



YANG MING MARINE
TRANSPORT CORP.

ANNUAL REPORT 2001

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CONTENTS

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

CHAPTER 1 LETTER TO SHAREHOLDERS

Dear Shareholders :

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

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

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

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

Sincerely,

Ting-huei Chen
Chairman

CHAPTER 2 COMPANY UPDATE

1. Company Brief

1.1 Registration Date of the Establishment: December 29, 1972

1.2 Chronology of Yang Ming

1972-1981

- Yang Ming Marine Transport Corporation is established on Dec. 28 with a capital of NT\$100,000,000.
- A 28,700 D.W.T.bulk carrier, Ming Joy, is completed and put into service.
- Four multiple-purpose ships are added to Yang Ming's first container fleet.
- New full-container liner service between Asia / U.S. East & West Coast is inaugurated, with a fleet of seven 2,054 TEU full-container vessels serving the route.
- Yang Ming inaugurates its Asia / Mediterranean liner service.

1982-1991

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

1992-2001

- Yang Ming shares are listed on the Taiwan Stock Exchange.
- Three 3,604 TEU full-container ships are completed and join Yang Ming's worldwide service.

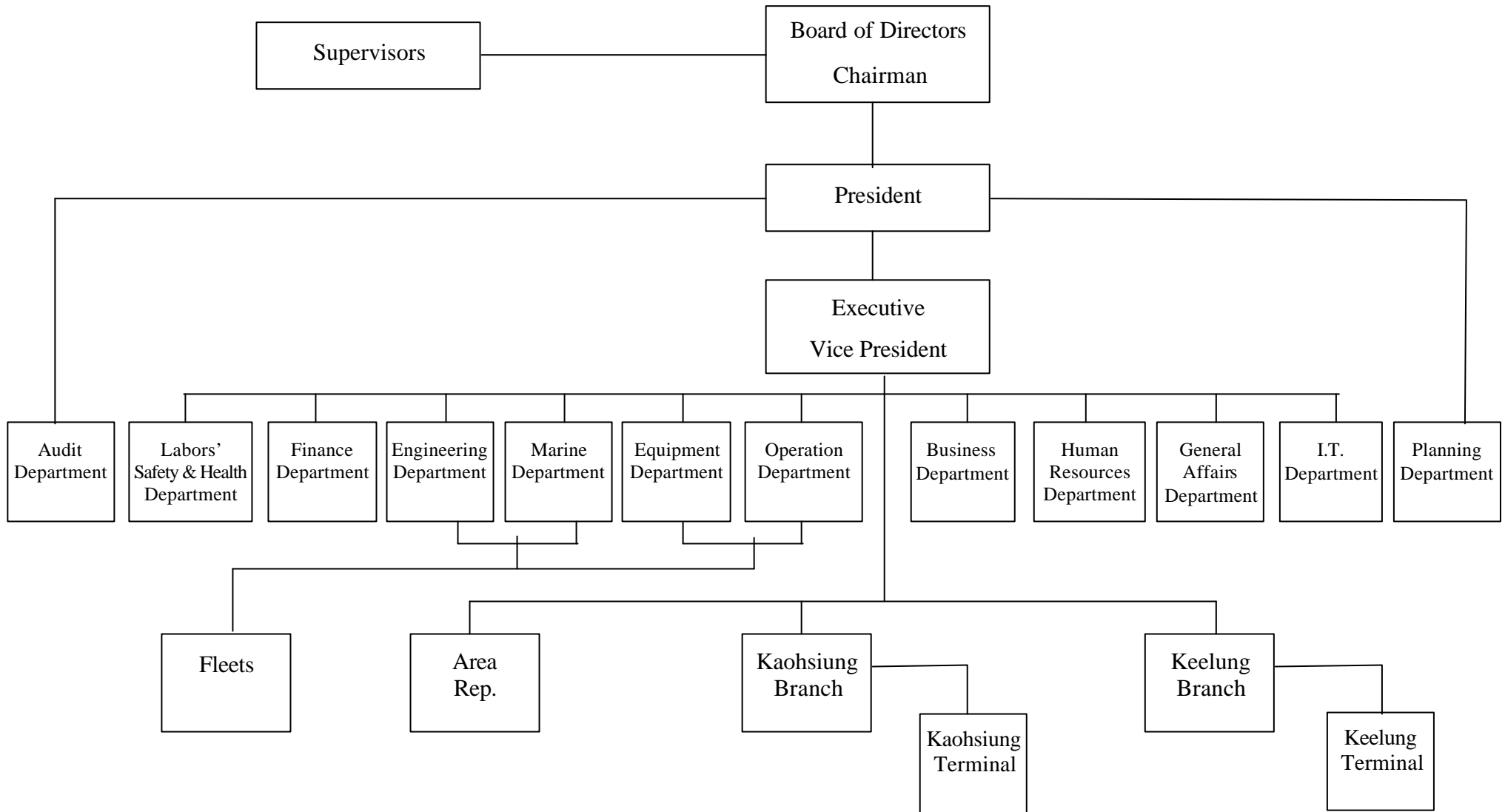
- Five 3,725 full-container vessels, namely Ming East, Ming West, Ming South, Ming North, and Ming Zenith, are completed and put into service.
- The China Merchants Steam Navigation Co., Ltd. is merged into Yang Ming.
- A joint service with “K”LINE on both the Asia / U.S.A. Pacific Coast and the Asia / North Europe routes is inaugurated.
- In 1996, Yang Ming obtains ISO 9002 / ISM CODE accreditation and also the ROC's National Outstanding Quality Case Award.
- Through a consortium agreement with “K”LINE, Yang Ming inaugurates its TA (Trans-Atlantic) service, providing a weekly North Europe / North America full-container Liner service to meet its global accounts' requirements.
- Off-shore transshipment link service between Kaohsiung and Xiamen and weekly service routes in Asia / Persian Gulf(U.A.E.) / Sub-continent(India / Pakistan) full-container liner service are inaugurated.
- Yang Ming provides free marine service by transporting relief materials for Taiwan's 9-21 earthquake disaster area.
- Seven 5,500 TUE Post-panamax full-container vessels, Ming Plum, Ming Orchid, Ming Bamboo, Ming Pine, Ming Cosmos, Ming Cypress and Ming Green, are completed and join Yang Ming's fleet service.
- Yang Ming Marine Transport Cooperation, COSCO Container Lines Ltd., Kawasaki Kisen Kaisha, Ltd., and Hanjin Shipping Co., Ltd. (also representing Senator Lines GmbH) agree to establish CKYH consortium in order to provide best services to their customers.

2002

- Yang Ming cooperates with “K”LINE and COSCON to integrate its Asia / U.S. East Coast Express Liner Service and Trans-Atlantic III Service into Asia / U.S. East Coast / Europe-Mediterranean Pendulum services, commencing in February, 2002.
- Yang Ming and “K”LINE rationalize their service routes on a global basis to provide best service to their customers. The new joint service, including PSW-1 / AES-1 Pendulum Service, PSW2 Service, PSW3 Service, PNW Service, AES2 Service, is commenced at end of March, 2002.
- Yang Ming, COSCON, “K”LINE and Hanjin Shipping conclude Europe / U.S. Atlantic & Gulf Coast Slot Purchase Agreement with Americana Ships and Grand Alliance.

2. Organizational Structure

2.1 Yang Ming organizational structure is shown below:



2.2 Directors and Supervisors

Dec 31, 2001

Position	Chairman Board of Directors	Director	Director	Director	Director	Executive Supervisor	Supervisor	Director	Director
Name	Ting -huei Chen	Duei Tsai	Wen-shan Lin	Chia-juch Chang	Jian-li Wu	Bing-huang Shih	He-gui Chen	Benny T. Hu	Nina Kung
Date appointed	2001.6.20	2001.6.20	2001.6.20	2001.6.20	2001.6.20	2001.6.20	2001.6.20	2001.6.20	2001.6.20
Term of Appointment	reelectable upon expiration of effectual period								
Holding shares	shares	Directors and Supervisors herein as representatives of the MOTC, and holding a total of 781,738,458 shares						925,846	51,322,802
	ratio of holding shares(%)	which represent 42.62% of the company's stocks						0.0505%	2.7980%
Spouse, under-aged children's holding shares	shares	-	-	-	-	-	-	-	-
	ratio of holding shares(%)	-	-	-	-	-	-	-	-

2.3 Top management

Dec 31, 2001

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

3. Capital and Shares Issuance

3.1 Capital and shares

3.1.1 Shares category

Dec 31, 2001

Shares category	Authorized capital					Amount of shares of convertible bonds
	Shares Issued			Non-issuance shares	Total shares	
	Listed	Unlisted	Total			
Common stock	1,834,316,030	-	1,834,316,030	565,683,970	2,400,000,000	58,569,604

3.1.2 Shares issuance

Date	Par value (NT\$)	Authorized capital		Actual capital received		Notes	
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of capital	Capital source other than cash
2000.08	10	2,400,000,000	24,000,000,000	1,780,889,349	17,808,893,490	Capital increase from capital surplus 1,007,972,320 Convertible bonds transformation 1,382,580	-
2001.09	10	2,400,000,000	24,000,000,000	1,834,316,030	18,343,160,300	Capital increase from earnings 356,177,870 Capital increase from capital surplus 178,088,940	-

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

Unit : NT Dollars

Year		2002.1.1 ~2002.4.30	2001.1.1 ~2001.12.31	2000.1.1 ~2000.12.31
Items				
Market-price per share	Highest price	10.15	15.40	21.70
	Lowest price	7.60	5.90	10.80
	Average price	8.78	9.31	15.73
Net worth per share	Unappropriated	-	13.11	14.06
	Appropriated	-	13.11	13.76
Earnings per share	Weighted average number of outstanding shares	1,834,316,030 shares	1,834,316,030 shares	1,780,889,349 shares
	Earnings per share	-	(0.37)	0.67
Dividends per share	Cash dividend	-	-	0.30
	Stock dividend	-	-	0.30
Return on Investment	Price / Earnings ratio	-	-	23.48
	Price / Cash dividends ratio	-	-	52.43
	Cash dividends/ Price ratio	-	-	0.019

4 Issuance of Corporate Bonds

4.1 Status of Corporate Bonds Issuance :

Dec 31,2001

Bond Category	First Overseas Convertible Bonds	First Debenture Bonds	First Domestic Convertible Bonds	Third Debenture Bonds (secured)	Fourth Debenture Bonds (secured)	Fifth Debenture Bonds (secured)	Sixth Debenture Bonds	Seventh Debenture Bonds	Eighth Debenture Bonds
Date of Issuance	1994.10.6	1996.6.28	1997.8.2	1999.6.30	1999.7.20	1999.11.25	2000.6.1	2000.11.20	2001.7.16
Par Value	USD 1,000	NTD 1 million	NTD 0.1 million	NTD 1 million	NTD 1 million	NTD 1 million	NTD 1 million	NTD 1 million	NTD 1 million
Place of Issuance and Exchange	London, UK	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.
Issuance Price	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value
Total Amount	USD 160 million	NTD 1,500 million	NTD 2,500 million	NTD1,000 million	NTD 1,300 million	NTD 700 million	NTD 3,000 million	NTD 2,400 million	NTD 1,100 million
Interest Rate	2.5%	6.794%	4.5%	5.8000~5.8841 %	5.72%	5.75%	7 years (1,200 million) -5.70% 10 years (1,800 million) -6.09%	6.02%	4.49%
Terms of Reimbursement	7 years, Date of Maturity: 2001.10.6	5 years, Date of Maturity: 2001.6.28	7 years, Date of maturity: 2004.8.1	3 years, Date of maturity:2002.7.7	3 years Date of maturity: 2002.7.23	5 years: Date of maturity: 2004.11.25	7 years :Date of maturity:2007.6.7 10 years : Date of maturity:2010.6.9	12years, Date of maturity: 2012.11.29	7years, Date of maturity: 2008.7.20
Guarantor	Nil	Nil	Nil	Nil (Vessels as guarantees)	The International Commercial Bank of China Foreign Dep. Hua-Nan commercial Bank Ltd Chi-Du Sub. Branch LandBank of Taiwan Operation Dep	Taipei Bank Chien Cheng branch	Nil	Nil	Nil
Trustee	Bankers Trustee Company	China Trust Commercial Bank	Bank of Taiwan Trust Dep.	Central Trust of China Trust Dep.	Central Trust of China Trust Dep.	Central Trust of China Trust Dep.	Central Trust of China Trust Dep.	Central Trust of China Trust Dep.	Central Trust of China Trust Dep.
Underwriter	BARING BROTHERS CO., LTD.	Core Pacific Securities Corp.	Capital Securities Corp.	Capital Securities Corp.	Taiwan International Securities Corp. ; Capital Securities Corp.	Masperlink Securities Corp. ; Taiwan Securities Corp.	Taiwan International Securities Corp., Taiwan Securities Corp., Capital Securities Corp., MasterLink Securities Corp., Core Securities Corp.	Jih Sun Securities Corp. Taiwan Securities Corp.	Yuanta Core Pacific Securities
Audit Lawyer	Lee & Li Attorney-at-Law	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin
Audit Accountant	TN SOONG & Co.	TN SOONG & Co.	TN SOONG & Co.	TN SOONG & Co.	TN SOONG & Co.	TN SOONG & Co.	TN SOONG & Co.	TN SOONG & Co.	TN SOONG & Co.
Way of Reimbursement	Reimbursed in cash upon maturity	Maturity : For 3,4,5 years, 33%, 33%, 34% due respectively.	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Maturity : 7years: For5,6,7 years, 33%, 33%, 34% due respectively. 10years: For8,9,10 years, 33%, 33%, 34% due respectively.	Maturity : For 10,11,12 years, 20%, 40%,40% due respectively.	Maturity : For 5,6,7 years, 20%, 40%,40% due respectively.
Unreimbursed Amount	-	-	NTD 917. 2 million	NTD 1,000 million	NTD 1,300 million	NTD 700 million	NTD 3,000 million	NTD 2,400 million	NTD 1,100 million
Conditions of Recall or Recall in Advance	Yes	Nil	Yes	Yes	Nil	Nil	Nil	Nil	Nil
Conditions of Restriction	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Credit Rating Agency, Rating Date, Rating	-	-	-	-	-	-	Taiwan Ratings Corporation, 2000.3.6 twA	Taiwan Ratings Corporation, 2000.9.26 twA	Taiwan Ratings Corporation, 2001.6.21 twA
Amount of Converted Common Stock , GDR or other valuable securities	USD 7.861 million	Inappropriate	NTD 1,578.90 million	Inappropriate	Inappropriate	Inappropriate	Inappropriate	Inappropriate	Inappropriate

4.2 Issuance of Convertible Bonds

Bond Category		First Domestic Convertible Bonds				
Period		2002.01.01~ 2002.04.30	2001.01.01~ 2001.12.31	2000.01.01~ 2000.12.31	1999.01.01~ 1999.12.31	1998.01.01~ 1998.12.31
Market Price	the highest	100.30	101.60	100.80	120.80	107.50
	the lowest	95.90	96.00	95.00	91.00	92.10
	the average	99.07	99.23	97.07	98.38	97.43
Convertible Price		15.66	15.66	17.10	20.70	22.03
Issuance Date		1997.8.2				
Convertible Price at Issuance Date		NT\$31.67				

5. Issuance of GDR

Conditions of the issuance of GDR

Dec 31, 2001

Date of Issuance		Nov 14, 1996	
Place of Issuance and Exchange	London Stock Exchange		
Total amount of Issuance	USD 116,392,201.2		
Issuance price	USD 11.64		
Total units of Issuance	9,999,330 units of GDR		
Underling security	Capital increase by public offering of common shares		
Units of underling security	99,993,300 common shares		
The right & obligation of GDR holders	Same right & obligation with the YMTC'S common shares		
Depository	Citibank N. A.		
Custodian	Citibank N. A. Taipei branch		
Outstanding shares	117,889,598 shares		
Allocation of related expenses for issuance and During existence.	To be borne by the company		
Major covenants of deposit agreement and Custody agreement	In accordance with the law of R.O.C. and State of New York, U.S.A.		
Market price per unit	2001	the highest	USD 4.650
		the lowest	USD 1.764
		the average	USD 2.870
	From 2002.1.1 to 2002.4.30	the highest	USD 2.836
		the lowest	USD 2.216
		the average	USD 2.529

CHAPTER 3 BUSINESS UPDATE

1. Business Profile, Operating Fleet & Service Scope

1.1 Business Profile :

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

1.2 Operating Fleet & Service Scope :

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

The service scope of year 2001 includes the following three categories:

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

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

Unit : TEU

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

2. Market Analysis

2.1 Transpacific Trade

In 2001, because the eastbound volume from Asia stalled and overcapacity built up, the ocean freight of eastbound Transpacific declined compared to the level of year 2000. For westbound, the trade suffered a further decline during 2001.

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

2.2 F.E.-Europe Trade

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

2.3 Transatlantic Trade

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

2.4 Intra-Asia Trade

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

3. Employees Status

April 30, 2002

Education	year	2002.1.1~2002.4.30		2001.1.1~2001.12.31		2000.1.1~2000.12.31	
		categories		categories		categories	
		office service	sea service	office service	sea service	office service	sea service
	no. of employees	644	407	654	408	688	432
Ph. D		1	-	1	-	1	-
Master degree		68	-	71	1	67	1
College		469	230	474	112	502	245
High school		82	125	84	130	87	126
Middle school and below		24	52	24	54	31	60
Average age		41.33		40.38		38.11	
Average service years		11.79		11.57		10.98	
Total		1,051		1,062		1,120	

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

4. Environmental Protection

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

5. Relationship with Employees

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

6. Important Contracts

Dec 31, 2001

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

7. Disposal or Acquisition of Major Assets

7.1 Acquisition of Major Assets

7.1.1 Yang Ming Marine Transport Corp Acquisition of Major Assets

Unit: NT\$1,000

Items	Acquisition Date	Price	Sellers	Relationship with YMTC	Status
Container Box	2001.2	1,942,892	CIMC and other 9 Factories	Nil	In operating
Chassis	2001.3	951,143	Hyundai Precision America, Inc.	Nil	In operating

7.1.2 Subsidiaries Acquisition of Major Assets

Unit: NT\$1,000

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

7.2 Disposal of Major Assets

7.2.1 Yang Ming Marine Transport Corp Disposal of Major Assets

Unit: NT\$1,000

Items	Acquisition Date	Disposal Date	Book Value	Disposal Price	Disposal Income	Buyers	Relationship with the Company
One Container Vessel	2001.4.18	2001.4.20	1,776,190	1,776,190	-	All Oceans Transportation Inc.	Related Party
One Container Vessel	2001.7.18	2001.7.20	1,838,436	1,838,436	-	All Oceans Transportation Inc.	Related Party
Chassis	2001.2	2001.12.28	537,502	574,723	37,221	LaSalle National Leasing Corp.	Non related Party
One Container Vessel	2001.3.26	2002.03.06	1,883,484	1,883,484	-	All Oceans Transportation Inc.	Related Party
One container Vessel	2001.04.07	2002.03.21	1,890,759	1,890,759	-	All Oceans Transportation Inc.	Related Party

CHAPTER4 FUND UTILIZATION PLAN

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

UNIT : NT\$1,000

Items of Plan	Utilization		Accumulated
Building of 10,000TEU Containers	Expenditure	Planned	540,000
		Actual	540,000
	Completion	Planned	100 %
		Actual	100 %
Purchase of Gantry Crane*	Expenditure	Planned	960,000
		Actual	960,000
	Completion	Planned	100 %
		Actual	100 %
Total	Expenditure	Planned	1,500,000
		Actual	1,500,000
	Completion	Planned	100 %
		Actual	100%

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

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

UNIT: NT\$1,000

Items of Plan	Utilization		Accumulated
Building of two 5,500TEU Container Vessels	Expenditure	Planned	3,917,364
		Actual	3,917,364
	Completion	Planned	100%
		Actual	100%

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

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

UNIT: NT\$1,000

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

Note : Total payment NT 3,502,788thousand dollar, including NT 2,788thousand dollar which paid by operating cash flow.

CHAPTER 5 FINANCIAL STATEMENTS AND REPORTS

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

1.1 Balance Sheet

UNIT : NT\$1,000

Items	Year	Accounting data for the recent 5 years				
		2001.12.31	2000.12.31	1999.12.31	1998.12.31	1998.06.30
Current Assets		10,572,307	13,603,805	8,523,526	5,956,186	6,459,809
Net Properties		19,443,064	16,275,097	17,241,468	18,354,328	18,096,684
Other Assets		7,106,119	7,078,853	9,003,932	11,871,461	13,741,048
Current Liabilities	Unappropriated	9,067,338	8,464,124	7,085,203	11,345,713	4,736,814
	Appropriated	-	9,007,866	7,764,071	11,345,713	4,736,814
Total Long-Term Debts		11,210,422	10,020,069	6,516,287	5,867,158	12,687,016
Total capital stock		18,343,160	17,808,893	16,800,842	15,652,692	15,590,958
Total retained earnings	Unappropriated	1,413,423	2,995,688	2,632,613	1,081,538	2,106,685
	Appropriated	-	2,095,768	1,953,745	1,081,538	2,106,685
Total Assets		45,504,980	44,327,117	38,656,641	40,136,103	41,014,037
Total Liabilities	Unappropriated	21,451,949	19,283,149	14,299,510	17,811,721	17,963,054
	Appropriated	-	19,826,891	14,978,378	17,811,721	17,963,054
Total Stockholders' Equities	Unappropriated	24,053,031	25,043,968	24,357,131	22,324,382	23,050,983
	Appropriated	-	24,500,226	23,678,263	22,324,382	23,050,983

1.2 Income Statement

UNIT : NT\$1,000

Items	Year	Accounting data for the recent 5 years				
		2001.1.1 ~ 2001.12.31	2000.1.1 ~ 2000.12.31	1999.1.1 ~ 1999.12.31	1998.7.1 ~ 1998.12.31	1997.7.1 ~ 1998.6.30
Operating revenue		45,411,519	50,575,836	45,168,078	19,268,482	35,358,271
Gross profit(loss)		46,021	1,583,778	2,337,487	(580,300)	(1,413,674)
Operating income(loss)		(813,886)	609,523	1,484,319	(964,407)	(2,144,211)
Interest income		436,550	477,941	439,869	295,652	344,928
Interest expenses		685,490	531,706	510,956	386,475	870,471
Income (loss) before income tax		(449,402)	1,763,929	1,879,648	(1,033,495)	399,989
Net income (loss)		(675,045)	1,200,846	1,675,055	(895,833)	880,054
Earnings per share		(0.37)	0.67	1.00	(0.57)	0.58
Capitalized interest		12,296	2,266	10,231	1,800	-

1.3 CPA and Audit results for the past 5 years

Year	CPA name	Audit results
1997.7.1~1998.6.30	Clark Chen、 Elic C. Wang	Unqualified
1998.7.1~1998.12.31	Clark Chen、 Elic C. Wang	Unqualified
1999.1.1~1999.12.31	Clark Chen、 Victor Wang	Unqualified
2000.1.1~2000.12.31	Clark Chen、 Victor Wang	Revise Unqualified
2001.1.1~2001.12.31	Clark Chen、 Victor Wang	Revise Unqualified

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

Items		Year	Financial Analysis for the years from 1997 to 2001					
			2001.1.1~ 2001.12.31	2000.1.1~ 2000.12.31	1999.1.1~ 1999.12.31	1998.7.1~ 1998.12.31	1997.7.1~ 1998.6.30	
Financial conditions	Debt to Total Assets Ratio		47.14	43.50	36.99	44.38	43.80	
	Long-term funds to net properties		178.90	212.28	175.95	150.64	194.20	
Institutional solvency	Current ratio (%)		116.60	160.57	120.30	52.50	136.37	
	Acid-test ratio (%)		106.68	149.57	102.41	41.37	110.43	
	Time interest earned		0.34	4.32	4.68	(1.67)	1.46	
Operating performance	Receivables turnover		28.51	30.55	37.34	35.70	34.36	
	Average collection period(days)		12.80	11.95	9.78	10.23	10.62	
	Turnover of the fixed assets		2.34	3.10	2.62	2.10	1.95	
	Turnover of the total assets		1.00	1.14	1.17	0.96	0.86	
Profitability	Return on total assets (%)		(0.36)	3.86	5.22	(1.49)	3.83	
	Return on stockholder' s equity (%)		(2.75)	4.86	7.18	(3.95)	3.99	
	Ratio of income against paid-in capital (%)	Operating income		(4.44)	3.42	8.83	(6.16)	(13.75)
		Pre-tax income		(2.45)	9.90	11.19	(6.60)	2.57
	Profit Margin (%)		(1.49)	2.37	3.71	(4.65)	2.49	
	Earnings per share (note1)		(0.37)	0.67	1.00	(0.57)	0.58	
Cash flow	Cash flow ratio (%)		31.15	45.59	74.23	0.47	10.91	
	Cash flow adequacy ratio (%)		50.15	66.60	59.77	47.26	64.73	
	Cash reinvestment ratio (%)		4.23	5.76	9.86	0.11	0.90	
Leverage	Operation Leverage		-	11.73	5.09	-	-	
	Finance Leverage		0.54	7.83	1.52	0.71	0.71	

Note 1 : According to the adjusted outstanding shares.

3. Financial Reports As of Dec. 31, 2001

3.1 Independent Auditors' Report

March 5, 2002

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

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

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

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

Notice to Readers

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

YANG MING MARINE TRANSPORT CORPORATION

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

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

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

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

STATEMENTS OF INCOME

For the Years Ended December 31, 2001 and 2000

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

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

(Forward)

NET INCOME (LOSS) PER SHARE

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

(\$ 0.37)

\$ 0.67

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

\$ 0.65

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

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

YANG MING MARINE TRANSPORT CORPORATION
 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 For the Years Ended December 31, 2001 and 2000
 (In Thousands of New Taiwan Dollars, Except Par Value and Per Share Amounts)

	CAPITAL STOCK (\$10 PAR VALUE)				CAPITAL SURPLUS (Notes 2 and 14)				RETAINED EARNINGS (Notes 2, 14 and 15)				UNREALIZED LOSS ON INVESTMENT IN SHARES OF STOCKS (Note 2)	CUMULATIVE TRANSLATION ADJUSTMENTS (Note 2)	TOTAL STOCKHOLDERS' EQUITY	
	Issued		Certificates of Conversion of Bonds to Stocks	Total	Paid-in Capital in Excess of Par Value	Gain on Sales of Properties	From Investment in Shares of Stock	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)					Total
	Shares (Thousand)	Amount									(Accumulated Deficit)	Total				
BALANCE, JANUARY 1, 2000	1,679,954	\$16,799,538	\$ 1,304	\$16,800,842	\$3,576,326	\$ 1,273,751	\$ 4,677	\$4,854,754	\$ 725,451	\$ 1,141,939	\$ 765,223	\$2,632,613	\$ -	\$ 68,922	\$24,357,131	
Issuance of capital stock	138	1,383	(1,304)	79	(79)	-	-	(79)	-	-	-	-	-	-	-	
Earnings distribution for 1999:																
Legal reserve	-	-	-	-	-	-	-	-	76,522	-	(76,522)	-	-	-	-	
Employees' bonus	-	-	-	-	-	-	-	-	-	-	(6,886)	(6,886)	-	-	(6,886)	
Cash dividends - \$0.4 per share	-	-	-	-	-	-	-	-	-	-	(671,982)	(671,982)	-	-	(671,982)	
Stock dividends from capital surplus - 6%	100,797	1,007,972	-	1,007,972	(1,007,972)	-	-	(1,007,972)	-	-	-	-	-	-	-	
Net income in 2000	-	-	-	-	-	-	-	-	-	-	1,200,846	1,200,846	-	-	1,200,846	
Translation adjustments of foreign-currency-denominated investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	179,107	179,107	
Gain on sales of properties	-	-	-	-	-	157,636	-	157,636	-	-	(157,636)	(157,636)	-	-	-	
Share in changes in capital surplus reported by equity-accounted investees	-	-	-	-	-	-	2,405	2,405	-	-	(1,267)	(1,267)	-	-	1,138	
Recognition of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	(15,386)	-	(15,386)	
BALANCE, DECEMBER 31, 2000	1,780,889	17,808,893	-	17,808,893	2,568,275	1,431,387	7,082	4,006,744	801,973	1,141,939	1,051,776	2,995,688	(15,386)	248,029	25,043,968	
Earnings distribution for 2000:																
Legal reserve	-	-	-	-	-	-	-	-	104,194	-	(104,194)	-	-	-	-	
Employees' bonus	-	-	-	-	-	-	-	-	-	-	(9,476)	(9,476)	-	-	(9,476)	
Cash dividends - \$0.3 per share	-	-	-	-	-	-	-	-	-	-	(534,266)	(534,266)	-	-	(534,266)	
Stock dividends - 2%	35,618	356,178	-	356,178	-	-	-	-	-	-	(356,178)	(356,178)	-	-	-	
Stock dividends from capital surplus - 1%	17,809	178,089	-	178,089	(178,089)	-	-	(178,089)	-	-	-	-	-	-	-	
Net loss in 2001	-	-	-	-	-	-	-	-	-	-	(675,045)	(675,045)	-	-	(675,045)	
Reversal of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	12,214	-	12,214	
Translation adjustments of foreign-currency-denominated investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	222,931	222,931	
Recognition of change in proportion of investees on reduction in the carrying value of investment in shares of stock resulting from not subscribing proportionately to the additional stocks issued by the investee companies	-	-	-	-	-	-	-	-	-	-	(7,295)	(7,295)	-	-	(7,295)	
Share in changes in capital surplus reported by equity-accounted investees	-	-	-	-	-	-	5	5	-	-	(5)	(5)	-	-	-	
BALANCE, DECEMBER 31, 2001	1,834,316	\$18,343,160	\$ -	\$18,343,160	\$2,390,186	\$1,431,387	\$ 7,087	\$3,828,660	\$ 906,167	\$1,141,939	(\$ 634,683)	\$1,413,423	(\$ 3,172)	\$470,960	\$24,053,031	

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

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

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

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

(Forward)

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

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

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

3.6 NOTES TO FINANCIAL STATEMENTS

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

1. GENERAL

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Cash equivalents

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

Short-term investments

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

Allowance for doubtful receivables

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

Shipping fuel

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

Investments in shares of stock and deferred income

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

available is recognized using the latest available financial statements and the equity interest of the Corporation as of the latest balance sheet date presented.

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

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

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

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

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

Properties and assets leased to others

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

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

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

Containers and chassis under capital lease and corresponding obligation are recorded, at the inception of the lease, at the lower of the: (a) fair market value of leased assets, or (b) present value of the sum of the minimum lease payables and the bargain purchase options price.

Non-operating assets

These are stated at net realizable value.

Deferred charges

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

Pension

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

Unrealized gain (loss) on sale and leaseback

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

Operating revenues

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

Income tax

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

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

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

Foreign-currency transactions

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

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

Foreign-currency options

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

Exchange rate swap contracts

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

Foreign-currency forward contracts

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

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

Reclassifications

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

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

5. INVESTMENTS IN SHARES
OF STOCK

	December 31			
	2001		2000	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Equity method (unlisted stocks)				
Yang Ming Line (B.V.I.) Holding Co., Ltd.	\$ 2,585,536	100.00	\$ 2,217,492	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,049,606	100.00	896,609	100.00
All Oceans Transportation, Inc.	644,212	100.00	679,537	100.00
YES Logistics Corp.	427,460	90.50	416,760	87.98
Ching Ming Investment Corp.	384,215	99.96	832,330	99.96
Honming Terminal & Stevedoring Co., Ltd.	366,273	79.00	180,640	79.00
Kuang Ming Shipping Corp.	285,250	82.05	298,719	82.05
China Mariners' Assurance Corp.	221,045	22.71	197,901	19.70
Transyang Shipping Pte. Ltd.	65,943	24.99	34,268	30.00
Jing Ming Transport Co., Ltd.	56,087	50.80	53,279	50.80
Yang Ming Line Holding Co.	<u>43,233</u>	100.00	<u>40,195</u>	100.00
	<u>6,128,860</u>		<u>5,847,730</u>	
Cost method				
<u>Listed common stock</u>				
Senao International Co., Ltd.	96,000	1.83	-	
Hotung Investment Holdings Ltd	40,268	0.70	40,268	0.70
Data Corp.	430	0.01	-	
Less - allowance for decline in value	-		<u>12,359</u>	
	<u>136,698</u>		<u>27,909</u>	
<u>Unlisted common stock</u>				
United Venture Capital Corp.	80,000	9.04	80,000	9.04
Grand Orient Security Corp.	70,000	6.51	95,000	6.51
Taiwan Nano Electro-optical Technology Co., Ltd.	61,953	9.09	50,000	9.37
U-Tech Media Corp.	46,125	1.20	81,125	1.21
Ritek Photonics Corp.	45,000	2.00	-	-
SF Technology Venture Capital Corp.	40,000	7.24	40,000	7.24
Kingmax Technology Corp.	24,000	1.40	24,000	1.40
Ascentek Venture Capital Corp.	20,080	2.14	-	-
Forwin Securities Corp.	20,000	2.00	55,000	2.00
Yes Mobile Taiwan Inc.	6,000	1.00	6,000	1.00
Imaging Quality Technology Inc.	4,000	3.09	10,000	3.09
Senao International Co., Ltd.	-	-	96,000	1.85
Yieh United Steel Corp.	-	0.16	30,400	0.16
Digital United Holding Limited	-	0.46	15,045	0.46
Data Corp.	-	-	430	0.01
CTX Corp.	-	0.06	233	0.06
Argo System Inc.	\$ -	8.00	\$ -	8.00
A-trend Technology Co., Ltd.	-	1.04	-	1.04
International Strategies Holding Corp.	-	0.60	-	0.60
Minchali Metal Industry Co., Ltd.	-	0.26	-	-
	<u>417,158</u>		<u>583,233</u>	

(Forward)

<u>Unlisted preferred stock</u>				
New Century Infocomm Co., Ltd.	864,000	1.68	864,000	1.68
Penguin Computing Inc.	15,395	0.97	15,395	0.97
Arescom Inc.	15,395	0.27	15,395	0.38
Prominent Communication Inc.	-	1.52	<u>15,700</u>	1.58
	<u>894,790</u>		<u>910,490</u>	
	<u>1,448,646</u>		<u>1,521,632</u>	
<u>Deposit on subscriptions</u>				
Chunghwa Investment Co., Ltd.	800,000		-	
Taipei Port Container Terminal Co., Ltd.	<u>5,984</u>		<u>-</u>	
	<u>805,984</u>		<u>-</u>	
	<u>\$ 8,383,490</u>		<u>\$ 7,369,362</u>	

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

As permitted by the Securities and Future Commission (SFC), starting from January 1, 2000, the Corporation's equity in the net income or net loss of Transyang Shipping is recognized using the financial statements of the immediately preceding year and the equity interest of the Corporation as of the latest balance sheet date presented since the financial statement covering similar year as that of the Corporation is not available in time.

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

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

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

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

6. PROPERTIES

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

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

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

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

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

7. ASSETS LEASED TO OTHERS

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

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

8. NON-OPERATING ASSETS - NET

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

9. RESTRICTED ASSETS

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

10. SHORT-TERM DEBTS

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

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

11. LONG-TERM DEBTS

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

Unsecured bank loans

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

Secured bank loans

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

Domestic unsecured bonds

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

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

Domestic secured bonds

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

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

Domestic unsecured convertible bonds

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

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

- c. Redemption by the Corporation, under certain conditions, at varying prices prior to their maturity.

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

Foreign unsecured convertible bonds

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

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

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

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

12. RESERVE FOR LAND VALUE INCREMENT TAX

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

13. UNREALIZED GAIN ON SALE AND LEASEBACK

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Chassis	\$ 54,556	\$ -
Containers	36,252	63,189
Vessel Ming Zenith	21,014	40,411
Vessel Ming North	12,068	13,217
Vessel Med Keelung	<u>1,150</u>	<u>1,672</u>
	<u>\$ 125,040</u>	<u>\$ 118,489</u>

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

14. STOCKHOLDERS' EQUITY

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

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

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

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

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

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

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

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

15. INCOME TAX

a. Computation of current income tax payable:

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

b. Income tax expense consisted of:

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

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

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

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

d. Integrated income tax system information:

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

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

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

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

<u>Year of Expiry</u>	<u>Loss Carryforwards</u>	<u>Investment Tax Credits</u>
2001	\$ -	\$ 907
2002	39,470	2,761
2003	261,384	22,503
2004	<u>-</u>	<u>4,790</u>
	<u>\$ 300,854</u>	<u>\$ 30,961</u>

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

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

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

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

16. PENSION PLAN

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

- a. Pension plan for on-shore employees. The benefit under this plan is based on length of service and average monthly salary, excluding bonus and allowance, before retirement. The pension fund, into which the Corporation contributes 3% of salaries every month, is administered by the employees pension fund committee and deposited in its name with the Central Trust of China.

- b. Pension plan for crews of ships. The benefit under this plan is based on length of service and level of salary, excluding bonus and allowance, at the time of retirement. The plan is not funded by the Corporation
- c. Pension plan for retired employees of CMSNC. The benefit under this plan is based on length of service and level of salary, excluding bonus and allowance, at the time of retirement.

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

Certain information on pension is as follows:

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

17. RELATED PARTY TRANSACTIONS

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

The transactions with related parties were conducted under contract terms.

18. ASSETS PLEDGED OR MORTGAGED

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

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

19. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

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

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

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

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

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

20. SUBSEQUENT EVENTS

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

21. FINANCIAL INSTRUMENTS

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

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

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

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

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

- 2) Market risk

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

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

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

meet its cash demand.

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

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

- b. The Corporation has entered into forward exchange options contracts to hedge the effect of exchange rate fluctuations on net assets or liabilities denominated in foreign currency. It realized exchange gain on those contracts amounting to \$458 for the year ended December 31, 2001, and there are no such contracts outstanding as of December 31, 2001.
- c. The Corporation has written foreign currency put options that it entered into for trading purpose on which it realized losses amounting to \$3,408 for the year ended December 31, 2000. The Corporation did not enter into any foreign currency put options in 2001.
- d. The Corporation has entered into forward exchange contracts to hedge the effect of exchange rate fluctuations on net assets or liabilities denominated in foreign currency. It realized exchange losses on those contracts amounting to \$2,661 for the year ended December 31, 2000. The Corporation did not enter into any forward exchange contracts in 2001.
- e. The fair values of the Corporation's financial instruments are as follows:

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

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

- 1) The carrying values of short-term financial instruments approximate fair values because of the short maturity of these instruments.
- 2) Fair values of short-term investments and investments in shares of stock are based on market prices or, if market prices are unavailable, upon the costs of investments.
- 3) Fair values of long-term receivable from related parties, bank loans, bonds, and obligations under capital leases are based on market prices or, if market prices are unavailable, based on the present values of the expected cash inflows or outflows. Discount rate used in determining the present values is based on rate of bank loans that the Corporation can obtain under similar conditions.
- 4) Fair values of derivatives are calculated based on quoted forward exchange rates, obtained from Reuter's New Agency or Associated Press, with respective remaining contract periods.

22. ADDITIONAL DISCLOSURE

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

23. SEGMENT AND GEOGRAPHIC INFORMATION

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

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

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

4. Parents and Subsidiaries Financial Reports As of Dec. 31, 2001

4.1 Independent Auditors' Report

March 5, 2002

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

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

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

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

Notice to Readers

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

A S S E T S	2001		2000		LIABILITIES AND STOCKHOLDERS' EQUITY	2001		2000	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 4,612,466	8	\$ 7,121,468	14	Short-term debts	\$ 202,283	-	\$ 41,087	-
Short-term investments - net	1,785,007	3	1,642,839	3	Accounts payable	44,764	-	52,684	-
Accounts receivable – net of allowance for doubtful accounts of \$7,415 in 2001 and \$13,160 in 2000	1,116,653	2	1,385,295	3	Payables to related parties	912,431	2	1,266,923	2
Receivables from related parties	349,116	-	458,009	1	Accrued expenses	983,675	2	1,470,315	3
Shipping fuel - net	568,030	1	581,427	1	Advances from customers	901,938	2	680,116	1
Prepaid expenses	358,316	-	404,802	1	Current portion of long-term debts	3,516,720	6	2,462,907	5
Advances to shipping agents	969,577	2	420,491	1	Payables to shipping agents	3,847,622	6	2,263,468	5
Pledged time deposits	434,909	1	12,837	-	Other current liabilities	702,215	1	875,368	2
Other current assets	724,962	1	378,293	-	Total Current Liabilities	11,111,648	19	9,112,868	18
Total Current Assets	10,919,036	18	12,405,461	24					
INVESTMENTS IN SHARES OF STOCK	5,153,767	9	4,472,358	9	LONG-TERM DEBTS – NET OF CURRENT PORTION				
PROPERTIES					Bank loans	7,449,172	13	2,646,871	5
Cost					Bonds	8,117,200	13	8,321,100	16
Land	38,901	-	38,901	-	Obligations under capital leases	7,063,252	12	4,492,957	9
Buildings	691,014	1	691,014	1	Total Long-Term Debts	22,629,624	38	15,460,928	30
Containers and chassis	11,659,634	20	12,507,976	25	RESERVE FOR LAND VALUE INCREMENT TAX	479,639	1	479,639	1
Ships	31,193,425	52	21,502,175	42	OTHER LIABILITIES	1,209,130	2	832,485	2
Leased assets	8,254,539	14	5,141,427	10	Total Liabilities	35,430,041	60	25,885,920	51
Leasehold improvements	110,219	-	110,253	-	STOCKHOLDERS' EQUITY				
Miscellaneous equipment	1,484,683	3	1,246,870	3	Capital stock - \$10 par value				
Total cost	53,432,415	90	41,238,616	81	Authorized – 2,400,000 thousand shares				
Accumulated depreciation	18,883,874	32	19,731,748	39	Issued – 1,834,316 thousand shares in 2001 and 1,780,889 thousand shares in 2000	18,343,160	31	17,808,893	35
Construction in progress	68,315	-	1,804,179	4	Capital surplus:				
Net Properties	34,616,856	58	23,311,047	46	Paid-in capital in excess of par value	2,390,186	4	2,568,275	5
OTHER ASSETS					Gain on sales of properties	1,431,387	2	1,431,387	3
Assets leased to others – net	962,134	2	887,307	2	From investments in shares of stock	7,087	-	7,082	-
Non-operating assets - net	686,171	1	768,327	2	Total capital surplus	3,828,660	6	4,006,744	8
Refundable deposits	6,454,459	11	4,831,758	9	Retained earnings:				
Deferred charges – net	450,864	1	446,510	1	Appropriated as legal reserve	906,167	2	801,973	2
Restricted assets	-	-	3,751,751	7	Appropriated as special reserve	1,141,939	1	1,141,939	2
Miscellaneous	239,785	-	55,369	-	Unappropriated earnings (accumulated deficit)	(634,683)	(1)	1,051,776	2
Total Other Assets	8,793,413	15	10,741,022	21	Total retained earnings	1,413,423	2	2,995,688	6
					Unrealized loss on investments in shares of stock	(3,172)	-	(15,386)	-
					Cumulative translation adjustments	470,960	1	248,029	-
					Total Stockholders' Equity	24,053,031	40	25,043,968	49
TOTAL ASSETS	\$ 59,483,072	100	\$ 50,929,888	100	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 59,483,072	100	\$ 50,929,888	100

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

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

4.3 YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2001 and 2000
(In Thousands of New Taiwan Dollars, Except Per Share)

	<u>2001</u>		<u>2000</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES	\$53,279,603	100	\$52,239,860	100
OPERATING COSTS	<u>52,630,384</u>	<u>98</u>	<u>50,273,151</u>	<u>96</u>
GROSS INCOME	<u>649,219</u>	<u>2</u>	<u>1,966,709</u>	<u>4</u>
OPERATING EXPENSES				
Selling	671,529	1	746,098	2
General and administrative	<u>212,771</u>	<u>1</u>	<u>232,165</u>	<u>-</u>
Total Operating Expenses	<u>884,300</u>	<u>2</u>	<u>978,263</u>	<u>2</u>
INCOME (LOSS) FROM OPERATIONS	(<u>235,081</u>)	-	<u>988,446</u>	<u>2</u>
NON-OPERATING INCOME				
Interest	541,060	1	309,295	-
Foreign exchange gain - net	249,755	1	116,348	-
Gain on sale of properties and non-operating assets	247,635	-	991,564	2
Gain on sale of short and long-term investments	197,808	-	794,178	2
Other	<u>274,177</u>	<u>1</u>	<u>285,763</u>	<u>-</u>
Total Non-Operating Income	<u>1,510,435</u>	<u>3</u>	<u>2,497,148</u>	<u>4</u>
NON-OPERATING EXPENSES				
Interest	1,154,659	2	625,803	1
Equity in net loss of investee companies - net	266,741	1	87,367	-
Provision for losses on investments	214,818	1	837,478	2
Other	<u>94,661</u>	<u>-</u>	<u>136,775</u>	<u>-</u>
Total Non-Operating Expenses	<u>1,730,879</u>	<u>4</u>	<u>1,687,423</u>	<u>3</u>
INCOME (LOSS) BEFORE INCOME TAX	(455,525)	(1)	1,798,171	3
INCOME TAX EXPENSE	<u>219,520</u>	<u>-</u>	<u>597,325</u>	<u>1</u>
NET INCOME (LOSS)	(<u>\$ 675,045</u>)	(<u>1</u>)	<u>\$ 1,200,846</u>	<u>2</u>
NET INCOME PER SHARE				
Based on weighted average number of outstanding shares of 1,834,316 thousands and 1,780,889 thousands, respectively	(<u>\$0.37</u>)		<u>\$0.67</u>	
Based on 1,834,316 thousand shares representing the weighted average shares in 2000 adjusted for the related stock dividends distributed in 2001			<u>\$0.65</u>	

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

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 For the Years Ended December 31, 2001 and 2000
 (In Thousands of New Taiwan Dollars, Except Par Value and Per Share Amounts)

	CAPITAL STOCK (\$10 PAR VALUE)				CAPITAL SURPLUS (Notes 2 and 15)				RETAINED EARNINGS (Notes 2, 15 and 16)				UNREALIZED LOSS ON INVESTMENT IN SHARES OF STOCKS (Note 2)	CUMULATIVE TRANSLATION ADJUSTMENTS (Note 2)	TOTAL STOCKHOLDERS' EQUITY	
	Issued		Certificates of Conversion of Bonds to Stocks	Total	Paid-in Capital in Excess of Par Value	Gain on Sales of Properties	From Investment in Shares of Stock		Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)					Total
	Shares (Thousand)	Amount					Total	Total			Total	Total				
BALANCE, JANUARY 1, 2000	1,679,954	\$16,799,538	\$ 1,304	\$16,800,842	\$3,576,326	\$1,273,751	\$ 4,677	\$4,854,754	\$ 725,451	\$1,141,939	\$ 765,223	\$2,632,613	\$ -	\$ 68,922	\$24,357,131	
Issuance of capital stock	138	1,383	(1,304)	79	(79)	-	-	(79)	-	-	-	-	-	-	-	
Earnings distribution for 1999:																
Legal reserve	-	-	-	-	-	-	-	-	76,522	-	(76,522)	-	-	-	-	
Employees' bonus	-	-	-	-	-	-	-	-	-	-	(6,886)	(6,886)	-	-	(6,886)	
Cash dividends - \$0.4 per share	-	-	-	-	-	-	-	-	-	-	(671,982)	(671,982)	-	-	(671,982)	
Stock dividends from capital surplus - 6%	100,797	1,007,972	-	1,007,972	(1,007,972)	-	-	(1,007,972)	-	-	-	-	-	-	-	
Net income in 2000	-	-	-	-	-	-	-	-	-	-	1,200,846	1,200,846	-	-	1,200,846	
Translation adjustments of foreign-currency-denominated investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	179,107	179,107	
Gain on sales of properties	-	-	-	-	-	157,636	-	157,636	-	-	(157,636)	(157,636)	-	-	-	
Share in changes in capital surplus reported by equity-accounted investees	-	-	-	-	-	-	2,405	2,405	-	-	(1,267)	(1,267)	-	-	1,138	
Recognition of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	(15,386)	-	(15,386)	
BALANCE, DECEMBER 31, 2000	1,780,889	17,808,893	-	17,808,893	2,568,275	1,431,387	7,082	4,006,744	801,973	1,141,939	1,051,776	2,995,688	(15,386)	248,029	25,043,968	
Earnings distribution for 2000:																
Legal reserve	-	-	-	-	-	-	-	-	104,194	-	(104,194)	-	-	-	-	
Employees' bonus	-	-	-	-	-	-	-	-	-	-	(9,476)	(9,476)	-	-	(9,476)	
Cash dividends - \$0.3 per share	-	-	-	-	-	-	-	-	-	-	(534,266)	(534,266)	-	-	(534,266)	
Stock dividends - 2%	35,618	356,178	-	356,178	-	-	-	-	-	-	(356,178)	(356,178)	-	-	-	
Stock dividends from capital surplus - 1%	17,809	178,089	-	178,089	(178,089)	-	-	(178,089)	-	-	-	-	-	-	-	
Net loss in 2001	-	-	-	-	-	-	-	-	-	-	(675,045)	(675,045)	-	-	(675,045)	
Reversal of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	12,214	-	12,214	
Translation adjustments of foreign-currency-denominated investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	222,931	222,931	
Recognition of change in proportion of investees on reduction in the carrying value of investment in shares of stock resulting from not subscribing proportionately to the additional stocks issued by the investee companies	-	-	-	-	-	-	-	-	-	-	(7,295)	(7,295)	-	-	(7,295)	
Shares in changes in capital surplus reported by equity-accounted investees	-	-	-	-	-	-	5	5	-	-	(5)	(5)	-	-	-	
BALANCE, DECEMBER 31, 2001	1,834,316	18,343,160	\$ -	18,343,160	2,390,186	1,431,387	7,087	3,828,660	906,167	1,141,939	(\$ 634,683)	\$1,413,423	(\$ 3,172)	\$470,960	\$24,053,031	

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

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

4.5 YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net (loss) income	(\$ 675,045)	\$ 1,200,846
Adjustments to reconcile consolidated net (loss) income with net cash provided by operating activities:		
Depreciation	3,176,962	2,765,568
Amortization	241,535	282,254
Gain on sale of short and long-term investments	(197,808)	(794,178)
Net gain on sale of properties and non-operating assets	(246,983)	(988,994)
Provision for pension cost	79,049	73,092
Provision for losses on short-term investments	23,532	736,317
Provision for losses on shipping fuel	4,729	10,179
Equity in net loss of investee companies - net	266,741	87,367
Provision for losses on investments in shares of stock	191,286	101,161
Cash dividends received on equity-accounted investments	27,409	26,071
Deferred income taxes	225,643	564,504
Other	(53,227)	(44,615)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Short-term investments	3,200	(239,192)
Accounts receivable	274,387	(258,356)
Receivables from related parties	108,893	(236,933)
Shipping fuel	8,668	(116,146)
Prepaid expenses	46,486	183,488
Advances to shipping agents	(549,086)	677,948
Pledged time deposits	(422,072)	(12,837)
Other current assets	(350,285)	108,447
Increase (decrease) in:		
Accounts payable	(7,920)	(13,702)
Accrued expenses	(486,640)	177,297
Payables to related parties	(354,492)	687,741
Payables to shipping agents	1,584,154	644,160
Advances from customers	221,822	(248,499)
Other current liabilities	(144,993)	136,513
Net Cash Provided by Operating Activities	<u>2,995,945</u>	<u>5,509,501</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments in shares of stock	(1,088,822)	(1,695,541)
Proceeds from disposal of investments in shares of stock	-	115,808
Acquisition of properties	(11,700,301)	(3,707,567)
Proceeds from sale of properties and non-operating assets	1,002,264	4,233,200
Increase in refundable deposits	(1,289,893)	(4,079,678)

(Forward)

Increase in deferred charges	(\$ 246,171)	(\$ 293,233)
Decrease (increase) in restricted assets	3,751,751	(594,485)
Decrease (increase) in other assets	(184,416)	307
Net Cash Used in Investing Activities	(9,755,588)	(6,021,189)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term debts	161,196	36,049
Proceeds from long-term debts	6,950,688	7,958,773
Payment of long-term debts	(1,688,663)	(2,211,000)
Payment on obligations under capital leases	(435,245)	(171,787)
Increase in deferred income	-	15,777
Decrease (increase) in other liabilities	(3,329)	33,228
Cash dividends paid and payment of bonus to employees	(543,742)	(678,868)
Net Cash Provided by Financing Activities	<u>4,440,905</u>	<u>4,982,172</u>
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(190,264)	23,044
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(2,509,002)	4,493,528
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	<u>7,121,468</u>	<u>2,627,940</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		
	<u>\$ 4,612,466</u>	<u>\$ 7,121,468</u>
SUPPLEMENTAL INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 962,588</u>	<u>\$ 780,750</u>
Income tax paid	<u>\$ 42,112</u>	<u>\$ 14,864</u>
Non-cash investing and financing activities:		
Reclassification of investments in shares of stock into short-term investments	<u>\$ -</u>	<u>\$ 126,730</u>
Reclassification of short-term investments into investments in shares of stock	<u>\$ -</u>	<u>\$ 233</u>
Current portion of long-term debts	<u>\$ 3,516,720</u>	<u>\$ 2,462,907</u>
Cash paid for additions to properties:		
Cost of properties acquired	\$14,543,011	\$ 7,730,629
Increase in obligations under capital leases	(2,799,046)	(3,855,688)
Increase in payable to equipment suppliers	(43,664)	(167,374)
	<u>\$11,700,301</u>	<u>\$ 3,707,567</u>
Proceeds from sale of properties and non-operating assets:		
Total contracted selling prices	\$ 1,002,264	\$ 4,290,717
Payment of land value increment tax	-	(57,517)
	<u>\$ 1,002,264</u>	<u>\$ 4,233,200</u>

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

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