipping agents	2,571,192	5	1,768,127	4
Advances to shipping agents	969,577	2	420,491	1	Other current liabilities (Notes 2 and 15)	<u>386,698</u>	<u>1</u>	<u>872,024</u>	<u>2</u>
Pledged time deposits (Note 18)	434,909	1	12,837	-	Total Current Liabilities	<u>9,067,338</u>	<u>20</u>	<u>8,464,124</u>	<u>19</u>
Other current assets (Note 2)	<u>641,597</u>	<u>1</u>	<u>334,476</u>	<u>1</u>					
Total Current Assets	<u>10,572,307</u>	<u>23</u>	<u>13,603,805</u>	<u>31</u>	LONG-TERM DEBTS - NET OF CURRENT PORTION				
					Bank loans (Notes 11 and 18)	1,365,000	3	504,000	1
INVESTMENTS IN SHARES OF STOCK (Notes 2, 5 and 17)	<u>8,383,490</u>	<u>18</u>	<u>7,369,362</u>	<u>16</u>	Bonds (Notes 11 and 18)	8,117,200	18	8,321,100	19
					Obligations under capital leases (Notes 2, 6 and 11)	<u>1,248,583</u>	<u>3</u>	<u>715,330</u>	<u>2</u>
					Total Long-term Debts	<u>10,730,783</u>	<u>24</u>	<u>9,540,430</u>	<u>22</u>
PROPERTIES (Notes 2, 6 and 18)									
Cost					RESERVE FOR LAND VALUE INCREMENT TAX (Note 12)	<u>479,639</u>	<u>1</u>	<u>479,639</u>	<u>1</u>
Land	38,901	-	38,901	-					
Buildings	691,014	2	691,014	2	OTHER LIABILITIES (Notes 2, 13, 15, 16, 17 and 18)	<u>1,174,189</u>	<u>2</u>	<u>798,956</u>	<u>2</u>
Containers and chassis	11,659,634	26	12,507,976	28					
Ships	21,241,261	47	18,230,593	41	Total Liabilities	<u>21,451,949</u>	<u>47</u>	<u>19,283,149</u>	<u>44</u>
Leased containers and chassis	1,906,238	4	1,154,488	3					
Leasehold improvements	106,344	-	106,344	-	STOCKHOLDERS' EQUITY				
Miscellaneous equipment	<u>1,395,219</u>	<u>3</u>	<u>1,168,207</u>	<u>3</u>	Capital stock - \$10 par value				
Total cost	37,038,611	82	33,897,523	77	Authorized - 2,400,000 thousand shares				
Accumulated depreciation	(<u>17,663,861</u>)	(<u>39</u>)	(<u>19,426,604</u>)	(<u>44</u>)	Issued - 1,834,316 thousand shares in 2001 and 1,780,889 thousand shares in 2000	<u>18,343,160</u>	<u>40</u>	<u>17,808,893</u>	<u>40</u>
	19,374,750	43	14,470,919	33	Capital surplus:				
Construction in progress	<u>68,314</u>	<u>-</u>	<u>1,804,178</u>	<u>4</u>	Paid-in capital in excess of par value	2,390,186	6	2,568,275	6
Net Properties	<u>19,443,064</u>	<u>43</u>	<u>16,275,097</u>	<u>37</u>	Gain on sales of properties	1,431,387	3	1,431,387	3
					From investments in shares of stock	<u>7,087</u>	<u>-</u>	<u>7,082</u>	<u>-</u>
OTHER ASSETS					Total capital surplus	<u>3,828,660</u>	<u>9</u>	<u>4,006,744</u>	<u>9</u>
Assets leased to others - net (Notes 2, 6 and 7)	962,134	2	887,307	2	Retained earnings:				
Non-operating assets - net (Notes 2, 6, 8 and 18)	686,171	1	768,327	2	Appropriated as legal reserve	906,167	2	801,973	2
Deferred charges - net (Note 2)	406,741	1	426,144	1	Appropriated as special reserve	1,141,939	2	1,141,939	3
Receivables from related parties (Note 17)	4,796,317	11	1,172,715	3	Unappropriated earnings (accumulated deficit)	(<u>634,683</u>)	(<u>1</u>)	<u>1,051,776</u>	<u>2</u>
Restricted assets (Note 9)	-	-	3,751,751	8	Total retained earnings	<u>1,413,423</u>	<u>3</u>	<u>2,995,688</u>	<u>7</u>
Miscellaneous (Note 2)	<u>254,756</u>	<u>1</u>	<u>72,609</u>	<u>-</u>	Unrealized loss on investments in shares of stock	(<u>3,172</u>)	<u>-</u>	(<u>15,386</u>)	<u>-</u>
Total Other Assets	<u>7,106,119</u>	<u>16</u>	<u>7,078,853</u>	<u>16</u>	Cumulative translation adjustments	<u>470,960</u>	<u>1</u>	<u>248,029</u>	<u>-</u>
					Total Stockholders' Equity	<u>24,053,031</u>	<u>53</u>	<u>25,043,968</u>	<u>56</u>
TOTAL ASSETS	<u>\$ 45,504,980</u>	<u>100</u>	<u>\$ 44,327,117</u>	<u>100</u>	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 45,504,980</u>	<u>100</u>	<u>\$ 44,327,117</u>	<u>100</u>

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

(With T N Soong & Co report dated March 5, 2002)

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME

For the Years Ended December 31, 2001 and 2000

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

	<u>2001</u>		<u>2000</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Notes 2 and 17)	\$ 45,411,519	100	\$ 50,575,836	100
OPERATING COSTS (Notes 2 and 17)	<u>45,365,498</u>	<u>100</u>	<u>48,992,058</u>	<u>97</u>
GROSS INCOME	<u>46,021</u>	<u>-</u>	<u>1,583,778</u>	<u>3</u>
OPERATING EXPENSES (Note 17)				
Selling	671,529	2	746,098	2
General and administrative	<u>188,378</u>	<u>-</u>	<u>228,157</u>	<u>-</u>
Total Operating Expenses	<u>859,907</u>	<u>2</u>	<u>974,255</u>	<u>2</u>
INCOME (LOSS) FROM OPERATIONS	(<u>813,886</u>)	(<u>2</u>)	<u>609,523</u>	<u>1</u>
NON-OPERATING INCOME				
Interest (Note 17)	436,550	1	477,941	1
Foreign exchange gain - net	315,438	1	213,670	-
Gain on sale of properties and non-operating assets	247,635	-	304,931	1
Gain on sale of short and long term investments	197,808	-	794,178	2
Equity in net income of investee companies - net (Note 2)	-	-	563,265	1
Other	<u>273,923</u>	<u>1</u>	<u>285,362</u>	<u>-</u>
Total Non-Operating Income	<u>1,471,354</u>	<u>3</u>	<u>2,639,347</u>	<u>5</u>
NON-OPERATING EXPENSES				
Interest (Note 6)	685,490	2	531,706	1
Provision for losses on investments (Note 2)	214,818	-	837,478	2
Equity in net loss of investee companies - net (Note 2)	112,757	-	-	-
Other	<u>93,805</u>	<u>-</u>	<u>115,757</u>	<u>-</u>
Total Non-operating Expenses	<u>1,106,870</u>	<u>2</u>	<u>1,484,941</u>	<u>3</u>
INCOME (LOSS) BEFORE INCOME TAX	(449,402)	(1)	1,763,929	3
INCOME TAX EXPENSE (Notes 2 and 15)	<u>225,643</u>	<u>-</u>	<u>563,083</u>	<u>1</u>
NET INCOME (LOSS)	(<u>\$ 675,045</u>)	(<u>1</u>)	<u>\$ 1,200,846</u>	<u>2</u>

(Forward)

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NET INCOME (LOSS) PER SHARE

Based on weighted average number of outstanding
shares of 1,834,316 thousand and 1,780,889
thousand, respectively

(\$ 0.37)

\$ 0.67

Based on 1,834,316 thousand shares representing
the weighted average shares in 2000 adjusted for
the related stock dividends distributed in 2001

\$ 0.65

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

(With T N Soong & Co report dated March 5, 2002)

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2001 and 2000

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

	CAPITAL STOCK (\$10 PAR VALUE)				CAPITAL SURPLUS (Notes 2 and 14)				RETAINED EARNINGS (Notes 2, 14 and 15)				UNREALIZED LOSS ON INVESTMENT IN SHARES OF STOCKS (Note 2)	CUMULATIVE TRANSLATION ADJUSTMENTS (Note 2)	TOTAL STOCKHOLDERS' EQUITY	
	Issued		Certificates of Conversion of Bonds to Stocks	Total	Paid-in Capital in Excess of Par Value	Gain on Sales of Properties	From Investment in Shares of Stock	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)					Total
	Shares (Thousand)	Amount									(Accumulated Deficit)	Total				
BALANCE, JANUARY 1, 2000	1,679,954	\$16,799,538	\$ 1,304	\$16,800,842	\$ 3,576,326	\$ 1,273,751	\$ 4,677	\$ 4,854,754	\$ 725,451	\$ 1,141,939	\$ 765,223	\$ 2,632,613	\$ -	\$ 68,922	\$24,357,131	
Issuance of capital stock	138	1,383	(1,304)	79	(79)	-	-	(79)	-	-	-	-	-	-	-	
Earnings distribution for 1999:																
Legal reserve	-	-	-	-	-	-	-	-	76,522	-	(76,522)	-	-	-	-	
Employees' bonus	-	-	-	-	-	-	-	-	-	-	(6,886)	(6,886)	-	-	(6,886)	
Cash dividends - \$0.4 per share	-	-	-	-	-	-	-	-	-	-	(671,982)	(671,982)	-	-	(671,982)	
Stock dividends from capital surplus - 6%	100,797	1,007,972	-	1,007,972	(1,007,972)	-	-	(1,007,972)	-	-	-	-	-	-	-	
Net income in 2000	-	-	-	-	-	-	-	-	-	-	1,200,846	1,200,846	-	-	1,200,846	
Translation adjustments of foreign-currency-denominated investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	179,107	179,107	
Gain on sales of properties	-	-	-	-	-	157,636	-	157,636	-	-	(157,636)	(157,636)	-	-	-	
Share in changes in capital surplus reported by equity-accounted investees	-	-	-	-	-	-	2,405	2,405	-	-	(1,267)	(1,267)	-	-	1,138	
Recognition of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	(15,386)	-	(15,386)	
BALANCE, DECEMBER 31, 2000	1,780,889	17,808,893	-	17,808,893	2,568,275	1,431,387	7,082	4,006,744	801,973	1,141,939	1,051,776	2,995,688	(15,386)	248,029	25,043,968	
Earnings distribution for 2000:																
Legal reserve	-	-	-	-	-	-	-	-	104,194	-	(104,194)	-	-	-	-	
Employees' bonus	-	-	-	-	-	-	-	-	-	-	(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)	(356,178)	-	-	-	
Stock dividends from capital surplus - 1%	17,809	178,089	-	178,089	(178,089)	-	-	(178,089)	-	-	-	-	-	-	-	
Net loss in 2001	-	-	-	-	-	-	-	-	-	-	(675,045)	(675,045)	-	-	(675,045)	
Reversal of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	12,214	-	12,214	
Translation adjustments of foreign-currency-denominated investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	222,931	222,931	
Recognition of change in proportion of investees on reduction in the carrying value of investment in shares of stock resulting from not subscribing proportionately to the additional stocks issued by the investee companies	-	-	-	-	-	-	-	-	-	-	(7,295)	(7,295)	-	-	(7,295)	
Share in changes in capital surplus reported by equity-accounted investees	-	-	-	-	-	-	5	5	-	-	(5)	(5)	-	-	-	
BALANCE, DECEMBER 31, 2001	1,834,316	\$18,343,160	\$ -	\$18,343,160	\$2,390,186	\$1,431,387	\$ 7,087	\$3,828,660	\$ 906,167	\$1,141,939	(\$ 634,683)	\$1,413,423	(\$ 3,172)	\$470,960	\$24,053,031	

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

(With T N Soong & Co report dated March 5, 2002)

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2001 and 2000
(In Thousands of New Taiwan Dollars)

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	(\$ 675,045)	\$1,200,846
Adjustments to reconcile net income (loss) with net cash provided by operating activities:		
Depreciation	2,309,024	2,174,363
Amortization	223,590	282,759
Gain on sale of short and long-term investments	(197,808)	(794,178)
Net gain on sale of properties and non-operating assets	(246,983)	(302,363)
Provision for pension cost	79,049	73,092
Provision for losses on short-term investments	23,532	736,317
Provision for losses on shipping fuel	4,729	10,179
Equity in net loss (income) of investee companies -net	112,757	(563,265)
Provision for losses on investments in shares of stock	191,286	101,161
Cash dividends received on equity-accounted investments	27,409	26,071
Deferred income taxes	225,643	564,504
Other	(53,749)	(45,141)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Short-term investments	3,200	(239,192)
Accounts receivable	485,538	(184,181)
Receivables from related parties	1,434,193	(1,854,514)
Shipping fuel	155,530	(111,289)
Prepaid expenses	(128,205)	437,419
Advances to shipping agents	(549,086)	680,065
Pledged time deposits	(422,072)	(12,837)
Other current assets	(253,190)	132,328
Increase (decrease) in:		
Accrued expenses	(456,863)	90,992
Payables to related parties	(150,154)	1,249,966
Payables to shipping agents	803,065	299,788
Advances from customers	42,653	(262,042)
Other current liabilities	(163,213)	154,942
Net Cash Provided by Operating Activities	<u>2,824,830</u>	<u>3,845,790</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments in shares of stock	(1,088,822)	(3,015,988)
Proceeds from disposal of investments in shares of stock	-	115,808
Acquisition of properties	(9,347,924)	(3,684,952)
Proceeds from sale of properties and non-operating assets	1,002,264	5,465,798

(Forward)

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Increase in deferred charges	(\$ 206,337)	(\$ 272,972)
Decrease (increase) in restricted assets	3,751,751	(594,485)
Decrease (increase) in other assets	<u>(182,147)</u>	<u>17,527</u>
Net Cash Used in Investing Activities	<u>(6,071,215)</u>	<u>(1,969,264)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term debts	161,196	36,392
Proceeds from long-term debts	2,465,000	5,400,240
Payment of long-term debts	(1,238,850)	(2,211,000)
Payment on obligation under capital leases	(98,904)	(98,331)
Increase in deferred income	-	15,777
Increase (decrease) in other liabilities	(4,220)	228
Cash dividend paid and payment of bonus to employees	<u>(543,742)</u>	<u>(678,868)</u>
Net Cash Provided by Financing Activities	<u>740,480</u>	<u>2,464,438</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(2,505,905)	4,340,964
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	<u>6,757,153</u>	<u>2,416,189</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR		
	<u>\$4,251,248</u>	<u>\$6,757,153</u>
 SUPPLEMENTAL INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 673,356</u>	<u>\$ 500,263</u>
Income tax paid	<u>\$ 27,837</u>	<u>\$ 9,736</u>
Non-cash investing and financing activities		
Reclassification of investments in shares of stock into short-term investments	<u>\$ -</u>	<u>\$ 126,730</u>
Reclassification of short-term investments into investments in shares of stock	<u>\$ -</u>	<u>\$ 233</u>
Current portion of long-term debts	<u>\$2,581,952</u>	<u>\$1,893,309</u>
Cash paid for additions to properties:		
Costs of properties acquired	\$9,849,386	\$3,852,326
Decrease (increase) in payable to equipment suppliers	250,288	(167,374)
Increase in obligations under capital leases	<u>(751,750)</u>	<u>-</u>
	<u>\$9,347,924</u>	<u>\$3,684,952</u>
Proceeds from sale of properties and non-operating assets		
Total contracted selling prices	\$4,683,413	\$3,111,314
Decrease (increase) in other receivables	(57,547)	347,800
Decrease (increase) in long-term receivable	(3,623,602)	2,064,201
Payment of land value increment tax	<u>-</u>	<u>(57,517)</u>
	<u>\$1,002,264</u>	<u>\$5,465,798</u>

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

(With T N Soong & Co report dated March 5, 2002)

YANG MING MARINE TRANSPORT CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

1. GENERAL

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

The Ministry of Transportation and Communications (MOTC) of the Republic of China (ROC) owned the majority of the outstanding capital stock of the Corporation until February 15, 1996 when it reduced its holdings in the Corporation simultaneous to the listing of its shares of stock in the Taiwan Stock Exchange. MOTC owned 42.62% of the outstanding capital stock of the Corporation as of December 31, 2001.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Cash equivalents

Commercial paper and repurchased bonds with remaining maturities of not more than three months is classified as cash equivalents.

Short-term investments

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

Allowance for doubtful receivables

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

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

Gain on sale of listed stocks to investees accounted for using the equity method is deferred and credited to income when realized through a subsequent sale to third parties.

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

Listed stocks reclassified from long-term to short-term investments or from short-term to long-term are restated at market value if such value is lower than carrying value, with the loss charged to current income.

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

Properties and assets leased to others

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

The initial estimate of the service lives of the properties is as follows: Buildings, 36 to 55 years; containers and chassis, 6 to 8 years; ships, 18 to 20 years; leased containers, 5 to 8 years; leasehold improvements, 5 years; miscellaneous equipment, 3 to 20 years. The foregoing service lives plus one year to represent the estimated salvage value are used to depreciate the properties using the straight-line method. The salvage values of properties that are still being used by the Corporation are depreciated over the remaining service lives.

Upon sale or disposal of items 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 on sales of properties, generated prior to January 1, 2001, less applicable income tax is reclassified to capital surplus at year-end.

Containers and chassis under capital lease and corresponding obligation are recorded, at the inception 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 options price.

Non-operating assets

These are stated at net realizable value.

Deferred charges

Deferred charges, which consisted of spare parts of ship, ship-overhaul costs and bond issuance expenses, are capitalized and amortized using the straight-line method over periods ranging from 2.5 years to 12.0 years.

Pension

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

Unrealized gain (loss) on sale and leaseback

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

Operating revenues

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

Income tax

Deferred income taxes are recognized for 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 based on the classification of the related assets or liabilities for financial reporting. A deferred tax liability or asset that is not related to an assets or liabilities for financial reporting is classified according to the expected reversal date of the temporary difference.

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

Income taxes (10%) on undistributed earnings are recorded as expense in the year when the stockholders have resolved that the earnings shall be retained.

Foreign-currency transactions

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

- a. Investments in shares of stock accounted for using the equity method - classified as foreign exchange translation adjustments under stockholders' equity;
- b. Investments in shares of stock accounted for using the cost method - similarly accounted for as (a) above when the restated balances are lower than their carrying amounts, otherwise, these are not adjusted;
- c. Other assets and liabilities - credited or charged to income.

Foreign-currency options

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

Exchange rate swap contracts

Exchange rate swap contracts consisted of foreign currency spot and forward contracts. Forward contracts outstanding as of the balance sheet dates are marked to market with the unrealized gains or losses arising from changes in market values recognized in current income. The carrying amounts (either asset or liability) of the contracts are credited or charged to income once the options are exercised.

Foreign-currency forward contracts

The foreign currency amounts of forward exchange contracts (the “contracts”) are recorded in New Taiwan dollars as receivable and/or payable using the spot rates on the inception dates of the contracts (the “inception dates”). The premium or discount, computed using the foreign currency amount of the contract multiplied by the difference between the contracted forward rate and the spot rates at the inception dates of the contract is also recognized. The premiums or discount is amortized using the straight-line method over the term of the forward contract with the amortization charged to income. On the balance sheet dates, the gains or losses on the contracts, computed by multiplying the foreign currency amount of the contracts by the difference between the spot rates at the balance sheet dates and the spot rates at the inception dates (or the spot rates last used to measure a gain or loss on that contract for an earlier period) are charged to income.

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

Reclassifications

Certain accounts for 2000 have been reclassified to conform to the classifications for 2001.

3. CASH AND CASH EQUIVALENTS	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Cash:		
Petty cash and cash on hand	\$ 2,040	\$ 2,867
Checking deposits	98,553	475,509
Demand deposits	462,952	874,645
Time deposits - interest of from 1.76% to 3.95% in 2001 and from 4.18% to 6.75% in 2000	<u>1,887,703</u>	<u>4,335,854</u>
	2,451,248	5,688,875
Cash equivalents:		
Repurchased bonds - yield of from 1.8% to 1.95%	1,800,000	-
Commercial paper - yield of from 4.65% to 5.65%	<u>-</u>	<u>1,068,278</u>
	<u>\$4,251,248</u>	<u>\$6,757,153</u>
4. SHORT-TERM INVESTMENTS	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Marketable equity securities	\$1,570,442	\$1,580,470
Mutual fund beneficiary certificates	943,314	737,586
Convertible bonds - interest of from 5% to 9%	<u>31,100</u>	<u>61,100</u>
	2,544,856	2,379,156
Less - allowance for decline in value	<u>759,849</u>	<u>736,317</u>
	<u>\$1,785,007</u>	<u>\$1,642,839</u>

5. INVESTMENTS IN SHARES
OF STOCK

	December 31			
	2001		2000	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Equity method (unlisted stocks)				
Yang Ming Line (B.V.I.) Holding Co., Ltd.	\$2,585,536	100.00	\$2,217,492	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,049,606	100.00	896,609	100.00
All Oceans Transportation, Inc.	644,212	100.00	679,537	100.00
YES Logistics Corp.	427,460	90.50	416,760	87.98
Ching Ming Investment Corp.	384,215	99.96	832,330	99.96
Honming Terminal & Stevedoring Co., Ltd.	366,273	79.00	180,640	79.00
Kuang Ming Shipping Corp.	285,250	82.05	298,719	82.05
China Mariners' Assurance Corp.	221,045	22.71	197,901	19.70
Transyang Shipping Pte. Ltd.	65,943	24.99	34,268	30.00
Jing Ming Transport Co., Ltd.	56,087	50.80	53,279	50.80
Yang Ming Line Holding Co.	<u>43,233</u>	100.00	<u>40,195</u>	100.00
	<u>6,128,860</u>		<u>5,847,730</u>	
Cost method				
<u>Listed common stock</u>				
Senao International Co., Ltd.	96,000	1.83	-	
Hotung Investment Holdings Ltd	40,268	0.70	40,268	0.70
Data Corp.	430	0.01	-	
Less - allowance for decline in value	-		<u>12,359</u>	
	<u>136,698</u>		<u>27,909</u>	
<u>Unlisted common stock</u>				
United Venture Capital Corp.	80,000	9.04	80,000	9.04
Grand Orient Security Corp.	70,000	6.51	95,000	6.51
Taiwan Nano Electro-optical Technology Co., Ltd.	61,953	9.09	50,000	9.37
U-Tech Media Corp.	46,125	1.20	81,125	1.21
Ritek Photonics Corp.	45,000	2.00	-	-
SF Technology Venture Capital Corp.	40,000	7.24	40,000	7.24
Kingmax Technology Corp.	24,000	1.40	24,000	1.40
Ascentek Venture Capital Corp.	20,080	2.14	-	-
Forwin Securities Corp.	20,000	2.00	55,000	2.00
Yes Mobile Taiwan Inc.	6,000	1.00	6,000	1.00
Imaging Quality Technology Inc.	4,000	3.09	10,000	3.09
Senao International Co., Ltd.	-	-	96,000	1.85
Yieh United Steel Corp.	-	0.16	30,400	0.16
Digital United Holding Limited	-	0.46	15,045	0.46
Data Corp.	-	-	430	0.01
CTX Corp.	-	0.06	233	0.06

(Forward)

Argo System Inc.	\$	-	8.00	\$	-	8.00
A-trend Technology Co., Ltd.		-	1.04		-	1.04
International Strategies Holding Corp.		-	0.60		-	0.60
Minchali Metal Industry Co., Ltd.		-	0.26		-	-
		<u>417,158</u>			<u>583,233</u>	
<u>Unlisted preferred stock</u>						
New Century Infocomm Co., Ltd.		864,000	1.68		864,000	1.68
Penguin Computing Inc.		15,395	0.97		15,395	0.97
Arescom Inc.		15,395	0.27		15,395	0.38
Prominent Communication Inc.		-	1.52		<u>15,700</u>	1.58
		<u>894,790</u>			<u>910,490</u>	
		<u>1,448,646</u>			<u>1,521,632</u>	
<u>Deposit on subscriptions</u>						
Chunghwa Investment Co., Ltd.		800,000			-	
Taipei Port Container Terminal Co., Ltd.		<u>5,984</u>			-	
		<u>805,984</u>			-	
		<u>\$8,383,490</u>			<u>\$7,369,362</u>	

As of December 31, 2000, the combined equity interest of the Corporation and its subsidiaries in China Mariners' Assurance Corp. (CMA) exceeds 20% of its outstanding common stock thereby allowing them to exercise significant influence over the financial and operating policy decisions of CMA. In view of the foregoing, the investment in CMA is accounted for using the equity method.

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 available in time.

The carrying values of the equity-accounted investments in shares of stocks are based on audited financial statements.

The accounts of Yang Ming Line (B.V.I.) Holding and All Oceans Transportation were included in the consolidated financial statements. The individual total assets and operating revenues of each of the other majority owned subsidiaries represents less than 10% of both the Corporation's total assets and operating revenues. Also, the aggregate total assets and aggregate total operating revenues of the said subsidiaries are less than 30% of the Corporation's total assets and operating revenues. Accordingly, the accounts of the other subsidiaries were not included in the consolidated financial statements.

Information on the investments accounted for using the cost method is as follows:

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Listed stocks (based on market value)	\$ 159,818	\$ 27,909
Equity in net assets pertaining to unlisted stocks (mainly based on unaudited financial statements)	<u>1,169,137</u>	<u>1,074,630</u>
	<u>\$1,328,955</u>	<u>\$1,102,539</u>

6. PROPERTIES

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Accumulated depreciation		
Buildings	\$ 47,093	\$ 34,728
Containers and chassis	5,445,847	7,550,777
Ships	11,205,880	11,118,714
Leased containers and chassis	512,349	354,642
Leasehold improvements	28,063	10,339
Miscellaneous equipment	<u>424,629</u>	<u>357,404</u>
	<u>\$17,663,861</u>	<u>\$19,426,604</u>

The Corporation leases containers and chassis under agreements that qualify as capital leases. The terms of the leases ranged from five years to eight years for containers and seven years for chassis. The annual rent payable of leased containers under the agreements is US\$6,222 thousands. The Corporation has option to purchase, at the end of the lease terms, all leased containers at bargain purchase prices of US\$1. The annual rent payable of chassis leased are based on contract terms, and at the end of the lease terms, all leased chassis will be transferred to the Corporation at no additional cost. As of December 31, 2001 and 2000, the details of these leases are as follows:

	<u>December 31</u>			
	<u>2001</u>		<u>2000</u>	
	U.S. Dollars (Thousand)	New Taiwan Dollars (Thousand)	U.S. Dollars (Thousand)	New Taiwan Dollars (Thousand)
Total leases payables (undiscounted)	\$ 51,709	\$1,809,811	\$ 32,029	\$1,056,960
Less - unamortized interest expense	(<u>7,979</u>)	(<u>279,276</u>)	(<u>5,432</u>)	(<u>179,271</u>)
	<u>\$ 43,730</u>	<u>\$1,530,535</u>	<u>\$ 26,597</u>	<u>\$ 877,689</u>

Depreciation expenses for the years ended December 31, 2001 and 2000 aggregated to \$2,301,695 and \$2,167,162, respectively. Costs of properties included capitalized interest of \$12,296 and \$2,266 for the years ended December 31, 2001 and 2000. The annual interest rates for capitalization were 6.02% in 2001 and 5.895% to 6.020% in 2000.

Insurance coverage on properties, assets leased to others and non-operating assets as of December 31, 2001 amounts to \$22,692,000.

7. ASSETS LEASED TO OTHERS	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Cost		
Land	\$ 615,323	\$ 533,195
Buildings	<u>408,263</u>	<u>408,207</u>
	1,023,586	941,402
Accumulated depreciation	(<u>61,452</u>)	(<u>54,095</u>)
	<u>\$ 962,134</u>	<u>\$ 887,307</u>

Depreciation expenses for the years ended December 31, 2001 and 2000 aggregated to \$7,300 and \$6,636, respectively.

8. NON-OPERATING ASSETS - NET	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Cost		
Land	\$ 685,722	\$ 767,850
Buildings	<u>6,265</u>	<u>6,337</u>
	691,987	774,187
Accumulated depreciation	<u>5,816</u>	<u>5,860</u>
	<u>\$ 686,171</u>	<u>\$ 768,327</u>

9. RESTRICTED ASSETS

The composition and nature of restriction on these assets are as follows: (a) proceeds from issuance of capital stocks - specifically earmarked to finance the acquisition container ships and (b) proceeds from issuance of bonds - earmarked to finance the acquisition containers, cranes and for the repayment of foreign unsecured convertible bonds. The proceeds mentioned above have been fully used in 2001.

10. SHORT-TERM DEBTS	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Commercial paper issued. This is due in February 2002 and was issued at 3.13% discount.	\$ 199,400	\$ -
Bank overdraft - interest of from 4.75% to 6.68% in 2001 and from 6.85% to 9.50% in 2000	<u>2,883</u>	<u>41,087</u>
	<u>\$ 202,283</u>	<u>\$ 41,087</u>

As of December 31, 2001, the Corporation has unused credit lines aggregating \$3,629,455 that were available for issuance of commercial paper and other short-term debts.

11. LONG-TERM DEBTS	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
<u>December 31, 2001</u>			
Unsecured bank loans	\$ -	\$ 1,365,000	\$ 1,365,000
Domestic bonds:			
Unsecured	-	6,500,000	6,500,000
Secured	2,300,000	700,000	3,000,000
Unsecured convertible bonds - domestic	-	917,200	917,200
Capital leases (Note 6)	<u>281,952</u>	<u>1,248,583</u>	<u>1,530,535</u>
	<u>\$ 2,581,952</u>	<u>\$ 10,730,783</u>	<u>\$ 13,312,735</u>
<u>December 31, 2000</u>			
Secured bank loans	\$ 216,000	\$ 504,000	\$ 720,000
Domestic bonds:			
Unsecured	510,000	5,400,000	5,910,000
Secured	1,000,000	2,000,000	3,000,000
Unsecured convertible bonds:			
Domestic	-	921,100	921,100
Foreign	4,950	-	4,950
Capital leases (Note 6)	<u>162,359</u>	<u>715,330</u>	<u>877,689</u>
	<u>\$ 1,893,309</u>	<u>\$ 9,540,430</u>	<u>\$ 11,433,739</u>

Unsecured bank loans

Unsecured bank loans, which is due October 2006, are repayable in eight consecutive semi-annual installments starting February 2003, and bear interest at an annual rate of 2.99% to 4.26% that is compounded semiannually.

Secured bank loans

These loans bore interest at an annual rate of 7.2% and were redeemed in September 2001. Pursuant to an economic program carried out by the government through the Ministry of Economic Affairs (MOEA), the Corporation receives subsidy, in the form of reimbursements, from MOEA for annual interest actually paid in excess of interest equivalent to annual interest rate of 5.5%. The subsidy received is not recognized as part of interest expense by the Corporation.

Domestic unsecured bonds

The Corporation issued domestic unsecured bonds with face value of \$3,000,000 on June 1, 2000 (the "June 2000 Bonds") and with face value of \$2,400,000 on November 20, 2000 (the "November 2000 Bonds"). The June 2000 Bonds consist of "Type A" bonds with face value of \$1,200,000 and "Type B" bonds with face value of \$1,800,000. The face value representing 33%, 33% and 34% of the aggregate face value of the Type A bonds is payable on June 1, 2005, 2006 and 2007, respectively. It also bears annual interest rate of 5.7%. The face value representing 33%, 33% and 34% of the aggregate face value of the Type B bonds are payable on June 1, 2008, 2009 and 2010, respectively, and bear annual interest rate of 6.09%. The face value representing 20%, 40% and 40% of the November 2000 Bonds are payable on November 20, 2010, 2011 and 2012, respectively, and bear annual interest rate of 6.02%.

The Corporation issued domestic unsecured bonds with an aggregate face value of \$1,100,000 on July 16, 2001. The face value representing 20%, 40% and 40% of the bonds are payable on July 2006, 2007 and 2008, respectively and bear annual interest rate of 4.49%.

Domestic secured bonds

On June 30, 1999, the Corporation issued three-year domestic secured bonds with an aggregate face value of \$1,000,000. The bonds are classified as "Type A" and "Type B". The Type A bonds bear 5.8841% annual interest, while Type B bonds bears 5.8% interest compounded semiannually. The bonds may either be redeemed at maturity or, starting June 30, 2001, the bondholders can exercise their option to have the Corporation to redeem the bonds at prices stipulated in the "Principal Terms and Conditions of Offering and Issuance of Domestic Secured Bonds".

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

Domestic unsecured convertible bonds

These bonds were issued on August 2, 1997 and have face value of \$2,500,000. Such bonds, which mature in 2004, bear annual interest rate of 4.5% that is payable every June 27. The modes of settling the bonds are as follows:

- a. Redemption by the holders in lump-sum upon maturity at face value plus accrued interest;
- b. Conversion by the holders, starting September 2, 1997, into capital stock of the Corporation at the prevailing conversion price (\$15.66 dollars per share as of December 31, 2001); and
- c. Redemption by the Corporation, under certain conditions, at varying prices prior to their maturity.

As of December 31, 2001, bonds with face value of \$1,578,900 have been converted into 73,284 thousand shares of capital stock.

Foreign unsecured convertible bonds

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

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

Unless allowed under ROC laws and regulations, the aforementioned foreign bonds cannot be sold to any ROC persons (natural or juridical) or within the territory of the ROC. Proceeds from the issuance of the bonds were used to finance the acquisition of four 3,500 TEU container ships. As of December 31, 2001, bonds with aggregate face value of US\$7,861 thousand have been converted to 7,275 thousand shares of stock of the Corporation.

As of December 31, 2001, the Corporation has unused credit lines of about \$742,000 available for long-term bank loans.

12. RESERVE FOR LAND VALUE INCREMENT TAX

This pertains to land owned by China Merchants Steam Navigation Company (CMSNC) that was transferred to the Corporation upon their merger.

13. UNREALIZED GAIN ON SALE AND LEASEBACK

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Chassis	\$ 54,556	\$ -
Containers	36,252	63,189
Vessel Ming Zenith	21,014	40,411
Vessel Ming North	12,068	13,217
Vessel Med Keelung	<u>1,150</u>	<u>1,672</u>
	<u>\$ 125,040</u>	<u>\$ 118,489</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 period of expected term of the lease or estimated service lives.

14. STOCKHOLDERS' EQUITY

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

The Corporation can not use for any purpose its share in the changes of the capital surplus reported by its equity-accounted investees. All other components of capital surplus, under the regulations, can only be used to offset a deficit. In addition, only the capital surplus attributable to paid-in capital in excess of par value can be transferred to capital. Capitalization of paid-in capital in excess of par value is conducted by issuing new shares to stockholders in proportion to their holdings, and is restricted to once a year and to a prescribed amount. Capital surplus attributable to gain on disposal of properties before December 31, 2000 can be reclassified to retained earnings when such reclassification is approved by the stockholders in the 2002 Annual General Shareholders' Meeting with such reclassification given effect to in the 2002 financial statements.

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

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

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

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

Under the Company Law, the foregoing appropriation for legal reserve are made until the accumulated reserve equals the aggregate par value of the Corporation's outstanding capital stock. This reserve can only be used to offset a deficit, or when reaching 50% of the aggregated par value of the Corporation's outstanding capital stock, up to 50% of the reserve can be declared as stock dividend.

Under the Integrated Income Tax System that became effective on July 1, 1998, non-corporate shareholders are entitled to tax credit for the income tax paid by the company on earnings generated also starting July 1, 1998. An Imputation Credit Account (ICA) is maintained by the Corporation to monitor the balance of such income tax and the tax credits allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the balance shown in the ICA on the date of distribution of dividends.

15. INCOME TAX

a. Computation of current income tax payable:

	<u>Year Ended December 31</u>	
	<u>2001</u>	<u>2000</u>
Tax on pretax income at 25% statutory rate	(\$ 112,351)	\$ 440,982
Add (deduct) tax effects of:		
Permanent differences	100,962	46,627
Deferred income tax	(20,784)	(369,003)
Loss carryforward and investment tax credit	<u> -</u>	<u>(118,606)</u>
Currently payable	<u>\$ -</u>	<u>\$ -</u>

b. Income tax expense consisted of:

	<u>Year Ended December 31</u>	
	<u>2001</u>	<u>2000</u>
Currently payable	\$ -	\$ -
Income tax expense - deferred	(1,484)	499,890
Change in adjustment of valuation allowance	227,127	64,614
Income tax on interest income on short-term commercial paper	-	1,135
Adjustments of prior years' taxes	<u> -</u>	<u>(2,556)</u>
	<u>\$ 225,643</u>	<u>\$ 563,083</u>

- c. Deferred income tax assets (liabilities) as of December 31, 2001 and 2000 consist of the following:

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Current (included in other current liabilities)		
Unrealized foreign exchange loss (gain)	(\$ 47,822)	(\$ 118,794)
Loss carryforwards	39,470	-
Investment tax credits	3,668	-
Other	7,747	6,895
Allowance for deferred income tax assets	(<u>43,138</u>)	<u>-</u>
	<u>(\$ 40,075)</u>	<u>(\$ 111,899)</u>
Non-current (included in other liabilities):		
Loss carryforwards	\$ 261,384	\$ 297,290
Differences in estimated service lives of containers	(198,411)	(150,921)
Cumulative equity in net income of investee companies	(310,546)	(238,175)
Deferred pension cost	56,713	36,116
Investment tax credits	27,293	5,603
Allowance for deferred income tax assets	(<u>248,602</u>)	(<u>64,614</u>)
	<u>(\$ 412,169)</u>	<u>(\$ 114,701)</u>

The income tax rate for recognition of deferred income taxes as of December 31, 2001 and 2000 was 25%.

- d. Integrated income tax system information:

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Balance of ICA	<u>\$ 14,909</u>	<u>\$ 20,505</u>

The applicable tax credit ratio on earnings as of December 31, 2000 distributed in 2001 was 2.90%. The tax credits allocable to stockholders are based on the balance of ICA on the dividends distribution date.

As of December 31, 2001 and 2000, the total of the balances of special reserve and unappropriated retained earnings that generated before June 30, 1998 aggregated to \$1,141,939.

Unused operating loss carryforwards and investment tax credits available for offsetting against future income tax as of December 31, 2001 are as follow:

<u>Year of Expiry</u>	<u>Loss Carryforwards</u>	<u>Investment Tax Credits</u>
2001	\$ -	\$ 907
2002	39,470	2,761
2003	261,384	22,503
2004	<u>-</u>	<u>4,790</u>
	<u>\$300.854</u>	<u>\$ 30.961</u>

- e. Net operating incomes from the following ships are exempt from income tax:

	<u>Tax-Exemption Period</u>
Ming East and Ming South	July 1, 1998 to June 30, 2002

Income tax returns have been examined by the tax authorities through the year ended June 30, 1998.

The tax authorities have assessed the Corporation's income tax returns for the year ended June 30, 1995 for \$38,556 related to the redemption premium of the foreign unsecured convertible bond. The redemption premium were amortized and recognized as interest expense in the financial statements and in the income tax returns using the effective interest rate method. The tax authorities ruled that such interest expenses are deductible only when actually paid by the Corporation. The Corporation is contesting the assessment by filing a lawsuit in court. Management did not recognize the liabilities because it believed that it is possible to win the lawsuit.

16. PENSION PLAN

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

- Pension plan for on-shore employees. The benefit under this plan is based on length of service and average monthly salary, excluding bonus and allowance, before retirement. The pension fund, into which the Corporation contributes 3% of salaries every month, is administered by the employees pension fund committee and deposited in its name with the Central Trust of China.
- Pension plan for crews of ships. The benefit under this plan is based on length of service and level of salary, excluding bonus and allowance, at the time of retirement. The plan is not funded by the Corporation
- Pension plan for retired employees of CMSNC. The benefit under this plan is based on length of service and level of salary, excluding bonus and allowance, at the time of retirement.

The service periods of on-shore employees and crews of ships before privatization can be used to qualify for retirement, but are not considered in the calculations of benefits.

Certain information on pension is as follows:

	<u>Year Ended December 31</u>	
	<u>2001</u>	<u>2000</u>
a. Components of net pension costs:		
Service cost	\$ 105,216	\$ 100,704
Interest cost	25,097	19,788
Expected return on plan assets	(4,767)	(4,046)
Amortization of net transition assets	(14,171)	(14,171)
Amortization of prior service cost	436	436
Amortization of net loss	<u>3,330</u>	<u>1,532</u>
	<u>\$ 115,141</u>	<u>\$ 104,243</u>
	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
b. Reconciliation of funded status of the pension plan to accrued pension cost at end of year		
Benefit obligation:		
Vested benefit obligation	\$ 130,366	\$ 128,355
Non-vested benefit obligation	<u>210,935</u>	<u>147,730</u>
Accumulated benefit obligation	341,301	276,085
Additional benefits based on future salaries	<u>138,767</u>	<u>148,436</u>
Projected benefit obligation (PBO)	480,068	424,521
Plan assets at fair value	(<u>88,976</u>)	(<u>72,448</u>)
Unfunded PBO	391,092	352,073
Unrecognized net transition assets	38,249	52,420
Unrecognized prior service cost	(6,107)	(6,543)
Unrecognized net gain (loss)	<u>28,401</u>	(<u>21,748</u>)
Accrued pension cost (included in other liabilities)	<u>\$ 451,635</u>	<u>\$ 376,202</u>
c. Vested benefits	<u>\$ 165,195</u>	<u>\$ 174,599</u>
	<u>Year Ended December 31</u>	
	<u>2001</u>	<u>2000</u>
d. Assumptions used		
Discount rate	5.00%	6.00%
Rate of increase in compensation	3.25%	4.25%
Expected rate of return on plan assets	5.00%	6.00%
e. Changes in pension fund		
Contributions	<u>\$ 14,201</u>	<u>\$ 13,771</u>
Payment of benefits	<u>\$ 21,891</u>	<u>\$ 17,380</u>

17. RELATED PARTY TRANSACTIONS

The Corporation engages in significant transactions with related parties. Such transactions for the years ended December 31, 2001 and 2000 and the balances, except those mentioned in Note 19, are summarized in Schedule A and Schedule B.

The transactions with related parties were conducted under contract terms.

18. ASSETS PLEDGED OR MORTGAGED

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

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Pledged time deposits	\$ 434,909	\$ 12,837
Properties - net	2,970,485	5,735,991
Non-operating assets - net	<u>89,230</u>	<u>89,230</u>
	<u>\$3,494,624</u>	<u>\$5,838,058</u>

19. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments and contingent liabilities as of December 31, 2001 are as follows:

- a. Obligations to provide crews to four ships of Chinese Petroleum Corporation under contracts that will expire on various dates before November 2003. The daily compensation under the contracts is \$578.
- b. Leases of office premises, ships and container yard under agreements that will expire on various dates before December 2008. The total rents were \$6,126,288 for the year ended December 31, 2001, and future minimum rentals are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2002	\$2,730,383
2003	1,990,313
2004	2,061,941
2005	1,629,567
2006	640,618

Rentals after 2006 amount to \$1,079,941, with present value of about \$931,229 based on annual interest rate of 2.5%.

- c. Leases of containers and chassis under capital lease agreements expiring on various dates before January 2009. Rentals for the year ended December 31, 2001 were about \$209,815 (deducted from leases payable), and future minimum rentals are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2002	\$ 323,875
2003	284,410
2004	269,565
2005	272,169
2006	534,896

Rentals after 2006 amount to \$109,891, with present value of about \$94,759 based on annual interest rate of 2.5%.

- d. Ship construction contracts aggregating to about US\$21,150,000. As of December 31, 2001, future obligation of the contract is US\$19,035,000.
- e. Guaranty on loan obtained by Yang Ming Line (B.V.I.) Holding Co., Ltd., All Oceans Transportation Inc. and Solar International Shipping Agency, Inc. amounting to US\$115,609,000, US\$82,626,000 and US\$1,500,000, respectively.
- f. Guarantees amounting to \$9,000 on operation of Yangming (U.K.) Limited in Taiwan under the regulation of shipping ACT.
- g. In 2001, 54 former crews of ships, who retired after the Corporation's privatization, sued the Corporation and claimed \$126,362 as additional severance benefit computed using the Labor Standard Law instead of the Rules of Privatization for the Government-Owned Corporations. The Taipei District Court has decided in favor of the Corporation. Nevertheless, those plaintiffs appealed to higher court. No liability was accrued since management believed the appeal would not prosper.

20. SUBSEQUENT EVENTS

On February 5, 2002, the Board of Directors approved the sell of two ships, namely, Ming Bamboo and Ming Pine to All Oceans Transportation Inc., an equity-accounted investee, with carrying values of \$1,883,484 and \$1,890,759, respectively.

21. FINANCIAL INSTRUMENTS

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

- 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>
Exchange rate swap	EUR\$14,940,000	\$742	\$742

The Corporation recognized gains on those contracts amounting to \$24,733 for the year ended December 31, 2001.

The Corporation is exposed to credit risks when the counterparts fail to fulfill the contracts. As the Corporation only engages with selected trustworthy financial institutions, no significant losses are anticipated from the defaults of counter party.

- 2) Market risk

The Corporation is exposed to market risk arising from foreign exchange risk fluctuations on the forward contracts.

- 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 the Corporation has enough operating capital to meet its cash demand.

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

The Corporation 's entry into exchange rate swap contracts is to manage risks associated with exchange rates fluctuations on net assets or liabilities denominated in foreign currency, rather to trade for profit. Moreover, the effectiveness of those instruments used is evaluated periodically.

- b. The Corporation has entered into forward exchange options contracts to hedge the effect of exchange rate fluctuations on net assets or liabilities denominated in foreign currency. It realized exchange gain on those contracts amounting to \$458 for the year ended December 31, 2001, and there are no such contracts outstanding as of December 31, 2001.
- c. The Corporation has written foreign currency put options that it entered into for trading purpose on which it realized losses amounting to \$3,408 for the year ended December 31, 2000. The Corporation did not enter into any foreign currency put options in 2001.

- d. The Corporation has entered into forward exchange contracts to hedge the effect of exchange rate fluctuations on net assets or liabilities denominated in foreign currency. It realized exchange losses on those contracts amounting to \$2,661 for the year ended December 31, 2000. The Corporation did not enter into any forward exchange contracts in 2001.
- e. The fair values of the Corporation's financial instruments are as follows:

	December 31			
	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Non-derivative instruments</u>				
<u>Assets</u>				
Short-term financial instruments				
Cash and cash equivalents	\$ 4,251,248	\$ 4,251,248	\$ 6,757,153	\$ 6,757,153
Short-term investments	1,785,007	1,785,007	1,642,839	1,642,839
Accounts receivable	693,507	693,507	1,173,300	1,173,300
Receivables from related parties	897,362	897,362	2,331,555	2,331,555
Advances to shipping agents	969,577	969,577	420,491	420,491
Pledged time deposits	434,909	434,909	12,837	12,837
Investments in shares of stock	8,383,490	8,383,490	7,369,362	7,369,362
Long-term receivables from related parties	4,796,317	4,796,317	1,172,715	1,172,715
<u>Liabilities</u>				
Short-term financial instruments				
Short-term debts	202,283	202,283	41,087	41,087
Payables to related parties	1,742,515	1,742,515	1,892,669	1,892,669
Accrued expenses	873,472	873,472	1,330,335	1,330,335
Payables to shipping agents	2,571,192	2,571,192	1,768,127	1,768,127
Bank loans	1,365,000	1,365,000	720,000	720,000
Bonds	10,417,200	11,218,098	9,836,050	9,887,070
Obligations under capital leases	1,530,535	1,530,535	877,689	877,689
<u>Derivatives</u>				
Exchange rate swap contracts	742	742	-	-

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

- 1) The carrying values of short-term financial instruments approximate fair values because of the short maturity of these instruments.
- 2) Fair values of short-term investments and investments in shares of stock are based on market prices or, if market prices are unavailable, upon the costs of investments.
- 3) Fair values of long-term receivable from related parties, bank loans, bonds, 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) Fair values of derivatives are calculated based on quoted forward exchange rates, obtained from Reuter's New Agency or Associated Press, with respective remaining contract periods.

22. ADDITIONAL DISCLOSURE

Except those mentioned in Note 21 and schedule C to H, there are no additional disclosures required by the SFC for the Corporation, investees and investment in Mainland China.

23. SEGMENT AND GEOGRAPHIC INFORMATION

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

<u>Line Service</u>	<u>Year Ended December 31</u>			
	<u>2001</u>		<u>2000</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
European line	\$ 9,237,806	20	\$ 10,453,790	21
U.S. Western coast line	8,445,516	19	14,709,049	29
U.S. Eastern coast line	7,381,324	16	6,747,438	13
Asia line	5,801,944	13	5,524,701	11

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

YANG MING MARINE TRANSPORT CORPORATION

RELATED PARTY TRANSACTIONS
For the Years Ended December 31, 2001 and 2000
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (See Notes Below)	Operating Revenues										Operating Costs						Operating Expenses-insurance		Interest Income			
		Charter Hire		Agents Income		Rental of Containers		Slotage		Ship Management		Haulage		Tally		Commission		Insurance		Amount	%		
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%				
2001																							
Kuang Ming Shipping Corp.	A	\$ -	-	\$ -	-	\$ 24,111	2	\$ -	-	\$ 26,289	7	\$ -	-	\$ -	-	\$ 141,877	5	\$ -	-	\$ -	-	\$ -	-
All Oceans Transportation Inc.	A	-	-	-	-	-	-	-	-	-	-	630,550	D 5	-	-	-	-	-	-	-	-	217,478	50
Honming Terminal & Stevedoring Co., Ltd	A	-	-	-	-	-	-	-	-	-	-	264,776	2	380,980	14	-	-	-	-	-	-	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	283,436	2	-	-	-	-	-	-	-	-	-	-
China Mariners' Assurance Corp.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51,262	27	2,837	9	-	-	
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	126,806	5	-	-	-	-	-	-
Young-Carrier Company Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	309,861	11	-	-	-	-	-	-
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	-	-	-	-	170,331	E 1	-	-	-	-	-	-	-	-	-	-
Yangming (U.K.) Limited	B	80,948	C 9	87,428	97	1,042,220	97	43,362	9	136,285	37	52,563	1	14,806	1	38,693	1	-	-	-	-	-	-
Yang Ming Shipping Europe GmbH	B	-	-	-	-	-	-	-	-	-	-	-	-	58,721	2	148,357	5	-	-	-	-	-	-
Yang Ming Line (Hong Kong) Limited.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	289,079	11	-	-	-	-	-	-
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,927	3	-	-	-	-	-	-
Kuang Ming Shipping Corp. (Panama)	B	-	-	-	-	-	-	-	-	-	-	18,495	F	-	-	-	-	-	-	-	-	-	-
Yang Ming Line (M) Sdn. Bhd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,188	1	-	-	-	-	-	-
Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	228,888	2	-	-	-	-	-	-	-	-	-	-
		<u>\$ 80,948</u>	<u>9</u>	<u>\$ 87,428</u>	<u>97</u>	<u>\$ 1,066,331</u>	<u>99</u>	<u>\$ 43,362</u>	<u>9</u>	<u>\$ 162,574</u>	<u>44</u>	<u>\$ 1,649,039</u>	<u>13</u>	<u>\$ 454,507</u>	<u>17</u>	<u>\$ 1,154,788</u>	<u>42</u>	<u>\$ 51,262</u>	<u>27</u>	<u>\$ 2,837</u>	<u>9</u>	<u>\$ 217,478</u>	<u>50</u>
2000																							
Kuang Ming Shipping Corp.	A	\$ -	-	\$ -	-	\$ 34,555	9	\$ -	-	\$ 20,760	11	\$ -	-	\$ -	-	\$ 254,402	8	\$ -	-	\$ -	-	\$ -	-
All Oceans Transportation Inc.	A	-	-	-	-	-	-	-	-	-	-	1,329,956	9	-	-	-	-	-	-	-	-	232,635	49
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	190,584	6	-	-	-	-	-	-	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	609,774	4	-	-	-	-	-	-	-	-	-	-
China Mariners' Assurance Corp.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,506	1	1,458	4	-	-	-
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	101,461	3	-	-	-	-	-	-
Young-Carrier Company Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	218,851	7	-	-	-	-	-	-
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	-	-	-	-	160,064	1	-	-	-	-	-	-	-	-	-	-
Yangming (U.K.) Limited	B	919,267	79	43,912	93	334,942	84	108,601	51	9,681	5	516,371	4	17,014	1	49,862	2	-	-	-	-	-	-
Yang Ming Shipping Europe GmbH	B	-	-	-	-	-	-	-	-	-	-	-	-	64,388	2	150,573	5	-	-	-	-	-	-
Yang Ming Line (Hong Kong) Limited.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	408,282	13	-	-	-	-	-	-
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	71,962	2	-	-	-	-	-	-
Kuang Ming Shipping Corp. (Panama)	B	-	-	-	-	-	-	-	-	-	-	15,442	-	-	-	-	-	-	-	-	-	-	-
Yang Ming (M) Sdn. Bhd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,672	1	-	-	-	-	-	-
Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,629	8
		<u>\$ 919,267</u>	<u>79</u>	<u>\$ 43,912</u>	<u>93</u>	<u>\$ 369,497</u>	<u>93</u>	<u>\$ 108,601</u>	<u>51</u>	<u>\$ 30,441</u>	<u>16</u>	<u>\$ 2,631,607</u>	<u>18</u>	<u>\$ 271,986</u>	<u>9</u>	<u>\$ 1,288,065</u>	<u>41</u>	<u>\$ 1,506</u>	<u>1</u>	<u>\$ 1,458</u>	<u>4</u>	<u>\$ 270,264</u>	<u>57</u>

Notes: A. Investee accounted for using the equity method.

B. Investee of a wholly-owned subsidiary, accounted for using the equity method.

C. Lease of thirteen ships to Yangming (U.K.) Ltd. under several agreements that expire on various dates before May 2003, the collection of rent is on the monthly basis.

D. Lease of twenty-one ships from All Oceans Transportation Inc. under several agreements that expire on various dates before August 2006, the rent payment is payable every six months.

E. Lease of one ship from Yang Ming (Cayman) Ltd. under an agreement that expires on December 31, 2001, the rent payment is payable every three months.

F. Lease of one ship from Kuang Ming Shipping (Panama) under an agreement that expires on December 31, 2005, the rent payment is payable semi-monthly.

G. In August and October 2001, the Corporation acquired Ching Ming Investment Corp.'s shareholdings in three companies amounting to \$76,968.

YANG MING MARINE TRANSPORT CORPORATION

RELATED PARTY ACCOUNT BALANCES
December 31, 2001 and 2000
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (See Notes Below)	Receivables from Related Parties						Prepaid Expense	Long-term Receivable from Related Parties	Payables to Related Parties						Advances from Customers	Unrealized Gain on Sales and Leaseback						
		Accounts Receivables		Other Receivables		Total				Accrued Expense	Payables to Shipping Agents	Receipts under Custody		Total									
		Amount	%	Amount	%	Amount	%					Amount	%	Amount	%			Amount	%				
2001																							
Kuang Ming Shipping Ltd.	A	\$ -	-	\$ 7,932	1	\$ 7,932	1	\$ -	-	\$ -	-	\$ -	-	\$ 90,471	5	\$ -	-	\$ 90,471	5	\$ 122,225	17	\$ -	-
All Oceans Transportation, Inc.	A	-	-	318,032	35	318,032	35	153,961	31	4,796,317	100	43,200	2	-	-	45,589	3	88,789	5	-	-	1,150	1
				Note D						Note D													
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	6,359	1	-	-	10,230	1	-	-	-	-	10,230	1	-	-	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	35,430	2	-	-	-	-	35,430	2	-	-	-	-
Yangming (Japan) Co., Ltd.	B	97,861	11	-	-	97,861	11	-	-	-	-	-	-	398,108	23	-	-	398,108	23	32,849	5	-	-
Young-Carrier Company Ltd.	B	188,321	21	-	-	188,321	21	-	-	-	-	-	-	135,072	8	-	-	135,072	8	-	-	-	-
Yangming (UK) Ltd.	B	134,768	15	-	-	134,768	15	-	-	-	-	-	-	66,987	4	571,262	32	638,249	36	-	-	-	-
																Note E							
Yang Ming Shipping Europe GmbH	B	95,442	11	-	-	95,442	11	-	-	-	-	-	-	103,202	6	-	-	103,202	6	147	-	-	-
Yang Ming Line (Hong Kong) Ltd.	B	13,490	2	-	-	13,490	2	-	-	-	-	-	-	126,815	7	-	-	126,815	7	64,080	9	-	-
Yangming Shipping (Singapore) Pte. Ltd.	B	16,851	2	-	-	16,851	2	-	-	-	-	-	-	76,721	5	-	-	76,721	5	11,138	2	-	-
Yang Ming Line (M) Sdn. Bhd.	B	20,266	2	-	-	20,266	2	-	-	-	-	-	-	39,428	2	-	-	39,428	2	993	-	-	-
Others		1,878	-	2,521	-	4,399	-	-	-	-	-	-	-	-	-	-	-	-	-	299	-	-	-
		\$ 568,877	64	\$ 328,485	36	\$ 897,362	100	\$ 160,320	32	\$ 4,796,317	100	\$ 88,860	5	\$ 1,036,804	60	\$ 616,851	35	\$ 1,742,515	100	\$ 231,731	33	\$ 1,150	1
2000																							
Kuang Ming Shipping Ltd.	A	\$ 34,192	1	\$ 31,264	1	\$ 65,456	2	\$ -	-	\$ -	-	\$ -	-	\$ 58,765	3	\$ -	-	\$ 58,765	3	\$ 182,721	28	\$ -	-
All Oceans Transportation, Inc.	A	-	-	119,859	6	119,859	6	-	-	1,172,715	100	145,718	8	-	-	58,243	3	203,961	11	-	-	1,672	1
				Note C						Note C													
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	9,135	-	-	-	-	-	9,135	-	-	-	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	23,138	1	-	-	-	-	23,138	1	-	-	-	-
China Mariners' Assurance Corp.	A	-	-	-	-	-	-	2,885	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yangming (Japan) Co., Ltd.	B	54,560	3	-	-	54,560	3	-	-	-	-	-	-	984,457	52	-	-	984,457	52	-	-	-	-
Young-Carrier Company Ltd.	B	238,415	10	-	-	238,415	10	-	-	-	-	-	-	-	-	-	-	-	-	2,923	-	-	-
Yangming (UK) Ltd.	B	116,857	5	-	-	116,857	5	-	-	-	-	-	-	25,256	1	319,641	17	344,897	18	2,893	-	-	-
																Note E							
Yang Ming Shipping Europe GmbH	B	187,270	8	-	-	187,270	8	-	-	-	-	-	-	76,888	4	-	-	76,888	4	-	-	-	-
Yang Ming Line (Hong Kong) Ltd.	B	69,851	3	-	-	69,851	3	-	-	-	-	-	-	139,592	7	-	-	139,592	7	95,573	15	-	-
Yangming Shipping (Singapore) Pte. Ltd.	B	20,815	1	-	-	20,815	1	-	-	-	-	-	-	42,484	3	-	-	42,484	3	19,053	3	-	-
Yang Ming Line (M) Sdn. Bhd.	B	3,991	-	-	-	3,991	-	-	-	-	-	-	-	9,352	1	-	-	9,352	1	3,153	-	-	-
Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	-	-	1,448,666	62	1,448,666	62	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others		3,346	-	2,469	-	5,815	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		\$ 729,297	31	\$ 1,602,258	69	\$ 2,331,555	100	\$ 2,885	1	\$ 1,172,715	100	\$ 177,991	9	\$ 1,336,794	71	\$ 377,884	20	\$ 1,892,669	100	\$ 306,316	46	\$ 1,672	1

Notes: A. Investee accounted for using the equity method.

B. Investee of a wholly-owned subsidiary, accounted for using the equity method.

C. In 2000, the Corporation sold Vessel Ming Wisdom, Vessel Ming Prominence, Vessel Med Taichung, Vessel Ming West and relative equipments with carrying value of \$2,681,525 to All Oceans and leased Vessel Ming Prominence, Vessel Med Taichung and Vessel Ming West back.

D. In 2001, the Corporation sold two ships named Vessel Ming Cypress and Vessel Ming Green and relative equipments with carrying value of \$3,614,625 to All Oceans.

E. The freight revenue receipt custody of Yangming (UK) Limited.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

FINANCING PROVIDED
December 31, 2001
(Amounts in Thousands of New Taiwan Dollars)

No.	Financing Name	Counter-Party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Nature of Financing (Note A)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
											Item	Value		
0	Yang Ming Marine Transport Corporation	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Receivables from related parties	\$ 1,487,349 Note F	\$ -	8%	2	\$ 228,888	Acquisition of container ships	\$ -	-	\$ -	\$ 1,834,316 Note B	\$ 3,688,632 Note C
1	Yang Ming Shipping (B.V.I.) Inc.	Karman Properties Limited	Other current assets	106,130 Note G	98,500 Note H	3%	2	-	Acquisition of office building	-	-	-	194,038 Note D	242,547 Note E

Notes: A. Nature of Financing:

1. With which the Corporation has transactions.
 2. There is a need for short-term financing.
- B. Computed at 10% capital stock of the Corporation.
- C. Computed at 20% capital stock of the Corporation.
- D. Computed at 80% net asset value of the Corporation.
- E. Computed at 100% net asset value of the Corporation.
- F. US\$42,496,000 translated into New Taiwan Dollars using exchange rate of US\$1:NT\$35.
- G. HK\$23,644,000 translated into New Taiwan Dollars using exchange rate of HK\$1:NT\$4.4886.
- H. HK\$21,944,000 translated into New Taiwan Dollars using exchange rate of HK\$1:NT\$4.4886.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED

December 31, 2001

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

No.	Endorsement/Guarantee Provider	Counter-Party		Limits on Each Counter-party's Endorsement/Guarantee Amounts (Note A)	Maximum Balance for the Period	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable (Note B)
		Name	Nature of Relationship						
0	Yang Ming Marine Transport Corporation	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Investees accounted for using the equity method	\$ 9,171,580	\$ 4,497,031 (Note C)	\$ 4,046,328 (Note D)	\$ -	16.82%	\$ 18,343,160
		All Oceans Transportation, Inc.	Investees accounted for using the equity method	9,171,580	3,232,575 (Note E)	2,891,904 (Note F)	-	12.02%	18,343,160
		Solar International Shipping Agency Inc.	Shipping agent	9,171,580	52,500 (Note G)	52,500 (Note G)	-	0.22%	18,343,160
		Yangming (UK) Ltd.	Investees accounted for using the equity method	9,171,580	9,000	9,000	-	0.04%	18,343,160
1	Kuang Ming Shipping Corp.	Kuang Ming Shipping (Panama)	Investees accounted for using the equity method	157,500	87,500 (Note H)	78,750 (Note I)	-	22.67%	315,000

Notes:

- A. Computed 50% capital stock of the Corporation.
B. Computed capital stock of the Corporation.
C. US\$128,487,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$35.
D. US\$115,609,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$35.
E. US\$92,359,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$35.
F. US\$82,626,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$35.
G. US\$1,500,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$35.
H. US\$2,500,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$35.
I. US\$2,250,000 translated into New Taiwan dollars using exchange rate of US\$1:NT\$35.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES
 MARKETABLE SECURITIES HELD
 December 31, 2001
 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Held Company Name	Marketable Securities Type and Name	Relationship with the Corporation	Financial Statement Account	December 31, 2001				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note A)	
Yang Ming Marine Transport Corporation	<u>Common stock</u>							
	Ritek Corporation	-	Short-term investment	7,874,100	\$ 731,463	0.47	\$ 280,349	
	Sunplus Technology Co., Ltd.	-	Short-term investment	1,269,000	130,691	0.23	127,655	
	United Microelectronics Corp.	-	Short-term investment	1,242,000	104,243	0.01	59,438	
	Chung Hwa Picture Tubes Ltd.	-	Short-term investment	2,954,129	75,768	0.07	67,732	
	Asustek Computer Inc.	-	Short-term investment	289,000	64,402	0.01	43,797	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investment	537,600	55,020	-	45,018	
	Elan Microelectronics Corp.	-	Short-term investment	2,239,250	50,962	0.76	97,269	
	Macronix International Co., Ltd.	-	Short-term investment	780,000	49,362	0.02	20,280	
	Dbtel Incorporated	-	Short-term investment	477,960	39,932	0.09	9,818	
	Compal Electronics, Inc.	-	Short-term investment	477,500	39,509	0.02	19,825	
	Twinhead International Corp.	-	Short-term investment	796,400	29,788	0.15	5,047	
	Orient Semiconductor Electronics, Limited	-	Short-term investment	598,098	24,063	0.05	6,448	
	Polaris Securities Co., Ltd.	-	Short-term investment	412,081	23,620	0.04	6,145	
	Advanced Semiconductor Engineering, Inc.	-	Short-term investment	307,710	18,332	0.01	9,285	
	Inventec Corporation	-	Short-term investment	240,000	16,474	0.01	5,843	
	Winbond Electronics Corp.	-	Short-term investment	239,597	15,959	0.01	4,495	
	Yageo	-	Short-term investment	462,471	15,337	0.02	11,062	
	Gigastorage Corporation	-	Short-term investment	495,000	14,972	0.20	7,999	
	Delpha Construction Co., Ltd.	-	Short-term investment	376,310	14,523	0.09	502	
	Universal Scientific Industrial Co., Ltd.	-	Short-term investment	166,600	12,517	0.02	3,575	
	Prodisc Technology Inc.	-	Short-term investment	133,000	10,830	0.03	4,785	
	Mosel Vitelic Inc.	-	Short-term investment	165,000	9,438	0.01	2,067	
	Aurora Corporation	-	Short-term investment	132,000	7,459	0.02	1,378	
	Siliconware Precision Industries Co., Ltd.	-	Short-term investment	65,995	3,992	-	1,800	
	Micro-star International Co., Ltd.	-	Short-term investment	25,000	3,907	0.01	3,660	
	Hua Nan Financial Holdings Co., Ltd.	-	Short-term investment	57,750	2,529	-	1,170	
	Taiwan Mask Corp.	-	Short-term investment	23,865	2,135	0.01	563	
	Cheng Loong Corp.	-	Short-term investment	80,112	1,479	0.01	358	
	Weltrend Semiconductor, Inc.	-	Short-term investment	19,200	1,329	0.01	875	
	Silicon Integrated Systems Corp.	-	Short-term investment	3,427	234	-	183	
	Taiwan Fu Hsing Industrial Co., Ltd.	-	Short-term investment	4,076	173	-	107	
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	67,505,031	2,585,536	100.00	2,585,536	
	Yang Ming Line (Singapore) Pte Ltd.	Investee accounted for using the equity method	Investment in shares of stock	28,400,000	1,049,606	100.00	1,049,606	
	All Oceans Transportation, Inc.	Investee accounted for using the equity method	Investment in shares of stock	1,000	644,212	100.00	644,212	
	YES Logistics Corp.	Investee accounted for using the equity method	Investment in shares of stock	45,251,100	427,460	90.50	427,460	
Ching Ming Investment Corp.	Investee accounted for using the equity method	Investment in shares of stock	149,946,800	384,215	99.96	384,215		
Honming Terminal & Stevedoring Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	31,600,000	366,273	79.00	366,273		
Kuang Ming Shipping Corp.	Investee accounted for using the equity method	Investment in shares of stock	25,846,760	285,250	82.05	285,250		
China Mariners' Assurance Corp.	Investee accounted for using the equity method	Investment in shares of stock	24,982,219	221,045	22.71	221,045		
Transyang Shipping Pte. Ltd.	Investee accounted for using the equity method	Investment in shares of stock	686	65,943	24.99	65,943		
Jing Ming Transportation Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	4,577,464	56,087	50.80	56,087		
Yang Ming Line Holding Co.	Investee accounted for using the equity method	Investment in shares of stock	3,000	43,233	100.00	43,233		
Senao International Co., Ltd.	-	Investment in shares of stock	2,956,800	96,000	1.83	111,835		

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Corporation	Financial Statement Account	December 31, 2001				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note A)	
	Hotung Investment Holding Ltd.	-	Investment in shares of stock	8,861,600	\$ 40,268	0.70	\$ 47,578	
	Data Corp.	-	Investment in shares of stock	35,680	430	0.01	405	
	United Venture Capital Corp.	-	Investment in shares of stock	8,000,000	80,000	9.04	80,656	
	Grand Orient Security Corp.	-	Investment in shares of stock	9,500,000	70,000	6.51	71,047	
	Taiwan Nano Electro-optical Technology Co., Ltd.	-	Investment in shares of stock	4,546,871	61,953	9.09	37,477	
	U-Tech Media Corp.	-	Investment in shares of stock	1,609,500	46,125	1.20	46,161	
	Ritek Photonics Corp.	-	Investment in shares of stock	3,000,000	45,000	2.00	35,213	
	SF Technology Venture Capital Corp.	-	Investment in shares of stock	4,000,000	40,000	7.24	42,808	
	Kingmax Technology Corp.	-	Investment in shares of stock	1,534,944	24,000	1.40	22,178	
	Ascentek Venture Capital Corp.	-	Investment in shares of stock	2,000,000	20,080	2.14	20,476	
	Forwin Securities Corp.	-	Investment in shares of stock	4,000,000	20,000	2.00	21,015	
	Yes Mobile Taiwan Inc.	-	Investment in shares of stock	200,000	6,000	1.00	2,128	
	Imaging Quality Technology Inc.	-	Investment in shares of stock	1,000,000	4,000	3.09	2,565	
	Yieh United Steel Corp.	-	Investment in shares of stock	2,090,000	-	0.16	-	
	Digital United Holdings Ltd.	-	Investment in shares of stock	300,000	-	0.46	-	
	Argo System Inc.	-	Investment in shares of stock	8,000,000	-	8.00	-	
	A-trend Technology Co., Ltd.	-	Investment in shares of stock	1,877,325	-	1.04	-	
	Minchali Metal Industry Co., Ltd.	-	Investment in shares of stock	700,000	-	0.26	-	
	CTX Corp.	-	Investment in shares of stock	333,000	-	0.06	-	
	International Strategies Holding Corp.	-	Investment in shares of stock	62,500	-	0.60	-	
	<u>Preferred stock</u>							
	New Century InfoComm Co., Ltd.	-	Investment in shares of stock	80,000,000	864,000	1.68	791,719	
	Penguin Computing, Inc.	-	Investment in shares of stock	218,340	15,395	0.97	544	
	Arescom Inc.	-	Investment in shares of stock	100,000	15,395	0.27	150	
	Prominent Communications, Inc.	-	Investment in shares of stock	285,714	-	1.52	-	
	<u>Mutual fund</u>							
	Fuh-hwa Bond Fund	-	Short-term investment	27,778,748	321,100	-	335,409	
	Phoenix	-	Short-term investment	16,412,646	220,414	-	225,313	
	Entrust Kirin Bond Fund	-	Short-term investment	9,511,416	95,500	-	95,831	
	Core Pacific China Trust Fund	-	Short-term investment	9,000,000	90,000	-	60,480	
	Tiim High Yield Fund	-	Short-term investment	5,000,000	50,000	-	55,682	
	Apollo Fund	-	Short-term investment	5,000,000	50,000	-	28,900	
	Tiim Bond Fund	-	Short-term investment	3,867,395	50,000	-	50,000	
	High Yield	-	Short-term investment	2,524,686	26,000	-	29,827	
	Nitc Value Fund	-	Short-term investment	2,000,000	20,000	-	12,040	
	Fuh-hwa Albatross Fund	-	Short-term investment	1,016,651	10,300	-	10,367	
	Truswell Fund	-	Short-term investment	1,000,000	10,000	-	6,260	
	<u>Convertible bonds</u>							
	China Airlines Ltd. Convertible Bond-I	-	Short-term investment	160,000	16,000	-	18,741	
	Chang Ku A-Life Technology Co., Ltd. Convertible Bond- II	-	Short-term investment	100,000	10,000	-	1,376	
	Microtek International, Inc. Convertible Bond-I	-	Short-term investment	50,000	5,100	-	6,253	
	<u>Deposit on subscriptions</u>							
	Chunghwa Investment Co., Ltd.	-	Investment in shares of stock	-	800,000	-	-	
	Taipei Port Container Terminal Co., Ltd.	-	Investment in shares of stock	-	5,984	-	-	

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Corporation	Financial Statement Account	December 31, 2001				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note A)	
Ching Ming Investment Corp.	<u>Common stocks</u> Yang Ming Marine Transport Corp.	Parent company	Short-term investment	66,296,308	\$ 1,278,362	3.61	\$ 515,189	58,586,000 shares pledged as collateral for short-term bank loan.
	Ritek Corporation	-	Short-term investment	5,601,869	459,757	0.34	199,449	
	China Container Terminal Corporation	-	Short-term investment	1,620,000	105,965	1.82	6,901	
	Micro-star International Co., Ltd.	-	Short-term investment	90,000	13,889	0.02	13,176	
	Gigabyte Technology Co., Ltd.	-	Short-term investment	100,000	9,113	0.02	10,231	
	Primax Electronics Ltd.	-	Short-term investment	127,600	4,206	0.03	1,591	
	Realtek Semiconductor Corp.	-	Short-term investment	30,000	4,426	-	4,405	
	Honming Terminal & Stevedoring Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	3,950,000	45,966	9.88	45,966	
	China Mariners' Assurance Corp.	Investee accounted for using the equity method	Investment in shares of stock	2,727,096	26,360	2.48	26,360	
	China Technology Venture Capital Corp.	-	Investment in shares of stock	3,000,000	30,000	8.96	29,712	
	Imaging Quality Technology Inc.	-	Investment in shares of stock	529,500	5,330	1.64	1,362	
	Grand Orient Security Corp.	-	Investment in shares of stock	500,000	5,000	0.34	3,793	
	Tytech Co., Ltd.	-	Investment in shares of stock	300,000	3,000	17.54	1,157	
	Rite Kom Photonics Corp.	-	Investment in shares of stock	45,000	516	0.03	528	
	<u>Mutual fund</u> Forever Fund	-	Short-term investment	177,779	2,336	-	2,351	
	Yes Logistics Corp.	<u>Common stocks</u> Yang Ming Marine Transport Corp.	Parent company	Short-term investment	1,030,000	9,772	0.06	8,013
Winbond Electronics Corp.		-	Short-term investment	29,875	1,631	-	569	
Silicon Integrated Systems Corp.		-	Short-term investment	16,499	1,522	-	884	
United Microelectronics Corp.		-	Short-term investment	17,250	1,238	-	827	
Ritek Corporation		-	Short-term investment	13,000	1,182	-	463	
Synnex Technology International Corp.		-	Short-term investment	6,250	696	-	270	
Vanguard International Semiconductor Co.		-	Short-term investment	15,000	659	-	180	
Holy Stone Enterprise Co., Ltd.		-	Short-term investment	3,800	619	-	312	
ProMOS Technologies Inc.		-	Short-term investment	5,950	393	-	138	
Walsin Technologies Corp.		-	Short-term investment	7,000	340	-	290	
Macronix International Co., Ltd.		-	Short-term investment	6,500	340	-	169	
Via Technologies, Inc.		-	Short-term investment	1,600	318	-	215	
Quanta		-	Short-term investment	2,500	241	-	259	
Tailyn communication Co., Ltd.		-	Short-term investment	5,250	180	-	83	
Honming Terminal & Stevedoring Co., Ltd.		Investee accounted for using the equity method	Investment in shares of stock	4,382,370	44,575	10.96	44,575	
Yes Logistics Corp.		Investee accounted for using the equity method	Investment in shares of stock	100,000	2,918	100.00	2,918	
B2B. Com Holdings		-	Investment in shares of stock	800,000	39,533	8.00	41,931	
United Raw Material Solutions, Inc.		-	Investment in shares of stock	200,000	33,128	1.33	2,111	
U-Tech Media Corp.		-	Investment in shares of stock	277,500	8,325	0.21	7,097	
<u>Mutual fund</u> Forever Fund		-	Short-term investment	4,198,193	51,335	-	55,525	
Tiim Bond Fund	-	Short-term investment	3,281,415	40,000	-	42,424		
Phoenix	-	Short-term investment	3,114,170	40,000	-	42,751		
Fuh-hwa Bond Fund	-	Short-term investment	1,943,423	23,000	-	23,465		
Barits Bond Fund	-	Short-term investment	1,855,138	19,206	-	20,709		
Safe&Rich Fund	-	Short-term investment	397,773	10,080	-	5,967		
Fuh-hwa Heirloom Balance Fund	-	Short-term investment	468,486	5,010	-	5,154		

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Corporation	Financial Statement Account	December 31, 2001				Note	
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note A)		
Yang Ming Line (Singapore) Pte. Ltd.	High Yield	-	Short-term investment	451,011	\$ 5,000	-	\$ 5,328	(Note D)	
	Tung Hsin Fund	-	Short-term investment	332,696	4,000	-	4,089		
	Fuh-hwa Yu-Li Fund	-	Short-term investment	274,811	3,003	-	3,060		
	Sheng Hua 1699 Bond Fund	-	Short-term investment	266,897	3,000	-	3,020		
	Optima Fund	-	Short-term investment	223,156	3,000	-	3,289		
	Mid-Smal Cap. Fund	-	Short-term investment	199,700	2,000	-	2,219		
	<u>Common stocks</u>								
	Sunplus Technology Co., Ltd.	-	Short-term investment	607,500	66,499	0.11	61,111		
	Dbtel Incorporated	-	Short-term investment	361,680	33,154	0.07	7,418		
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investment	268,800	27,787	-	22,509		
	Ritek Corporation	-	Short-term investment	223,600	25,553	0.01	7,961		
	Macronix International Co., Ltd.	-	Short-term investment	208,000	13,674	0.01	5,408		
	Winbond Electronics Corp.	-	Short-term investment	47,800	3,445	-	897		
	Au Optronics Corp.	-	Short-term investment	100,000	2,303	-	3,280		
	Young-Carrier Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	910,000	139,004	91.00	139,004		
	Yang Ming Shipping (B.V.I.) Inc.	Investee accounted for using the equity method	Investment in shares of stock	510	121,778	51.00	121,778		
	Yangming (Japan) Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	3,000	38,067	100.00	38,067		
	Yang Ming Line (Hong Kong) Ltd.	Investee accounted for using the equity method	Investment in shares of stock	510,000	(88)	51.00	(88)		
	Yangming Shipping (Singapore) Pte. Ltd.	Investee accounted for using the equity method	Investment in shares of stock	1,000,000	23,424	100.00	23,424		
	Yang Ming Line (M) Sdn. Bhd.	Investee accounted for using the equity method	Investment in shares of stock	700,000	9,926	70.00	9,926		
	Yangming (Cayman) Ltd.	Investee accounted for using the equity method	Investment in shares of stock	20,000	216	100.00	216		
<u>Preferred stock</u>									
GRC Leasing II Pte. Ltd.	-	Investment in shares of stock	1	350,000	-	350,000			
<u>Global depository receipt</u>									
Sunplus Technology Co., Ltd. GDR	-	Short-term investment	67,070	16,511	-	13,643			
Synnex Technology International Corp. GDR	-	Short-term investment	46,136	11,177	-	8,054			
<u>Foreign convertible bond</u>									
Gigabyte Technology ECB	-	Short-term investment	500,000	17,500	-	19,346			
Yangming (Japan) Co., Ltd.	<u>Common stocks</u>								
Manwa & Co., Ltd.	Investee accounted for using the equity method	Investment in shares of stock	200	2,666	100.00	2,666			
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	(4,179)	100.00	(4,179)			
Jing Ming Transportation Co., Ltd.	<u>Common stocks</u>								
Yang Ming Marine Transport Corp.	Parent company	Short-term investment	515,412	5,228	0.03	4,005			
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	(80,016)	100.00	(80,016)			
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	1,000	(84,240)	100.00	(84,240)			
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	(85,294)	100.00	(85,294)			
Yang Ming Shipping Europe GmbH	Investee accounted for using the equity method	Investment in shares of stock	(Note B)	19,444	100.00	19,444			
Yangming (UK) Ltd.	<u>Common stocks</u>								
Corstor Ltd.	Investee accounted for using the equity method	Investment in shares of stock	(Note C)	25	50.00	(142)			

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Corporation	Financial Statement Account	December 31, 2001				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note A)	
Kuang Ming Shipping Corp.	<u>Common stocks</u>							
	Yang Ming Marine Transport Corp.	Parent company	Short-term investment	1,704,995	\$ 34,405	0.09	\$ 13,250	
	China Steel Corporation	-	Short-term investment	595,690	14,513	-	8,400	
	Yuen Foong Yu Paper Mfg. Co., Ltd.	-	Short-term investment	3,390	57	-	26	
	Siliconware Precision Industries Co., Ltd.	-	Short-term investment	594	32	-	16	
	Kuang Ming Shipping Corp.(Panama)	Investee accounted for using the equity method	Investment in shares of stock	49,500	45,435	100.00	65,240	
	China Mariners' Assurance Corp.	Investee accounted for using the equity method	Investment in shares of stock	1,914,500	22,414	1.74	17,827	
	<u>Mutual fund</u>							
	Forever Fund	-	Short-term investment	763,564	10,000	-	10,099	
	CP Agressive Fund	-	Short-term investment	355,205	5,000	-	5,055	
Kuang Ming Shipping Corp.	<u>Convertible bonds</u>							
	Yang Ming Marine Transport Corp. Convertible Bond-I	Parent company	Long-term investment	5,000	5,000	-	4,875	
Honming Terminal & Stevedoring Co., Ltd.	<u>Common stocks</u>							
	China Mariners' Assurance Corp.	Investee accounted for using the equity method	Investment in shares of stock	1,200,000	11,957	1.09	11,957	
	Yes Logistics Corp.	Investee accounted for using the equity method	Investment in shares of stock	1,052,300	10,057	2.10	10,057	

Notes:

- A. Market values are based on average closing prices in December 2001 or the net value of the fund on December 31, 2001. If market prices are unavailable, upon the net asset value of investees.
- B. Authorized DMS\$1,600,000; issued DMS\$800,000.
- C. Issued GBPS\$1,000.
- D. Investees had negative net worth generated from operation, and accordingly, the carrying value of the investments were written-off and recognized as liabilities.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
For the Year Ended December 31, 2001
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Yang Ming Marine Transport Corporation	<u>Common stocks</u> Honming Terminal & Stevedoring Co., Ltd.	Investment in share of stock	Honming Terminal & Stevedoring Co., Ltd.	Investee accounted for using equity method	15,010,000	\$ 180,640	16,590,000	\$ 207,896 (Note A)	-	\$ -	\$ -	\$ 22,263 (Note B)	31,600,000	\$ 366,273
	<u>Mutual fund</u>													
	United Taiwan Bond Fund	Short-term investment	-	-	28,519,150	368,411	72,975,034	975,000	101,494,184	1,367,813	1,343,411	24,402	-	-
	Capital Cash Reserves	Short-term investment	-	-	-	-	35,831,554	373,000	35,831,554	377,069	373,000	4,069	-	-
	Tiim Bond Fund	Short-term investment	-	-	-	-	111,670,970	1,398,000	107,803,575	1,365,759	1,348,000	17,759	3,867,395	50,000
	President Home Run Bond Fund	Short-term investment	-	-	-	-	14,006,436	172,000	14,006,436	175,425	172,000	3,425	-	-
	Phoenix	Short-term investment	-	-	-	-	124,869,681	1,651,000	108,457,035	1,466,370	1,430,586	35,784	16,412,646	220,414
	Prudential Financial Return Fund	Short-term investment	-	-	-	-	70,903,465	873,000	70,903,465	885,919	873,000	12,919	-	-
	Sheng Hua 1699 Bond Fund	Short-term investment	-	-	-	-	102,529,028	1,125,000	102,529,028	1,141,882	1,125,000	16,882	-	-
	Forever Fund	Short-term investment	-	-	-	-	136,026,858	1,743,500	136,026,855	1,762,701	1,743,500	19,201	-	-
	Dashin Bond Fund	Short-term investment	-	-	-	-	99,250,841	1,129,000	99,250,841	1,140,188	1,129,000	11,188	-	-
	Shinkong Chi-Shin Fund	Short-term investment	-	-	-	-	36,073,032	461,000	36,073,032	468,506	461,000	7,506	-	-
	Ta Chong Bond Fund	Short-term investment	-	-	-	-	19,079,426	218,000	19,079,426	220,496	218,000	2,496	-	-
	CP Bond Fund	Short-term investment	-	-	-	-	8,307,235	113,000	8,307,235	114,597	113,000	1,597	-	-
	The Increment Fund	Short-term investment	-	-	-	-	17,034,923	232,000	17,034,923	236,734	232,000	4,734	-	-
	Asia Pacific Fund	Short-term investment	-	-	-	-	51,801,657	581,000	51,801,657	590,355	581,000	9,355	-	-
	Fubon Ju-I Fund	Short-term investment	-	-	-	-	32,821,560	467,000	32,821,560	467,967	467,000	967	-	-
	Fuh-hwa Bond Fund	Short-term investment	-	-	7,863,844	88,100	19,914,904	233,000	-	-	-	-	27,778,748	321,100
	Fubon Ju-I II Fund	Short-term investment	-	-	-	-	22,346,954	289,530	22,346,954	290,474	289,530	944	-	-
	The Wan Pao Fund	Short-term investment	-	-	-	-	33,038,723	446,000	33,038,723	452,914	446,000	6,914	-	-
	The High Yield Fund	Short-term investment	-	-	-	-	34,869,862	448,000	34,869,862	454,155	448,000	6,155	-	-
	Kwang Hua Bond Fund	Short-term investment	-	-	-	-	22,187,501	295,000	22,187,501	298,084	295,000	3,084	-	-
	ABN AMRO Taiwan Bond Fund	Short-term investment	-	-	-	-	16,261,284	165,000	16,261,284	166,636	165,000	1,636	-	-
	Fuh-hwa Albatross Fund	Short-term investment	-	-	-	-	25,271,155	253,000	24,254,504	247,000	242,700	4,301	1,016,651	10,300
	Bartis Bond Fund	Short-term investment	-	-	-	-	10,094,664	111,600	10,094,664	112,602	111,600	1,002	-	-
	Polaris De-li Fund	Short-term investment	-	-	-	-	10,914,225	148,000	10,914,225	149,965	148,000	1,965	-	-
	Shinkong Chi-shun Fund	Short-term investment	-	-	-	-	9,291,423	124,000	9,291,423	124,875	124,000	875	-	-
	The First Global Fixed Income Fund	Short-term investment	-	-	-	-	10,020,664	152,000	10,020,664	153,068	152,000	1,068	-	-
	<u>Deposit on subscriptions</u> Chunghwa Investment Co., Ltd.	Investment in share of stock	Chunghwa Investment Co., Ltd.	-	-	-	-	800,000	-	-	-	-	-	800,000

Notes:

- A. Including acquisition of \$165,900 and investment income of \$41,996.
B. Including cash dividends of \$22,120, unrealized loss on investments of \$132 and translation adjustments on foreign currency by \$11.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

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

December 31, 2001

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yang Ming Marine Transport Corporation	All Oceans Transportation, Inc.	A	\$ 5,114,349 C	-	-	-	\$ -	\$ -
	Young-Carrier Co., Ltd.	B	188,321	-	-	-	167,264	-
	Yangming (UK) Ltd.	B	134,768	-	-	-	11,903	-

Notes:

- A. Investee accounted for using the equity method.
- B. Investee of a wholly-owned subsidiaries accounted for using the equity method.
- C. Including long-term receivables.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
For the Year Ended December 31, 2001
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note E)		Balance as of December 31, 2001			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 30, 2000	Dec. 31, 2001	Shares	Percentage of Ownership	Carrying Value			
Yang Ming Marine Transportation Corp.	Yang Ming Line (B.V.I.) Holding Co., Ltd.	British Virgin Islands	Investment, shipping agency, forwarding agency and shipping managers	\$ 2,136,925	\$ 2,136,925	67,505,031	100.00	\$ 2,585,536	\$ 227,878	\$ 227,878	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	1,049,606	116,225 (Note A)	116,225	Subsidiary of the Corporation
	Ching Ming Investment Corp.	Taipei	Investment	1,499,468	1,499,468	149,946,800	99.96	384,215	(411,144)	(440,820)	Subsidiary of the Corporation
	All Oceans Transportation, Inc.	Monrovia, Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,235	3,235	1,000	100.00	644,212	(73,894)	(73,894)	Subsidiary of the Corporation
	YES Logistics Corp.	Keelung	Warehouse operation and forwarding agency	451,944	439,910	45,251,100	90.50	427,460	(1,765)	(1,486)	Subsidiary of the Corporation
	Kuang Ming Shipping Corp.	Taipei	Shipping service, shipping agency and forwarding agency	89,920	89,920	25,846,760	82.05	285,250	(17,370)	(13,456)	Subsidiary of the Corporation
	China Mariners' Assurance Corp.	Taipei	Insurance business	230,317	210,602	24,982,219	22.71	221,045	5,523	3,429	Exercised significant influence on the Company
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung	Terminal operation and stevedoring	316,000	150,100	31,600,000	79.00	366,273	54,294	41,996	Subsidiary of the Corporation
	Jing Ming Transportation Co., Ltd.	Kaohsiung	Container transportation	35,560	35,560	4,577,464	50.80	56,087	16,085	8,097	Subsidiary of the Corporation
	Yang Ming Line Holding Co.	Wilmington, USA	Investment, shipping agency, forwarding agency and shipping managers	82	82	3,000	100.00	43,233	582	582	Subsidiary of the Corporation
Transyang Shipping Pte. Ltd.	Singapore	Shipping service, chartering, sales and purchase of ships, forwarding agency and shipping agency	24,842	16,686	686	24.99	65,943	62,306	18,692	(Note D)	
Ching Ming Investment Corp.	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung	Terminal operation and stevedoring	39,500	39,500	3,950,000	9.88	45,966	54,294	-	Subsidiary of the Corporation
	China Mariners' Assurance Corp.	Taipei	Insurance business	28,372	28,372	2,727,096	2.48	26,360	5,523	-	Exercised significant influence on the Company
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line N.V.	Netherlands Antilles	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	1,500,000	100.00	(80,016) (Note F)	(125,455)	-	Subsidiary of a wholly-owned subsidiary
Yang Ming Line N.V.	Yang Ming Line B.V.	Amsterdam, The Netherlands	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	2,500	100.00	(84,240) (Note F)	(125,333)	-	Subsidiary of a wholly-owned subsidiary
Yang Ming Line B.V.	Yangming (UK) Ltd.	London U.K.	Shipping agency, forwarding agency and shipping managers	42,408	27,293	900,000	100.00	85,294 (Note F)	101,070	-	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, 2001			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2000	Dec. 31, 2001	Shares (Thousand)	Percentage of Ownership	Carrying Value			
Yangming (UK) Ltd.	YANG MING Shipping Europe GmbH	Hamburg, Germany	Shipping agency, forwarding agency and shipping managers	\$ 14,448	\$ 14,448	(Note B)	100.00	\$ 19,444	(\$ 25,649)	\$ -	- Subsidiary of a wholly-owned subsidiary
	CORSTOR Ltd.	U.K.	Forwarding agency and shipping managers	25	25	(Note C)	50.00	25	727	-	- Subsidiary of a wholly-owned subsidiary
Yang Ming Line (Singapore) Pte. Ltd.	Young-Carrier Co., Ltd.	Hong Kong	Investment, shipping agency, forwarding agency and shipping managers	3,229	3,229	910,000	91.00	139,004	93,123	-	- 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	121,778	92,420	-	- Subsidiary of a wholly-owned subsidiary
Yangming (Japan) Co., Ltd.	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	38,067	(10,374)	-	- 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	88 (Note F)	(73,614)	-	- Subsidiary of a wholly-owned subsidiary
Yangming Shipping (Singapore) Pte. Ltd.	Yangming Shipping (Singapore) Pte. Ltd.	Singapore	Shipping agency, forwarding agency and shipping managers	18,851	18,851	1,000,000	100.00	23,424	1,316	-	- 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	9,926	1,195	-	- Subsidiary of a wholly-owned subsidiary
Yangming (Cayman) Ltd.	Yangming (Cayman) Ltd.	Cayman Islands	Lease of ships	629	629	20,000	100.00	216	(231)	-	- Subsidiary of a wholly-owned subsidiary
	Karman Properties Limited	Hong Kong	Properties agency	4	-	1,000	100.00	(4,179) (Note F)	(4,043)	-	- Subsidiary of a wholly-owned subsidiary
Kuang Ming Shipping Corp.	China Mariners' Assurance Corp.	Taipei	Insurance business	22,414	22,414	1,914,500	1.74	22,414	5,523	-	- Exercised significant influence on the Company
	Kuang Ming Shipping Corp.(Panama)	Panama	Forwarding agency	30,887	30,887	49,500	100.00	45,435	8,252	-	- Subsidiary of a wholly-owned subsidiary
Honming Terminal & Stevedoring Co., Ltd.	China Mariners' Assurance Corp.	Taipei	Insurance business	13,200	13,200	1,200,000	1.09	11,957	5,523	-	- Exercised significant influence on the Company
	YES Logistics Corp.	Keelung	Warehouse operation and forwarding agency	10,523	10,000	1,052,300	2.10	10,057	(1,765)	-	- Subsidiary of the Corporation
YES Logistics Corp.	YES Logistics Corp. (USA)	Auckland, USA	Shipping agency, forwarding agency and shipping managers	3,313	3,313	100,000	100.00	2,918	(562)	-	- Subsidiary of a wholly-owned subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung	Terminal operation and stevedoring	43,824	-	4,382,370	10.96	44,575	54,294	-	- Subsidiary of the Corporation

(Forward)

Notes:

- A. Net income was adjusted to conform to the ROC GAAP.
- B. Authorized DMS1,600,000; Issued DMS800,000.
- C. Authorized and issued GBP\$1,000.
- D. 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 available in time.
- E. Translated in the New Taiwan Dollars based on historical rates of investments.
- F. Investees had negative net worth generated from operation, and accordingly, the carrying value of the investments were written-off and recognized as liabilities.