Yang Ming Spokesman

Name: Ming-Sheu Tsay  
Position: Senior Executive Vice President  
Tel: (02) 2455-9988  
E-mail Address: mstsay@imail.yml.com.tw

Yang Ming Head Office & Branch Offices in Taiwan

Head office: 271 Ming De 1st Road, Chidu, Keelung, Taiwan 206, R.O.C.  
Tel: (02) 2455-9988

Keelung Branch: 4 Kong Si St., Keelung, Taiwan 200, R.O.C.  
Tel: (02) 2423-0149

Kaohsiung Branch: 10 Ya Tai Rd., Kaohsiung, Taiwan 812, R.O.C.  
Tel: (07) 831-0501

Securities Handling Agent

Name: Yuanta Core Pacific Securities Co., Ltd.  
Address: 4F, No. 225, Sec. 3, Nanking E. RD., Taipei, Taiwan, R.O.C.  
Tel: (02) 2717-5566  
http://www.yuanta.com.tw/

Certified Public Accountant

CPA: Clark C. Chen, Victor Wang  
Name: T N Soong & Co  
Address: 12th F1., Hung Tai Century Tower, 156 Min Sheng E. Road, Sec. 3  
Taipei, Taiwan 105, R.O.C.  
Tel: (02) 2545-9988  
http://www.andersen.com.tw/

Company Website

http://www.yml.com.tw/
# CONTENTS

| CHAPTER 1 | LETTER TO SHAREHOLDERS | 1 |
| CHAPTER 2 | COMPANY UPDATE | 2 |
| 1. Company Brief | 2 |
| 2. Organizational Structure | 4 |
| 3. Capital and Shares Issuance | 6 |
| 4. Issuance of Corporate Bonds | 8 |
| 5. Issuance of GDR | 9 |
| CHAPTER 3 | BUSINESS UPDATE | 10 |
| 1. Business Profile, Operating Fleet & Service Scope | 10 |
| 2. Market Analysis | 10 |
| 3. Employees Status | 12 |
| 4. Environmental Protection | 12 |
| 5. Relationship with Employees | 12 |
| 6. Important Contracts | 12 |
| 7. Disposal or Acquisition of Major Assets | 13 |
| CHAPTER 4 | FUND UTILIZATION PLAN | 14 |
| CHAPTER 5 | FINANCIAL STATEMENTS AND REPORTS | 15 |
| 1. Condensed Balance Sheets and Income Statements for the years from 1998 to 2001 | 15 |
| 2. Financial Statement Analysis for the years 1997 to 2001 | 16 |
| 3. Financial Reports As of Dec. 31, 2001 | 17 |
| 4. Parents and Subsidiaries Financial Reports As of Dec. 31, 2001 | 42 |
CHAPTER 1  LETTER TO SHAREHOLDERS

Dear Shareholders:

In 2001, the global economy seriously depressed due to the slowdown of U.S. economical growth as well as the impacts of 911 terrorist attacks. Moreover, due to the launching of large container ships into the market, the over-capacity of the industry continued and caused freight rates to deteriorate obviously. These factors have reduced the global marine-shipping operators’ profit. Therefore, we properly take the strategies such as the vessel upgrade in east-west trades to strengthen the competitiveness of services and the enlarge cooperation with consortiums to reduce operating costs. Under the worst situation, we have achieved the operating revenue in 2001 amounting to NT$45.4 billion but have suffered an after-tax loss of NT$0.6 billion.

For this year, we expect that U.S. economy will recover step by step, and this will fuel the growth of European and Asian economy. Meanwhile, the world trade has benefited from the use of EUR and the cross-strait entry into WTO. As the global economy is expected to grow gradually, TSA has raised the growth rate for Asian / US trade from 1~2% to 5%. Both TSA and FEFC also have the rate restoration plan to improve the profits. Nevertheless, we still face more challenges such as continual over-tonnage, downturn Japan economy of unstable oil price and interest rate. To minimize the impacts, our business strategies this year are as follows:

1. To aggressively expand cooperation and integrate services within consortium members to improve the synergy of strategy alliance.
2. To meet the growth trend of the market by extending the scale of Intra-Asia service.
3. To decrease the operating risk through taking necessary actions to timely manage the valueless service.
4. To meet the customer requirement by strengthening the development of the Mainland China market.

Facing the high-speed change of conditions and versatile development of marine shipping markets in the future, this company will continue to upgrade the information system to provide timely service for customer and to integrate the resources of the corporation to improve the efficiency of operation. We hereby hope all our shareholders will continue to give us support as usual.

Sincerely,

Ting-huei Chen
Chairman
CHAPTER 2   COMPANY UPDATE

1. Company Brief
1.1 Registration Date of the Establishment: December 29, 1972

1.2 Chronology of Yang Ming

1972-1981

☐ Yang Ming Marine Transport Corporation is established on Dec. 28 with a capital of NTS100,000,000.
☐ A 28,700 D.W.T. bulk carrier, Ming Joy, is completed and put into service.
☐ Four multiple-purpose ships are added to Yang Ming’s first container fleet.
☐ New full-container liner service between Asia / U.S. East & West Coast is inaugurated, with a fleet of seven 2,054 TEU full-container vessels serving the route.
☐ Yang Ming inaugurates its Asia / Mediterranean liner service.

1982-1991

☐ Four more 2,054 TEU full-container vessels join Yang Ming’s fleet. The Mediterranean-bound liner service is extended to North Europe, and the Asia / Europe full-container liner service is also inaugurated.
☐ Three 66,000 D.W.T. Panamax-class bulk carriers, Ming Wisdom, Ming Mercy and Ming Courage, are completed and put into service.
☐ Other than being named as one of the world’s “most satisfactory marine transporters in service and reliability,” Yang Ming is also cited by the American press as one of the top ten liner services in the world.
☐ Eight 3,266 TEU full-container ships are completed. With the inauguration of the Asia / Australia and also Asia / Northeastern Asia liner service, a radial service network is accomplished.
☐ Yang Ming is cited by the London-based British Shipper Consultation (part of the Freight Transport Association Ltd.) as the world's "Second Most Acclaimed Shipping Company" in client service.
☐ Yang Ming inaugurates liner service to / from India / Persian Gulf, connecting its main liner service routes to USA, Europe, and also Intra-Asia, etc.
☐ IPI service is expanded. The scope of service connecting inland points in the USA is also enlarged.
☐ A linkage of Yang Ming liner service connecting Europe, Asia and America is completed.
☐ Intra-Asia full-Container liner service is inaugurated.
☐ A joint liner service with Hanjin Line is formed, serving the route between Asia and U.S. East Coast.

1992-2001

☐ Yang Ming shares are listed on the Taiwan Stock Exchange.
☐ Three 3,604 TEU full-container ships are completed and join Yang Ming’s worldwide service.
Five 3,725 full-container vessels, namely Ming East, Ming West, Ming South, Ming North, and Ming Zenith, are completed and put into service.

The China Merchants Steam Navigation Co., Ltd. is merged into Yang Ming.

A joint service with “K”LINE on both the Asia / U.S.A. Pacific Coast and the Asia / North Europe routes is inaugurated.

In 1996, Yang Ming obtains ISO 9002 / ISM CODE accreditation and also the ROC's National Outstanding Quality Case Award.

Through a consortium agreement with “K”LINE, Yang Ming inaugurates its TA (Trans-Atlantic) service, providing a weekly North Europe / North America full-container Liner service to meet its global accounts' requirements.

Off-shore transhipment link service between Kaohsiung and Xiamen and weekly service routes in Asia / Persian Gulf (U.A.E.) / Sub-continent (India / Pakistan) full-container liner service are inaugurated.

Yang Ming provides free marine service by transporting relief materials for Taiwan’s 9-21 earthquake disaster area.

Seven 5,500 TUE Post-panamax full-container vessels, Ming Plum, Ming Orchid, Ming Bamboo, Ming Pine, Ming Cosmos, Ming Cypress and Ming Green, are completed and join Yang Ming’s fleet service.

Yang Ming Marine Transport Cooperation, COSCO Container Lines Ltd., Kawasaki Kisen Kaisha, Ltd., and Hanjin Shipping Co., Ltd. (also representing Senator Lines GmbH) agree to establish CKYH consortium in order to provide best services to their customers.

2002

Yang Ming cooperates with “K”LINE and COSCON to integrate its Asia / U.S. East Coast Express Liner Service and Trans-Atlantic III Service into Asia / U.S. East Coast / Europe-Mediterranean Pendulum services, commencing in February, 2002.

Yang Ming and “K”LINE rationalize their service routes on a global basis to provide best service to their customers. The new joint service, including PSW-1 / AES-1 Pendulum Service, PSW2 Service, PSW3 Service, PNW Service, AES2 Service, is commenced at end of March, 2002.

Yang Ming, COSCON, “K”LINE and Hanjin Shipping conclude Europe / U.S. Atlantic & Gulf Coast Slot Purchase Agreement with Americana Ships and Grand Alliance.
2. Organizational Structure

2.1 Yang Ming organizational structure is shown below:

- Executive
  - Vice President
  - Supervisors
  - Board of Directors
    - Chairman

President

Executive Vice President

- Audit Department
- Labors’ Safety & Health Department
- Finance Department
- Engineering Department
- Marine Department
- Equipment Department
- Operation Department
- Business Department
- Human Resources Department
- General Affairs Department
- I.T. Department
- Planning Department

- Fleets
- Area Rep.
- Kaohsiung Branch
  - Kaohsiung Terminal
- Keelung Branch
  - Keelung Terminal
## 2.2 Directors and Supervisors

**Dec 31, 2001**

<table>
<thead>
<tr>
<th>Position</th>
<th>Chairman Board of Directors</th>
<th>Director</th>
<th>Director</th>
<th>Director</th>
<th>Director</th>
<th>Executive Supervisor</th>
<th>Supervisor</th>
<th>Director</th>
<th>Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Ting-huei Chen</td>
<td>Duei Tsai</td>
<td>Wen-shan Lin</td>
<td>Chia-juch Chang</td>
<td>Jian-li Wu</td>
<td>Bing-huang Shih</td>
<td>He-gui Chen</td>
<td>Benny T. Hu</td>
<td>Nina Kung</td>
</tr>
<tr>
<td>Term of Appointment</td>
<td>reelectable upon expiration of effectual period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holding shares</td>
<td>Directors and Supervisors herein as representatives of the MOTC, and holding a total of 781,738,458 shares</td>
<td>925,846</td>
<td>51,322,802</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ratio of holding shares(%)</td>
<td>which represent 42.62% of the company’s stocks</td>
<td>0.0505%</td>
<td>2.7980%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spouse, under-aged children’s holding shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>ratio of holding shares(%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
2.3 Top management

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Date appointed</th>
<th>Entitled for other companies presently</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Wong-hsiu Huang</td>
<td>2001.8.1</td>
<td>Executive Director of China Mariners’ Assurance Corp.</td>
</tr>
<tr>
<td>Senior Executive Vice President</td>
<td>Ming-sheu Tsay</td>
<td>2001.7.3</td>
<td>Chairman of Hong Ming Terminal &amp; Stevedoring Co., Ltd.</td>
</tr>
<tr>
<td>Executive Vice President</td>
<td>Pier-yuan Shieh</td>
<td>1996.7.1</td>
<td>President of Young-Carrier Co., Ltd.</td>
</tr>
<tr>
<td>Executive Vice President</td>
<td>Chi-shung Liu</td>
<td>2001.1.1</td>
<td>President of All Oceans Transportation Inc.</td>
</tr>
<tr>
<td>Executive Vice President</td>
<td>Robert Shuh-shun Ho</td>
<td>2001.8.1</td>
<td>Chairman of All Oceans Transportation Inc.</td>
</tr>
<tr>
<td>Vice President / Kaohsiung Branch</td>
<td>Sen-rong Liu</td>
<td>2001.1.1</td>
<td>President of Hong Ming Terminal &amp; Stevedoring Co., Ltd.</td>
</tr>
<tr>
<td>Vice President / Keelung Branch</td>
<td>Jinn-hsing Wang</td>
<td>1996.2.15</td>
<td>President of Jing Ming Transportation Co., Ltd.</td>
</tr>
</tbody>
</table>

3. Capital and Shares Issuance

3.1 Capital and shares

3.1.1 Shares category

<table>
<thead>
<tr>
<th>Shares category</th>
<th>Authorized capital</th>
<th>Shares Issued</th>
<th>Non-issuance shares</th>
<th>Total shares</th>
<th>Amount of shares of convertible bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td></td>
<td>Listed 1,834,316,030 Unlisted 0</td>
<td>1,834,316,030</td>
<td>2,400,000,000</td>
<td>58,569,604</td>
</tr>
</tbody>
</table>

3.1.2 Shares issuance

<table>
<thead>
<tr>
<th>Date</th>
<th>Par value (NT$)</th>
<th>Authorized capital</th>
<th>Actual capital received</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares (NT$)</td>
<td>Shares Amount</td>
<td>Shares Amount</td>
<td>Sources of capital</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000.08</td>
<td>10</td>
<td>2,400,000,000</td>
<td>24,000,000,000</td>
<td>17,808,893,490</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Convertible bonds transformation 1,382,580</td>
</tr>
<tr>
<td>2001.09</td>
<td>10</td>
<td>2,400,000,000</td>
<td>24,000,000,000</td>
<td>18,343,160,300</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Capital increase from earnings</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Capital increase from capital surplus 178,088,940</td>
</tr>
</tbody>
</table>
### 3.2 Market price per share, net worth, earnings, and dividends during the latest 2 years

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market-price per share</strong></td>
<td>Highest price</td>
<td>10.15</td>
<td>15.40</td>
<td>21.70</td>
</tr>
<tr>
<td></td>
<td>Lowest price</td>
<td>7.60</td>
<td>5.90</td>
<td>10.80</td>
</tr>
<tr>
<td></td>
<td>Average price</td>
<td>8.78</td>
<td>9.31</td>
<td>15.73</td>
</tr>
<tr>
<td><strong>Net worth per share</strong></td>
<td>Unappropriated</td>
<td>-</td>
<td>13.11</td>
<td>14.06</td>
</tr>
<tr>
<td></td>
<td>Appropriated</td>
<td>-</td>
<td>13.11</td>
<td>13.76</td>
</tr>
<tr>
<td><strong>Earnings per share</strong></td>
<td>Weighted average number of outstanding shares</td>
<td>1,834,316,030 shares</td>
<td>1,834,316,030 shares</td>
<td>1,780,889,349 shares</td>
</tr>
<tr>
<td></td>
<td>Earnings per share</td>
<td>-</td>
<td>(0.37)</td>
<td>0.67</td>
</tr>
<tr>
<td><strong>Dividends per share</strong></td>
<td>Cash dividend</td>
<td>-</td>
<td>-</td>
<td>0.30</td>
</tr>
<tr>
<td></td>
<td>Stock dividend</td>
<td>-</td>
<td>-</td>
<td>0.30</td>
</tr>
<tr>
<td><strong>Return on Investment</strong></td>
<td>Price / Earnings ratio</td>
<td>-</td>
<td>-</td>
<td>23.48</td>
</tr>
<tr>
<td></td>
<td>Price / Cash dividends ratio</td>
<td>-</td>
<td>-</td>
<td>52.43</td>
</tr>
<tr>
<td></td>
<td>Cash dividends / Price ratio</td>
<td>-</td>
<td>-</td>
<td>0.019</td>
</tr>
</tbody>
</table>

Unit: NT Dollars
4 Issuance of Corporate Bonds

### 4.1 Status of Corporate Bonds Issuance

**Dec 31, 2001**

<table>
<thead>
<tr>
<th>Bond Category</th>
<th>First Overseas Convertible Bonds</th>
<th>First Debenture Bonds</th>
<th>First Domestic Convertible Bonds</th>
<th>Third Debenture Bonds</th>
<th>Forth Debenture Bonds (secured)</th>
<th>Fifth Debenture Bonds</th>
<th>Sixth Debenture Bonds</th>
<th>Seventh Debenture Bonds</th>
<th>Eighth Debenture Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par Value</td>
<td>USD 1,000</td>
<td>NTD 1 million</td>
<td>NTD 0.1 million</td>
<td>NTD 1 million</td>
<td>NTD 1 million</td>
<td>NTD 1 million</td>
<td>NTD 1 million</td>
<td>NTD 1 million</td>
<td>NTD 1 million</td>
</tr>
<tr>
<td>Issuance Price</td>
<td>100% of par value</td>
<td>100% of par value</td>
<td>100% of par value</td>
<td>100% of par value</td>
<td>100% of par value</td>
<td>100% of par value</td>
<td>100% of par value</td>
<td>100% of par value</td>
<td>100% of par value</td>
</tr>
<tr>
<td>Total Amount</td>
<td>USD 160 million</td>
<td>NTD 1,500 million</td>
<td>NTD 2,500 million</td>
<td>NTD 1,000 million</td>
<td>NTD 1,300 million</td>
<td>NTD 700 million</td>
<td>NTD 3,000 million</td>
<td>NTD 2,400 million</td>
<td>NTD 1,100 million</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>2.5%</td>
<td>6.794%</td>
<td>4.5%</td>
<td>5.8000~5.8841%</td>
<td>5.72%</td>
<td>5.75%</td>
<td>5.72%</td>
<td>5.72%</td>
<td>6.02%</td>
</tr>
<tr>
<td>Terms of Reimbursement</td>
<td>7 years, Date of Maturity: 2001.10.6</td>
<td>5 years, Date of Maturity: 2001.6.28</td>
<td>7 years, Date of Maturity: 2004.8.1</td>
<td>3 years, Date of Maturity: 2002.7.7</td>
<td>3 years, Date of Maturity: 2002.7.23</td>
<td>5 years, Date of Maturity: 2004.11.25</td>
<td>7 years, Date of Maturity: 2007.6.7</td>
<td>10 years, Date of Maturity: 2010.6.9</td>
<td>12 years, Date of Maturity: 2012.11.29</td>
</tr>
<tr>
<td>Guarantor</td>
<td>Nil (Vessels as guarantees)</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Way of Reimbursement</td>
<td>Reimbursed in cash upon maturity</td>
<td>Maturity: For 3,4,5 years, 33%, 33%, 34% due respectively.</td>
<td>Reimbursed in cash upon maturity</td>
<td>Reimbursed in cash upon maturity</td>
<td>Reimbursed in cash upon maturity</td>
<td>Reimbursed in cash upon maturity</td>
<td>Reimbursed in cash upon maturity</td>
<td>Reimbursed in cash upon maturity</td>
<td>Reimbursed in cash upon maturity</td>
</tr>
<tr>
<td>Unreimbursed Amount</td>
<td>-</td>
<td>NTD 917.2 million</td>
<td>NTD 1,000 million</td>
<td>NTD 1,300 million</td>
<td>NTD 700 million</td>
<td>NTD 3,000 million</td>
<td>NTD 2,400 million</td>
<td>NTD 1,100 million</td>
<td>-</td>
</tr>
<tr>
<td>Conditions of Recall or Recall in Advance</td>
<td>Yes</td>
<td>Nil</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Conditions of Restriction</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Credit Rating Agency, Rating Date, Rating</td>
<td>-</td>
<td>-</td>
<td>Taiwan Ratings Corporation, 2000.3.6 twA</td>
<td>Taiwan Ratings Corporation, 2000.9.26 twA</td>
<td>Taiwan Ratings Corporation, 2001.6.21 twA</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amount of Converted Common Stock, GDR or other valuable securities</td>
<td>USD 7.861 million</td>
<td>Inappropriate</td>
<td>NTD 1,578.90 million</td>
<td>Inappropriate</td>
<td>Inappropriate</td>
<td>Inappropriate</td>
<td>Inappropriate</td>
<td>Inappropriate</td>
<td>Inappropriate</td>
</tr>
</tbody>
</table>
4.2 Issuance of Convertible Bonds

<table>
<thead>
<tr>
<th>Bond Category</th>
<th>First Domestic Convertible Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items</td>
<td></td>
</tr>
<tr>
<td>Market Price</td>
<td></td>
</tr>
<tr>
<td>the highest</td>
<td>100.30</td>
</tr>
<tr>
<td>the lowest</td>
<td>95.90</td>
</tr>
<tr>
<td>the average</td>
<td>99.07</td>
</tr>
<tr>
<td>Convertible Price</td>
<td>15.66</td>
</tr>
<tr>
<td>Issuance Date</td>
<td></td>
</tr>
<tr>
<td>Convertible Price at Issuance Date</td>
<td></td>
</tr>
</tbody>
</table>

5. Issuance of GDR

Conditions of the issuance of GDR

Dec 31, 2001

<table>
<thead>
<tr>
<th>Items</th>
<th>Date of Issuance</th>
<th>Nov 14, 1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Place of Issuance and Exchange</td>
<td></td>
<td>London Stock Exchange</td>
</tr>
<tr>
<td>Total amount of Issuance</td>
<td>USD 116,392,201.2</td>
<td></td>
</tr>
<tr>
<td>Issuance price</td>
<td>USD 11.64</td>
<td></td>
</tr>
<tr>
<td>Total units of Issuance</td>
<td>9,999,330 units of GDR</td>
<td></td>
</tr>
<tr>
<td>Underling security</td>
<td>Capital increase by public offering of common shares</td>
<td></td>
</tr>
<tr>
<td>Units of underling security</td>
<td>99,993,300 common shares</td>
<td></td>
</tr>
<tr>
<td>The right &amp; obligation of GDR holders</td>
<td>Same right &amp; obligation with the YMTC’S common shares</td>
<td></td>
</tr>
<tr>
<td>Depository</td>
<td>Citibank N. A.</td>
<td></td>
</tr>
<tr>
<td>Custodian</td>
<td>Citibank N. A. Taipei branch</td>
<td></td>
</tr>
<tr>
<td>Outstanding shares</td>
<td>117,889,598 shares</td>
<td></td>
</tr>
<tr>
<td>Allocation of related expenses for issuance and During existence.</td>
<td>To be borne by the company</td>
<td></td>
</tr>
<tr>
<td>Major covenants of deposit agreement and Custody agreement</td>
<td>In accordance with the law of R.O.C. and State of New York, U.S.A.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market price per unit</th>
<th>2001</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>From 2002.1.1 to 2002.4.30</td>
<td>USD 4.650</td>
<td>USD 4.650</td>
</tr>
<tr>
<td>the highest</td>
<td>USD 1.764</td>
<td>USD 1.764</td>
</tr>
<tr>
<td>the lowest</td>
<td>USD 2.870</td>
<td>USD 2.870</td>
</tr>
<tr>
<td>the average</td>
<td>USD 2.836</td>
<td>USD 2.836</td>
</tr>
<tr>
<td>the highest</td>
<td>USD 2.216</td>
<td>USD 2.216</td>
</tr>
<tr>
<td>the lowest</td>
<td>USD 2.529</td>
<td>USD 2.529</td>
</tr>
</tbody>
</table>
CHAPTER 3  BUSINESS UPDATE

1. Business Profile, Operating Fleet & Service Scope

1.1 Business Profile:

1.1.1 Domestic and international maritime service on carriage of cargo.
1.1.2 Domestic and international maritime service on carriage of passengers.
1.1.3 Operation of warehouse, terminal, tug, barge and container freight station business.
1.1.4 Repair, lease and sale of vessels.
1.1.5 Repair, lease and sale of container and chassis.
1.1.6 Operation of shipping agency.

1.2 Operating Fleet & Service Scope:

On Dec 31, 2001, YML operates 53 vessels consisting of 46 full container vessels, 3 panamax bulk carriers and 4 tankers.

The service scope of year 2001 includes the following three categories:
- Container Liner Service
  Offering frequent fixed-day weekly services for the trades of Asia / US East Coast, Asia / US South West Coast, Asia / US North West Coast, Asia / North Europe, Asia / Mediterranean, India / North Europe, US East Coast / North Europe, US East Coast / Mediterranean, Far East / South Africa / South America, Australia and Intra-Asia regional routes.
- Tramp Service
  Providing bulk cargo service.
- Proxy Service
  Operating 4 tankers on behalf of other Carriers.

1.3 Lifting ratio for full container vessel from 1999 to 2001:

<table>
<thead>
<tr>
<th>Items</th>
<th>2001</th>
<th>%</th>
<th>2000</th>
<th>%</th>
<th>1999</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cargo for Trans-ocean</td>
<td>1,148,906</td>
<td>75</td>
<td>1,168,215</td>
<td>76</td>
<td>1,073,199</td>
<td>81</td>
</tr>
<tr>
<td>Cargo for Intra-Asia</td>
<td>381,376</td>
<td>25</td>
<td>369,431</td>
<td>24</td>
<td>255,056</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>1,530,282</td>
<td>100</td>
<td>1,537,646</td>
<td>100</td>
<td>1,328,255</td>
<td>100</td>
</tr>
</tbody>
</table>

Unit: TEU
2. Market Analysis

2.1 Transpacific Trade
In 2001, because the eastbound volume from Asia stalled and overcapacity built up, the ocean freight of eastbound Transpacific declined compared to the level of year 2000. For westbound, the trade suffered a further decline during 2001.
Viewing the gradual recovery of U.S. economy, eastbound volume after Chinese New Year shows the trend of continuous rebound. The Transpacific Stabilization Agreement (TSA) has raised earlier forecast cargo growth in 2002 from 1~2 percent to 5 percent growth. They also announced the intention to increase the tariff rates by $300 per 40-foot container (FEU) with effective from May 1 and to implement a peak season surcharge of $300 per FEU for cargoes shipped between June 1 and September 30. The success of this program will be largely influenced by carriers’ overcapacity pressures. In 2002, the westbound volume is expected to stay stable or go down slightly compared to the counterparts in 2001.

2.2 F.E.-Europe Trade
On the supply side, the capacity on the Asia-North Europe trade has increased by 11% either eastbound or westbound. On the demand side, because of global economic recession, the terroristic attacks on the US and the war in Afghanistan, the cargo volume raised just 2.7% on the eastbound trade and worse on the westbound, just 1.4%. Hence, the utilization has dropped sharply. In consideration of ill economy and surplus of vessel tonnage, some members of the Far Eastern Freight Conference (FEFC) have succeeded to implement the plan of space frozen or voyage cancellation to stabilize the market freight rate. In the longer terms, along with economic recovery, it could be a little more optimistic about the prospect of year 2002, and strong rebound is expected in 2003.

2.3 Transatlantic Trade
The supply of capacity on Transatlantic trade grew by about 4% overall in 2001. On the demand side, the growth rate of cargo volume was about 2.3% for westbound and 1.4% for eastbound. Because estimated utilization for westbound and eastbound would be at 70% and 60% respectively in 2002, the ocean freight for westbound might stay at the low level and that for eastbound might decrease.

2.4 Intra-Asia Trade
The Intra-Asia trade has become the biggest liner trade in the world. The volume of Intra-Asia trade in 2001 was estimated to be about 10.50 million TEU which exceeds the combined scale of the Asia-Pacific West Coast sector and Asia – U.S. East Coast sector of Trans-Pacific trade. Since the Asian economy grows vigorously after recovering from financial crisis, the volume growth for the Intra-Asia trade is expected to be maintained at 5% yearly through 2002. On the supply side, due to delivery of Post-Panamax vessels in succession in the second half of 2000, the medium-sized vessels are extruded to north-south trade or Intra-Asia trade, and therefore the oversupply in the Intra-Asia trade will continue. The possibility to increase the ocean freight is very limited.
3. Employees Status

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>office service</td>
<td>sea service</td>
<td>office service</td>
</tr>
<tr>
<td>Education</td>
<td>644</td>
<td>407</td>
<td>654</td>
</tr>
<tr>
<td>Ph. D</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Master degree</td>
<td>68</td>
<td>-</td>
<td>71</td>
</tr>
<tr>
<td>College</td>
<td>469</td>
<td>230</td>
<td>474</td>
</tr>
<tr>
<td>High school</td>
<td>82</td>
<td>125</td>
<td>84</td>
</tr>
<tr>
<td>Middle school and below</td>
<td>24</td>
<td>52</td>
<td>24</td>
</tr>
<tr>
<td>Average age</td>
<td>41.33</td>
<td>40.38</td>
<td>38.11</td>
</tr>
<tr>
<td>Average service years</td>
<td>11.79</td>
<td>11.57</td>
<td>10.98</td>
</tr>
<tr>
<td>Total</td>
<td>1,051</td>
<td>1,062</td>
<td>1,120</td>
</tr>
</tbody>
</table>

Note: The reserved crew is not included in the number of sea service employees.

4. Environmental Protection

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

5. Relationship with Employees

The employment relationship is good and there is no significant dispute between the employee and employer.

6. Important Contracts

<table>
<thead>
<tr>
<th>Name of contract</th>
<th>Party</th>
<th>Contract Period</th>
<th>Primary content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency agreement</td>
<td>Kung Ming Shipping Corp.</td>
<td>Indefinite contract signed on 6/1/1997. Each party may terminate this agreement prior to 90 days notice.</td>
<td>Booking agency for liner service in Taiwan</td>
</tr>
<tr>
<td>Lease</td>
<td>Kaohsiung Harbor Bureau</td>
<td>9/16/1999 - 9/15/2005</td>
<td>Terminal use agreement</td>
</tr>
<tr>
<td>Lease</td>
<td>Keelung Harbor Bureau</td>
<td>1/1/1996 - 11/30/2005</td>
<td>Terminal use agreement</td>
</tr>
<tr>
<td>Lease</td>
<td>POLA</td>
<td>10/11/1996 - 10/10/2021</td>
<td>Terminal use agreement</td>
</tr>
<tr>
<td>Coal C/P</td>
<td>TPC</td>
<td>8/1/1996 - 7/31/2003</td>
<td>Coal shipment transportation</td>
</tr>
<tr>
<td>Tanker operation agreement</td>
<td>CPC</td>
<td>4/1/1997 - 5/31/2003</td>
<td>Ship management for 4 CPC tankers</td>
</tr>
<tr>
<td>Service contract</td>
<td>MS. CSF</td>
<td>7/1/1999 - 12/31/2002</td>
<td>Military cargo transportation</td>
</tr>
<tr>
<td>Cross slot charter</td>
<td>Hanjin shipping Co., Ltd.</td>
<td>2/1/1991 - 3/2/2003</td>
<td>FE-US East Coast all water liner service</td>
</tr>
<tr>
<td>Cross slot charter</td>
<td>K LINE/HanJin Shipping</td>
<td>12/12/2001 - 12/12/2002</td>
<td>FE-US West Coast liner service</td>
</tr>
<tr>
<td>Cross slot charter</td>
<td>K LINE</td>
<td>1/1/1996 - 12/31/2002</td>
<td>FE- North Europe liner service</td>
</tr>
<tr>
<td>Slot Exchange</td>
<td>Uniglory Marine Corp. / Yi-Tong Shipping Co., Ltd.</td>
<td>9/7/2001 – 8/31/2003</td>
<td>Taiwan – Hong Kong Express Service</td>
</tr>
<tr>
<td>Vessel chartering</td>
<td>Shoei Kisen Kaisha, Ltd./ Imabari Shipbuilding Co., Ltd.</td>
<td>Agreement signed on Nov. 13, 2001. Vessels to be delivered in 1st half of 2003.</td>
<td>Long term lease for 3x1620 TEU full container vessels</td>
</tr>
<tr>
<td>Vessel chartering</td>
<td>Shoei Kisen Kaisha, Ltd./ Imabari Shipbuilding Co., Ltd.</td>
<td>Agreement signed on Dec. 27, 2001. Vessels to be delivered during April and June of 2004.</td>
<td>Long term lease for 2x5500 TEU full container vessels</td>
</tr>
</tbody>
</table>
7. Disposal or Acquisition of Major Assets

7.1 Acquisition of Major Assets

7.1.1 Yang Ming Marine Transport Corp Acquisition of Major Assets

<table>
<thead>
<tr>
<th>Items</th>
<th>Acquisition Date</th>
<th>Price</th>
<th>Sellers</th>
<th>Relationship with YMTC</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Container Box</td>
<td>2001.2</td>
<td>1,942,892</td>
<td>CIMCand other 9 Factories</td>
<td>Nil</td>
<td>In operating</td>
</tr>
<tr>
<td>Chassis</td>
<td>2001.3</td>
<td>951,143</td>
<td>Hyundai Precision America, Inc.</td>
<td>Nil</td>
<td>In operating</td>
</tr>
</tbody>
</table>

7.1.2 Subsidiaries Acquisition of Major Assets

<table>
<thead>
<tr>
<th>Company</th>
<th>Items</th>
<th>Acquisition Date</th>
<th>Price</th>
<th>Sellers</th>
<th>Relationship with the Company</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Oceans Transportation Inc.</td>
<td>One Container Vessel</td>
<td>2001.04.20</td>
<td>1,776,190</td>
<td>Yang Ming Marine Transport Corp.</td>
<td>Related Party</td>
<td>Charter out</td>
</tr>
<tr>
<td></td>
<td>One Container Vessel</td>
<td>2001.07.20</td>
<td>1,838,436</td>
<td>Yang Ming Marine Transport Corp.</td>
<td>Related Party</td>
<td>Charter out</td>
</tr>
<tr>
<td></td>
<td>Four Container Vessels</td>
<td>2001.07.11~2001.08.20</td>
<td>578,592</td>
<td>Daring Venture Limited</td>
<td>None Related Party</td>
<td>Charter out</td>
</tr>
<tr>
<td></td>
<td>Four Container Vessels</td>
<td>2001.10.22~2001.11.07</td>
<td>1,963,080</td>
<td>ATI Victory Shipping Pte Ltd. and other 3 company</td>
<td>None Related Party</td>
<td>Charter out</td>
</tr>
<tr>
<td></td>
<td>One Container Vessel</td>
<td>2002.03.06</td>
<td>1,883,484</td>
<td>Yang Ming Marine Transport Corp.</td>
<td>Related Party</td>
<td>Charter out</td>
</tr>
<tr>
<td></td>
<td>One Container Vessel</td>
<td>2002.03.21</td>
<td>1,890,759</td>
<td>Yang Ming Marine Transport Corp.</td>
<td>Related Party</td>
<td>Charter out</td>
</tr>
</tbody>
</table>

7.2 Disposal of Major Assets

7.2.1 Yang Ming Marine Transport Corp Disposal of Major Assets

<table>
<thead>
<tr>
<th>Items</th>
<th>Acquisition Date</th>
<th>Disposal Date</th>
<th>Book Value</th>
<th>Disposal Price</th>
<th>Disposal Income</th>
<th>Buyers</th>
<th>Relationship with the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Container Vessel</td>
<td>2001.4.18</td>
<td>2001.4.20</td>
<td>1,776,190</td>
<td>1,776,190</td>
<td>-</td>
<td>All Oceans Transportation Inc.</td>
<td>Related Party</td>
</tr>
<tr>
<td>One Container Vessel</td>
<td>2001.7.18</td>
<td>2001.7.20</td>
<td>1,838,436</td>
<td>1,838,436</td>
<td>-</td>
<td>All Oceans Transportation Inc.</td>
<td>Related Party</td>
</tr>
<tr>
<td>One Container Vessel</td>
<td>2001.3.26</td>
<td>2002.03.06</td>
<td>1,883,484</td>
<td>1,883,484</td>
<td>-</td>
<td>All Oceans Transportation Inc.</td>
<td>Related Party</td>
</tr>
<tr>
<td>One Container Vessel</td>
<td>2001.04.07</td>
<td>2002.03.21</td>
<td>1,890,759</td>
<td>1,890,759</td>
<td>-</td>
<td>All Oceans Transportation Inc.</td>
<td>Related Party</td>
</tr>
</tbody>
</table>
CHAPTER 4  FUND UTILIZATION PLAN

1. Fund Utilization for the first Unsecured Bond issued in 1996

<table>
<thead>
<tr>
<th>Items of Plan</th>
<th>Utilization</th>
<th>Accumulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure</td>
<td>Planned</td>
<td>540,000</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>540,000</td>
</tr>
<tr>
<td>Completion</td>
<td>Planned</td>
<td>100 %</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>100 %</td>
</tr>
<tr>
<td>Building of 10,000TEU Containers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>Planned</td>
<td>960,000</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>960,000</td>
</tr>
<tr>
<td>Completion</td>
<td>Planned</td>
<td>100 %</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>100 %</td>
</tr>
<tr>
<td>Purchase of Gantry Crane*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>Planned</td>
<td>1,500,000</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Completion</td>
<td>Planned</td>
<td>100 %</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>100 %</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>Planned</td>
<td>1,500,000</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Completion</td>
<td>Planned</td>
<td>100 %</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>100 %</td>
</tr>
</tbody>
</table>

*Payment for Gantry Crane is made in accordance with building contracts.

2. Fund Utilization for the Global Depositary Receipts issued in 1996.

<table>
<thead>
<tr>
<th>Items of Plan</th>
<th>Utilization</th>
<th>Accumulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure</td>
<td>Planned</td>
<td>3,917,364</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>3,917,364</td>
</tr>
<tr>
<td>Completion</td>
<td>Planned</td>
<td>100 %</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>100 %</td>
</tr>
<tr>
<td>Building of two 5,500TEU Container Vessels</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Yang Ming had concluded two 5,500TEU container vessels building contracts with the China Shipbuilding Corporation on July 24th, 1998. And payment is made in accordance with the building contracts.

3. Fund Utilization for the seventh and eighth Unsecured Bond issued in 2000 and 2001 respectively

<table>
<thead>
<tr>
<th>Items of Plan</th>
<th>Utilization</th>
<th>Accumulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure</td>
<td>Planned</td>
<td>510,000</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>510,000</td>
</tr>
<tr>
<td>Completion</td>
<td>Planned</td>
<td>100 %</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>100 %</td>
</tr>
<tr>
<td>Payment of the first/second unsecured bond</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>Planned</td>
<td>2,992,788</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>2,992,788</td>
</tr>
<tr>
<td>Completion</td>
<td>Planned</td>
<td>100 %</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>100 %</td>
</tr>
<tr>
<td>Building of two 5,500TEU Container Vessels</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>Planned</td>
<td>3,502,788</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>3,502,788</td>
</tr>
<tr>
<td>Completion</td>
<td>Planned</td>
<td>100 %</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>100 %</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>Planned</td>
<td>3,502,788</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>3,502,788</td>
</tr>
<tr>
<td>Completion</td>
<td>Planned</td>
<td>100 %</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>100 %</td>
</tr>
</tbody>
</table>

Note: Total payment NT 3,502,788 thousand dollar, including NT 2,788 thousand dollar which paid by operating cash flow.
CHAPTER 5 FINANCIAL STATEMENTS AND REPORTS

1. Condensed Balance Sheets and Income Statements for the years from 1998 to 2001

1.1 Balance Sheet

<table>
<thead>
<tr>
<th>Items</th>
<th>Year</th>
<th>Accounting data for the recent 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>10,572,307</td>
<td>13,603,805</td>
</tr>
<tr>
<td>Net Properties</td>
<td>19,443,064</td>
<td>16,275,097</td>
</tr>
<tr>
<td>Other Assets</td>
<td>7,106,119</td>
<td>7,078,853</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>Unappropriated</td>
<td>9,067,338</td>
</tr>
<tr>
<td></td>
<td>Appropriated</td>
<td>-</td>
</tr>
<tr>
<td>Total Long-Term Debts</td>
<td>11,210,422</td>
<td>10,020,069</td>
</tr>
<tr>
<td>Total capital stock</td>
<td>18,343,160</td>
<td>17,808,893</td>
</tr>
<tr>
<td>Total retained earnings</td>
<td>Unappropriated</td>
<td>1,413,423</td>
</tr>
<tr>
<td></td>
<td>Appropriated</td>
<td>-</td>
</tr>
<tr>
<td>Total Assets</td>
<td>45,504,980</td>
<td>44,327,117</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>Unappropriated</td>
<td>21,451,949</td>
</tr>
<tr>
<td></td>
<td>Appropriated</td>
<td>-</td>
</tr>
<tr>
<td>Total Stockholders’ Equities</td>
<td>Unappropriated</td>
<td>24,053,031</td>
</tr>
<tr>
<td></td>
<td>Appropriated</td>
<td>-</td>
</tr>
</tbody>
</table>

1.2 Income Statement

<table>
<thead>
<tr>
<th>Items</th>
<th>Year</th>
<th>Accounting data for the recent 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>45,411,519</td>
<td>50,575,836</td>
</tr>
<tr>
<td>Gross profit(loss)</td>
<td>46,021</td>
<td>1,583,778</td>
</tr>
<tr>
<td>Operating income(loss)</td>
<td>( 813,886)</td>
<td>( 609,523)</td>
</tr>
<tr>
<td>Interest income</td>
<td>436,550</td>
<td>477,941</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>685,490</td>
<td>531,706</td>
</tr>
<tr>
<td>Income (loss) before income tax</td>
<td>( 449,402)</td>
<td>( 1,763,929)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>( 675,045)</td>
<td>1,200,846</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>( 0.37)</td>
<td>0.67</td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>12,296</td>
<td>2,266</td>
</tr>
</tbody>
</table>
1.3 CPA and Audit results for the past 5 years

<table>
<thead>
<tr>
<th>Year</th>
<th>CPA name</th>
<th>Audit results</th>
</tr>
</thead>
</table>

2. Financial Statement Analysis for the years from 1997 to 2001

<table>
<thead>
<tr>
<th>Items</th>
<th>Year</th>
<th>Financial Analysis for the years from 1997 to 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial conditions</td>
<td>Debt to Total Assets Ratio</td>
<td>47.14</td>
</tr>
<tr>
<td></td>
<td>Long-term funds to net properties</td>
<td>178.90</td>
</tr>
<tr>
<td>Institutional solvency</td>
<td>Current ratio ( % )</td>
<td>116.60</td>
</tr>
<tr>
<td></td>
<td>Acid-test ratio ( % )</td>
<td>106.68</td>
</tr>
<tr>
<td></td>
<td>Time interest earned</td>
<td>0.34</td>
</tr>
<tr>
<td>Operating performance</td>
<td>Receivables turnover</td>
<td>28.51</td>
</tr>
<tr>
<td></td>
<td>Average collection period(days)</td>
<td>12.80</td>
</tr>
<tr>
<td></td>
<td>Turnover of the fixed assets</td>
<td>2.34</td>
</tr>
<tr>
<td></td>
<td>Turnover of the total assets</td>
<td>1.00</td>
</tr>
<tr>
<td>Profitability</td>
<td>Return on total assets ( % )</td>
<td>(0.36)</td>
</tr>
<tr>
<td></td>
<td>Return on stockholder’s equity ( % )</td>
<td>(2.75)</td>
</tr>
<tr>
<td></td>
<td>Ratio of income against paid-in capital ( % )</td>
<td>(4.44)</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>(2.45)</td>
</tr>
<tr>
<td></td>
<td>Pre-tax income</td>
<td>(1.49)</td>
</tr>
<tr>
<td></td>
<td>Profit Margin ( % )</td>
<td>(0.37)</td>
</tr>
<tr>
<td></td>
<td>Earnings per share (note1)</td>
<td>-</td>
</tr>
<tr>
<td>Cash flow</td>
<td>Cash flow ratio ( % )</td>
<td>31.15</td>
</tr>
<tr>
<td>Cash flow adequacy ratio ( % )</td>
<td>50.15</td>
<td>66.60</td>
</tr>
<tr>
<td>Cash reinvestment ratio ( % )</td>
<td>4.23</td>
<td>5.76</td>
</tr>
<tr>
<td>Leverage</td>
<td>Operation Leverage</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Finance Leverage</td>
<td>0.54</td>
</tr>
</tbody>
</table>

Note 1: According to the adjusted outstanding shares.

3.1 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.
### BALANCE SHEETS
December 31, 2001 and 2000
(In Thousands of New Taiwan Dollars, Except Par Value)

#### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2001</th>
<th>%</th>
<th>2000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>45,504,980</strong></td>
<td>100</td>
<td><strong>44,327,117</strong></td>
<td>100</td>
</tr>
<tr>
<td>Cash and cash equivalents (Notes 2 and 3)</td>
<td>$4,251,248</td>
<td>9%</td>
<td>$6,757,153</td>
<td>15%</td>
</tr>
<tr>
<td>Short-term investments - net (Notes 2 and 4)</td>
<td>1,785,007</td>
<td>4%</td>
<td>1,642,839</td>
<td>4%</td>
</tr>
<tr>
<td>Accounts receivable - net of allowance for doubtful accounts of</td>
<td>693,507</td>
<td>2%</td>
<td>1,173,300</td>
<td>3%</td>
</tr>
<tr>
<td>$7,413 in 2001 and $13,160 in 2000 (Note 2)</td>
<td>897,362</td>
<td>2%</td>
<td>2,331,555</td>
<td>5%</td>
</tr>
<tr>
<td>Receivables from related parties (Note 17)</td>
<td>399,010</td>
<td>1%</td>
<td>595,269</td>
<td>1%</td>
</tr>
<tr>
<td>Prepaid expenses (Note 17)</td>
<td>500,090</td>
<td>1%</td>
<td>371,385</td>
<td>1%</td>
</tr>
<tr>
<td>Advances to shipping agents</td>
<td>969,577</td>
<td>2%</td>
<td>420,491</td>
<td>1%</td>
</tr>
<tr>
<td>Pledged time deposits (Note 18)</td>
<td>434,909</td>
<td>1%</td>
<td>12,837</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>10,573,362</strong></td>
<td>23%</td>
<td><strong>13,603,805</strong></td>
<td>31%</td>
</tr>
<tr>
<td><strong>INVESTMENTS IN SHARES OF STOCK (Notes 2, 5 and 17)</strong></td>
<td><strong>8,383,490</strong></td>
<td>18%</td>
<td><strong>7,569,362</strong></td>
<td>16%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18,956,852</strong></td>
<td>41%</td>
<td><strong>21,173,167</strong></td>
<td>47%</td>
</tr>
<tr>
<td><strong>PROPERTY &amp; EQUIPMENT</strong></td>
<td>19,443,064</td>
<td>42%</td>
<td>18,343,160</td>
<td>40%</td>
</tr>
<tr>
<td>Cost</td>
<td>38,901</td>
<td>-</td>
<td>38,901</td>
<td>-</td>
</tr>
<tr>
<td>Buildings</td>
<td>691,014</td>
<td>2%</td>
<td>691,014</td>
<td>2%</td>
</tr>
<tr>
<td>Containers and chassis</td>
<td>11,659,634</td>
<td>26%</td>
<td>12,507,976</td>
<td>28%</td>
</tr>
<tr>
<td>Ships</td>
<td>21,241,261</td>
<td>47%</td>
<td>18,230,593</td>
<td>41%</td>
</tr>
<tr>
<td>Leased containers and chassis</td>
<td>1,906,238</td>
<td>4%</td>
<td>1,154,888</td>
<td>3%</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>106,344</td>
<td>-</td>
<td>106,344</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous equipment</td>
<td>1,395,219</td>
<td>3%</td>
<td>1,168,207</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td><strong>33,897,523</strong></td>
<td>72%</td>
<td><strong>33,897,523</strong></td>
<td>72%</td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td>(17,663,861)</td>
<td>(39%)</td>
<td>(19,426,604)</td>
<td>(44%)</td>
</tr>
<tr>
<td><strong>Construction in progress</strong></td>
<td><strong>19,374,750</strong></td>
<td>43%</td>
<td><strong>14,470,919</strong></td>
<td>33%</td>
</tr>
<tr>
<td><strong>Net Properties</strong></td>
<td><strong>16,443,064</strong></td>
<td>43%</td>
<td><strong>16,275,097</strong></td>
<td>37%</td>
</tr>
<tr>
<td><strong>OTHER ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets leased to others - net (Notes 2, 6 and 7)</td>
<td>962,134</td>
<td>2%</td>
<td>887,307</td>
<td>2%</td>
</tr>
<tr>
<td>Non-operating assets - net (Notes 2, 6, 8 and 18)</td>
<td>686,171</td>
<td>1%</td>
<td>768,327</td>
<td>2%</td>
</tr>
<tr>
<td>Deferred charges - net (Note 2)</td>
<td>406,741</td>
<td>1%</td>
<td>426,144</td>
<td>1%</td>
</tr>
<tr>
<td>Receivables from related parties (Note 17)</td>
<td>4,796,317</td>
<td>11%</td>
<td>1,172,715</td>
<td>3%</td>
</tr>
<tr>
<td>Restricted assets (Note 9)</td>
<td>-</td>
<td>-</td>
<td>3,751,751</td>
<td>8%</td>
</tr>
<tr>
<td>Miscellaneous (Note 2)</td>
<td>254,756</td>
<td>1%</td>
<td>72,609</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Other Assets</strong></td>
<td><strong>7,106,119</strong></td>
<td>16%</td>
<td><strong>7,078,853</strong></td>
<td>16%</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>45,504,980</strong></td>
<td>100</td>
<td><strong>44,327,117</strong></td>
<td>100</td>
</tr>
</tbody>
</table>

#### LIABILITIES AND STOCKHOLDERS’ EQUITY

<table>
<thead>
<tr>
<th>Description</th>
<th>2001</th>
<th>%</th>
<th>2000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>2,581,952</strong></td>
<td>100</td>
<td><strong>2,331,555</strong></td>
<td>100</td>
</tr>
<tr>
<td>Current liabilities - net (Notes 2 and 4)</td>
<td>1,742,515</td>
<td>68%</td>
<td>1,893,309</td>
<td>81%</td>
</tr>
<tr>
<td>Short-term debts (Notes 10 and 18)</td>
<td>709,226</td>
<td>28%</td>
<td>666,573</td>
<td>28%</td>
</tr>
<tr>
<td>Advances from customers (Note 17)</td>
<td>979,052</td>
<td>38%</td>
<td>691,014</td>
<td>30%</td>
</tr>
<tr>
<td>Current portion of long-term debts (Notes 2, 6, 11 and 18)</td>
<td>2,581,952</td>
<td>100%</td>
<td>1,893,309</td>
<td>100%</td>
</tr>
<tr>
<td>Payables to shipping agents</td>
<td>2,571,192</td>
<td>99%</td>
<td>1,768,127</td>
<td>97%</td>
</tr>
<tr>
<td>Payables to related parties (Note 17)</td>
<td>1,742,515</td>
<td>68%</td>
<td>1,893,309</td>
<td>81%</td>
</tr>
<tr>
<td>Unrealized loss on investments in shares of stock</td>
<td>(73,956)</td>
<td>(3%)</td>
<td>(479,956)</td>
<td>(2%)</td>
</tr>
<tr>
<td>TOTAL Liabilities</td>
<td><strong>2,581,952</strong></td>
<td>100%</td>
<td><strong>2,331,555</strong></td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY</strong></td>
<td><strong>45,504,980</strong></td>
<td>100%</td>
<td><strong>44,327,117</strong></td>
<td>100%</td>
</tr>
</tbody>
</table>

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

(With T N Soong & Co report dated March 5, 2002)
## 3.3 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)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>%</th>
<th>2000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING REVENUES (Notes 2 and 17)</td>
<td>$45,411,519</td>
<td>100</td>
<td>$50,575,836</td>
<td>100</td>
</tr>
<tr>
<td>OPERATING COSTS (Notes 2 and 17)</td>
<td>45,365,498</td>
<td>100</td>
<td>48,992,058</td>
<td>97</td>
</tr>
<tr>
<td>GROSS INCOME</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>OPERATING EXPENSES (Note 17)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling</td>
<td>671,529</td>
<td>2</td>
<td>746,098</td>
<td>2</td>
</tr>
<tr>
<td>General and administrative</td>
<td>188,378</td>
<td>-</td>
<td>228,157</td>
<td>-</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>859,907</td>
<td>2</td>
<td>974,255</td>
<td>2</td>
</tr>
<tr>
<td>INCOME (LOSS) FROM OPERATIONS</td>
<td>(813,886)</td>
<td>(2)</td>
<td>609,523</td>
<td>1</td>
</tr>
</tbody>
</table>

### NON-OPERATING INCOME

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>%</th>
<th>2000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest (Note 17)</td>
<td>436,550</td>
<td>1</td>
<td>477,941</td>
<td>1</td>
</tr>
<tr>
<td>Foreign exchange gain - net</td>
<td>315,438</td>
<td>1</td>
<td>213,670</td>
<td>-</td>
</tr>
<tr>
<td>Gain on sale of properties and non-operating assets</td>
<td>247,635</td>
<td>-</td>
<td>304,931</td>
<td>1</td>
</tr>
<tr>
<td>Gain on sale of short and long term investments</td>
<td>197,808</td>
<td>-</td>
<td>794,178</td>
<td>2</td>
</tr>
<tr>
<td>Equity in net income of investee companies - net (Note 2)</td>
<td>-</td>
<td>-</td>
<td>563,265</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>273,923</td>
<td>1</td>
<td>285,362</td>
<td>-</td>
</tr>
<tr>
<td>Total Non-Operating Income</td>
<td>1,471,354</td>
<td>3</td>
<td>2,639,347</td>
<td>5</td>
</tr>
</tbody>
</table>

### NON-OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>%</th>
<th>2000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest (Note 6)</td>
<td>685,490</td>
<td>2</td>
<td>531,706</td>
<td>1</td>
</tr>
<tr>
<td>Provision for losses on investments (Note 2)</td>
<td>214,818</td>
<td>-</td>
<td>837,478</td>
<td>2</td>
</tr>
<tr>
<td>Equity in net loss of investee companies - net (Note 2)</td>
<td>112,757</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>93,805</td>
<td>-</td>
<td>115,757</td>
<td>-</td>
</tr>
<tr>
<td>Total Non-operating Expenses</td>
<td>1,106,870</td>
<td>2</td>
<td>1,484,941</td>
<td>3</td>
</tr>
</tbody>
</table>

### INCOME (LOSS) BEFORE INCOME TAX

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>%</th>
<th>2000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(449,402)</td>
<td>(1)</td>
<td></td>
<td>1,763,929</td>
<td>3</td>
</tr>
</tbody>
</table>

### INCOME TAX EXPENSE (Notes 2 and 15)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>%</th>
<th>2000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>225,643</td>
<td>-</td>
<td></td>
<td>563,083</td>
<td>1</td>
</tr>
</tbody>
</table>

### NET INCOME (LOSS)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>%</th>
<th>2000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>($675,045)</td>
<td>(1)</td>
<td></td>
<td>$1,200,846</td>
<td>2</td>
</tr>
</tbody>
</table>

(Forward)
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)
<table>
<thead>
<tr>
<th>Shares (Thousands)</th>
<th>Capital Surplus (Notes 2 and 14)</th>
<th>Retained Earnings (Notes 2, 14 and 15)</th>
<th>Unrealized Loss on Investment in Shares of Stocks</th>
<th>Cumulative Translation Adjustments</th>
<th>Total Stockholders' Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>BALANCE, JANUARY 1, 2000</td>
<td>$6,877</td>
<td>$4,854,754</td>
<td>$705,193</td>
<td>(1,304,273)</td>
<td>$2,357,130</td>
</tr>
<tr>
<td>Issuance of capital stock</td>
<td>138</td>
<td>1 (1,304)</td>
<td>79 (79)</td>
<td>(79)</td>
<td>-</td>
</tr>
<tr>
<td>Earnings distribution for 1999:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal reserves</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Employees' bonus</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash dividends - $0.4 per share</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Stock dividends from capital surplus - 6%</td>
<td>100,797</td>
<td>(1,007,972)</td>
<td>-</td>
<td>(1,007,972)</td>
<td>-</td>
</tr>
<tr>
<td>Net income in 2000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Translation adjustments of foreign-currency-denominated investments in shares of stock</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gain on sales of properties</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share in changes in capital surplus reported by equity-accounted investees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recognition of unrealized loss on investments in shares of stock</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>BALANCE, DECEMBER 31, 2000</td>
<td>$18,343,160</td>
<td>$1,413,423</td>
<td>$643,563</td>
<td>$476,960</td>
<td>$24,053,031</td>
</tr>
<tr>
<td>Issuance of capital stock</td>
<td>1,834,316</td>
<td>1,834,316</td>
<td>$2,390,186</td>
<td>$3,828,660</td>
<td>$806,167</td>
</tr>
<tr>
<td>Reversal of unrealized loss on investments in shares of stock</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Translation adjustments of foreign-currency-denominated investments in shares of stock</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>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 investor companies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share in changes in capital surplus reported by equity-accounted investees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>BALANCE, DECEMBER 31, 2001</td>
<td>$18,343,160</td>
<td>$18,343,160</td>
<td>$2,390,186</td>
<td>$3,828,660</td>
<td>$806,167</td>
</tr>
</tbody>
</table>

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

(With T N Soong & Co report dated March 5, 2002)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2001 and 2000
(In Thousands of New Taiwan Dollars)

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

| **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)
Increase in deferred charges  
($206,337) ($272,972) 
Decrease (increase) in restricted assets  
3,751,751 (594,485) 
Decrease (increase) in other assets  
(182,147) 17,527 
Net Cash Used in Investing Activities  
(6,071,215) (1,969,264) 

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  
(543,742) (678,868) 
Net Cash Provided by Financing Activities  
740,480 2,464,438 

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS  
(2,505,905) 4,340,964 

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR  
6,757,153 2,416,189 

CASH AND CASH EQUIVALENTS, END OF YEAR  
$4,251,248 $6,757,153 

SUPPLEMENTAL INFORMATION  
Interest paid (excluding capitalized interest)  
$673,356 $500,263 
Income tax paid  
$27,837 $9,736 
Non-cash investing and financing activities  
Reclassification of investments in shares of stock into short-term investments  
$ - $126,730 
Reclassification of short-term investments into investments in shares of stock  
$ - $233 
Current portion of long-term debts  
$2,581,952 $1,893,309 
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  
(751,750) - 
$9,347,924 $3,684,952 
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  
- (57,517) 
$1,002,264 $5,465,798 

The accompanying notes are an integral part of the financial statements.  
(With T N Soong & Co report dated March 5, 2002)
3.6 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: (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 of the contract (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

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2000</td>
<td></td>
</tr>
<tr>
<td>Cash:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petty cash and cash on hand</td>
<td>$2,040</td>
<td>$2,867</td>
<td></td>
</tr>
<tr>
<td>Checking deposits</td>
<td>98,553</td>
<td>475,509</td>
<td></td>
</tr>
<tr>
<td>Demand deposits</td>
<td>462,952</td>
<td>874,645</td>
<td></td>
</tr>
<tr>
<td>Time deposits - interest of from 1.76% to 3.95% in 2001 and from 4.18% to 6.75% in 2000</td>
<td>1,887,703</td>
<td>4,335,854</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,451,248</td>
<td>5,688,875</td>
<td></td>
</tr>
<tr>
<td>Cash equivalents:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchased bonds - yield of from 1.8% to 1.95%</td>
<td>1,800,000</td>
<td>-</td>
<td>1,068,278</td>
</tr>
<tr>
<td>Commercial paper - yield of from 4.65% to 5.65%</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$4,251,248</td>
<td>$6,757,153</td>
<td></td>
</tr>
</tbody>
</table>

4. SHORT-TERM INVESTMENTS

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2000</td>
<td></td>
</tr>
<tr>
<td>Marketable equity securities</td>
<td>$1,570,442</td>
<td>$1,580,470</td>
<td></td>
</tr>
<tr>
<td>Mutual fund beneficiary certificates</td>
<td>943,314</td>
<td>737,586</td>
<td></td>
</tr>
<tr>
<td>Convertible bonds - interest of from 5% to 9%</td>
<td>31,100</td>
<td>61,100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,544,856</td>
<td>2,379,156</td>
<td></td>
</tr>
<tr>
<td>Less - allowance for decline in value</td>
<td>759,849</td>
<td>736,317</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,785,007</td>
<td>$1,642,839</td>
<td></td>
</tr>
</tbody>
</table>
### 5. INVESTMENTS IN SHARES OF STOCK

<table>
<thead>
<tr>
<th>Equity method (unlisted stocks)</th>
<th>Carrying Value</th>
<th>% of Owner-ship</th>
<th>Carrying Value</th>
<th>% of Owner-ship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yang Ming Line (B.V.I.) Holding Co., Ltd.</td>
<td>$2,585,536</td>
<td>100.00</td>
<td>$2,217,492</td>
<td>100.00</td>
</tr>
<tr>
<td>Yang Ming Line (Singapore) Pte. Ltd.</td>
<td>1,049,606</td>
<td>100.00</td>
<td>896,609</td>
<td>100.00</td>
</tr>
<tr>
<td>All Oceans Transportation, Inc.</td>
<td>644,212</td>
<td>100.00</td>
<td>679,537</td>
<td>100.00</td>
</tr>
<tr>
<td>YES Logistics Corp.</td>
<td>427,460</td>
<td>90.50</td>
<td>416,760</td>
<td>87.98</td>
</tr>
<tr>
<td>Ching Ming Investment Corp.</td>
<td>384,215</td>
<td>99.96</td>
<td>832,330</td>
<td>99.96</td>
</tr>
<tr>
<td>Honming Terminal &amp; Stevedoring Co., Ltd.</td>
<td>366,273</td>
<td>79.00</td>
<td>180,640</td>
<td>79.00</td>
</tr>
<tr>
<td>Kuang Ming Shipping Corp.</td>
<td>285,250</td>
<td>82.05</td>
<td>298,719</td>
<td>82.05</td>
</tr>
<tr>
<td>China Mariners’ Assurance Corp.</td>
<td>221,045</td>
<td>22.71</td>
<td>197,901</td>
<td>19.70</td>
</tr>
<tr>
<td>Transyang Shipping Pte. Ltd.</td>
<td>65,943</td>
<td>24.99</td>
<td>34,268</td>
<td>30.00</td>
</tr>
<tr>
<td>Jing Ming Transport Co., Ltd.</td>
<td>56,087</td>
<td>50.80</td>
<td>53,279</td>
<td>50.80</td>
</tr>
<tr>
<td>Yang Ming Line Holding Co.</td>
<td>43,233</td>
<td>100.00</td>
<td>40,195</td>
<td>100.00</td>
</tr>
</tbody>
</table>

6,128,860 | 5,847,730

<table>
<thead>
<tr>
<th>Cost method</th>
<th>Carrying Value</th>
<th>% of Owner-ship</th>
<th>Carrying Value</th>
<th>% of Owner-ship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed common stock</td>
<td>Senao International Co., Ltd.</td>
<td>96,000</td>
<td>1.83</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Hotung Investment Holdings Ltd</td>
<td>40,268</td>
<td>0.70</td>
<td>40,268</td>
</tr>
<tr>
<td></td>
<td>Data Corp.</td>
<td>430</td>
<td>0.01</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Less - allowance for decline in value</td>
<td>-</td>
<td>12,359</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>136,698</td>
<td>27,909</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unlisted common stock</th>
<th>Carrying Value</th>
<th>% of Owner-ship</th>
<th>Carrying Value</th>
<th>% of Owner-ship</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Venture Capital Corp.</td>
<td>80,000</td>
<td>9.04</td>
<td>80,000</td>
<td>9.04</td>
</tr>
<tr>
<td>Grand Orient Security Corp.</td>
<td>70,000</td>
<td>6.51</td>
<td>95,000</td>
<td>6.51</td>
</tr>
<tr>
<td>Taiwan Nano Electro-optical Technology Co., Ltd.</td>
<td>61,953</td>
<td>9.09</td>
<td>50,000</td>
<td>9.37</td>
</tr>
<tr>
<td>U-Tech Media Corp.</td>
<td>46,125</td>
<td>1.20</td>
<td>81,125</td>
<td>1.21</td>
</tr>
<tr>
<td>Ritekom Photonics Corp.</td>
<td>45,000</td>
<td>2.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SF Technology Venture Capital Corp.</td>
<td>40,000</td>
<td>7.24</td>
<td>40,000</td>
<td>7.24</td>
</tr>
<tr>
<td>Kingmax Technology Corp.</td>
<td>24,000</td>
<td>1.40</td>
<td>24,000</td>
<td>1.40</td>
</tr>
<tr>
<td>AscenTek Venture Capital Corp.</td>
<td>20,080</td>
<td>2.14</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Forwin Securities Corp.</td>
<td>20,000</td>
<td>2.00</td>
<td>55,000</td>
<td>2.00</td>
</tr>
<tr>
<td>Yes Mobile Taiwan Inc.</td>
<td>6,000</td>
<td>1.00</td>
<td>6,000</td>
<td>1.00</td>
</tr>
<tr>
<td>Imaging Quality Technology Inc.</td>
<td>4,000</td>
<td>3.09</td>
<td>10,000</td>
<td>3.09</td>
</tr>
<tr>
<td>Senao International Co., Ltd.</td>
<td>-</td>
<td>-</td>
<td>96,000</td>
<td>1.85</td>
</tr>
<tr>
<td>Yieh United Steel Corp.</td>
<td>-</td>
<td>0.16</td>
<td>30,400</td>
<td>0.16</td>
</tr>
<tr>
<td>Digital United Holding Limited</td>
<td>-</td>
<td>0.46</td>
<td>15,045</td>
<td>0.46</td>
</tr>
<tr>
<td>Data Corp.</td>
<td>-</td>
<td>-</td>
<td>430</td>
<td>0.01</td>
</tr>
<tr>
<td>CTX Corp.</td>
<td>-</td>
<td>0.06</td>
<td>233</td>
<td>0.06</td>
</tr>
<tr>
<td>Argo System Inc.</td>
<td>$ -</td>
<td>8.00</td>
<td>$ -</td>
<td>8.00</td>
</tr>
<tr>
<td>A-trend Technology Co., Ltd.</td>
<td>-</td>
<td>1.04</td>
<td>-</td>
<td>1.04</td>
</tr>
<tr>
<td>International Strategies Holding Corp.</td>
<td>-</td>
<td>0.60</td>
<td>-</td>
<td>0.60</td>
</tr>
<tr>
<td>Minchali Metal Industry Co., Ltd.</td>
<td>-</td>
<td>0.26</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

417,158 | 583,233

(Forward)
Unlisted preferred stock
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 15,700 1.58

894,790 910,490
1,448,646 1,521,632

Deposit on subscriptions
Chunghwa Investment Co., Ltd. 800,000 -
Taipei Port Container Terminal Co., Ltd. 5,984 -

805,984 -

$ 8,383,490 $ 7,369,362

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:

<table>
<thead>
<tr>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
</tr>
<tr>
<td>Listed stocks (based on market value)</td>
</tr>
<tr>
<td>Equity in net assets pertaining to unlisted stocks (mainly based on unaudited financial statements)</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
6. PROPERTIES

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

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:

<table>
<thead>
<tr>
<th>December 31</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total leases payables (undiscounted)</td>
<td>$51,709</td>
<td>$1,809,811</td>
</tr>
<tr>
<td>Less - unamortized interest expense</td>
<td>(7,979)</td>
<td>(279,276)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$43,730</strong></td>
<td><strong>$1,530,535</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>December 31</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$615,323</td>
<td>$533,195</td>
</tr>
<tr>
<td>Buildings</td>
<td>408,263</td>
<td>408,207</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,023,586</strong></td>
<td><strong>941,402</strong></td>
</tr>
</tbody>
</table>

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.

Depreciation expenses for the years ended December 31, 2001 and 2000 aggregated to $7,300 and $6,636, respectively.
8. NON-OPERATING ASSETS - NET

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$ 685,722</td>
</tr>
<tr>
<td>Buildings</td>
<td>6,265</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>5,816</td>
</tr>
<tr>
<td></td>
<td>$ 686,171</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td>Commercial paper issued. This is due in February 2002 and was issued at 3.13% discount.</td>
<td>$ 199,400</td>
</tr>
<tr>
<td>Bank overdraft - interest of from 4.75% to 6.68% in 2001 and from 6.85% to 9.50% in 2000</td>
<td>2,883</td>
</tr>
<tr>
<td></td>
<td>$ 202,283</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Long-term</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsecured bank loans</td>
<td>$ -</td>
<td>$ 1,365,000</td>
<td>$ 1,365,000</td>
</tr>
<tr>
<td>Domestic bonds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured</td>
<td>-</td>
<td>6,500,000</td>
<td>6,500,000</td>
</tr>
<tr>
<td>Secured</td>
<td>2,300,000</td>
<td>700,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Unsecured convertible bonds - domestic</td>
<td>-</td>
<td>917,200</td>
<td>917,200</td>
</tr>
<tr>
<td>Capital leases (Note 6)</td>
<td>281,952</td>
<td>1,248,583</td>
<td>1,530,535</td>
</tr>
<tr>
<td></td>
<td>$ 2,581,952</td>
<td>$ 10,730,783</td>
<td>$ 13,312,735</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured bank loans</td>
<td>$ 216,000 $ 504,000 $ 720,000</td>
</tr>
<tr>
<td>Domestic bonds:</td>
<td></td>
</tr>
<tr>
<td>Unsecured</td>
<td>510,000 5,400,000 5,910,000</td>
</tr>
<tr>
<td>Secured</td>
<td>1,000,000 2,000,000 3,000,000</td>
</tr>
<tr>
<td>Unsecured convertible bonds:</td>
<td>Domestic</td>
</tr>
<tr>
<td>Foreign</td>
<td>4,950</td>
</tr>
<tr>
<td>Capital leases (Note 6)</td>
<td>162,359</td>
</tr>
<tr>
<td></td>
<td>$ 1,893,309</td>
</tr>
</tbody>
</table>
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**

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2000</td>
</tr>
<tr>
<td>Chassis</td>
<td>$54,556</td>
<td>$-</td>
</tr>
<tr>
<td>Containers</td>
<td>36,252</td>
<td>63,189</td>
</tr>
<tr>
<td>Vessel Ming Zenith</td>
<td>21,014</td>
<td>40,411</td>
</tr>
<tr>
<td>Vessel Ming North</td>
<td>12,068</td>
<td>13,217</td>
</tr>
<tr>
<td>Vessel Med Keelung</td>
<td>1,150</td>
<td>1,672</td>
</tr>
</tbody>
</table>

$125,040 $118,489
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:

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

b. Income tax expense consisted of:

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

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

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2000</td>
</tr>
<tr>
<td>Current (included in other current liabilities)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized foreign exchange loss (gain)</td>
<td>($ 47,822)</td>
<td>($ 118,794)</td>
</tr>
<tr>
<td>Loss carryforwards</td>
<td>39,470</td>
<td>-</td>
</tr>
<tr>
<td>Investment tax credits</td>
<td>3,668</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>7,747</td>
<td>6,895</td>
</tr>
<tr>
<td>Allowance for deferred income tax assets</td>
<td>43,138</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>($ 40,075)</td>
<td>($ 111,899)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-current (included in other liabilities):</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss carryforwards</td>
<td>$ 261,384</td>
<td>$ 297,290</td>
</tr>
<tr>
<td>Differences in estimated service lives of containers</td>
<td>( 198,411)</td>
<td>( 150,921)</td>
</tr>
<tr>
<td>Cumulative equity in net income of investee companies</td>
<td>( 310,546)</td>
<td>( 238,175)</td>
</tr>
<tr>
<td>Deferred pension cost</td>
<td>56,713</td>
<td>36,116</td>
</tr>
<tr>
<td>Investment tax credits</td>
<td>27,293</td>
<td>5,603</td>
</tr>
<tr>
<td>Allowance for deferred income tax assets</td>
<td>( 248,602)</td>
<td>( 64,614)</td>
</tr>
<tr>
<td></td>
<td>($ 412,169)</td>
<td>($ 114,701)</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td>Balance of ICA</td>
<td>$14,909</td>
</tr>
</tbody>
</table>

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 as are follow:

<table>
<thead>
<tr>
<th>Year of Expiry</th>
<th>Loss Carryforwards</th>
<th>Investment Tax Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$-</td>
<td>$907</td>
</tr>
<tr>
<td>2002</td>
<td>39,470</td>
<td>2,761</td>
</tr>
<tr>
<td>2003</td>
<td>261,384</td>
<td>22,503</td>
</tr>
<tr>
<td>2004</td>
<td>-</td>
<td>4,790</td>
</tr>
<tr>
<td></td>
<td><strong>$300,854</strong></td>
<td><strong>$30,961</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Tax-Exemption Period</th>
<th>Ming East and Ming South</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>July 1, 1998 to June 30, 2002</td>
</tr>
</tbody>
</table>

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:

a. 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.
b. 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.

c. 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:

<table>
<thead>
<tr>
<th>Component of net pension costs</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$105,216</td>
<td>$100,704</td>
</tr>
<tr>
<td>Interest cost</td>
<td>25,097</td>
<td>19,788</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(4,767)</td>
<td>(4,046)</td>
</tr>
<tr>
<td>Amortization of net transition assets</td>
<td>(14,171)</td>
<td>(14,171)</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>436</td>
<td>436</td>
</tr>
<tr>
<td>Amortization of net loss</td>
<td>3,330</td>
<td>1,532</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$115,141</strong></td>
<td><strong>$104,243</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reconciliation of funded status of the pension plan to accrued pension cost at end of year</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vested benefit obligation</td>
<td>$130,366</td>
<td>$128,355</td>
</tr>
<tr>
<td>Non-vested benefit obligation</td>
<td>210,935</td>
<td>147,730</td>
</tr>
<tr>
<td>Accumulated benefit obligation</td>
<td>341,301</td>
<td>276,085</td>
</tr>
<tr>
<td>Additional benefits based on future salaries</td>
<td>138,767</td>
<td>148,436</td>
</tr>
<tr>
<td>Projected benefit obligation (PBO)</td>
<td>480,068</td>
<td>424,521</td>
</tr>
<tr>
<td>Plan assets at fair value</td>
<td>(88,976)</td>
<td>(72,448)</td>
</tr>
<tr>
<td>Unfunded PBO</td>
<td>391,092</td>
<td>352,073</td>
</tr>
<tr>
<td>Unrecognized net transition assets</td>
<td>38,249</td>
<td>52,402</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>(6,107)</td>
<td>(6,543)</td>
</tr>
<tr>
<td>Unrecognized net gain (loss)</td>
<td>28,401</td>
<td>(21,748)</td>
</tr>
<tr>
<td><strong>Accrued pension cost (included in other liabilities)</strong></td>
<td><strong>$451,635</strong></td>
<td><strong>$376,202</strong></td>
</tr>
</tbody>
</table>

c. Vested benefits                                                                       | $165,195 | $174,599 |

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                                                                           | $14,201 | $13,771 |
| Payment of benefits                                                                     | $21,891 | $17,380 |
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:

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

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:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$ 2,730,383</td>
</tr>
<tr>
<td>2003</td>
<td>1,990,313</td>
</tr>
<tr>
<td>2004</td>
<td>2,061,941</td>
</tr>
<tr>
<td>2005</td>
<td>1,629,567</td>
</tr>
<tr>
<td>2006</td>
<td>640,618</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$ 323,875</td>
</tr>
<tr>
<td>2003</td>
<td>284,410</td>
</tr>
<tr>
<td>2004</td>
<td>269,565</td>
</tr>
<tr>
<td>2005</td>
<td>272,169</td>
</tr>
<tr>
<td>2006</td>
<td>534,896</td>
</tr>
</tbody>
</table>
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 sale 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

<table>
<thead>
<tr>
<th>Type of Transaction</th>
<th>Notional Amount</th>
<th>Fair Value</th>
<th>Credit Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange rate swap</td>
<td>EUR$14,940,000</td>
<td>$742</td>
<td>$742</td>
</tr>
</tbody>
</table>

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 counterparty.

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:

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

<table>
<thead>
<tr>
<th>Line Service</th>
<th>Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td></td>
<td>Amount</td>
</tr>
<tr>
<td>European line</td>
<td>$ 9,237,806</td>
</tr>
<tr>
<td>U.S. Western coast line</td>
<td>8,445,516</td>
</tr>
<tr>
<td>U.S. Eastern coast line</td>
<td>7,381,324</td>
</tr>
<tr>
<td>Asia line</td>
<td>5,801,944</td>
</tr>
</tbody>
</table>

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

4.1 Independent Auditors’ Report

March 5, 2002

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

We have audited the accompanying consolidated balance sheets of Yang Ming Marine Transport Corporation and subsidiaries as of December 31, 2001 and 2000 and the related consolidated 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 investee companies, either directly owned by the Corporation or owned through its wholly owned subsidiaries, are all accounted for in the accompanying financial statements 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 investee companies 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 auditing standards generally accepted 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 and subsidiaries as of December 31, 2001 and 2000 and the results of their operations and their cash flows for the years then ended in accordance with Guidelines for Securities Issuers’ Financial Reporting for Public Company and accounting principles generally accepted 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.
<table>
<thead>
<tr>
<th>AS S E T S</th>
<th>2001</th>
<th>%</th>
<th>2000</th>
<th>%</th>
<th>LIABILITIES AND STOCKHOLDERS' EQUITY</th>
<th>2001</th>
<th>%</th>
<th>2000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$4,612,466</td>
<td>8</td>
<td>$7,121,468</td>
<td>14</td>
<td>CURRENT LIABILITIES</td>
<td>Current short-term debts</td>
<td>$202,283</td>
<td>-</td>
<td>$41,087</td>
</tr>
<tr>
<td>Short-term investments - net</td>
<td>1,785,007</td>
<td>3</td>
<td>1,642,839</td>
<td>3</td>
<td>Accounts payable</td>
<td>44,764</td>
<td>-</td>
<td>52,684</td>
<td>-</td>
</tr>
<tr>
<td>Accounts receivable – net</td>
<td>1,116,653</td>
<td>2</td>
<td>1,385,295</td>
<td>3</td>
<td>Payables to related parties</td>
<td>912,431</td>
<td>2</td>
<td>1,256,923</td>
<td>2</td>
</tr>
<tr>
<td>Receivables from related parties</td>
<td>349,116</td>
<td>-</td>
<td>458,009</td>
<td>1</td>
<td>Accrued expenses</td>
<td>983,675</td>
<td>2</td>
<td>1,470,315</td>
<td>3</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>568,030</td>
<td>1</td>
<td>581,427</td>
<td>1</td>
<td>Current portion of long-term debts</td>
<td>3,516,720</td>
<td>6</td>
<td>2,462,907</td>
<td>5</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>358,316</td>
<td>-</td>
<td>404,802</td>
<td>1</td>
<td>Payables to shipping agents</td>
<td>3,847,622</td>
<td>6</td>
<td>2,363,468</td>
<td>5</td>
</tr>
<tr>
<td>Advance to shipping agents</td>
<td>3,751,751</td>
<td>-</td>
<td>420,491</td>
<td>1</td>
<td>Other current liabilities</td>
<td>702,215</td>
<td>1</td>
<td>875,368</td>
<td>2</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>2,363,468</td>
<td>6</td>
<td>2,568,275</td>
<td>6</td>
<td>Total current liabilities</td>
<td>11,111,648</td>
<td>19</td>
<td>9,112,866</td>
<td>18</td>
</tr>
<tr>
<td>Accounts receivable from related parties</td>
<td>4,612,466</td>
<td>8</td>
<td>7,121,468</td>
<td>14</td>
<td>Total current assets</td>
<td>10,919,036</td>
<td>18</td>
<td>12,605,461</td>
<td>24</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,116,653</td>
<td>2</td>
<td>1,385,295</td>
<td>3</td>
<td>Long-term debts – net of current portion</td>
<td>5,153,767</td>
<td>9</td>
<td>4,472,358</td>
<td>9</td>
</tr>
<tr>
<td>Goodwill</td>
<td>724,962</td>
<td>-</td>
<td>378,293</td>
<td>-</td>
<td>Bank loans</td>
<td>7,449,172</td>
<td>13</td>
<td>2,664,871</td>
<td>5</td>
</tr>
<tr>
<td>Other current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Obligations under capital leases</td>
<td>7,063,252</td>
<td>12</td>
<td>4,492,957</td>
<td>9</td>
</tr>
<tr>
<td>Total current assets</td>
<td>10,919,036</td>
<td>18</td>
<td>12,605,461</td>
<td>24</td>
<td>Total current liabilities</td>
<td>22,629,624</td>
<td>38</td>
<td>15,460,928</td>
<td>30</td>
</tr>
<tr>
<td>Inventories in shares of stock</td>
<td>5,153,767</td>
<td>9</td>
<td>4,472,358</td>
<td>9</td>
<td>Long-term debts</td>
<td>1,141,939</td>
<td>2</td>
<td>1,141,939</td>
<td>2</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>59,483,072</td>
<td>-</td>
<td>50,929,888</td>
<td>-</td>
<td>Other current liabilities</td>
<td>801,973</td>
<td>1</td>
<td>875,368</td>
<td>2</td>
</tr>
<tr>
<td>Capital stock - $10 par value</td>
<td>1,470,315</td>
<td>-</td>
<td>1,470,315</td>
<td>-</td>
<td>Total stockholders' equity</td>
<td>5,141,427</td>
<td>9</td>
<td>1,385,295</td>
<td>3</td>
</tr>
<tr>
<td>Total liabilities and stockholders' equity</td>
<td>59,483,072</td>
<td>-</td>
<td>50,929,888</td>
<td>-</td>
<td>Total liabilities</td>
<td>5,141,427</td>
<td>9</td>
<td>1,385,295</td>
<td>3</td>
</tr>
</tbody>
</table>

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

(With T N Soong & Co report dated March 5, 2002)
## YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2001 and 2000

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

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th></th>
<th>2000</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>OPERATING REVENUES</td>
<td>$53,279,603</td>
<td>100</td>
<td>$52,239,860</td>
<td>100</td>
</tr>
<tr>
<td>OPERATING COSTS</td>
<td>52,630,384</td>
<td>98</td>
<td>50,273,151</td>
<td>96</td>
</tr>
<tr>
<td>GROSS INCOME</td>
<td>649,219</td>
<td>2</td>
<td>1,966,709</td>
<td>4</td>
</tr>
<tr>
<td>OPERATING EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling</td>
<td>671,529</td>
<td>1</td>
<td>746,098</td>
<td>2</td>
</tr>
<tr>
<td>General and administrative</td>
<td>212,771</td>
<td>1</td>
<td>232,165</td>
<td>-</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>884,300</td>
<td>2</td>
<td>978,263</td>
<td>2</td>
</tr>
<tr>
<td>INCOME (LOSS) FROM OPERATIONS</td>
<td>(235,081)</td>
<td>-</td>
<td>988,446</td>
<td>2</td>
</tr>
<tr>
<td>NON-OPERATING INCOME</td>
<td>1,510,435</td>
<td>3</td>
<td>2,497,148</td>
<td>4</td>
</tr>
<tr>
<td>Interest</td>
<td>541,060</td>
<td>1</td>
<td>309,295</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange gain - net</td>
<td>249,755</td>
<td>1</td>
<td>116,348</td>
<td>-</td>
</tr>
<tr>
<td>Gain on sale of properties and non-operating assets</td>
<td>247,635</td>
<td>-</td>
<td>991,564</td>
<td>2</td>
</tr>
<tr>
<td>Gain on sale of short and long-term investments</td>
<td>197,808</td>
<td>-</td>
<td>794,178</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>274,177</td>
<td>1</td>
<td>285,763</td>
<td>-</td>
</tr>
<tr>
<td>Total Non-Operating Income</td>
<td>1,730,879</td>
<td>4</td>
<td>1,687,423</td>
<td>3</td>
</tr>
<tr>
<td>NON-OPERATING EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>1,154,659</td>
<td>2</td>
<td>625,803</td>
<td>1</td>
</tr>
<tr>
<td>Equity in net loss of investee companies - net</td>
<td>266,741</td>
<td>1</td>
<td>87,367</td>
<td>-</td>
</tr>
<tr>
<td>Provision for losses on investments</td>
<td>214,818</td>
<td>1</td>
<td>837,478</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>94,661</td>
<td>-</td>
<td>136,775</td>
<td>-</td>
</tr>
<tr>
<td>Total Non-Operating Expenses</td>
<td>1,730,879</td>
<td>4</td>
<td>1,687,423</td>
<td>3</td>
</tr>
<tr>
<td>INCOME (LOSS) BEFORE INCOME TAX</td>
<td>(455,525)</td>
<td>(1)</td>
<td>1,798,171</td>
<td>3</td>
</tr>
<tr>
<td>INCOME TAX EXPENSE</td>
<td>219,520</td>
<td>-</td>
<td>597,325</td>
<td>1</td>
</tr>
<tr>
<td>NET INCOME (LOSS)</td>
<td>($675,045)</td>
<td>(1)</td>
<td>$1,200,846</td>
<td>2</td>
</tr>
</tbody>
</table>

### NET INCOME PER SHARE

Based on weighted average number of outstanding shares of 1,834,316 thousands and 1,780,889 thousands, 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 consolidated financial statements.

(With T N Soong & Co report dated March 5, 2002)
<table>
<thead>
<tr>
<th>Shares (Thousands)</th>
<th>Amount</th>
<th>Conversion of Bonds to Stocks</th>
<th>Total</th>
<th>Paid-in Capital in Excess of Par Value</th>
<th>From Investment in Shares of Properties</th>
<th>Stock</th>
<th>Total</th>
<th>Legal Reserve</th>
<th>Special Reserve</th>
<th>(Accumulated Deficit)</th>
<th>Total</th>
<th>Stockholders' Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>BALANCE, JANUARY 1, 2000</td>
<td>1,679,954</td>
<td>$16,799,538</td>
<td>1,304</td>
<td>$16,800,842</td>
<td>$3,376,326</td>
<td>$1,273,751</td>
<td>4,677</td>
<td>$4,854,754</td>
<td>725,451</td>
<td>$1,141,939</td>
<td>$765,223</td>
<td>$2,632,613</td>
</tr>
<tr>
<td>Issuance of capital stock</td>
<td>138</td>
<td>1,383</td>
<td>(1,304)</td>
<td>79</td>
<td>(79)</td>
<td>-</td>
<td>(79)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Earnings distribution for 1999:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sales of properties</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share in changes in capital surplus reported by equity-accounted investees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recognition of unrealized loss on investments in shares of stock</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,405</td>
<td>2,405</td>
<td>-</td>
<td>-</td>
<td>(1,267)</td>
<td>(1,267)</td>
<td>-</td>
</tr>
<tr>
<td>BALANCE, DECEMBER 31, 2000</td>
<td>1,780,889</td>
<td>$17,808,893</td>
<td>-</td>
<td>$17,808,893</td>
<td>2,586,275</td>
<td>1,431,387</td>
<td>7,082</td>
<td>4,006,744</td>
<td>801,973</td>
<td>$1,141,939</td>
<td>1,051,776</td>
<td>2,959,688</td>
</tr>
<tr>
<td>Earnings distribution for 2000:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sales of properties</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recognition of unrealized loss on investments in shares of stock</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>BALANCE, DECEMBER 31, 2001</td>
<td>1,834,316</td>
<td>$18,343,160</td>
<td>-</td>
<td>$18,343,160</td>
<td>2,390,186</td>
<td>1,431,387</td>
<td>7,687</td>
<td>3,828,660</td>
<td>801,973</td>
<td>$1,141,939</td>
<td>1,141,323</td>
<td>1,413,423</td>
</tr>
</tbody>
</table>

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

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


# CONSOLIDATED STATEMENTS OF CASH FLOWS

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

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated net (loss) income</td>
<td>($ 675,045)</td>
<td>$1,200,846</td>
</tr>
<tr>
<td>Adjustments to reconcile consolidated net (loss) income with net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,176,962</td>
<td>2,765,568</td>
</tr>
<tr>
<td>Amortization</td>
<td>241,535</td>
<td>282,254</td>
</tr>
<tr>
<td>Gain on sale of short and long-term investments</td>
<td>(197,808)</td>
<td>(794,178)</td>
</tr>
<tr>
<td>Net gain on sale of properties and non-operating assets</td>
<td>(246,983)</td>
<td>(988,994)</td>
</tr>
<tr>
<td>Provision for pension cost</td>
<td>79,049</td>
<td>73,092</td>
</tr>
<tr>
<td>Provision for losses on short-term investments</td>
<td>23,532</td>
<td>736,317</td>
</tr>
<tr>
<td>Provision for losses on shipping fuel</td>
<td>4,729</td>
<td>10,179</td>
</tr>
<tr>
<td>Equity in net loss of investee companies - net</td>
<td>266,741</td>
<td>87,367</td>
</tr>
<tr>
<td>Provision for losses on investments in shares of stock</td>
<td>191,286</td>
<td>101,161</td>
</tr>
<tr>
<td>Cash dividends received on equity–accounted investments</td>
<td>27,409</td>
<td>26,071</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>225,643</td>
<td>564,504</td>
</tr>
<tr>
<td>Other</td>
<td>(53,227)</td>
<td>(44,615)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>3,200</td>
<td>(239,192)</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>274,387</td>
<td>(258,356)</td>
</tr>
<tr>
<td>Receivables from related parties</td>
<td>108,893</td>
<td>(236,933)</td>
</tr>
<tr>
<td>Shipping fuel</td>
<td>8,668</td>
<td>(116,146)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>46,486</td>
<td>183,488</td>
</tr>
<tr>
<td>Advances to shipping agents</td>
<td>(549,086)</td>
<td>677,948</td>
</tr>
<tr>
<td>Pledged time deposits</td>
<td>(422,072)</td>
<td>(12,837)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(350,285)</td>
<td>108,447</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(7,920)</td>
<td>(13,702)</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>(486,640)</td>
<td>177,297</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>(354,492)</td>
<td>687,741</td>
</tr>
<tr>
<td>Payables to shipping agents</td>
<td>1,584,154</td>
<td>644,160</td>
</tr>
<tr>
<td>Advances from customers</td>
<td>221,822</td>
<td>(248,499)</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>(144,993)</td>
<td>136,513</td>
</tr>
<tr>
<td>Net Cash Provided by Operating Activities</td>
<td>2,995,945</td>
<td>5,509,501</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of investments in shares of stock</td>
<td>(1,088,822)</td>
<td>(1,695,541)</td>
</tr>
<tr>
<td>Proceeds from disposal of investments in shares of stock</td>
<td>-</td>
<td>115,808</td>
</tr>
<tr>
<td>Acquisition of properties</td>
<td>(11,700,301)</td>
<td>(3,707,567)</td>
</tr>
<tr>
<td>Proceeds from sale of properties and non-operating assets</td>
<td>1,002,264</td>
<td>4,233,200</td>
</tr>
<tr>
<td>Increase in refundable deposits</td>
<td>(1,289,893)</td>
<td>(4,079,678)</td>
</tr>
</tbody>
</table>

(Forward)
Increase in deferred charges $(246,171) (293,233)
Decrease (increase) in restricted assets 3,751,751 594,485
Decrease (increase) in other assets (184,416) 307
Net Cash Used in Investing Activities (9,755,588) 6,021,189

CASH FLOWS FROM FINANCING ACTIVITIES
Proceeds from short-term debts 161,196 36,049
Proceeds from long-term debts 6,950,688 7,958,773
Payment of long-term debts (1,688,663) (2,211,000)
Payment on obligations under capital leases (435,245) (171,787)
Increase in deferred income - 15,777
Decrease (increase) in other liabilities (3,329) 33,228
Cash dividends paid and payment of bonus to employees (543,742) (678,868)
Net Cash Provided by Financing Activities 4,440,905 4,982,172

EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (190,264) 23,044

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (2,509,002) 4,493,528

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR $7,121,468 2,627,940
CASH AND CASH EQUIVALENTS, END OF YEAR $4,612,466 $7,121,468

SUPPLEMENTAL INFORMATION
Interest paid (excluding capitalized interest) $962,588 $780,750
Income tax paid $42,112 $14,864

Non-cash investing and financing activities:
Reclassification of investments in shares of stock into short-term investments $ - $126,730
Reclassification of short-term investments into investments in shares of stock $ - $233
Current portion of long-term debts $3,516,720 $2,462,907
Cash paid for additions to properties:
Cost of properties acquired $14,543,011 $7,730,629
Increase in obligations under capital leases (2,799,046) (3,855,688)
Increase in payable to equipment suppliers (43,664) (167,374)
$11,700,304 $3,707,567
Proceeds from sale of properties and non-operating assets:
Total contracted selling prices $1,002,264 $4,290,717
Payment of land value increment tax - (57,517)
$1,002,264 $4,233,200

The accompanying notes are an integral part of the consolidated financial statements.
(With T N Soong & Co report dated March 5, 2002)