

Yang Ming Marine Transport Corporation

**Financial Statements for the Six Months Ended
June 30, 2003 and 2002
Together with Independent Auditors' Report**

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

English Translation of a Report Originally Issued in Chinese

INDEPENDENT AUDITORS' REPORT

August 8, 2003

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 June 30, 2003 and 2002 and the related statements of income, changes in stockholders' equity and cash flows for the six months 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.

Except as discussed in the following paragraph, we conducted our audits in accordance with Regulation 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 provide a reasonable basis for our opinion.

As described in Note 6 to the financial statements, the Corporation had equity accounted investments. Of the equity-accounted investees with unaudited financial statements as of and for the six months ended June 30, 2003 and 2002, assets amounted to NT\$6,858,804 thousand and NT\$6,215,886 thousand as of June 30, 2003 and 2002, respectively, and liabilities amounted to NT\$40,426 thousand and NT\$162,133 thousand as of June 30, 2003 and 2002, respectively. Their net incomes of NT\$889,296 thousand and NT\$109,886 thousand are included in net income for the six months ended June 30, 2003 and 2002, respectively. We were also not able to satisfy ourselves as to the carrying value of the said investments or their net income by other auditing procedures.

In our opinion, based on our audits, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence regarding the investments in, and net income of, the equity-accounted investee companies, as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Yang Ming Marine Transport Corporation as of June 30, 2003 and 2002 and the results of its operations and its cash flows for the six months then ended in conformity with Guidelines for Securities Issuers' Financial Reporting for Public Company and generally accepted accounting principles in the Republic of China.

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

Deloitte & Touche
(T N Soong & Co and Deloitte & Touche (Taiwan)
Established Deloitte & Touche Effective June 1, 2003)
Taipei, Taiwan
The Republic of China

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

BALANCE SHEETS

JUNE 30, 2003 AND 2002

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

ASSETS	2003		2002	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 4)	\$ 2,631,314	6	\$ 2,497,653	5
Short-term investments—net (Notes 2 and 5)	6,356,291	13	4,648,585	10
Accounts receivable—net of allowance for doubtful accounts of \$7,415 (Note 2)	756,786	2	1,255,534	3
Receivables from related parties (Note 20)	3,024,822	6	987,825	2
Shipping fuel—net (Note 2)	634,565	1	457,848	1
Prepaid expenses (Note 20)	1,167,854	3	260,454	1
Advances to shipping agents	1,370,685	3	880,300	2
Pledged time deposits (Note 21)	-	-	460,112	1
Other current assets (Note 2)	199,927	-	270,728	1
Total current assets	16,142,244	34	11,719,039	26
INVESTMENTS IN SHARES OF STOCK (Notes 2 and 6)				
Equity method	6,942,780	14	6,289,735	14
Cost method	1,238,774	3	1,443,348	3
Deposit on subscriptions	6,614	-	5,984	-
Total investments in shares of stocks	8,188,168	17	7,739,067	17
PROPERTIES (Notes 2, 7 and 21)				
Cost				
Land	38,901	-	38,901	-
Buildings	691,014	1	691,014	2
Containers and chassis	11,824,847	25	11,654,528	26
Ships	8,926,011	19	17,311,436	38
Leased container and chassis	2,041,688	4	2,041,688	5
Leasehold improvements	209,070	-	106,344	-
Miscellaneous equipment	1,412,129	3	1,385,818	3
Total cost	25,143,660	52	33,229,729	74
Accumulated depreciation	13,556,373	28	18,617,819	41
Net properties	11,587,287	24	14,611,910	33
OTHER ASSETS				
Assets leased to others—net (Notes 2, 7 and 8)	1,108,720	2	958,514	2
Nonoperating assets—net (Notes 2, 7, 9 and 21)	493,068	1	686,156	1
Advances on long-term rent agreements	340,420	1	373,075	1
Deferred charges—net (Note 2)	215,377	1	342,594	1
Receivables from related parties (Note 20)	9,640,803	20	8,485,940	19
Miscellaneous	132,230	-	50,779	-
Total other assets	11,930,618	25	10,897,058	24
TOTAL ASSETS	\$ 47,848,317	100	\$ 44,967,074	100

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES AND STOCKHOLDERS' EQUITY	2003		2002	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term debts (Notes 10 and 21)	\$ 27,909	-	\$ 81,053	-
Notes payable	16,196	-	-	-
Payables to related parties (Note 20)	1,343,113	3	1,046,997	2
Income taxes payable (Notes 2 and 16)	199,823	-	6,496	-
Accrued expenses	1,266,927	3	1,566,564	3
Dividend payable (Note 14)	1,116,816	2	16,235	-
Payables for equipment	793,764	2	48,640	-
Advances from customers (Note 20)	931,719	2	676,535	2
Current portion of long-term debts (Notes 2, 7, 11 and 20)	254,624	-	2,529,936	6
Payable to shipping agents	1,389,903	3	1,985,124	4
Other current liabilities (Notes 2 and 16)	333,923	1	289,019	1
Total current liabilities	7,674,717	16	8,246,599	18
INTEREST-BEARING LONG-TERM DEBTS				
Bank loans—current portion (Notes 11 and 21)	51,880	-	1,329,815	3
Bonds (Notes 2, 11 and 21)	10,819,000	23	8,617,200	19
Capital lease obligations (Notes 2, 7 and 11)	1,017,566	2	1,196,979	3
Total long-term debts	11,888,446	25	11,143,994	25
RESERVE FOR LAND VALUE INCREMENT TAX (Note 12)	479,639	1	479,639	1
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 19)	579,427	1	487,670	1
Deferred income tax liabilities—noncurrent (Notes 2 and 16)	655,079	1	473,028	1
Cumulative losses in excess of cost of investment in China Ming Investment Corp. (Notes 2 and 6)	40,426	-	162,133	-
Others (Notes 2, 13 and 20)	234,867	1	280,921	1
Total other liabilities	1,509,799	3	1,403,752	3
Total liabilities	21,552,601	45	21,273,984	47
STOCKHOLDERS' EQUITY				
Capital stock, \$10 par value				
Authorized—2,400,000 thousands shares				
Issued—1,834,316 thousands shares	18,343,160	38	18,343,160	41
Certificates of conversion of bonds to stocks—19,042 thousands shares	190,421	1	-	-
Total capital stock	18,533,581	39	18,343,160	41
Capital surplus:				
Paid-in capital in excess of par value	2,509,433	5	2,390,186	5
Treasury stock transactions	112,773	-	739	-
Equity on capital surplus reported by equity-accounted investees	5,816	-	5,816	-
Total capital surplus	2,628,022	5	2,396,741	5
Retained earnings:				
Legal reserve	528,295	1	414,623	1
Special reserve	1,141,939	3	1,141,939	2
Unappropriated earnings	3,510,386	7	1,614,561	4
Total retained earnings	5,180,620	11	3,171,123	7
Other items of stockholders' equity				
Unrealized loss on investments in shares of stock	(2,560)	-	(1,408)	-
Cumulative translation adjustments	424,424	1	314,277	1
Net loss not recognized as pension cost	(7,687)	-	-	-
Total other items of stockholders' equity	414,177	1	312,869	1
Treasury stocks—59,306 thousands shares in 2003 and 68,315 thousands shares in 2002	(460,684)	(1)	(530,803)	(1)
Total stockholders' equity	26,295,716	55	23,693,090	53
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 47,848,317	100	\$ 44,967,074	100

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

(With Deloitte & Touche report dated August 8, 2003)

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002

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

	<u>2003</u>		<u>2002</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Notes 2 and 20)	\$28,024,673	100	\$21,549,766	100
OPERATING COSTS (Notes 2, 17 and 20)	<u>25,620,505</u>	<u>91</u>	<u>21,095,982</u>	<u>98</u>
GROSS INCOME	<u>2,404,168</u>	<u>9</u>	<u>453,784</u>	<u>2</u>
OPERATING EXPENSES (Note 17)				
Selling	587,802	2	303,382	1
General and administrative	<u>124,380</u>	<u>1</u>	<u>90,910</u>	<u>1</u>
Total operating expenses	<u>712,182</u>	<u>3</u>	<u>394,292</u>	<u>2</u>
OPERATING INCOME	<u>1,691,986</u>	<u>6</u>	<u>59,492</u>	<u>-</u>
NONOPERATING INCOME				
Equity in net income of investee companies— net (Notes 2 and 6)	897,103	3	120,487	-
Interest (Note 20)	311,555	1	244,837	1
Foreign exchange gain—net	195,356	1	218,284	1
Gain on sale of investments	69,810	-	122,575	1
Other	<u>130,223</u>	<u>1</u>	<u>141,283</u>	<u>1</u>
Total nonoperating income	<u>1,604,047</u>	<u>6</u>	<u>847,466</u>	<u>4</u>
NONOPERATING EXPENSES				
Interest (Note 7)	334,945	1	369,764	2
Loss on disposal of properties	129,375	1	137	-
Provision for losses on investments	48,500	-	85,880	-
Other	<u>57,940</u>	<u>-</u>	<u>48,599</u>	<u>-</u>
Total nonoperating expenses	<u>570,760</u>	<u>2</u>	<u>504,380</u>	<u>2</u>
INCOME BEFORE INCOME TAX	2,725,273	10	402,578	2
INCOME TAX EXPENSE (Notes 2 and 16)	<u>402,482</u>	<u>2</u>	<u>77,536</u>	<u>-</u>
NET INCOME	<u>\$ 2,322,791</u>	<u>8</u>	<u>\$ 325,042</u>	<u>2</u>

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

	<u>2003</u>		<u>2002</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>	<u>Income Before Income Tax</u>	<u>Net Income</u>
PRIMARY EARNINGS PER SHARE (Note 18)	<u>\$ 1.54</u>	<u>\$ 1.31</u>	<u>\$ 0.23</u>	<u>\$ 0.18</u>
DILUTED EARNINGS PER SHARE (Note 18)	<u>\$ 1.51</u>	<u>\$ 1.29</u>	<u>\$ 0.23</u>	<u>\$ 0.18</u>

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

	<u>2003</u>		<u>2002</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>	<u>Income Before Income Tax</u>	<u>Net Income</u>
NET INCOME	<u>\$3,357,589</u>	<u>\$2,955,107</u>	<u>\$ 456,066</u>	<u>\$ 378,530</u>
PRIMARY EARNINGS PER SHARE	<u>\$ 1.83</u>	<u>\$ 1.61</u>	<u>\$ 0.25</u>	<u>\$ 0.21</u>
DILUTED EARNINGS PER SHARE	<u>\$ 1.80</u>	<u>\$ 1.58</u>	<u>\$ 0.25</u>	<u>\$ 0.21</u>

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

(With Deloitte & Touche report dated August 8, 2003)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Six Months Ended June 30, 2003 and 2002

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

	Capital Stock (\$10 Par Value)				Capital Surplus (Notes 2 And 14)					Retained Earnings (Notes 2 And 14)				Other Items of Stockholder's Equity (Note 2)				Treasury Stocks (Notes 2, 3 and 15)	Total Stockholders' Equity
	Shares (thousands)	Amount	Certificates of conversion of bonds to stocks	Total	Paid-in capital in excess of par value	Treasury stock transactions	Gain on sale of properties	Equity on capital surplus reported by equity-accounted investees	Total	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Total	Unrealized loss on investments in shares of stock	Cumulative translation adjustments	Net loss not recognized as pension cost	Total		
BALANCE, JANUARY 1, 2003	1,834,316	\$ 18,343,160	\$ -	\$ 18,343,160	\$ 2,390,186	\$ 4,242	\$ -	\$ 5,816	\$ 2,400,244	\$ 414,623	\$ 1,141,939	\$ 2,424,970	\$ 3,981,532	(\$ 21,293)	\$ 186,469	(\$ 7,687)	\$ 157,489	(\$ 525,441)	\$ 24,356,984
Appropriation of 2002 earnings																			
Legal reserve	-	-	-	-	-	-	-	-	-	113,672	-	(113,672)	-	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	-	-	-	-	(23,113)	(23,113)	-	-	-	-	-	(23,113)
Cash dividends—\$0.6 per share	-	-	-	-	-	-	-	-	-	-	-	(1,100,590)	(1,100,590)	-	-	-	-	-	(1,100,590)
Disposal of stocks of the Corporation stocks held by subsidiaries	-	-	-	-	-	108,531	-	-	108,531	-	-	-	-	-	-	-	-	64,757	173,288
Net income for the six months ended June 30, 2003	-	-	-	-	-	-	-	-	-	-	-	2,322,791	2,322,791	-	-	-	-	-	2,322,791
Reversal of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	18,733	-	-	18,733	-	18,733
Changes in cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	237,955	-	237,955	-	237,955
Domestic convertible bonds converted into certificates of conversion of bonds to stocks	-	-	190,421	190,421	119,247	-	-	-	119,247	-	-	-	-	-	-	-	-	-	309,668
BALANCE, JUNE 30, 2003	1,834,316	\$ 18,343,160	\$ 190,421	\$ 18,533,581	\$ 2,509,433	\$ 112,773	\$ -	\$ 5,816	\$ 2,628,022	\$ 528,295	\$ 1,141,939	\$ 3,510,386	\$ 5,180,620	(\$ 2,560)	\$ 424,424	(\$ 7,687)	\$ 414,177	(\$ 460,684)	\$ 26,295,716
BALANCE, JANUARY 1, 2002	1,834,316	\$ 18,343,160	\$ -	\$ 18,343,160	\$ 2,390,186	\$ -	\$ 1,431,387	\$ 7,087	\$ 3,828,660	\$ 906,167	\$ 1,141,939	(\$ 634,683)	\$ 1,413,423	(\$ 3,172)	\$ 470,960	\$ -	\$ 467,788	\$ -	\$ 24,053,031
Offsetting of accumulated deficit in 2001	-	-	-	-	-	-	-	-	-	(634,683)	-	634,683	-	-	-	-	-	-	-
Reclassification of the stocks of the Corporation held by subsidiaries into treasury stocks—68,315 thousand shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(530,803)	(530,803)
Disposal of stocks of the Corporation stocks held by subsidiaries	-	-	-	-	-	739	-	-	739	-	-	-	-	-	-	-	-	-	739
Net income for the six months ended June 30, 2002	-	-	-	-	-	-	-	-	-	-	-	325,042	325,042	-	-	-	-	-	325,042
Reclassification of capital surplus from gain on sales of properties to retained earnings	-	-	-	-	-	-	(1,431,387)	-	(1,431,387)	143,139	-	1,288,248	1,431,387	-	-	-	-	-	-
Changes in cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	(156,921)	-	(156,921)	-	(156,921)	(156,921)
Reversal of recognized equity in the capital surplus reported by equity-accounted investee as a result of investment disposal	-	-	-	-	-	-	-	(9)	(9)	-	-	9	9	3,027	238	-	3,265	-	3,265
Equity on change in capital surplus reported by equity-accounted investees	-	-	-	-	-	-	-	(1,262)	(1,262)	-	-	1,262	1,262	(1,263)	-	-	(1,263)	-	(1,263)
BALANCE, JUNE 30, 2002	1,834,316	\$ 18,343,160	\$ -	\$ 18,343,160	\$ 2,390,186	\$ 739	\$ -	\$ 5,816	\$ 2,396,741	\$ 414,623	\$ 1,141,939	\$ 1,614,561	\$ 3,171,123	(\$ 1,408)	\$ 314,277	\$ -	\$ 312,869	(\$ 530,803)	\$ 23,693,090

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

(With Deloitte & Touche report dated August 8, 2003)

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

**STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002
(In Thousands of New Taiwan Dollars)**

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$2,322,791	\$ 325,042
Adjustments to reconcile net income with net cash provided by operating activities:		
Depreciation	1,003,019	1,151,645
Amortization	61,790	96,965
Gain on sale of investments	(69,810)	(122,575)
Net loss (gain) on disposal of properties	127,991	(2,489)
Provision for pension cost	43,345	36,035
Provision (reversal of allowance) for loss on short-term investments	(36,806)	72,182
Provision for loss on shipping fuel	14,824	8,388
Equity in net income of investee companies—net	(897,103)	(120,487)
Provision for losses on investments in shares of stock	48,500	13,698
Cash dividends received on equity-accounted investments	336,172	37,920
Deferred income taxes	206,511	69,453
Others	(14,038)	(27,891)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	533,909	(435,679)
Receivables from related parties	621,760	59,807
Shipping fuel	(167,228)	(67,226)
Prepaid expenses	(905,483)	239,636
Advances to shipping agents	98,720	89,277
Pledged time deposits	18,645	(25,203)
Other current assets	111,672	244,521
Increase (decrease) in:		
Notes payable	16,196	-
Payables to related parties	(438,070)	(695,518)
Accrued expenses	(364,878)	693,092
Payable to shipping agents	114,677	(586,068)
Advances from customers	187,382	(32,691)
Other current liabilities	208,638	(36,141)
Net cash provided by operating activities	<u>3,183,126</u>	<u>985,693</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments	(152,099)	(2,890,486)
Acquisition of investments in shares of stock	-	(37,063)
Proceeds from disposal of investments in shares of stock	33,200	304,806
Acquisition of properties	(821,864)	(5,328)
Proceeds from sale of properties and nonoperating assets	308,044	13,210
Increase in refundable deposits	-	(1,575)
Decrease (increase) in advances on long-term rent agreements	8,510	(161,460)

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

	<u>2003</u>	<u>2002</u>
Decrease (increase) in deferred charges	\$ 403	(\$ 57,962)
Decrease in restricted assets	40,609	-
Increase in other assets	(18,249)	(6,063)
Net cash used in investing activities	(601,446)	(2,841,921)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on short-term debts	(74,688)	(121,230)
Proceeds from long-term bank loans and bonds	-	645,200
Repayments of principal of long-term bank loans and bonds	(1,494,530)	(200,000)
Payments of capital lease obligations	(111,994)	(219,454)
Decrease in other liabilities	(4,221)	(1,883)
Payment of employees' bonus	(23,123)	-
Net cash provided by (used in) financing activities	(1,708,556)	102,633
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	873,124	(1,753,595)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,758,190</u>	<u>4,251,248</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,631,314</u>	<u>\$ 2,497,653</u>
SUPPLEMENTAL INFORMATION		
Interest paid (excluding capitalized interest)	\$ 272,495	\$ 268,574
Income tax paid	\$ 5,447	\$ 2,805
Noncash investing and financing activities:		
Current portion of long-term debts	\$ 254,624	\$ 2,529,936
Reclassification of the stocks of the Corporation held by subsidiaries from investments into treasury stock	\$ -	\$ 530,803
Domestic unsecured convertible bonds converted into certificates of bonds convertible to stocks and capital surplus	\$ 309,668	\$ -
Cash paid for additions to properties:		
Costs of properties acquired	\$ 1,552,280	\$ 142,326
Increase in payables for equipment	(742,356)	(1,548)
Decrease in payables to related parties	11,940	-
Increase in capital lease obligations	-	(135,450)
	<u>\$ 821,864</u>	<u>\$ 5,328</u>
Proceeds from sale of properties and nonoperating assets:		
Total contracted selling prices	\$ 1,427,279	\$ 3,853,103
Increase in other current assets	(41,700)	-
Increase in receivables from related parties	(1,348,941)	(150,270)
Increase in other assets	(50,882)	-
Decrease (increase) in long-term receivables from related parties	322,288	(3,689,623)
	<u>\$ 308,044</u>	<u>\$ 13,210</u>

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

(With Deloitte & Touche report dated August 8, 2003)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

1. GENERAL

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

The Corporation was majority owned by the Ministry of Transportation and Communications (MOTC) of the Republic of China (ROC) until February 15, 1996 when MOTC reduced its holdings in the Corporation simultaneous to the listing of its shares of stock on the ROC Taiwan Stock Exchange. MOTC owned 42.62% of the outstanding capital stock of the Corporation as of June 30, 2003.

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

As of June 30, 2003 and 2002, employee numbers of the Corporation were 1,107 and 763, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Current and Noncurrent Assets and Liabilities

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

Short-term Investments

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

Market values are based on the latest month average closing price of the listed stocks or the net asset values of the funds on the balance sheet date.

Allowance for Doubtful Receivables

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

Shipping Fuel

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

Investments in Shares of Stock and Deferred Income

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

Gain on sale of stocks to equity-accounted investees is deferred and is credited to income when it is realized through a subsequent sale to third parties.

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

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

For both equity-accounted and cost-accounted investments, stock dividends received are recorded only as an increase in the number of shares held but are not recognized as investment income. Costs of investments sold are determined using the weighted-average method.

Properties and Assets Leased to Others

Properties and assets leased to others are stated at cost less accumulated depreciation. During construction, the interest on the payment for the construction is capitalized as cost of assets. Major renewals and betterments are capitalized, while maintenance and repairs are expensed currently.

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

Depreciation is computed using the straight-line method over the service lives of properties as follows (plus one year to represent the estimated salvage value): buildings, 36 to 55 years; containers and chassis, 6 to 8 years; ships, 18 to 20 years; leased containers and chassis, 5 to 9 years; leasehold improvements, 5 years; and miscellaneous equipment, 3 to 10 years. Properties being used by the Corporation beyond their initially estimated service lives are depreciated over the estimated remaining service lives.

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

Nonoperating Assets

Nonoperating assets are stated at their net realizable value.

Deferred Charges

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

Convertible Bonds

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

Pension

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

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

Unrealized Gain (Loss) on Sale and Leaseback

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

Treasury Stocks

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

Operating Revenues

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

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

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

Income Tax

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

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

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

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

Foreign-currency Transactions

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

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

Derivative Transactions

The Corporation accounts for derivative transactions as follows:

a. Foreign-currency options

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

b. Cross-currency swap contracts

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

c. Forward exchange contracts

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

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

Reclassifications

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

3. CHANGE IN ACCOUNTING PRINCIPLE

The Corporation adopted Statement of Financial Accounting Standard (SFAS) No. 30, "Accounting for Treasury Stock," on January 1, 2002. SFAS No. 30 requires that a portion (\$535,973) of the carrying value of the shares of the Corporation held by subsidiaries (shown as part of short-term investments in separate balance sheets of the subsidiaries) be reclassified in the Corporation's balance sheet from investment in those subsidiaries to treasury stocks. The adoption of SFAS No. 30 resulted in a decrease in long-term investments and an increase in shares of the Corporation held by subsidiaries by \$530,803 each as of June 30, 2002, and a decrease of \$53,488 in net income for the six months then ended.

4. CASH AND CASH EQUIVALENTS

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Petty cash and cash on hand	\$ 2,923	\$ 2,572
Checking deposits	95,410	49,852
Demand deposits	1,900,516	625,036
Time deposits—interest from 1.01% to 4.90% in 2003 and from 1.72% to 3.51% in 2002	<u>632,465</u>	<u>1,820,193</u>
	<u>\$2,631,314</u>	<u>\$2,497,653</u>

5. SHORT-TERM INVESTMENTS

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Mutual funds	\$5,628,473	\$3,799,381
Marketable equity securities	1,775,837	1,655,235
Convertible bonds—interest of 5% in 2003 and from 2%-5% in 2002	<u>16,000</u>	<u>26,000</u>
	7,420,310	5,480,616
Less—allowance for decline in value	<u>1,064,019</u>	<u>832,031</u>
	<u>\$6,356,291</u>	<u>\$4,648,585</u>

6. INVESTMENTS IN SHARES OF STOCK

	<u>June 30</u>			
	<u>2003</u>		<u>2002</u>	
	<u>Carrying Value</u>	<u>% of Owner-ship</u>	<u>Carrying Value</u>	<u>% of Owner-ship</u>
Equity method (unlisted stocks)				
Yang Ming Line (B.V.I.) Holding Co., Ltd.	\$3,187,253	100.00	\$2,507,882	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,131,617	100.00	1,058,307	100.00
Chunghwa Investment Co., Ltd.	795,598	40.00	803,909	40.00
All Oceans Transportation, Inc.	505,182	100.00	750,458	100.00
YES Logistics Corp.	419,533	90.50	415,438	90.50
Hongming Terminal & Stevedoring Co., Ltd.	341,341	79.00	349,611	79.00
Kuang Ming Shipping Corp.	282,651	100.00	229,395	89.02
Yang Ming Line Holding Co.	132,707	100.00	43,945	100.00
Transyang Shipping Pte. Ltd.	83,976	24.99	73,849	24.99
Jing Ming Transportation Co., Ltd.	62,922	50.80	56,941	50.80
Ching Ming Investment Co., Ltd.	-	99.96	-	99.96
	<u>6,942,780</u>		<u>6,289,735</u>	

(Continued)

	June 30			
	2003		2002	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Cost method				
<u>Listed common stock</u>				
Waterland Financial Holdings Co., Ltd.	\$ 70,000	0.43	\$ 70,000	0.43
Hotung Investment Holdings Ltd.	40,268	0.70	40,268	0.70
Senao International Co., Ltd.	-	-	96,000	1.83
	<u>110,268</u>		<u>206,268</u>	
Less—allowance for decline in value	<u>2,560</u>		<u>-</u>	
	<u>107,708</u>		<u>206,268</u>	
<u>Emerging common stock</u>				
Taiwan Nano Electro-optical Technology Co., Ltd.	<u>37,590</u>	3.89	<u>-</u>	-
<u>Unlisted common stock</u>				
United Venture Capital Corp.	80,000	9.04	80,000	9.04
SF Technology Venture Capital Corp.	40,000	7.24	40,000	7.24
China Technology Venture Capital Corp.	30,000	8.96	-	-
Kingmax Technology Corp.	24,000	1.40	24,000	1.40
Ascentek Venture Capital Corp.	20,080	2.14	20,080	2.14
Forwin Securities Corp.	20,000	2.00	20,000	2.00
Taiwan Nano Electro-optical Technology Co., Ltd.	-	-	70,783	8.53
U-Tech Media Corp.	-	-	46,125	1.20
Ritek Photonics Corp.	-	2.00	45,000	2.00
Imaging Quality Technology Inc.	-	2.14	4,000	3.09
	<u>214,080</u>		<u>349,988</u>	
<u>Unlisted preferred stock</u>				
New Century Infocomm Co., Ltd.	864,000	1.68	864,000	1.68
Penguin Computing Inc.	7,698	0.92	15,395	0.93
Arescom Inc.	7,698	0.24	7,697	0.24
	<u>879,396</u>		<u>887,092</u>	
	<u>1,238,774</u>		<u>1,443,348</u>	
<u>Deposit on subscriptions</u>				
Taipei Port Container Terminal Co., Ltd.	<u>6,614</u>		<u>5,984</u>	
	<u>\$8,188,168</u>		<u>\$7,739,067</u>	

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

The carrying values of the equity-accounted investments (except that in Transyang Shipping Pte Ltd.) were based on unaudited financial statements for 2003 and 2002.

The Corporation continues to recognize the losses of Ching Ming Investment Co., Ltd. even though the cumulative losses it recognized already exceeded the investment cost by \$40,426 and \$162,133 as of June 30, 2003 and 2002, respectively. The excess is presented as liability.

Information on cost-accounted investments is as follows:

	June 30	
	2003	2002
Listed stocks (based on market value)	\$ 107,709	\$ 208,063
Equity in net assets pertaining to emerging stock and unlisted stocks (mainly based on unaudited financial statements)	<u>958,081</u>	<u>1,085,310</u>
	<u>\$1,065,790</u>	<u>\$1,293,373</u>

7. PROPERTIES

	June 30	
	2003	2002
Accumulated depreciation		
Buildings	\$ 65,590	\$ 53,224
Containers and chassis	6,095,254	5,949,936
Ships	5,853,121	11,461,970
Leased containers and chassis	922,326	647,266
Leasehold improvements	68,319	36,925
Miscellaneous equipment	<u>551,763</u>	<u>468,498</u>
	<u>\$13,556,373</u>	<u>\$18,617,819</u>

The Corporation leases containers and chassis under agreements that qualify as capital leases. The terms of the leases were from five years to nine years for containers and seven years for chassis. The annual rent payable on leased containers under the agreements is US\$5,471 thousand. The Corporation has the option to purchase, at the end of the lease terms, all leased containers at a bargain purchase price of US\$1. The annual rent payable on leased chassis is based on contract terms, and, at the end of the lease terms, the ownership of all the leased chassis will be transferred to the Corporation at no additional cost. As of June 30, 2003 and 2002, the details of these leases were as follows:

	June 30			
	2003		2002	
	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)
Total lease payables (undiscounted)	\$ 43,205	\$ 1,495,357	\$ 52,458	\$ 1,760,485
Less—unamortized interest expense	(6,949)	(240,507)	(9,355)	(313,955)
	<u>\$ 36,256</u>	<u>\$ 1,254,850</u>	<u>\$ 43,103</u>	<u>\$ 1,446,530</u>

Depreciation expenses for the six months ended June 30, 2003 and 2002 aggregated \$999,992 and \$1,148,011, respectively.

The insurance for properties, assets leased to others and nonoperating assets as of June 30, 2003 was \$13,450,640.

8. ASSETS LEASED TO OTHERS

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Cost		
Land	\$ 808,382	\$ 615,323
Buildings	<u>344,642</u>	<u>408,263</u>
	1,153,024	1,023,586
Accumulated depreciation	<u>44,304</u>	<u>65,072</u>
	<u>\$ 1,108,720</u>	<u>\$ 958,514</u>

Depreciation expenses for the six months ended June 30, 2003 and 2002 aggregated \$3,013 and \$3,620, respectively.

9. NONOPERATING ASSETS—NET

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Cost		
Land	\$ 492,662	\$ 685,722
Buildings	<u>6,044</u>	<u>6,265</u>
	498,706	691,987
Accumulated depreciation	<u>5,638</u>	<u>5,831</u>
	<u>\$ 493,068</u>	<u>\$ 686,156</u>

10. SHORT-TERM DEBTS

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Bank overdraft. Interest—5.78% in 2003 and from 4.75% to 7% in 2002	<u>\$ 27,909</u>	<u>\$ 81,053</u>

As of June 30, 2003, the Corporation has unused credit lines aggregating to \$3,335,317 that were available for short-term financing.

11. INTEREST-BEARING LONG-TERM DEBTS

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
<u>June 30, 2003</u>			
Unsecured bank loans	\$ 17,340	\$ 51,880	\$ 69,220
Domestic unsecured bonds	-	6,500,000	6,500,000
Domestic secured bonds	-	3,700,000	3,700,000
Domestic unsecured convertible bonds	-	619,000	619,000
Capital leases (Note 7)	<u>237,284</u>	<u>1,017,566</u>	<u>1,254,850</u>
	<u>\$ 254,624</u>	<u>\$ 11,888,446</u>	<u>\$ 12,143,070</u>
<u>June 30, 2002</u>			
Unsecured bank loans	\$ 180,385	\$ 1,329,815	\$ 1,510,200
Domestic unsecured bonds	-	6,500,000	6,500,000
Domestic secured bonds	2,100,000	1,200,000	3,300,000
Domestic unsecured convertible bonds	-	917,200	917,200
Capital leases (Note 7)	<u>249,551</u>	<u>1,196,979</u>	<u>1,446,530</u>
	<u>\$ 2,529,936</u>	<u>\$ 11,143,994</u>	<u>\$ 13,673,930</u>

Unsecured Bank Loans

Unsecured bank loans are repayable in eight semiannual installments from October 2003 to April 2007. Interest on the loan is 2.4259% annually, compounded semiannually. In March 2003, the Corporation made advance loan repayments of \$1,494,250.

Domestic Unsecured Bonds

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

Other bond features and terms were as follows:

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

Domestic Secured Bonds

On 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 be redeemed at maturity or, starting June 30, 2001, the bondholders may exercise their option to have the Corporation redeem the bonds at face value plus accrued interest on these bonds.

On July 20, 1999, the Corporation issued domestic secured bonds (a) with face value of \$1,300,000 and maturities on July 20, 2002, November 25, 1999, with 5.72% annual interest compounded semiannually; and (b) with face value of \$700,000 and maturity on November 25, 2004, with 5.75% annual interest.

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

Domestic Unsecured Convertible Bonds

These bonds were issued on August 2, 1997 at a face value of \$2,500,000. Annual interest on the bonds was 4.5%, payable every June 27 from 1998 to 2004. Bond settlement is as follows:

- Lump-sum payment to the holders upon maturity (in 2004) at face value plus accrued interest;
- Conversion by the holders, starting September 2, 1997, into common shares of the Corporation at the prevailing conversion price (NT\$15.66 per share as of June 30, 2003); and
- Redemption by the Corporation, under certain conditions, at varying prices before bond maturity.

As of June 30, 2003, bonds with face value of \$1,881,000 had been converted into 73,284 thousand common shares and 19,042 thousand certificates of conversion of bonds to common shares of the Corporation.

As of June 30, 2003, the Corporation had unused credit lines of about \$526,072, which are available for long-term bank loans.

12. RESERVE FOR LAND VALUE INCREMENT TAX

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

13. UNREALIZED GAIN ON SALE AND LEASEBACK

	June 30	
	2003	2002
Chassis	\$ 42,886	\$ 50,666
Vessel Ming North	10,344	11,493
Vessel Med Keelung	369	891
Container	-	22,784
Vessel Ming Zenith	-	11,315
	<u>\$ 53,599</u>	<u>\$ 97,149</u>

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

14. STOCKHOLDERS' EQUITY

On November 14, 1996, the Corporation issued 10 million units of global depositary receipts (GDRs), representing 100 million shares, at an issue price of US\$11.64 per unit. The holders of the GDRs may not exchange them with the stocks of the Corporation. However, starting February 14, 1997, the holders of the GDR may request the depository bank to sell the stocks represented by the GDRs. As of June 2003, there were 6,540,041 units outstanding, representing 65,400,458 shares.

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

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

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

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

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

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

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

Under the Integrated Income Tax System that became effective on July 1, 1998, non-corporate ROC resident shareholders are entitled to tax credit on income tax paid by the Corporation on earnings generated also starting July 1, 1998. An Imputation Credit Account (ICA) is maintained by the Corporation to monitor the balance of such income tax and the tax credits allocated to each 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.

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

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

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

On June 21, 2002, the stockholders resolved (a) not to appropriate earnings and (b) to use \$634,683, a portion of the legal reserve, to offset accumulated losses. The stockholders also resolved to reclassify the accumulated capital surplus of \$1,431,387 from gain on property disposal generated before December 31, 2000 to retained earnings after 10% (\$143,139) of this capital surplus was appropriated as legal reserve.

15. TREASURY STOCKS

<u>Reasons for Repurchase</u>	<u>Outstanding Shares (Thousands)</u>			<u>Ending of the Period</u>
	<u>Beginning of the Period</u>	<u>Increase</u>	<u>Decrease</u>	
<u>For the six months ended June 30, 2003</u>				
Stocks of the Corporation held by subsidiaries	<u>67,619</u>	<u>-</u>	<u>8,313</u>	<u>59,306</u>
<u>For the six months ended June 30, 2002</u>				
Stocks of the Corporation held by subsidiaries	<u>68,981</u>	<u>-</u>	<u>666</u>	<u>68,315</u>

On January 1, 2002, the Corporation reclassified the shares of the Corporation held by subsidiaries from investments into treasury stocks. The proceeds from the subsidiaries' disposal of these shares were \$173,288 in 2003 and \$5,910 in 2002. As of June 30, 2003 and 2002, the carrying values of the Corporation's shares held by subsidiaries were \$460,684 and \$530,803, respectively, and the market values were \$1,196,789 and \$583,552, respectively.

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

16. INCOME TAX

- a. The reconciliation of the income tax expense based on income before income tax at statutory income tax rate and income tax payable is as follows:

	Six Months Ended June 30	
	2003	2002
Tax on pretax income at 25% statutory rate	\$ 681,318	\$ 100,645
Add (deduct) tax effects of:		
Permanent differences	(15,637)	25,802
Temporary differences	(101,050)	(79,983)
Tax-exempt income	(155,745)	-
Loss carryforward	(180,805)	(30,809)
Investment tax credit	(28,258)	(9,159)
Currently payable	<u>\$ 199,823</u>	<u>\$ 6,496</u>

- b. Income tax expense consisted of:

	Six Months Ended June 30	
	2003	2002
Income tax expense—current	\$ 199,823	\$ 6,496
Income tax expense—deferred	206,511	69,453
Adjustments of prior years' taxes	(3,852)	1,587
	<u>\$ 402,482</u>	<u>\$ 77,536</u>

- c. Deferred income tax assets (liabilities) as of June 30, 2003 and 2002 consisted of the following:

	June 30	
	2003	2002
Current (included in other current liabilities)		
Unrealized foreign exchange gain	(\$ 19,435)	(\$ 59,139)
Others	<u>10,490</u>	<u>10,470</u>
	<u>(\$ 8,945)</u>	<u>(\$ 48,669)</u>
Noncurrent (included in other liabilities)		
Cumulative equity in net income of investee companies	(\$ 473,307)	(\$ 361,257)
Differences in estimated service lives of containers	(268,207)	(225,883)
Deferred pension cost	86,435	65,443
Loss carryforwards	-	249,807
Investment tax credits	-	18,156
Valuation allowance on deferred income tax assets	<u>-</u>	<u>(219,294)</u>
	<u>(\$ 655,079)</u>	<u>(\$ 473,028)</u>

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

d. Integrated income tax system information

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Balance of imputation credit account	\$ 35,579	\$ 15,047

The stockholders resolved not to appropriate any earnings in 2001. The estimated creditable tax ratio for the 2002 earnings was 2.37%.

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

e. As of June 30, 2003 and 2002, the total of the balances of special reserve and unappropriated retained earnings generated before January 1, 1998 aggregated \$2,064,438.

f. As of June 30, 2002, the investment tax credits were as follows:

<u>Statutes</u>	<u>Items</u>	<u>Total Investment Tax Credits</u>	<u>Unused Investment Tax Credits</u>	<u>Expiry Year</u>
Statute for Upgrading Industries	Purchase of equipment	\$ 21,462	\$ -	2003
	Investments in shares of stock	1,137	-	2003
	Investments in shares of stock	4,411	-	2004
	Personnel training expenditures	1,041	-	2003
	Personnel training expenditures	<u>2,028</u>	<u>-</u>	2005
		<u>\$ 30,079</u>	<u>\$ -</u>	

g. Income tax returns through 1999 had been examined and cleared by the tax authorities.

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

17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	<u>Six Months Ended June 30, 2003</u>		
	<u>Operating Costs</u>	<u>Operating Expenses</u>	<u>Total</u>
Employment			
Salary	\$ 265,500	\$ 461,020	\$ 726,520
Insurance	9,868	23,287	33,155
Pension	20,243	39,634	59,877
Others	21,298	20,413	41,711
Depreciation	995,449	17,365	1,012,814
Amortization	<u>48,469</u>	<u>9,854</u>	<u>58,323</u>
	<u>\$ 1,360,827</u>	<u>\$ 571,573</u>	<u>\$ 1,932,400</u>

	Six Months Ended June 30, 2002		
	Operating Costs	Operating Expenses	Total
Employment			
Salary	\$ 310,803	\$ 222,927	\$ 533,730
Insurance	12,480	15,583	28,063
Pension	26,242	25,373	51,615
Others	23,339	14,331	37,670
Depreciation	1,136,026	14,708	1,150,734
Amortization	85,349	7,304	92,653
	<u>\$ 1,594,239</u>	<u>\$ 300,226</u>	<u>\$ 1,894,465</u>

18. EARNINGS PER SHARE

The earnings per share are calculated as follows:

	Amount (Numerator)		Capital Stock (Denominator) (in Thousand Shares)	Net Income Per Share (Dollars)	
	Income Before Income Tax	Net Income		Income Before Tax	Net Income
<u>Six months ended June 30, 2003</u>					
Primary earnings per share	\$ 2,725,273	\$ 2,322,791	1,771,125	<u>\$ 1.54</u>	<u>\$ 1.31</u>
The impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>13,927</u>	<u>10,445</u>	<u>39,527</u>		
Diluted earnings per share	<u>\$ 2,739,200</u>	<u>\$ 2,333,236</u>	<u>1,810,652</u>	<u>\$ 1.51</u>	<u>\$ 1.29</u>
<u>Six months ended June 30, 2002</u>					
Primary earnings per share	\$ 402,578	\$ 325,042	1,765,824	<u>\$ 0.23</u>	<u>\$ 0.18</u>
The impact of dilutive potential common shares					
Domestic unsecured convertible bonds	-	-	-		
Diluted earnings per share	<u>\$ 402,578</u>	<u>\$ 325,042</u>	<u>1,765,824</u>	<u>\$ 0.23</u>	<u>\$ 0.18</u>

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

	<u>Amount (Numerator)</u>		<u>Capital Stock (Denominator) (in Thousand Shares)</u>	<u>Earnings Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>Six months ended June 30, 2003</u>					
Pro forma primary earnings per share	\$ 3,357,589	\$ 2,955,107	1,835,903	<u>\$ 1.83</u>	<u>\$ 1.61</u>
The impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>13,927</u>	<u>10,445</u>	<u>39,527</u>		
Pro forma diluted earnings per share	<u>\$ 3,371,516</u>	<u>\$ 2,965,552</u>	<u>1,875,430</u>	<u>\$ 1.80</u>	<u>\$ 1.58</u>
<u>Six months ended June 30, 2002</u>					
Pro forma primary earnings per share	\$ 456,066	\$ 378,530	1,834,316	<u>\$ 0.25</u>	<u>\$ 0.21</u>
The impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>-</u>	<u>-</u>	<u>-</u>		
Pro forma diluted earnings per share	<u>\$ 456,066</u>	<u>\$ 378,530</u>	<u>1,834,316</u>	<u>\$ 0.25</u>	<u>\$ 0.21</u>

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

19. PENSION PLAN

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

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

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

Pension costs for the six months ended June 30, 2003 and 2002 were \$59,877 and \$51,615, respectively, and pension benefits contributed and paid for the same periods amounted to \$16,532 and \$15,580, respectively. As of June 30, 2003 and 2002, the balances of the pension fund deposited in the Central Trust of China were \$111,611 and \$95,030, respectively.

20. RELATED-PARTY TRANSACTIONS

The Corporation has significant transactions with related parties. These transactions for the six months ended June 30, 2003 and 2002 and the balances, except those mentioned in Notes 22 and 23, are summarized in the accompanying schedules A and B.

The transactions with related parties were conducted under contract terms.

21. ASSETS PLEDGED OR MORTGAGED

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

	June 30	
	2003	2002
Properties—net	\$ 1,074,511	\$ 2,816,252
Nonoperating assets—net	89,230	89,230
Pledged time deposits	-	460,112
	<u>\$ 1,163,741</u>	<u>\$ 3,365,594</u>

22. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments and contingent liabilities as of June 30, 2003 were as follows:

- a. Obligations to provide crews to four ships of Chinese Petroleum Corporation under contracts that will expire on various dates before August 2003. The daily compensation under the contracts is \$578 for all the crews.
- b. Leases of office premises, ships and container yard under operating lease agreements that will expire on various dates until December 2015. The total rents were \$2,348,770 for the six months ended June 30, 2003, and future minimum rentals are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2003 (July 1, 2003 to December 31, 2003)	\$ 3,418,558
2004	1,270,635
2005	787,226
2006	517,702
2007	517,345

Rentals after 2007 amount to \$2,066,085. The present value of those rentals, computed at an annual interest rate of 1.525%, is \$2,024,771.

- c. Leases of containers and chassis under capital lease agreements expiring on various dates until May 2011. Rentals for the six months ended June 30, 2003 were about \$112,430 (deducted from leases payable), and future minimum rentals are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2003 (July 1, 2003 to December 31, 2003)	\$ 149,028
2004	287,974
2005	290,549
2006	600,872
2007	163,164

Rentals after 2007 amount to \$102,659. The present value of those rentals, computed at an annual interest rate of 1.525%, is \$112,070;

- d. Guarantee of loans obtained by two equity-accounted investees, Yang Ming Line (B.V.I.) Holding Co., Ltd. (US\$92,125,000) and All Oceans Transportation Inc. (US\$94,562,000); Solar International Shipping Agency, Inc. (US\$1,500,000); and United Terminal Leasing LLC (this is a equity-accounted investee's investee) (US\$1,184,000);
- e. Guarantee by the Corporation and Yang Ming Line Holding Co. (an equity-accounted investee of the Corporation) of a loan of US\$3,857,000 obtained by West Basin Container Terminal LLC;
- f. As of June 30, 2003, 43 former shipping crew members, who retired after the Corporation's privatization, sued the Corporation and claimed \$102,749 as additional severance benefit based on the Labor Standards Law instead of the Rules of Privatization for Government-Owned Corporations. The Taipei District Court decided this case in favor of the Corporation. The plaintiffs appealed this decision to a higher court. No liability was accrued since management believed the appeal would not prosper.

23. SUBSEQUENT EVENTS

- a. In July 2003, the Corporation granted loans aggregating \$698,189 to All Oceans Transportation Inc. (an equity-accounted investee of the Corporation) to finance construction of ships. The loans were approved by the Board of Directors on March 14, 2003.
- b. In July 2003, the Corporation and All Oceans Transportation Inc. reached an agreement to transfer a contract of All Oceans Transportation Inc. to the Corporation. Under the contract, All Oceans Transportation Inc. engaged China Shipbuilding Corp. to construct ships for US\$153,000, and the delivery of the ships will be in July 2004.
- c. In July 2003, the Corporation and Kuang Ming Shipping Corp. (Panama) reached an agreement to transfer a contract of Kuang Ming Shipping Corp. (Panama) to the Corporation. Under the contract, Kuang Ming Shipping Corp. (Panama) appointed China Ship Building Corp. to construct ships for US\$41,000, and the delivery of ships will be in December 2004.
- d. To build more ships and containers, the Corporation issued five-year domestic unsecured convertible bonds with an aggregate face value of \$8,000,000 at 0% interest in August 2003. There are three ways of bond settlement, as follows:
- 1) Lump-sum payments to the holders upon maturity (in 2008) at 101.256% of the face value;
 - 2) Conversion by the holders, starting November 2003, into common shares of the Corporation at the prevailing conversion price; and

- 3) Redemption by the Corporation, under certain conditions, at varying prices before their maturity.

24. FINANCIAL INSTRUMENTS

- a. The Corporation used derivative instruments for trading and nontrading purposes for the six months ended June 30, 2003 and 2002. Nontrading purposes refer to the Corporation's hedging of exchange rate fluctuations on net assets or liabilities denominated in foreign currency; trading purposes refer to the Corporation's intent to profit from derivative transactions.

- 1) Open contracts and credit risk as of June 30, 2003

<u>Type of Transaction</u>	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Credit Risk</u>
Forward exchange contract			
Nontrading purposes	Call US\$839 thousand Put GBP\$500 thousand	\$ 498	\$ 498
Selling foreign-currency put option			
Trading purposes	US\$5,000 thousand	104	-

There was no open contract as of June 30, 2002.

The realized gains on forward contracts, shown as a component in the accompanying income statements, are as follows:

- a) For trading purposes

	<u>Six Months Ended June 30</u>	
	<u>2003</u>	<u>2002</u>
Forward exchange contract	\$ 1,469	\$ -
Foreign-currency option	<u>2,627</u>	<u>(1,417)</u>
	<u>\$ 4,096</u>	<u>(\$ 1,417)</u>

- b) For nontrading purposes

	<u>Six Months Ended June 30</u>	
	<u>2003</u>	<u>2002</u>
Cross-currency swap contract	\$ 12,025	\$ 5,783
Forward exchange contract	1,607	604
Foreign-currency option	<u>(11,284)</u>	<u>-</u>
	<u>\$ 2,348</u>	<u>\$ 6,387</u>

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

2) Market risk

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

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

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

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

As of June 30, 2003, the forward exchange contracts held by the Corporation were for nontrading purposes, i.e., to hedge exchange rate and market risks. The Corporation uses forward contracts with gains or losses that offset the gains or losses on foreign-currency assets and liabilities. In addition, the Corporation evaluates the hedging effectiveness of the contracts periodically.

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

	June 30			
	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative instruments</u>				
Assets				
Short-term financial instruments				
Cash and cash equivalents	\$ 2,631,314	\$ 2,631,314	\$ 2,497,653	\$ 2,497,653
Short-term investments	6,356,291	6,356,291	4,648,585	4,648,585
Accounts receivable	756,786	756,786	1,255,534	1,255,534
Receivables from related parties	3,024,822	3,024,822	987,825	987,825
Advances to shipping agents	1,370,685	1,370,685	880,300	880,300
Pledged time deposits	-	-	460,112	460,112
Investments in shares of stock	8,188,168	8,188,168	7,739,067	7,739,067
Long-term receivables from related parties	9,640,803	9,640,803	8,485,940	8,485,940
Liabilities				
Short-term financial instruments				
Short-term debts	27,909	27,909	81,053	81,053
Note payable	16,196	16,196	-	-
Payables to related parties	1,343,113	1,343,113	1,046,997	1,046,997
Tax payable	199,823	199,823	6,496	6,496
Accrued expenses	1,266,927	1,266,927	1,566,564	1,566,564
Dividend payable	1,116,816	1,116,816	16,235	16,235
Payables for equipment	793,764	793,764	48,640	48,640
Payable to shipping agents	1,389,903	1,389,903	1,985,124	1,985,124

(Continued)

	June 30			
	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bank loans	\$ 69,220	\$ 69,220	\$ 1,510,200	\$ 1,510,200
Bonds	10,819,000	12,299,048	10,717,200	11,344,129
Capital lease obligations	1,254,850	1,254,850	1,446,530	1,446,530

Derivative instruments

Forward exchange contract	472	498	-	-
Foreign-currency put option	104	104	-	-

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

- 1) The carrying values of short-term financial instruments, except for short-term investments, approximate fair values because of the short 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 capital lease obligations are based on market prices or, if market prices are unavailable, on the present values of the expected cash inflows or outflows. Discount rate used in determining the present values is based on the interest rate for bank loans that the Corporation can obtain under similar conditions.
- 4) Fair values of derivatives for the remaining contract periods are calculated at forward exchange rates quoted from the Reuter's New Agency or the Associated Press.

25. ADDITIONAL DISCLOSURES

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

YANG MING MARINE TRANSPORT CORPORATION

RELATED PARTY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (See Notes Below)	Operating Revenues										Operating Costs						Interest Income		Acquisition of Properties		Sale of Properties	
		Charter Hire		Agents' Income		Rent of Entire Container		Rent of Container Section		Ship Management		Haulage		Tally		Commission		Amount	%	Amount	%	Amount	%
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%						
<u>2003</u>																							
Kuang Ming Shipping Corp.	A	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 8,411	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
All Oceans Transportation Inc.	A	-	-	-	-	-	-	-	-	-	-	1,080,700	D 12	-	-	-	-	288,135	92	450,284	G 29	1,086,799	H 65
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	189,347	2	-	-	-	-	-	-	-	-	-	
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	237,714	3	-	-	-	-	-	-	-	-	-	
Yang Ming Line Holding Co.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	775	-	-	-	-	-	
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	36,881	2	-	-	-	-	-	-	
Young-Carrier Company Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	1,788	-	240,085	15	-	-	-	-	-	-	
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	-	-	-	-	103,878	E 1	-	-	-	-	-	-	-	-	-	
Yang Ming (U.K.) Ltd.	B	278,250	C 65	48,505	98	507,487	100	6,914	1	78,840	43	348,633	4	2,327	-	5,181	-	-	-	-	-	-	
Yang Ming Shipping Europe GmbH	B	-	-	-	-	-	-	-	-	-	-	-	5,420	1	7,588	-	-	-	-	-	-	-	
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	143,731	9	-	-	-	-	-	-	
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	30,220	2	-	-	-	-	-	-	
Kuang Ming Shipping Corp. (Panama)	B	-	-	-	-	-	-	-	-	-	-	82,895	F 1	-	-	-	-	-	-	-	-	-	
Yang Ming Line (M) Sdn. Bhd	B	-	-	-	-	-	-	-	-	-	-	-	-	-	12,590	1	-	-	-	-	-	-	
Yang Ming Italy S.p.A.	B	-	-	-	-	-	-	-	-	-	-	-	5,297	1	36,310	2	-	-	-	-	-	-	
Yes Logistic Corp.	A	-	-	-	-	141	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		<u>\$278,250</u>	<u>65</u>	<u>\$ 48,505</u>	<u>98</u>	<u>\$507,628</u>	<u>100</u>	<u>\$ 6,914</u>	<u>1</u>	<u>\$ 78,840</u>	<u>43</u>	<u>\$2,051,578</u>	<u>23</u>	<u>\$ 14,832</u>	<u>2</u>	<u>\$512,586</u>	<u>31</u>	<u>\$288,910</u>	<u>92</u>	<u>\$450,284</u>	<u>29</u>	<u>\$1,086,799</u>	<u>65</u>
<u>2002</u>																							
Kuang Ming Shipping Corp.	A	\$ -	-	\$ -	-	\$ 10,946	2	\$ -	-	\$ 17,559	9	\$ 27,979	-	\$ -	-	\$ 58,442	4	\$ -	-	\$ -	-	\$ -	-
All Oceans Transportation Inc.	A	-	-	-	-	-	-	-	-	-	-	695,235	D 10	-	-	-	-	175,817	72	-	-	2,576,814	I 69
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	83,000	1	-	-	-	-	-	-	-	-	-	
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	149,941	2	23,126	2	-	-	-	-	-	-	-	
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	22	-	-	-	-	-	-	-	
Young-Carrier Company Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	197,578	15	-	-	-	-	-	-	
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	-	-	-	-	95,254	E 2	-	-	-	-	-	-	-	-	-	
Yang Ming (U.K.) Ltd.	B	77,871	C 22	43,939	97	551,048	97	13,097	4	82,197	40	760,353	11	708	-	697	-	-	-	-	-	-	
Yang Ming Shipping Europe GmbH	B	-	-	-	-	-	-	-	-	-	-	-	-	16,193	1	44,248	3	-	-	-	-	-	
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	136,728	10	-	-	-	-	-	-	
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	21,437	2	-	-	-	-	-	-	
Kuang Ming Shipping Corp. (Panama)	B	-	-	-	-	-	-	-	-	-	-	9,555	F -	-	-	-	-	-	-	-	-	-	
Yang Ming Line (M) Sdn. Bhd	B	-	-	-	-	-	-	-	-	-	-	-	-	-	7,312	1	-	-	-	-	-	-	
		<u>\$ 77,871</u>	<u>22</u>	<u>\$ 43,939</u>	<u>97</u>	<u>\$561,994</u>	<u>99</u>	<u>\$ 13,097</u>	<u>4</u>	<u>\$ 99,756</u>	<u>49</u>	<u>\$1,821,317</u>	<u>26</u>	<u>\$ 40,027</u>	<u>3</u>	<u>\$466,464</u>	<u>35</u>	<u>\$175,817</u>	<u>72</u>	<u>\$ -</u>	<u>-</u>	<u>\$2,576,814</u>	<u>69</u>

- Notes: A. An equity-accounted investee of the Corporation.
 B. An equity-accounted investee of a wholly owned subsidiary of the Corporation.
 C. Lease of 17 ships to Yangming (U.K.) Ltd. under several agreements expiring on various dates until July 2004; rent is receivable monthly.
 D. Lease of 21 ships from All Oceans Transportation Inc. under several agreements expiring on various dates until March 2004; rent is payable semiannually.
 E. Lease of one ship from Yang Ming (Cayman) Ltd. under an agreement expiring on December 31, 2003; rent payable quarterly.
 F. Lease of two ships from Kuang Ming Shipping Corp. (Panama) under two agreements agreement expiring on December 31, 2005 and December 31, 2015 with rent payable semimonthly and quarterly, respectively.
 G. Acquisition of one ship from All Oceans Transportation Inc. in May 2003 at book value.
 H. Sale of two ships to All Oceans Transportation Inc. in January and March of 2003 at book value.
 I. Sale of two ships to All Oceans Transportation Inc. in February 2002 at book value.

YANG MING MARINE TRANSPORT CORPORATION

RELATED-PARTY ACCOUNT BALANCES
JUNE 30, 2003 AND 2002
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (See Notes Below)	Receivables from Related Parties								Long-term Receivable from Related Parties	Payables to Related Parties								Advances from Customers	Unrealized Gain on Sale and Leaseback				
		Accounts Receivables		Other Receivables		Total		Prepaid Expense			Amount	%	Accrued Expense		Payables to Shipping Agents		Receipts under Custody			Total		Amount	%	
		Amount	%	Amount	%	Amount	%	Amount	%				Amount	%	Amount	%	Amount	%		Amount	%			Amount
<u>2003</u>																								
Kuang Ming Shipping Corp.	A	\$ -	-	\$ 1,055	-	\$ 1,055	-	\$ -	-	\$ -	-	\$ 10,776	1	\$ -	-	\$ -	-	\$ 10,776	1	\$ 2	-	\$ -	-	
All Oceans Transportation Inc.	A	-	-	1,973,949	C	65	1,973,949	65	877,337	75	9,017,823	C	94	-	-	47,045	4	47,045	4	-	-	369	1	
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	5,000	-	-	-	5,000	-	-	-	-	-	
Jing Ming Transportation Co., Ltd.	A	-	-	3,667	-	3,667	-	-	-	-	-	-	-	11,216	1	-	-	11,216	1	-	-	-	-	
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	154,636	12	-	-	154,636	12	25,809	3	-	-	
Yang Ming Line Holding Co.	A	-	-	7,575	-	7,575	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Young-Carrier Company Ltd.	B	460,055	15	-	-	460,055	15	-	-	-	-	-	-	166,409	12	-	-	166,409	12	-	-	-	-	
Yangming (Cayman) Ltd.	B	-	-	69	-	69	-	3,236	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Yang Ming (U.K.) Ltd.	B	125,637	4	-	-	125,637	4	-	-	-	-	-	-	10,988	1	547,391	D	41	558,379	42	-	-	-	-
Yang Ming Shipping Europe GmbH	B	73,560	2	-	-	73,560	2	-	-	-	-	-	-	21,792	2	-	-	21,792	2	-	-	-	-	-
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	206,257	15	-	-	206,257	15	140,119	15	-	-	-
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	22,126	2	-	-	22,126	2	17,067	2	-	-	-
Kuang Ming Shipping Corp. (Panama)	B	-	-	351	-	351	-	13,129	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang MingLine (M) Sdn. Bhd	B	31,858	1	-	-	31,858	1	-	-	-	-	-	-	50,445	4	-	-	50,445	4	1,085	-	-	-	-
Yes Logistics Corp.	A	9,680	-	-	-	9,680	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming Italy S.p.A.	B	253,469	8	-	-	253,469	8	-	-	-	-	-	-	89,032	7	-	-	89,032	7	-	-	-	-	-
Yang Ming Line (Singapore) Pte. Ltd.	A	-	-	83,064	E	3	83,064	3	-	-	622,980	E	6	-	-	-	-	-	-	-	-	-	-	-
Other	F	-	-	833	-	833	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<u>\$954,259</u>	<u>32</u>	<u>\$2,070,563</u>	<u>68</u>	<u>\$3,024,822</u>	<u>100</u>	<u>\$893,702</u>	<u>76</u>	<u>\$9,640,803</u>	<u>100</u>	<u>\$ 26,992</u>	<u>2</u>	<u>\$721,685</u>	<u>54</u>	<u>\$594,436</u>	<u>48</u>	<u>\$1,343,113</u>	<u>100</u>	<u>\$184,082</u>	<u>20</u>	<u>\$ 369</u>	<u>1</u>	
<u>2002</u>																								
Kuang Ming Shipping Corp.	A	\$ -	-	\$ 8,585	1	\$ 8,585	1	\$ -	-	\$ -	-	\$ -	-	\$125,317	12	\$ -	-	\$ 125,317	12	\$136,546	20	\$ -	-	-
All Oceans Transportation Inc.	A	-	-	556,147	C	56	556,147	56	26,123	10	8,485,940	C	100	13,085	1	66,767	7	79,852	8	-	-	890	1	
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	26,908	3	-	-	26,908	3	-	-	-	-	-
Yangming (Japan) Co., Ltd.	B	15,699	2	-	-	15,699	2	-	-	-	-	-	-	170,611	16	-	-	170,611	16	1,199	-	-	-	-
Young-Carrier Company Ltd.	B	167,773	17	-	-	167,773	17	-	-	-	-	-	-	187,392	18	-	-	187,392	18	-	-	-	-	-
Yang Ming (U.K.) Ltd.	B	103,149	10	8,000	1	111,149	11	2,835	1	-	-	-	-	141,731	14	43,571	D	4	185,302	18	-	-	-	-
Yang Ming Shipping Europe GmbH	B	99,152	10	-	-	99,152	10	-	-	-	-	-	-	56,057	5	-	-	56,057	5	496	-	-	-	-
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	118,526	11	-	-	118,526	11	103,570	16	-	-	-
Yangming Shipping (Singapore) Pte. Ltd.	B	13,574	2	-	-	13,574	2	-	-	-	-	-	-	84,387	8	-	-	84,387	8	9,752	2	-	-	-
Yang MingLine (M) Sdn. Bhd	B	10,996	1	-	-	10,996	1	-	-	-	-	-	-	12,645	1	-	-	12,645	1	1,483	-	-	-	-
Yes Logistics Corp.	A	2,193	-	1,525	-	3,718	-	-	-	-	-	-	-	-	-	-	-	-	-	1,381	-	-	-	-
Other	F	-	-	1,032	-	1,032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<u>\$412,536</u>	<u>42</u>	<u>\$ 575,289</u>	<u>58</u>	<u>\$ 987,825</u>	<u>100</u>	<u>\$ 28,958</u>	<u>11</u>	<u>\$8,485,940</u>	<u>100</u>	<u>\$ 39,993</u>	<u>4</u>	<u>\$896,666</u>	<u>85</u>	<u>\$110,338</u>	<u>11</u>	<u>\$1,046,997</u>	<u>100</u>	<u>\$254,427</u>	<u>38</u>	<u>\$ 890</u>	<u>1</u>	

Notes: A. An equity-accounted investee of the Corporation.
 B. An equity-accounted investee of a wholly owned subsidiary of the Corporation.
 C. Including the amount financed, dividends receivable and the amount of ships sold.
 D. Represents freight revenue received and held on behalf of Yangming (UK) Limited.
 E. Dividends receivable.
 F. Other related parties with individual balances less than 5% of the total of their respective accounts, including those of Ching Ming Investment Corp. (an equity-accounted investee of the corporation) and Yang Ming Line B.V. (an equity-accounted investee of a wholly owned subsidiary of the Corporation).

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

FINANCING PROVIDED

JUNE 30, 2003

(In Thousands of New Taiwan Dollars)

No.	Financier	Counterparty	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Nature of Financing (Note A)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing that Can Be Provided by the Financier
											Item	Value		
0	Yang Ming Marine Transport Corporation	All Oceans Transportation, Inc. Yang Ming Line Holding Co.	Receivables from related parties	\$ 1,562,918 (Note I)	\$ -	4.0%	1	\$ 1,080,700	-	\$ -	-	\$ -	\$ 3,944,357 (Note C)	\$ 7,888,715 (Note B)
			Receivables from related parties	72,681 (Note J)	-	4.0%	2	-	Investment in West Basin Container Terminal LLC and United Terminal Leasing LLC	-	-	-	1,314,472 (Note C)	2,506,944 (Note B)
1	Yang Ming Shipping (B.V.I.) Inc. (Note O)	Karman Properties Limited	Other current assets	106,476 (Note K)	106,476 (Note K)	3.0%	2	-	Office building acquisition	-	-	-	354,002 (Note E)	442,502 (Note D)
2	Kuang Ming Shipping Corp. (Note O)	Kuang Ming Shipping Corp. (Panama)	Other receivables	110,752 (Note L)	110,752 (Note L)	2.8%	2	-	Debt repayment	-	-	-	120,000	129,133 (Note F)
3	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line B.V.	Other current assets	38,299 (Note M)	38,299 (Note M)	1.5%	2	-	Investment in Yang Ming Italy S.P.A. and Yangming (UK) Ltd.	-	-	-	2,549,803 (Note E)	3,187,253 (Note G)
4	Young-Carrier Company Ltd. (Note O)	Yang Ming Line (Singapore) Pte. Ltd.	Receivables from related parties	138,440 (Note N)	138,440 (Note N)	1.0%	2	-	Office building acquisition	-	-	-	231,938 (Note H)	231,938 (Note H)

Notes: A. Nature of Financing:

1. The Corporation has transactions with the borrowers.
2. There is a need for short-term financing.

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

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

D. Represents net asset value.

E. Represents 80% of net asset value.

F. Represents 40% of net asset value.

G. Represents 100% of net asset value.

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

I. Equivalent to US\$45,158,000 translated into New Taiwan dollars at the exchange rate of US\$1:NT\$34.61.

J. Equivalent to US\$2,100,000 translated into New Taiwan dollars at the exchange rate of US\$1:NT\$34.61.

K. Equivalent to HK\$23,992,000 translated into New Taiwan dollars at the exchange rate of HK\$1:NT\$4.438.

L. Equivalent to US\$3,200,000 translated into New Taiwan dollars at the exchange rate of US\$1:NT\$34.61.

M. Equivalent to GBP\$300,000 and EUR\$534,000 translated into New Taiwan dollars at the exchange rate of US\$1:GBP\$57.21 and EUR\$39.58.

N. Equivalent to US\$4,000,000 translated into New Taiwan dollars at the exchange rate of US\$1:NT\$34.61.

O. Based on unaudited financial statements.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED

JUNE 30, 2003

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

No.	Guarantor	Counter-party		Maximum Amount of Guarantee to Individual Counterparties	Maximum Balance for the Period	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity Shown in the Latest Financial Statement	Maximum Amount of Guarantee that can be Provided by the Guarantor
		Name	Nature of Relationship						
0	Yang Ming Marine Transport Corporation	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Equity-accounted investee	\$ 14,826,865 (Note B)	\$ 3,483,704 (Note E)	\$ 3,188,457 (Note F)	\$ -	12.72	\$ 18,533,581 (Note A)
		All Oceans Transportation, Inc.	Equity-accounted investee	14,826,865 (Note B)	3,800,921 (Note G)	3,272,796 (Note H)	-	13.05	18,533,581 (Note A)
		Solar International Shipping Agency, Inc.	Shipping agent	14,826,865 (Note B)	51,915 (Note I)	51,915 (Note I)	-	0.21	18,533,581 (Note A)
		United Terminal Leasing LLC.	Equity-accounted investee	14,826,865 (Note B)	41,491 (Note N)	40,986 (Note J)	-	0.16	18,533,581 (Note A)
0, 1	Yang Ming Marine Transport Corporation and Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Equity-accounted investee	14,826,865 (Note B)	139,363 (Note L)	133,491 (Note O)	-	0.53	18,533,581 (Note A)
1	Yang Mine Line Holding Co. (Note M)	West Basin Container Terminal LLC	Equity-accounted investee	498,384 (Note D)	20,316 (Note K)	20,157 (Note K)	-	0.08	622,980 (Note C)

Notes:

- A. Represents 100% of the Corporation's authorized stock.
- B. Represents 80% of the Corporation's paid-in capital. For borrowers have transactions with the Corporation, maximum financing is the total amount of transactions between the Corporation and the borrower in the last two years.
- C. Represents US\$18,000,000.
- D. Represents 80% of US\$18,000,000.
- E. Equivalent to US\$97,736,000 translated into New Taiwan dollars at an exchange rate of US\$1:NT\$34.61.
- F. Equivalent to US\$92,125,000 translated into New Taiwan dollars at an exchange rate of US\$1:NT\$34.61.
- G. Equivalent to US\$109,821,000 translated into New Taiwan dollars at an exchange rate of US\$1:NT\$34.61.
- H. Equivalent to US\$94,562,000 translated into New Taiwan dollars at an exchange rate of US\$1:NT\$34.61.
- I. Equivalent to US\$1,500,000 translated into New Taiwan dollars at an exchange rate of US\$1:NT\$34.61.
- J. Balance of consecutive payback which is equivalent to US\$1,184,000 translated into New Taiwan dollars at an exchange rate of US\$1:NT\$34.61.
- K. Equivalent to US\$587,000 translated into New Taiwan dollars at an exchange rate of US\$1:NT\$34.61.
- L. Equivalent to US\$4,027,000 translated into New Taiwan dollars at an exchange rate of US\$1:NT\$34.61.
- M. Information on Yang Mine Line Holding Co. is based on unaudited financial statements.
- N. Equivalent to US\$1,199,000 translated into New Taiwan dollars at an exchange rate of US\$1:NT\$34.61.
- O. Equivalent to US\$3,857,000 translated into New Taiwan dollars at an exchange rate of US\$1:NT\$34.61.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

SECURITIES HELD
JUNE 30, 2003

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

Investor	Type and Name of Securities Held	Relationship with the Investor	Financial Statement Account	June 30, 2003				Note	
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note A)		
Yang Ming Marine Transport Corporation	<u>Common stock</u>								
	Ritek Corporation	-	Short-term investments	9,842,625	\$ 731,463	0.47	\$ 205,366		
	Sunplus Technology Co., Ltd.	-	Short-term investments	1,625,000	134,665	0.23	78,171		
	United Microelectronics Corp.	-	Short-term investments	1,428,300	104,243	0.01	33,407		
	Senao International Co., Ltd.	-	Short-term investments	3,370,752	96,000	1.80	94,044		
	Chung Hwa Picture Tubes Ltd.	-	Short-term investments	2,954,129	75,768	0.06	35,308		
	Asustek Computer Inc.	-	Short-term investments	289,000	64,402	0.01	25,627		
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investments	591,360	55,020	0.00	34,003		
	Elan Microelectronics Corp.	-	Short-term investments	2,469,220	50,962	0.75	68,891		
	Macronix International Co., Ltd.	-	Short-term investments	858,000	49,362	0.02	6,605		
	Compal Electronics, Inc.	-	Short-term investments	633,000	42,012	0.03	28,384		
	Dbtel Incorporated	-	Short-term investments	563,036	39,932	0.09	9,501		
	Twinhead International Corp.	-	Short-term investments	796,400	29,788	0.15	5,495		
	U-Tech Media Corp.	-	Short-term investments	1,000,000	26,753	0.66	32,250		
	Orient Semiconductor Electronics, Limited	-	Short-term investments	598,097	24,062	0.05	3,238		
	Polaris Securities Co., Ltd.	-	Short-term investments	455,768	23,620	0.04	7,465		
	Advanced Semiconductor Engineering, Inc.	-	Short-term investments	308,000	18,341	0.01	6,460		
	Inventec Corporation	-	Short-term investments	264,000	16,474	0.01	5,772		
	Winbond Electronics Corp.	-	Short-term investments	240,000	15,970	0.01	4,301		
	Micro-star International Co., Ltd.	-	Short-term investments	135,000	15,503	0.02	10,054		
	Yageo	-	Short-term investments	499,468	15,337	0.02	4,707		
	Gigastorage Corp.	-	Short-term investments	495,000	14,972	0.20	7,191		
	Delpha Construction Co., Ltd.	-	Short-term investments	376,310	14,523	0.09	794		
	Quanta Computer Inc.	-	Short-term investments	115,000	13,730	0.01	8,372		
	Ichia Technologies Inc.	-	Short-term investments	230,000	13,279	0.17	10,971		
	Universal Scientific Industrial Co., Ltd.	-	Short-term investments	166,600	12,517	0.02	2,396		
	Realtek Semiconductor Corp.	-	Short-term investments	91,000	11,504	0.02	6,855		
	Prodisc Technology Inc.	-	Short-term investments	158,270	10,830	0.03	4,075		
	Accton Technology Inc.	-	Short-term investments	135,191	10,265	0.02	3,824		
	Mosel Vitelic Inc.	-	Short-term investments	200,000	10,164	0.01	-		
	Siliconware Precision Industries Co., Ltd.	-	Short-term investments	165,995	7,687	0.01	3,492		
	Aurora Corporation	-	Short-term investments	72,600	7,459	0.02	1,204		
	Ambit Microsystems Corp.	-	Short-term investments	50,800	6,369	0.02	5,762		
	Hannstar Display Corp.	-	Short-term investments	100,000	3,135	-	1,113		
	Hua Nan Financial Holdings Co., Ltd.	-	Short-term investments	62,383	2,529	-	1,395		
	Taiwan Mask Corp.	-	Short-term investment	26,967	2,135	0.01	498		
	Weltrend Semiconductor, Inc.	-	Short-term investments	34,730	1,924	0.02	954		
	Cheng Loong Corp.	-	Short-term investments	80,112	1,479	0.01	768		
	Chang Hwa Commercial Bank Ltd.	-	Short-term investments	61,200	1,252	-	927		
	Silicon Integrated Systems Corp.	-	Short-term investments	3,427	234	-	81		
	Taiwan Fu Hsing Industrial Co., Ltd.	-	Short-term investments	4,279	173	-	98		
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Equity-accounted investee		Investments in shares of stock	67,505,031	3,187,253	100.00	3,187,253	
	Yang Ming Line (Singapore) Pte Ltd.	Equity-accounted investee		Investments in shares of stock	28,400,000	1,131,617	100.00	1,131,617	
Chunghwa Investment Co., Ltd.	Equity-accounted investee		Investments in shares of stock	80,000,000	795,598	40.00	795,598		
All Oceans Transportation, Inc.	Equity-accounted investee		Investments in shares of stock	1,000	505,182	100.00	505,182		
YES Logistics Corp.	Equity-accounted investee		Investments in shares of stock	45,251,100	419,533	90.50	419,533	Note G	
Honming Terminal & Stevedoring Co., Ltd.	Equity-accounted investee		Investments in shares of stock	31,600,000	341,341	79.00	341,341		
Kuang Ming Shipping Corp.	Equity-accounted investee		Investments in shares of stock	31,499,417	282,651	100.00	282,651	Note G	
Yang Ming Line Holding Co.	Equity-accounted investee		Investments in shares of stock	7,500	132,707	100.00	132,707		
Transyang Shipping Pte. Ltd.	Equity-accounted investee		Investments in shares of stock	686	83,976	24.99	83,976	Note I	

(Continued)

Investor	Type and Name of Securities Held	Relationship with the Investor	Financial Statement Account	June 30, 2003				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note A)	
	Jing Ming Investment Corp.	Equity-accounted investee	Investments in shares of stock	4,899,539	\$ 62,922	50.80	\$ 62,921	Note G
	Ching Ming Investment Corp.	Equity-accounted investee	Investments in shares of stock	149,946,800	(40,426)	99.96	13,784	Note D and G
	Waterland Financial Holdings Co., Ltd.	-	Investments in shares of stock	9,086,561	70,000	0.43	73,238	
	Hotung Investment Holding Ltd.	-	Investments in shares of stock	8,861,600	40,268	0.70	34,471	
	United Venture Capital Corp.	-	Investments in shares of stock	8,000,000	80,000	9.04	68,197	
	SF Technology Venture Capital Corp.	-	Investments in shares of stock	4,000,000	40,000	7.24	38,129	
	China Technology Venture Capital Corp.	-	Investments in shares of stock	3,000,000	30,000	8.96	30,169	
	Kingmax Technology Corp.	-	Investments in shares of stock	1,534,944	24,000	1.40	23,653	
	Ascentek Venture Capital Corp.	-	Investments in shares of stock	2,000,000	20,080	2.14	20,167	
	Forwin Securities Corp.	-	Investments in shares of stock	2,500,000	20,000	2.00	15,010	
	<u>Emerging</u>							
	Taiwan Nano Electro-optical Technology Co., Ltd.	-	Investments in shares of stock	2,719,839	37,590	3.89	18,829	
	<u>Preferred</u>							
	New Century InfoComm Co., Ltd.	-	Investments in shares of stock	80,000,000	864,000	1.68	743,717	
	Penguin Computing, Inc.	-	Investments in shares of stock	218,341	7,698	0.92	174	
	Arescom Inc.	-	Investments in shares of stock	100,000	7,698	0.24	36	
	<u>Mutual fund</u>							
	Entrust Kirin Bond Fund	-	Short-term investments	96,798,853	1,015,546	-	1,016,330	
	Prudential Bond Fund	-	Short-term investments	44,140,107	646,383	-	652,669	
	Fuh-hwa Bond Fund	-	Short-term investments	46,624,838	583,622	-	586,914	
	Tlam Apollo Fund	-	Short-term investments	47,205,061	521,148	-	522,796	
	Reliance US Short-term Fixed Income Fund	-	Short-term investments	39,522,524	400,000	-	401,549	
	Capital Safe Income Fund	-	Short-term investments	19,374,729	271,103	-	271,310	
	Tiim Bond Fund	-	Short-term investments	16,130,182	216,854	-	217,016	
	Tlam Sun Bond Fund	-	Short-term investments	21,148,032	214,000	-	214,701	
	Phoenix Bond Fund	-	Short-term investments	13,530,187	193,000	-	193,632	
	Tiim High Yield Fund	-	Short-term investments	16,303,716	187,760	-	190,052	
	Fuhwa Bond Fund	-	Short-term investments	11,999,104	145,000	-	145,430	
	KGI Victory Fund	-	Short-term investments	13,425,941	136,900	-	137,514	
	Capital Cash Reserves	-	Short-term investments	11,971,170	132,598	-	132,697	
	Prudential Well Pool Fund	-	Short-term investments	10,669,672	127,000	-	127,363	
	Fubon JU-I Two Fund	-	Short-term investments	8,376,417	116,000	-	116,024	
	Invesco GP ROC Bond Fund	-	Short-term investments	7,041,460	100,000	-	100,000	
	Core Pacific European Fund	-	Short-term investments	9,000,000	90,000	-	52,290	
	Sheng Hua 1699 Bond Fund	-	Short-term investments	6,642,848	78,000	-	78,214	
	Fuh-hwa Albatross Fund	-	Short-term investments	7,004,494	73,524	-	74,467	
	Abn Amro Aggressive Taiwan Bond Fund	-	Short-term investments	6,080,066	62,000	-	61,975	
	Chung Hsing Ping-An Fund	-	Short-term investments	5,716,447	58,000	-	58,091	
	Tlam Apollo Fund	-	Short-term investments	5,000,000	50,000	-	26,750	
	Fuh-Hwa Global Bond Fund	-	Short-term investments	4,106,820	44,000	-	43,695	
	High Yield Bond Fund	-	Short-term investments	2,523,665	31,185	-	31,838	
	United Triumph Bund Fund	-	Short-term investments	2,994,452	30,500	-	30,977	
	Prudential Unit-Link Fund	-	Short-term investments	2,000,000	20,000	-	20,000	
	NITC Bond Fund	-	Short-term investments	102,302	16,000	-	16,005	
	Rsit Enhanced Bond Fund	-	Short-term investments	1,345,442	14,000	-	14,047	
	NITC Value Fund	-	Short-term investments	1,234,000	12,340	-	11,846	
	Abn Amro Global Leader Fund	-	Short-term investments	1,000,000	10,010	-	10,840	
	Truswell Pegasus Fund	-	Short-term investments	627,600	10,000	-	4,067	
	Tiim Prime Balanced Fund	-	Short-term investments	1,000,000	10,000	-	7,640	
	FarEastern Alliance Technology Fund	-	Short-term investments	1,000,000	10,000	-	6,340	
	KGI Pioneer Fund	-	Short-term investments	166,806	2,000	-	1,553	
	<u>Convertible bonds</u>							
	China Airlines Ltd. Convertible Bond-I	-	Short-term investments	160,000	16,000	-	19,840	
	<u>Deposit on subscriptions</u>							
	Taipei Port Container Terminal Co., Ltd.	-	Investments in shares of stock	-	6,614	-	-	

(Continued)

Investor	Type and Name of Securities Held	Relationship with the Investor	Financial Statement Account	June 30, 2003				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note A)	
All Oceans Transportation, Inc. (Note J)	<u>Mutual fund</u> Entrust Kirin Bond Fund	-	Short-term investments	295,963	\$ 3,091	-	\$ 3,107	
Ching Ming Investment Corp. (Note J)	<u>Common stocks</u> Yang Ming Marine Transport Corp.	Parent company	Short-term investments	57,600,308	1,112,611	3	1,227,599	33,925,000 shares pledged as collateral for short-term bank loan
	Ritek Corporation	-	Short-term investments	7,002,336	459,757	-	146,104	5,599,000 shares pledged as collateral for short-term bank loan
	China Container Terminal Corporation	-	Short-term investments	1,620,000	105,965	0.02	7,630	
	Micro-star International Co., Ltd.	-	Short-term investments	135,000	15,462	-	10,054	
	Gigabyte Technology Co., Ltd.	-	Short-term investments	115,000	9,113	-	7,869	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investments	110,000	9,098	-	6,325	
	Realtek Semiconductor Corp.	-	Short-term investments	65,000	7,781	-	4,896	
	Nanya Technology Corporation	-	Short-term investments	100,000	4,528	-	2,561	
	Waterland Financial Holdings Co., Ltd.	-	Short-term investments	478,240	3,180	-	3,856	
	Honming Terminal & Stevedoring Co., Ltd.	Equity-accounted investee	Investments in shares of stock	3,950,000	42,890	9.88	42,660	
	Imaging Quality Technology Inc.	-	Investments in shares of stock	185,325	1,866	0.02	741	
	Tytech Co., Ltd.	-	Investments in shares of stock	150,000	1,500	0.18	267	
	Ritek Photonics Corp.	-	Investments in shares of stock	45,000	516	-	343	
	<u>Mutual fund</u> Capital Safe Income Fund	-	Short-term investments	2,510,732	35,052	-	35,159	
	Reliance US Short-term Fixed Income Fund	-	Short-term investments	3,622,001	40,000	-	36,800	
	Waterland Vision Fund	-	Short-term investments	50,000	500	-	478	
	Capital Cash Reserves	-	Short-term investments	270,690	3,000	-	3,001	
Yes Logistics Corp. (Note J)	<u>Common stocks</u> United Microelectronics Corp.	-	Short-term investments	19,837	1,238	-	464	
	Macronix International Co., Ltd.	-	Short-term investments	7,150	340	-	55	
	Winbond Electronics Corp.	-	Short-term investments	29,875	1,631	-	535	
	Synnex Technology International Corp.	-	Short-term investments	6,875	696	-	337	
	Ritek Corporation	-	Short-term investments	16,250	1,182	-	339	
	Silicon Integrated Systems Corp.	-	Short-term investments	16,499	1,522	-	390	
	Via Technologies, Inc.	-	Short-term investments	1,952	318	-	85	
	Media Tek Inc.	-	Short-term investments	1,400	712	-	470	
	Walsin Technology Corp.	-	Short-term investments	7,535	356	-	191	
	Elite Semi-conductor Memory Technology Inc.	-	Short-term investments	2,600	855	-	229	
	Holy Stone Enterprise Co., Ltd.	-	Short-term investments	4,256	495	-	213	
	Powerchip Semiconductor Corp.	-	Short-term investments	61	1	-		
	Vanguard International Semiconductor Co.	-	Short-term investments	15,000	659	0.01	94	
	Tailyn Communication Co., Ltd.	-	Short-term investments	5,512	93	-	52	
	ProMOS Technologies Inc.	-	Short-term investments	5,950	393	-	48	
	Honming Terminal & Stevedoring Co., Ltd.	Equity-accounted investee	Investments in shares of stock	4,382,370	47,884	10.96	48,837	
	Yes Logistics Corp.	Equity-accounted investee	Investments in shares of stock	100,000	2,750	100.00	2,750	
	Yes Logistics Co., Ltd.	Equity-accounted investee	Investments in shares of stock	100,000	447	100.00	447	
	B2B.Com Holdings	-	Investments in shares of stock	800,000	39,533	8.00	41,579	
	United Raw Material Solutions, Inc.	-	Investments in shares of stock	200,000	33,128	1.33	5,083	
	<u>Mutual fund</u> Phoenix Bond Fund	-	Short-term investments	1,979,429	26,766	-	28,328	
	Rsit Enhanced Bond Fund	-	Short-term investments	4,399,656	45,000	-	45,936	
	Fuh-hwa Bond Fund	-	Short-term investments	1,156,958	13,840	-	14,564	
	Fuhwa Life Goal Bond Fund	-	Short-term investments	2,000,000	20,000	-	20,179	
	Nam Short Term Fixed Income Fund	-	Short-term investments	4,810	2,151	-	2,131	
	High Yield Bond Fund	-	Short-term investments	981,071	12,060	-	12,377	
	HSBC Taiwan Safe And Rich Fund	-	Short-term investments	397,773	10,080	-	4,841	
	Fuh-Hwa Global Bond Fund	-	Short-term investments	1,000,000	10,020	-	10,640	

(Continued)

Investor	Type and Name of Securities Held	Relationship with the Investor	Financial Statement Account	June 30, 2003				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note A)	
	Fuh-Hwa Heirloom Balance Fund	-	Short-term investments	815,067	\$ 9,010	-	\$ 9,544	
	Tiim High Yield Fund	-	Short-term investments	670,469	7,600	-	7,816	
	Fuh-Hwa Yu-Li Fund	-	Short-term investments	453,358	5,005	-	5,287	
	Jump Fund	-	Short-term investments	500,000	5,000	-	4,795	
	Tung Hsing Fund	-	Short-term investments	332,696	4,000	-	3,673	
	Fuhwa New Balance Fund	-	Short-term investments	1,496,460	15,000	-	15,274	
	Optima Fund	-	Short-term investments	159,794	1,911	-	1,705	
	Prudential Financial Taiwan Enterprise Fund	-	Short-term investments	68,353	1,003	-	563	
	Prudential Financial Maxima Fund	-	Short-term investments	39,262	1,003	-	633	
	Fuhwa Bond Fund	-	Short-term investments	250,355	3,000	-	3,034	
	JF Taiwan Wealth Management Fund	-	Short-term investments	1,000,000	10,000	-	10,000	
	<u>Bonds</u>							
	Hannstar Display Corp. Credit Linked Note	-	Short-term investments	300,000	10,425	-	10,425	
	Chunghwa Picture Tubes Corp. Credit Linked Note	-	Short-term investments	250,000	8,688	-	8,688	
	Man AP Unison Series 1 Ltd.	-	Short-term investments	100,000	3,475	-	3,475	
	<u>Common stocks</u>							
Yang Ming Line (Singapore) Pte. Ltd. (Note J)	Sunplus Technology Co., Ltd.	-	Short-term investments	759,375	66,499	0.11	36,530	
	Dbtel Incorporated	-	Short-term investments	426,059	33,154	0.07	7,190	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investments	295,680	27,787	-	17,002	
	Ritek Corporation	-	Short-term investments	279,500	25,553	0.01	5,832	
	Macronix International Co., Ltd.	-	Short-term investments	228,800	13,674	0.01	1,761	
	Au Optronics Corp.	-	Short-term investments	200,000	8,599	0.01	4,788	
	Winbond Electronics Corp.	-	Short-term investments	47,800	3,445	-	857	
	Silicon Integrated System Corp.	-	Short-term investments	50,000	2,659	0.01	1,183	
	Yang Ming Shipping (B.V.I.) Inc.	Equity-accounted investee	Investments in shares of stock	510	225,676	51.00	225,676	
	Young-Carrier Co., Ltd.	Equity-accounted investee	Investments in shares of stock	910,000	215,138	91.00	215,138	
	Yangming (Japan) Co., Ltd.	Equity-accounted investee	Investments in shares of stock	3,000	46,175	100.00	46,175	
	Yangming Shipping (Singapore) Pte. Ltd.	Equity-accounted investee	Investments in shares of stock	1,000,000	32,242	100.00	32,242	
	Yang Ming Line (M) Sdn. Bhd.	Equity-accounted investee	Investments in shares of stock	700,000	13,461	70.00	13,461	
	Yangming (Cayman) Ltd.	Equity-accounted investee	Investments in shares of stock	20,000	(56)	100.00	(56)	Note D
	Yang Ming Line (Hong Kong) Ltd.	Equity-accounted investee	Investments in shares of stock	510,000	(42,116)	51.00	(42,116)	Note D
	<u>Global depository receipt</u>							
	Permal Emerging Market Holdings N.V.	-	Short-term investments	358	17,335	-	18,861	
	Permal Investment Holdings N.V.	-	Short-term investments	175	17,325	-	17,955	
	ViaSource Policy Fund	-	Short-term investments	5	17,305	-	17,305	
	Sunplus Technology Co., Ltd. Global Depository Receipt	-	Short-term investments	83,837	16,327	-	8,067	
	Synnex Technology International Corp. GDR	-	Short-term investments	50,749	11,052	-	9,944	
Yangming (Japan) Co., Ltd. (Note J)	<u>Common stocks</u>							
	Manwa & Co., Ltd.	Equity-accounted investee	Investments in shares of stock	200	2,720	100.00	2,720	
Yang Ming Shipping (B.V.I.) Inc. (Note J)	<u>Common stocks</u>							
	Karman Properties Limited	Equity-accounted investee	Investments in shares of stock	1,000	(8,254)	100.00	(8,254)	Note D
Jing Ming Transportation Co., Ltd. (Note J)	<u>Common stocks</u>							
	Yang Ming Marine Transport Corp.	Parent company	Short-term investments	412	3,102	-	4,178	
Yang Ming Line (B.V.I.) Holding Co., Ltd. (Note J)	<u>Common stocks</u>							
	Yang Ming Line N.V.	Equity-accounted investee	Investments in shares of stock	1,500,000	(102,767)	100.00	(102,767)	Note D
Yang Ming Line N.V. (Note J)	<u>Common stocks</u>							
	Yang Ming Line B.V.	Equity-accounted investee	Investments in shares of stock	2,500	(106,584)	100.00	(106,584)	Note D

(Continued)

Investor	Type and Name of Securities Held	Relationship with the Investor	Financial Statement Account	June 30, 2003				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note A)	
Yang Ming Line B.V. (Note J)	<u>Common stocks</u> Yangming (UK) Ltd. Yang Ming Shipping Europe GmbH Yang Ming Italy S.p.A	Equity-accounted investee Equity-accounted investee Equity-accounted investee	Investments in shares of stock Investments in shares of stock Investments in shares of stock	900,000 Note B 125,000	(\$ 144,584) 48,392 24,014	100.00 100.00 50.00	(\$ 144,584) 48,392 24,014	Note D
Yangming (UK) Ltd. (Note J)	<u>Common stocks</u> Corstor Ltd. Yes Logistic UK Ltd.	Equity-accounted investee Equity-accounted investee	Investments in shares of stock Investments in shares of stock	Note C Note H	27 1,097	50.00 100.00	27 1,097	
Kuang Ming Shipping Corp. (Note J)	<u>Common stocks</u> Yang Ming Marine Transport Corp. China Steel Corporation Yuen Foong Yu Paper Mfg. Co., Ltd. Siliconware Precision Industries Co., Ltd. Kuang Ming Shipping Corp.(Panama) <u>Mutual fund</u> Forever Fund Rsit Enhanced Bond Fund Asia Pacific Bond Fund Fuh-Hwa Bond Fund Capital Safe Income Fund Phoenix Bond Fund <u>Convertible bonds</u> Yang Ming Marine Transport Corp. Convertible Bond-I	Parent company - - - - Equity-accounted investee - - - - - - Parent company	Short-term investments Short-term investments Short-term investments Short-term investments Investments in shares of stock Short-term investments Short-term investments Short-term investments Short-term investments Short-term investments Short-term investments Investments in shares of stock	1,704,995 607,603 3,440 594 49,500 381,263 482,174 414,893 412,718 364,894 350,184 50,000	34,405 14,183 57 32 68,519 5,000 5,000 5,000 5,000 5,000 5,000 5,000	0.09 - - - 100.00 - - - - - -	36,308 13,935 40 12 - 5,246 5,034 5,029 5,195 5,110 5,012 6,163	
Honming Terminal & Stevedoring Co., Ltd. (Note J)	<u>Common stocks</u> Taiwan Nano Electro-optical Technology Co., Ltd. Yes Logistics Corp.	- Equity-accounted investee	Investments in shares of stock Investments in shares of stock	2,400,000 1,068,800	36,000 10,138	4.00 2.00	1,662 992	
Yang Ming Line Holding Co. (Note J)	<u>Common Stocks</u> West Basin Container Terminal LLC United Terminal Leasing LLC <u>Deposit on subscriptions</u> Yang Ming (America)	Equity-accounted investee Equity-accounted investee -	Investments in shares of stock Investments in shares of stock Investments in shares of stock	Note E Note F -	153,790 33,514 17,305	40.00 40.00 -	153,790 33,514 -	
Yang Ming Shipping Europe GmbH (Note J)	<u>Common Stocks</u> Yes Logistics Europe GmbH	Equity-accounted investee	Investments in shares of stock	1	945	100.00	945	

Notes:

- A. The market values are based on average closing prices for June 2003 or the net value of the fund on June 30, 2003, or if market prices are unavailable, on the investee's net assets.
- B. The authorized stock amounted to DM\$1,600,000 and the paid-in capital was DM\$1,209,000.
- C. The paid-in capital was GBP\$900.
- D. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability
- E. This is equivalent to US\$3,800,000 and no shares were issued.
- F. This is equivalent to US\$1,000,000 and no shares were issued.
- G. Subsidiaries' holdings of the Corporation's shares were reclassified from investment in shares of stock to treasury stock proportionately.
- H. The issued capital stock amounted to GBP\$20,000.
- I. The investment income (loss) was recognized using the financial statements of the immediately preceding year, and the Corporation's equity was as of the investee's latest balance sheet presented since the financial statements covering the same reporting year as that of the Corporation were not timely available. The Corporation recognized investment income for the year ended December 31, 2002 based on audited financial statements for the same period.
- J. Information on investors is based on unaudited financial statements.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2003
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Yang Ming Marine Transport Corporation	<u>Mutual fund</u>													
	Entrust Kirin Bond Fund	Short-term investments	-	-	99,847,017	\$ 1,035,563	195,423,894	\$ 2,047,546	198,472,058	\$ 2,077,291	\$ 2,067,563	\$ 9,728	96,798,853	\$ 1,015,546
	Tiim High Yield Fund	Short-term investments	-	-	29,885,601	397,326	74,679,233	1,001,717	88,434,652	1,186,058	1,182,189	3,869	16,130,182	216,854
	Diamond Bond Fund	Short-term investments	-	-	-	-	90,945,296	986,000	90,945,296	988,879	986,000	2,879	-	-
	Tlam Sun Bond Fund	Short-term investments	-	-	42,308,746	424,000	40,256,272	406,000	61,416,986	619,575	616,000	3,575	21,148,032	214,000
	Fuh-Hwa Bond Fund	Short-term investments	-	-	46,624,838	579,481	46,624,838	583,622	46,624,838	583,621	579,481	4,140	46,624,838	583,622
	Rsit Enhanced Bond Fund	Short-term investments	-	-	52,784,584	544,420	1,345,442	14,000	52,784,584	547,463	544,420	3,043	1,345,442	14,000
	Ta Chong Bond Fund	Short-term investments	-	-	-	-	42,905,263	529,000	42,905,263	530,562	529,000	1,562	-	-
	Prudential Well Pool Fund	Short-term investments	-	-	41,307,080	488,000	10,669,672	127,000	41,307,080	488,365	488,000	365	10,669,672	127,000
	Tlam Solomon Bond Fund	Short-term investments	-	-	34,638,957	379,498	51,720,753	571,000	39,154,649	431,590	429,350	2,240	47,205,061	521,148
	Jih Sun Bond Fund	Short-term investments	-	-	4,679,530	60,000	21,512,107	277,000	26,191,637	337,790	337,000	790	-	-
	Capital Safe Income Fund	Short-term investments	-	-	9,171,615	126,900	30,368,413	424,203	20,165,299	282,103	280,000	2,103	19,374,729	271,103
	Asia Pacific Bond Fund	Short-term investments	-	-	-	-	23,031,069	277,000	23,031,069	277,669	277,000	669	-	-
	Capital cash Reserves Fund	Short-term investments	-	-	15,642,550	171,420	19,400,404	214,598	23,071,784	254,598	253,420	1,178	11,971,170	132,598
	Taiyu Long River Bond Fund	Short-term investments	-	-	5,791,226	64,000	15,320,274	171,000	21,111,500	235,899	235,000	899	-	-
	Phonix Bond Fund	Short-term investments	-	-	13,211,317	186,720	13,812,296	197,000	13,493,426	192,084	190,720	1,364	13,530,187	193,000
	KGI Victory Fund	Short-term investments	-	-	12,943,312	130,410	17,168,191	174,900	16,685,561	169,267	168,410	857	13,425,941	136,900
	Polaris Fu-Li Strategic Income Fund	Short-term investments	-	-	-	-	16,179,726	162,000	16,179,726	162,441	162,000	441	-	-
	Deutsche Managed Euro Fund	Short-term investments	-	-	-	-	-	145,595	-	146,623	145,595	1,028	-	-
	Forever Fund	Short-term investments	-	-	-	-	10,202,213	140,000	10,202,213	140,351	140,000	351	-	-
	Sheng Hua 5599 Bond Fund	Short-term investments	-	-	-	-	11,294,180	119,000	11,294,180	119,174	119,000	174	-	-
	Transcend Fortune Bond Fund	Short-term investments	-	-	-	-	10,100,625	116,000	10,100,625	116,266	116,000	266	-	-
	IIT High Yield Fund	Short-term investments	-	-	-	-	7,320,966	100,000	7,320,966	100,195	100,000	195	-	-
	Fubon Ju-I Two Fund	Short-term investments	-	-	3,208,799	44,000	10,184,460	141,000	5,016,842	69,125	69,000	125	8,376,417	116,000
	Sheng Hua 1699 Bond Fund	Short-term investments	-	-	1,889,888	22,000	10,063,875	118,000	5,310,915	62,191	62,000	191	6,642,848	78,000
	Prudential Bond Fund	Short-term investments	-	-	7,667,872	112,000	36,744,904	538,365	272,669	4,000	3,982	18	44,140,107	646,383
	Reliance US Short-term Fixed Income Fund	Short-term investments	-	-	-	-	39,522,524	400,000	-	-	-	-	39,522,524	400,000
	Fuhwa Bond Fund	Short-term investments	-	-	-	-	11,999,104	145,000	-	-	-	-	11,999,104	145,000
	Invesco GP ROC Bond Fund	Short-term investments	-	-	-	-	7,041,460	100,000	-	-	-	-	7,041,460	100,000
All Oceans Transportation, Inc.	<u>Mutual fund</u>	Short-term investments												
	EnTrust Kirin Bond Fund	Short-term investments	-	-	-	-	97,094,816	1,014,000	96,798,853	1,013,000	1,010,909	2,091	295,963	3,091
	Phonix Bond Fund	Short-term investments	-	-	-	-	13,487,503	192,000	13,487,503	192,391	192,000	391	-	-
		Short-term investments	-	-	-	-	56,362,828	621,000	56,362,828	622,234	621,000	1,234	-	-
Ching Ming Investment Corp.	<u>Common Stock</u>	Short-term investments												
	Yang Ming Marine Transport Corporation	Short-term investments	-	-	65,838,308	1,271,737	-	-	8,238,000	171,171	159,126	12,045	57,600,308	1,112,611

Notes: Investees' information was based on unaudited financial statements as of June 30, 2003.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

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

JUNE 30, 2003

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yang Ming Marine Transport Corp.	All Oceans Transportation, Inc.	A	\$ 10,991,772 (Note C)	-	\$ -	-	\$ -	\$ -
	Yang Ming Line (Singapore) Pte. Ltd.	A	706,044 (Note D)	-	-	-	-	-
	Young-Carrier Company Ltd.	B	460,055	-	-	-	340,578	-
	Yangming (UK) Ltd.	B	125,637	-	-	-	17,211	-
	Yang Ming Italy S.p.A	B	253,469	-	-	-	251,653	-

Notes:

- A. An equity-accounted investee.
- B. An equity-accounted investee of a wholly owned subsidiaries.
- C. Including long-term receivables from related parties.
- D. Dividend receivable.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE SIX MONTHS ENDED JUNE 30, 2003
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note D)		Balance as of June 30, 2003			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2003	December 31, 2002	Shares	Percentage of Ownership	Carrying Value			
Yang Ming Marine Transport Corp.	Yang Ming Line (B.V.I.) Holding Co., Ltd.	British Virgin Islands	Investment, shipping and forwarding agent and shipping management	\$ 2,136,925	\$ 2,136,925	67,505,031	100.00	\$ 3,187,253	\$ 409,952	\$ 409,949	Subsidiary of the Corporation
	Yang Ming Line (Singapore) Pte. Ltd.	Singapore	Investment, shipping service, chartering, sale and purchase of ships and forwarding agency	569,686	569,686	28,400,000	100.00	1,131,617	120,817	143,036	Subsidiary of the Corporation
	Ching Ming Investment Corp.	Taipei	Investment	1,499,468	1,499,468	149,946,800	99.96	(40,426)	647,034	32,684	Subsidiary of the Corporation
	All Oceans Transportation, Inc.	Monrovia, Republic of Liberia	Shipping and forwarding agent and shipping management	3,235	3,235	1,000	100.00	505,182	276,402	276,402	Subsidiary of the Corporation
	YES Logistics Corp.	Keelung	Warehouse operation and forwarding agency	451,944	451,944	45,251,100	90.50	419,533	(8,457)	(7,653)	Subsidiary of the Corporation
	Kuang Ming Shipping Corp.	Taipei	Shipping service, shipping and forwarding agency	145,085	145,085	31,499,417	100.00	282,651	15,219	(1,246)	Subsidiary of the Corporation
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung	Terminal operation and stevedoring	316,000	316,000	31,600,000	79.00	341,341	13,364	10,462	Subsidiary of the Corporation
	Jing Ming Transportation Co., Ltd.	Kaohsiung	Container transportation	35,560	35,560	4,899,539	50.80	62,922	8,960	3,386	Subsidiary of the Corporation
	Yang Ming Line Holding Co.	Wilmington, USA	Investment, shipping and forwarding agent and shipping management	52,297	52,297	7,500	100.00	132,707	28,218	28,219	Subsidiary of the Corporation
	Transyang Shipping Pte. Ltd.	Singapore	Shipping service, chartering, sale and purchase of ships, forwarding and shipping agent	24,842	24,842	686	24.99	83,976	31,238	7,807	(Note C)
Chunghwa Investment Co., Ltd	Taipei	Investment	800,000	800,000	80,000,000	40.00	795,598	(14,858)	(5,943)	Exercised significant influence on the Company	
Ching Ming Investment Corp.	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung	Terminal operation and stevedoring	39,500	39,500	3,950,000	9.88	45,408	12,064	-	Subsidiary of the Corporation
Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Los Angeles, USA	Terminal operation and stevedoring	132,050	132,050	(Note F)	40.00	144,441	37,722	-	Exercised significant influence on the Company
	United Terminal Leasing LLC	Los Angeles, USA	Terminal operation machine leaseament	34,750	34,750	(Note G)	40.00	34,750	2,723	-	Exercised significant influence on the Company
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line N.V.	Netherlands Antilles	Investment, shipping and forwarding agent and shipping management	41,235	41,235	1,500,000	100.00	(102,767)	47,443	-	Indirect subsidiary
Yang Ming Line N.V.	Yang Ming Line B.V.	Amsterdam, The Netherlands	Investment, shipping and forwarding agent and shipping management	41,235	41,235	2,500	100.00	(106,584)	47,650	-	Indirect subsidiary
	Yangming (UK) Ltd.	London U.K.	Investment, shipping and forwarding agent and shipping management	42,408	42,408	900,000	100.00	(144,584)	30,785	-	Indirect subsidiary
	Yang Ming Shipping Europe GmbH	Hamburg, Germany	Investment, shipping and forwarding agent and shipping management	29,697	14,448	(Note A)	100.00	48,392	1,849	-	Indirect subsidiary
Yang Ming Line N.V.	Yang Ming Italy S.p.A.	Genova, Italy	Shipping agent	4,319	4,319	125,000	50.00	24,014	38,132	-	Indirect subsidiary
Yangming (UK) Ltd.	Corstor Ltd.	U.K.	Forwarding agent and shipping management	25	25	(Note B)	50.00	27	1,419	-	Indirect subsidiary
	Yes Logistics (UK) Limited.	U.K.	Shipping agent	1,097	-	(Note H)	100.00	1,097	2,386	-	Indirect subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note D)		Balance as of June 30, 2003			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2003	December 31, 2002	Shares	Percentage of Ownership	Carrying Value			
Yangming Shipping (Singapore) Pte Ltd.	Young-Carrier Company Ltd.	Hong Kong	Investment, shipping and forwarding agent and shipping management	\$ 3,229	\$ 3,229	910,000	91.00	\$ 215,138	\$ 52,569	\$ -	Indirect subsidiary
	Yang Ming Shipping (B.V.I) Inc.	British Virgin Islands	Forwarding agency and shipping agent	16	16	510	51.00	225,676	71,447	-	Indirect subsidiary
	Yangming (Japan) Co., Ltd.	Tokyo, Japan	Shipping service, chartering, sale and purchase of ships and forwarding agent	36,235	36,235	3,000	100.00	46,175	5,580	-	Indirect subsidiary
	Yang Ming Line (Hong Kong) Ltd.	Hong Kong	Forwarding and shipping agent	2,138	2,138	510,000	51.00	(42,116)	(19,542)	-	Indirect subsidiary
	Yangming Shipping (Singapore) Pte Ltd.	Singapore	Shipping and forwarding agency and shipping management	18,851	18,851	1,000,000	100.00	(Note E) 32,242	7,132	-	Indirect subsidiary
	Yang Ming Line (M) Sdn. Bhd.	Malaysia	Shipping agency, forwarding agent and shipping management	5,784	5,784	700,000	70.00	13,461	2,875	-	Indirect subsidiary
	Yangming (Cayman) Ltd.	Cayman Island	Shipping lease	629	629	20,000	100.00	(56)	(69)	-	Indirect subsidiary
Yangming (Japan) Co., Ltd.	Manwa & Co., Ltd.	Tokyo, Japan	Forwarding and shipping agent	2,666	2,666	200	100.00	2,720	18	-	Indirect subsidiary
Yang Ming Shipping (B.V.I) Inc.	Karman Properties Limited	Hong Kong	Property agent	4	4	1,000	100.00	(8,254)	(1,450)	-	Indirect subsidiary
Kuang Ming Shipping Corp.	Kuang Ming Shipping Corp. (Panama)	Panama	Forwarding agent	30,887	30,887	49,500	100.00	67,025	(7,476)	-	Indirect subsidiary
Honming Terminal & Stevedoring Co., Ltd.	YES Logistics Corp.	Keelung	Warehouse operation and forwarding agent	10,610	10,610	1,061,000	2.10	10,139	(8,457)	-	Indirect subsidiary
YES Logistics Corp.	Yes Logistics Corp. (USA)	Auckland, USA	Shipping and forwarding agency and shipping managers	3,313	3,313	100,000	100.00	2,750	-	-	Indirect subsidiary
	Honming Terminal & Stevedoring Co., Ltd. Yes Logistics Corp., Ltd. (Hong Kong)	Kaohsiung Hong Kong	Terminal operation and stevedoring Shipping agent	43,824 425	43,824 425	4,382,370 100,000	10.96 100.00	47,884 447	13,364 -	- -	Indirect subsidiary Indirect subsidiary
Yang Ming Shipping Europe GmbH	Yes Logistics Europe GmbH	Hamburg, Germany	Shipping agent	945	-	1	100.00	945	-	-	Indirect subsidiary

Notes:

- A. The authorized stock amounted to DM\$1,600,000 and paid-in capital was DM\$800,000.
- B. The authorized stock and paid-in capital both amounted to GBP\$1,000.
- C. Under approval of the Securities and Future Commission (SFC), starting from January 1, 2000, the Corporation's equity in the net income or net loss of Transyang Shipping is recognized using the financial statements of the immediately preceding year and the Corporation's equity may be based on the investee's latest balance sheet date since the investee's financial statements covering the same reporting year as that of the Corporation are not timely available.
- D. This is translated into New Taiwan dollars at the exchange rate prevailing at the time the investments are acquired.
- E. Investees had negative net assets. Thus, the negative carrying value of the investments were presented as liability.
- F. This is equivalent to US\$3,800,000 and no shares were issued.
- G. This is equivalent to US\$1,000,000 and no shares were issued.
- H. The paid-in capital was equivalent to GBP\$20,000 and no shares were issued.
- I. Investees' information is based on unaudited financial reports as of June 30, 2003, except those of Transyang Shipping Pte. Ltd.