

Yang Ming Marine Transport Corporation

**Financial Statements for the Six Months Ended
June 30, 2004 and 2003**

Together with Independent Auditors' Report

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

English Translation of a Report Originally Issued in Chinese

INDEPENDENT AUDITORS' REPORT

August 9, 2004

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

We have audited the accompanying balance sheets of Yang Ming Marine Transport Corporation as of June 30, 2004 and 2003 and the related statements of income, changes in stockholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

We are unable to obtain audited financial statements supporting the Corporation's investments in certain equity-accounted investee companies stated at assets amounted to NT\$ 6,834,930 thousand and NT\$ 6,858,804 thousand as of June 30 2004 and 2003, respectively, and liabilities amounted to NT\$40,426 thousand as of June 30, 2003 and the Corporation's equity in net income of those companies of NT\$261,112 thousand and NT\$889,296 thousand, which were included in the net income for the six months ended June 30, 2004 and 2003, respectively as described in Note 5 to the financial statements; nor we able to satisfy ourselves as to the carrying value of the investments in the investee companies or the equity in their net income by other auditing procedures.

In our opinion, based on our audits, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence regarding the investments in, and net income of, the equity-method investees, as explained in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Yang Ming Marine Transport Corporation as of June 30, 2004 and 2003 and the results of its operations and its cash flows for the six months then ended, in conformity with the Guidelines for Securities Issuers' Financial Reporting for Public Company and generally accepted accounting principles in the Republic of China.

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

JUNE 30, 2004 AND 2003

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

ASSETS	2004		2003		LIABILITIES AND STOCKHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 3)	\$ 4,592,552	7	\$ 2,631,314	6	Short-term debts (Notes 9 and 20)	\$ -	-	\$ 27,909	-
Short-term investments—net (Notes 2 and 4)	14,600,783	22	6,356,291	13	Notes payable	-	-	16,196	-
Accounts receivable—net of allowance for doubtful accounts of \$7,415 (Note 2)	876,509	1	756,786	2	Payables to related parties (Note 19)	1,857,177	3	1,343,113	3
Receivables from related parties (Note 19)	10,221,386	15	3,024,822	6	Income taxes payable (Notes 2 and 15)	615,537	1	199,823	-
Shipping fuel—net (Note 2)	891,316	1	634,565	1	Accrued expenses	1,630,153	2	1,266,927	3
Prepaid expenses (Note 19)	274,187	-	1,167,854	3	Dividend payable (Note 13)	4,738,246	7	1,116,816	2
Advances to shipping agents (Note 19)	510,821	1	1,370,685	3	Payables for equipment	971,301	1	793,764	2
Other current assets (Notes 2 and 15)	324,328	1	199,927	-	Advances from customers (Note 19)	1,059,037	2	931,719	2
Total current assets	32,291,882	48	16,142,244	34	Current portion of long-term debts (Notes 2, 6, 10 and 20)	1,272,614	2	254,624	-
					Payable to shipping agents	1,679,023	2	1,389,903	3
INVESTMENTS IN SHARES OF STOCK (Notes 2 and 5)					Other current liabilities (Notes 2 and 15)	758,196	1	333,923	1
Equity method	10,433,437	15	6,942,780	14	Total current liabilities	14,581,284	21	7,674,717	16
Cost method	1,292,826	2	1,238,774	3					
Deposit on subscriptions	-	-	6,614	-	INTEREST-BEARING LONG-TERM DEBTS				
Total investments in shares of stocks	11,726,263	17	8,188,168	17	Bank loans—current portion (Notes 10 and 20)	77,569	-	51,880	-
					Bonds (Notes 2, 10 and 20)	13,918,318	21	10,819,000	23
PROPERTIES (Notes 2, 6, 19 and 20)					Capital lease obligations (Notes 2, 6 and 10)	736,303	1	1,017,566	2
Cost					Total long-term debts	14,732,190	22	11,888,446	25
Land	48,388	-	38,901	-	RESERVE FOR LAND VALUE INCREMENT TAX (Note 11)	479,639	1	479,639	1
Buildings	549,722	1	691,014	1					
Containers and chassis	14,466,684	22	11,824,847	25	OTHER LIABILITIES				
Ships	8,886,839	13	8,926,011	19	Accrued pension liabilities (Notes 2 and 18)	644,559	1	579,427	1
Leased containers and chassis	2,041,688	3	2,041,688	4	Deferred income tax liabilities—noncurrent (Notes 2 and 15)	1,517,718	2	655,079	1
Leasehold improvements	209,070	-	209,070	-	Cumulative losses in excess of cost of investment in Ching Ming Investment Corp. (Notes 2 and 5)	-	-	40,426	-
Miscellaneous equipment	1,864,847	3	1,412,129	3	Others (Notes 2, 12, 19 and 20)	206,581	-	234,867	1
Total cost	28,067,238	42	25,143,660	52	Total other liabilities	2,368,858	3	1,509,799	3
Accumulated depreciation	14,034,680	21	13,556,373	28	Total liabilities	32,161,971	47	21,552,601	45
Construction in progress	3,038,338	4	-	-					
Net properties	17,070,896	25	11,587,287	24	STOCKHOLDERS' EQUITY				
					Capital stock, \$10 par value				
OTHER ASSETS					Authorized—2,400,000 thousands shares				
Assets leased to others—net (Notes 2, 6 and 7)	2,779,606	4	1,108,720	2	Issued—2,051,903 and 1,834,316 thousands shares in 2004 and 2003	20,519,032	30	18,343,160	38
Nonoperating assets—net (Notes 2, 6, 8 and 20)	445,484	1	493,068	1	Certificates of conversion of bonds to stocks—39,521 and 19,042 thousands shares in 2004 and 2003	395,209	1	190,421	1
Advances on long-term rent agreements	327,292	-	340,420	1	To be issued—102,539 thousands shares	1,025,387	1	-	-
Deferred charges—net (Note 2)	75,503	-	215,377	1	Total capital stock	21,939,628	32	18,533,581	39
Receivables from related parties (Note 19)	3,138,089	5	9,640,803	20	Capital surplus:				
Miscellaneous (Note 20)	26,645	-	132,230	-	Paid-in capital in excess of par value	5,953,760	9	2,509,433	5
Total other assets	6,792,619	10	11,930,618	25	Treasury stock transactions	234,855	-	112,773	-
					Equity on capital surplus reported by equity-method investees	5,816	-	5,816	-
					Total capital surplus	6,194,431	9	2,628,022	5
					Retained earnings:				
					Legal reserve	1,193,205	2	528,295	1
					Special reserve	1,141,939	1	1,141,939	3
					Unappropriated earnings	5,375,136	8	3,510,386	7
					Total retained earnings	7,710,280	11	5,180,620	11
					Other items of stockholders' equity				
					Unrealized loss on investments in shares of stock	(1)	-	(2,560)	-
					Cumulative translation adjustments	316,428	1	424,424	1
					Net loss not recognized as pension cost	(18,457)	-	(7,687)	-
					Total other items of stockholders' equity	297,970	1	414,177	1
					Treasury stocks—54,384 and 59,306 thousands shares in 2004 and 2003	(422,620)	-	(460,684)	(1)
					Total stockholders' equity	35,719,689	53	26,295,716	55
TOTAL ASSETS	\$67,881,660	100	\$47,848,317	100	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$67,881,660	100	\$47,848,317	100

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

(With Deloitte & Touche auditors' report dated August 9, 2004)

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

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

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Notes 2 and 19)	\$ 35,320,884	100	\$ 28,024,673	100
OPERATING COSTS (Notes 2, 16 and 19)	<u>32,145,976</u>	<u>91</u>	<u>25,620,505</u>	<u>91</u>
GROSS INCOME	<u>3,174,908</u>	<u>9</u>	<u>2,404,168</u>	<u>9</u>
OPERATING EXPENSES (Note 16)				
Selling	714,160	2	587,802	2
General and administrative	<u>156,722</u>	<u>1</u>	<u>124,380</u>	<u>1</u>
Total operating expenses	<u>870,882</u>	<u>3</u>	<u>712,182</u>	<u>3</u>
OPERATING INCOME	<u>2,304,026</u>	<u>6</u>	<u>1,691,986</u>	<u>6</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investee companies— net (Notes 2 and 5)	2,836,451	8	897,103	3
Interest (Note 19)	126,656	-	311,555	1
Gain on sale of investments	56,699	-	69,810	-
Foreign exchange gain—net	-	-	195,356	1
Other	<u>177,277</u>	<u>1</u>	<u>130,223</u>	<u>1</u>
Total nonoperating income and gains	<u>3,197,083</u>	<u>9</u>	<u>1,604,047</u>	<u>6</u>
NONOPERATING EXPENSES AND LOSSES				
Interest (Note 6)	311,179	1	334,945	1
Provision for loss on short-term investments	142,735	1	-	-
Foreign exchange loss—net	121,750	-	-	-
Provision for losses on investments	15,395	-	48,500	-
Loss on disposal of properties	-	-	129,375	1
Other	<u>92,173</u>	<u>-</u>	<u>57,940</u>	<u>-</u>
Total nonoperating expenses and losses	<u>683,232</u>	<u>2</u>	<u>570,760</u>	<u>2</u>
INCOME BEFORE INCOME TAX	4,817,877	13	2,725,273	10
INCOME TAX EXPENSE (Notes 2 and 15)	<u>800,637</u>	<u>2</u>	<u>402,482</u>	<u>2</u>
NET INCOME	<u>\$ 4,017,240</u>	<u>11</u>	<u>\$ 2,322,791</u>	<u>8</u>

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	<u>2004</u>		<u>2003</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>	<u>Income Before Income Tax</u>	<u>Net Income</u>
BASIC EARNINGS PER SHARE (Note 17)	<u>\$ 2.41</u>	<u>\$ 2.01</u>	<u>\$ 1.54</u>	<u>\$ 1.31</u>
DILUTED EARNINGS PER SHARE (Note 17)	<u>\$ 2.25</u>	<u>\$ 1.88</u>	<u>\$ 1.51</u>	<u>\$ 1.29</u>

Pro forma information, assuming that the stocks of the Corporation held by subsidiaries are accounted for as investments rather than as treasury stocks (Notes 2, 14 and 17), is as follows:

	<u>2004</u>		<u>2003</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>	<u>Income Before Income Tax</u>	<u>Net Income</u>
NET INCOME	<u>\$4,817,877</u>	<u>\$4,017,240</u>	<u>\$3,357,589</u>	<u>\$2,955,107</u>
BASIC EARNINGS PER SHARE	<u>\$ 2.35</u>	<u>\$ 1.96</u>	<u>\$ 1.83</u>	<u>\$ 1.61</u>
DILUTED EARNINGS PER SHARE	<u>\$ 2.19</u>	<u>\$ 1.83</u>	<u>\$ 1.80</u>	<u>\$ 1.58</u>

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

(With Deloitte & Touche auditors' report dated August 9, 2004)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

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

	Capital Stock (\$10 Par Value)				Capital Surplus (Note 13)					Retained Earnings (Note 13)				Other Items of Stockholder's Equity (Note 2)			Treasury Stocks (Notes 2 and 14)	Total Stockholders' Equity		
	Shares (thousands)	Amount	Certificates of conversion of bonds to stocks	To Be Issued	Total	Paid-in capital in excess of par value	Treasury stock transactions	Equity in capital surplus reported by equity-method investees	Total	Legal reserve	Special reserve	Unappropriated earnings		Total	Unrealized loss on investments in shares of stock	Cumulative translation adjustments			Net loss not recognized as pension cost	Total
BALANCE, JANUARY 1, 2004	1,946,707	\$ 19,467,065	\$ 102,234	\$ -	\$ 19,569,299	\$ 4,075,397	\$ 234,855	\$ 5,816	\$ 4,316,068	\$ 528,295	\$ 1,141,939	\$ 7,836,692	\$ 9,506,926	(\$ 1)	\$ 338,729	(\$18,457)	\$ 320,271	(\$ 422,620)	\$ 33,289,944	
Appropriation of 2003 earnings																				
Legal reserve	-	-	-	-	-	-	-	-	-	664,910	-	(664,910)	-	-	-	-	-	-	-	
Bonus to employees	-	-	-	-	-	-	-	-	-	-	-	(71,718)	(71,718)	-	-	-	-	-	(71,718)	
Cash dividends—\$2.3 per share	-	-	-	-	-	-	-	-	-	-	-	(4,716,781)	(4,716,781)	-	-	-	-	-	(4,716,781)	
Stock dividends—0.5%	-	-	-	1,025,387	1,025,387	-	-	-	-	-	-	(1,025,387)	(1,025,387)	-	-	-	-	-	-	
Net income for the six months ended June 30, 2004	-	-	-	-	-	-	-	-	-	-	-	4,017,240	4,017,240	-	-	-	-	-	4,017,240	
Changes in cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,301)	-	(22,301)	-	(22,301)	
Domestic convertible bonds converted into certificates of conversion of bonds to stocks	105,196	1,051,967	292,975	-	1,344,942	1,878,363	-	-	1,878,363	-	-	-	-	-	-	-	-	-	3,223,305	
BALANCE, JUNE 30, 2004	2,051,903	\$ 20,519,032	\$ 395,209	\$ 1,025,387	\$ 21,939,628	\$ 5,953,760	\$ 234,855	\$ 5,816	\$ 6,194,431	\$ 1,193,205	\$ 1,141,939	\$ 5,375,136	\$ 7,710,280	(\$ 1)	\$ 316,428	(\$18,457)	\$ 297,970	(\$ 422,620)	\$ 35,719,689	
BALANCE, JANUARY 1, 2003	1,834,316	\$ 18,343,160	\$ -	\$ -	\$ 18,343,160	\$ 2,390,186	\$ 4,242	\$ 5,816	\$ 2,400,244	\$ 414,623	\$ 1,141,939	\$ 2,424,970	\$ 3,981,532	(\$ 21,293)	\$ 186,469	(\$7,687)	\$ 157,489	(\$ 525,441)	\$ 24,356,984	
Appropriation of 2002 earnings																				
Legal reserve	-	-	-	-	-	-	-	-	-	113,672	-	(113,672)	-	-	-	-	-	-	-	
Bonus to employees	-	-	-	-	-	-	-	-	-	-	-	(23,113)	(23,113)	-	-	-	-	-	(23,113)	
Cash dividends—\$0.6 per share	-	-	-	-	-	-	-	-	-	-	-	(1,100,590)	(1,100,590)	-	-	-	-	-	(1,100,590)	
Disposal of stocks of the Corporation stocks held by subsidiaries	-	-	-	-	-	-	108,531	-	108,531	-	-	-	-	-	-	-	-	64,757	173,288	
Net income for the six months ended June 30, 2003	-	-	-	-	-	-	-	-	-	-	-	2,322,791	2,322,791	-	-	-	-	-	2,322,791	
Reversal of unrealized loss on investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	18,733	-	-	18,733	-	18,733	
Changes in cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	237,955	-	237,955	-	237,955	
Domestic convertible bonds converted into certificates of conversion of bonds to stocks	-	-	190,421	-	190,421	119,247	-	-	119,247	-	-	-	-	-	-	-	-	-	309,668	
BALANCE, JUNE 30, 2003	1,834,316	\$ 18,343,160	\$ 190,421	\$ -	\$ 18,533,581	\$ 2,509,433	\$ 112,773	\$ 5,816	\$ 2,628,022	\$ 528,295	\$ 1,141,939	\$ 3,510,386	\$ 5,180,620	(\$ 2,560)	\$ 424,424	(\$7,687)	\$ 414,177	(\$ 460,684)	\$ 26,295,716	

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

(With Deloitte & Touche auditors' report dated August 9, 2004)

English Translation of Financial Statements Originally Issued in Chinese

YANG MING MARINE TRANSPORT CORPORATION

**STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars)**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 4,017,240	\$ 2,322,791
Adjustments to reconcile net income with net cash provided by operating activities:		
Depreciation	876,431	1,003,019
Amortization	25,051	61,790
Gain on sale of investments	(56,699)	(69,810)
Net loss (gain) on disposal of properties	(17,614)	127,991
Provision for pension cost	40,109	43,345
Provision (reversal of allowance) for loss on short-term investments	142,735	(36,806)
Provision (reversal of allowance) for loss on shipping fuel	(22,398)	14,824
Equity in net income of investee companies—net	(2,836,451)	(897,103)
Provision for losses on investments in shares of stock	15,395	48,500
Cash dividends received on equity-method investments	485,132	336,172
Deferred income taxes	282,118	206,511
Others	(13,147)	(14,038)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(154,394)	533,909
Receivables from related parties	(419,811)	621,760
Shipping fuel	(216,420)	(167,228)
Prepaid expenses	(55,304)	(905,483)
Advances to shipping agents	47,924	98,720
Pledged time deposits	-	18,645
Other current assets	(265,004)	111,672
Advances on long-term rent agreements	4,617	8,510
Increase (decrease) in:		
Notes payable	-	16,196
Income tax payable	(114,473)	-
Payables to related parties	560,259	(438,070)
Accrued expenses	(470,275)	(364,878)
Payable to shipping agents	240,626	114,677
Advances from customers	(49,384)	187,382
Other current liabilities	<u>382,258</u>	<u>208,638</u>
Net cash provided by operating activities	<u>2,428,521</u>	<u>3,191,636</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments	(791,406)	(152,099)
Proceeds from disposal of investments in shares of stock	4,600	33,200
Acquisition of properties	(10,865,238)	(821,864)
Proceeds from sale of properties and nonoperating assets	5,901,064	308,044
Decrease (increase) in deferred charges	(44,876)	403

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	<u>2004</u>	<u>2003</u>
Decrease in restricted assets	\$ -	\$ 40,609
Decrease (increase) in other assets	<u>67,762</u>	<u>(18,249)</u>
Net cash used in investing activities	<u>(5,728,094)</u>	<u>(609,956)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on short-term debts	(15,080)	(74,688)
Proceeds from issuance of bonds	1,600,000	-
Repayments of principal of long-term debts	(167,734)	(1,494,530)
Payments of capital lease obligations	(87,284)	(111,994)
Increase (decrease) in other liabilities	15,692	(4,221)
Payment of employees' bonus	<u>(67,485)</u>	<u>(23,123)</u>
Net cash provided by (used in) financing activities	<u>1,278,109</u>	<u>(1,708,556)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,021,464)	873,124
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>6,614,016</u>	<u>1,758,190</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 4,592,552</u>	<u>\$ 2,631,314</u>
SUPPLEMENTAL INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 338,581</u>	<u>\$ 272,495</u>
Income tax paid	<u>\$ 753,404</u>	<u>\$ 5,447</u>
Noncash investing and financing activities:		
Current portion of long-term debts	<u>\$ 1,272,614</u>	<u>\$ 254,624</u>
Domestic unsecured convertible bonds converted into certificates of bonds convertible to stocks and capital surplus	<u>\$ 3,223,305</u>	<u>\$ 309,668</u>
Cash paid for additions to properties:		
Costs of properties acquired	\$ 11,810,995	\$ 1,552,280
Increase in payables for equipment	(971,301)	(742,356)
Decrease in payables to related parties	<u>25,544</u>	<u>11,940</u>
	<u>\$ 10,865,238</u>	<u>\$ 821,864</u>
Proceeds from sale of properties and nonoperating assets:		
Total contracted selling prices	\$ 5,423,037	\$ 1,427,279
Decrease in long-term receivables from related parties	2,243,761	322,288
Increase in receivables from related parties	(1,789,813)	(1,348,941)
Decrease (increase) in other current assets	24,079	(41,700)
Increase in other assets	<u>-</u>	<u>(50,882)</u>
	<u>\$ 5,901,064</u>	<u>\$ 308,044</u>

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

(With Deloitte & Touche auditors' report dated August 9, 2004)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

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

1. ORGANIZATION AND OPERATIONS

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

The Corporation was majority owned by the Ministry of Transportation and Communications (MOTC) of the Republic of China (ROC) until February 15, 1996 when MOTC reduced its holdings in the Corporation simultaneous to the Corporation's listing of its shares of stock on the ROC Taiwan Stock Exchange. MOTC owned 37.38% of the outstanding capital stock of the Corporation as of June 30, 2004.

The Corporation's shares have been listed on the ROC Taiwan Stock Exchange since April 1992. The Corporation issued global depository receipts (GDRs) issued by the Corporation, which have been listed on the London Stock Exchange (ticker symbol: YMTD) since November 1996.

As of June 30, 2004 and 2003, the Corporation had 1,151 and 1,107 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Current and Noncurrent Assets and Liabilities

Current assets include nonrestricted cash or cash equivalents as well as items to be converted into cash or used within one year. Current liabilities are obligations to be settled within one year. All other assets and liabilities are classified as noncurrent.

Cash Equivalents

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

Short-term Investments

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

Market values are based on the average closing prices of the listed stocks, mutual funds and bonds in the last month of the reporting period or the net asset values of the funds on the last trading day in the last month of the reporting period.

Allowance for Doubtful Accounts

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

Shipping Fuel

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

Investments in Shares of Stock and Deferred Income

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

Gain on sale of stocks to equity-method investees is deferred entirely for subsidiaries and in proportion to the Company's equity for less than majority-owned investees. This gain is credited to income when it is realized through a subsequent sale to third parties.

Other investments in shares of stock are carried at cost. An allowance is recognized for any temporary decline in the aggregate market value of listed stocks and stocks traded over the counter and is debited to stockholders' equity. But if the decline in market value is not temporary and there is no strong evidence that the market value will go up, the allowance is recognized as losses. Also, the carrying amounts of the investments in emerging stocks and stocks with no quoted market prices are reduced to recognize other-than-temporary decline in the value, and this decline is charged to current income. Cash dividends received within a year from the investment acquisition date are accounted for as reduction of the carrying value of investment, while cash dividends received in subsequent years are recognized as investment income.

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

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

Properties and Assets Leased to Others

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

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

Depreciation is computed using the straight-line method over the service lives of properties initially estimated as follows (plus one year to represent the estimated salvage value): buildings, 52 to 55 years; containers and chassis, 6 to 8 years; ships, 13 to 20 years; leased containers and chassis, 5 to 9 years; leasehold improvements, 5 years; and miscellaneous equipment, 3 to 10 years. Properties being used by the Corporation beyond their initially estimated service lives are depreciated over their newly estimated remaining service lives.

Upon sale or other disposal of properties and assets leased to others, the related cost and accumulated depreciation are removed from the accounts, and resulting gain or loss is credited or charged to income.

Nonoperating Assets

Nonoperating assets are stated at the lower of net carrying value or net realizable value.

Deferred Charges

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

Convertible Bonds

Convertible bonds are issued at face value, and the interest expense is recognized on the basis of their face value and interest rate. The effective interest rate is calculated using the repayment price, and the interest compensation expense should be recognized over the term of the convertible bonds. Direct and necessary costs of issuing convertible bonds are recorded as deferred charges and amortized over the term of the convertible bonds using the straight-line method.

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

Pension

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

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

Unrealized Gain (Loss) on Sale and Leaseback

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

Treasury Stocks

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

Revenue Recognition

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

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

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

Income Tax

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

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

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

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

Foreign-currency Transactions

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

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

Derivative Transactions

The Corporation accounts for derivative transactions as follows:

- a. Foreign-currency options

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

- b. Cross-currency swaps

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

- c. Interest rate swaps

The notional amounts of interest rate swap agreements are not recognized in the financial statements as these agreements do not require the settlement of such notional amounts. On the balance sheet dates or settlement dates, the amounts receivable or payable under the agreements, which result from differences in interest rates, are accrued as interest income or interest expense of the hedged item.

d. Forward contract transactions

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

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

Reclassifications

Certain accounts for 2003 have been reclassified to conform to the 2004 financial statement presentation.

3. CASH AND CASH EQUIVALENTS

	June 30	
	2004	2003
Cash		
Petty cash and cash on hand	\$ 2,509	\$ 2,923
Checking deposits	161,614	95,410
Demand deposits	1,282,673	1,900,516
Time deposits—interest from 1.02% to 4.32% in 2004 and 1.01% to 4.90% in 2003	<u>2,031,016</u>	<u>632,465</u>
	3,477,812	2,631,314
Cash equivalents		
Bonds purchased under agreements to resell—2.15%-2.30% discount rate	<u>1,114,740</u>	-
	<u>\$4,592,552</u>	<u>\$2,631,314</u>

As of June 30, 2004 and 2003, the Corporation had no long-term time deposits.

4. SHORT-TERM INVESTMENTS

	June 30	
	2004	2003
Mutual funds	\$ 13,924,571	\$ 5,628,473
Marketable equity securities	1,692,719	1,775,837
Convertible bonds—interest of 0% in 2004 and 5% in 2003	<u>20,000</u>	<u>16,000</u>
	15,637,290	7,420,310
Less—allowance for decline in value	<u>1,036,507</u>	<u>1,064,019</u>
	<u>\$14,600,783</u>	<u>\$ 6,356,291</u>

5. INVESTMENTS IN SHARES OF STOCK

	June 30			
	2004		2003	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Equity method (stocks with no quoted market prices)				
All Oceans Transportation, Inc.	\$ 3,508,343	100.00	\$ 505,182	100.00
Yang Ming Line (B.V.I.) Holding Co., Ltd.	3,456,646	100.00	3,187,253	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,296,698	100.00	1,131,617	100.00
Chunghwa Investment Co., Ltd.	792,532	40.00	795,598	40.00
YES Logistics Corp.	428,391	90.50	419,533	90.50
Hongming Terminal & Stevedoring Co., Ltd.	353,601	79.00	341,341	79.00
Kuang Ming Shipping Corp.	185,132	100.00	282,651	100.00
Yang Ming Line Holding Co.	167,808	100.00	132,707	100.00
Transyang Shipping Pte. Ltd.	90,164	24.99	83,976	24.99
Jing Ming Transportation Co., Ltd.	70,873	50.80	62,922	50.80
Ching Ming Investment Co., Ltd.	83,249	99.96	-	99.96
	<u>10,433,437</u>		<u>6,942,780</u>	
Cost method				
Listed common stock				
Waterland Financial Holdings Co., Ltd.	70,000	0.43	70,000	0.43
Hotung Investment Holdings Ltd.	40,268	0.70	40,268	0.70
	110,268		110,268	
Less—allowance for decline in value	-		2,560	
	<u>110,268</u>		<u>107,708</u>	
Emerging common stock				
Taiwan Nano Electro-optical Technology Co., Ltd.	24,478	3.89	37,590	3.89
Common stock with no quoted market prices				
United Venture Capital Corp.	80,000	9.04	80,000	9.04
Taipei Port Container Terminal Co., Ltd.	80,000	10.00	-	-
SF Technology Venture Capital Corp.	40,000	7.24	40,000	7.24
China Technology Venture Capital Corp.	30,000	8.96	30,000	8.96
Kingmax Technology Corp.	24,000	1.40	24,000	1.40
Ascentek Venture Capital Corp.	20,080	2.14	20,080	2.14
Forwin Securities Corp.	20,000	2.00	20,000	2.00
	<u>294,080</u>		<u>214,080</u>	
Preferred stock with no quoted market prices				
New Century Infocomm Co., Ltd.	864,000	1.68	864,000	1.68
Penguin Computing Inc.	-	0.93	7,698	0.92
Arescom Inc.	-	0.24	7,698	0.24
	<u>864,000</u>		<u>879,396</u>	
	<u>1,292,826</u>		<u>1,238,774</u>	
Deposit on subscriptions				
Taipei Port Container Terminal Co., Ltd.	-		6,614	
	<u>\$11,726,263</u>		<u>\$ 8,188,168</u>	

As of June 30, 2004 and 2003, equity in investees' net income was as follows:

<u>Investee</u>	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
All Oceans Transportation, Inc.	\$2,567,522	\$ 276,402
Yang Ming Line (B.V.I.) Holding Co., Ltd.	265,041	409,949
Yang Ming Line (Singapore) Pte. Ltd.	35,153	143,036
Honming Terminal & Stevedoring Co., Ltd.	19,869	10,462
Kuang Ming Shipping Corp.	15,924	(1,246)
Transyang Shipping Pte. Ltd.	7,817	7,807
Jing Ming Transportation Co., Ltd.	5,469	3,386
YES Logistics Corp.	(4,250)	(7,653)
Chunghwa Investment Co., Ltd.	(13,067)	(5,943)
Yang Ming Line Holding Co.	(13,753)	28,219
Ching Ming Investment Co., Ltd.	(48,734)	32,684
	<u>\$2,836,451</u>	<u>\$ 897,103</u>

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

The carrying values of the equity-method investments (except those of All Oceans Transportation, Inc. and Transyang Shipping Pte. Ltd. for 2004 and Transyang Shipping Pte. Ltd. for 2003) were based on unaudited financial statements for 2004 and 2003.

The Corporation continues to recognize the losses of Ching Ming Investment Co., Ltd. even though the cumulative losses it recognized already exceeded the investment cost by \$40,426 as of June 30, 2003 because the Corporation intended to continue supporting this investee financially. The excess is presented as liability.

Information on cost-method investments is as follows:

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Listed stocks (based on market value)	\$ 138,775	\$ 107,709
Equity in net assets pertaining to emerging stock and stocks with no quoted market prices (mainly based on unaudited financial statements)	<u>1,001,644</u>	<u>958,081</u>
	<u>\$1,140,419</u>	<u>\$1,065,790</u>

6. PROPERTIES

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Accumulated depreciation		
Buildings	\$ 54,235	\$ 65,590
Containers and chassis	7,207,768	6,095,254
Ships	4,759,156	5,853,121
Leased containers and chassis	1,166,472	922,326
Leasehold improvements	102,866	68,319
Miscellaneous equipment	<u>744,183</u>	<u>551,763</u>
	<u>\$14,034,680</u>	<u>\$13,556,373</u>

The Corporation leases containers and chassis under capital lease agreements. The related information for future rentals is shown in Note 21. The terms of the leases were from five years to nine years for containers and from five years to eight years for chassis. The annual rent payable on leased containers under the agreements is US\$5,471 thousand. The Corporation has the option to buy, at the end of the lease terms, all leased containers at a bargain purchase price of US\$1. The annual rent payable on leased chassis is based on contract terms, and, at the end of the lease terms, the ownership of all the leased chassis will be transferred to the Corporation at no additional cost. The details of these leases as of June 30, 2004 and 2003 were as follows:

	June 30			
	2004		2003	
	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)
Total lease payables (undiscounted)	\$ 34,356	\$ 1,160,531	\$ 43,205	\$ 1,495,357
Less—unamortized interest expense	(4,805)	(162,314)	(6,949)	(240,507)
	<u>\$ 29,551</u>	<u>\$ 998,217</u>	<u>\$ 36,256</u>	<u>\$ 1,254,850</u>

Depreciation expenses for the six months ended June 30, 2004 and 2003 were \$873,403 and \$999,992, respectively.

Insurance for properties, assets leased to others and nonoperating assets as of June 30, 2004 amounted to \$18,362,623.

7. ASSETS LEASED TO OTHERS

	June 30	
	2004	2003
Cost		
Land	\$ 1,987,031	\$ 808,382
Buildings	<u>838,944</u>	<u>344,642</u>
	2,825,975	1,153,024
Accumulated depreciation	<u>46,369</u>	<u>44,304</u>
	<u>\$ 2,779,606</u>	<u>\$ 1,108,720</u>

Depreciation expenses for the six months ended June 30, 2004 and 2003 were \$2,723 and \$3,013, respectively.

8. NONOPERATING ASSETS—NET

	June 30	
	2004	2003
Cost		
Land	\$ 444,887	\$ 492,662
Buildings	<u>12,382</u>	<u>6,044</u>
	457,269	498,706
Accumulated depreciation	<u>11,785</u>	<u>5,638</u>
	<u>\$ 445,484</u>	<u>\$ 493,068</u>

9. SHORT-TERM DEBTS

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Bank overdraft. Interest 5.78% in 2003	\$ -	\$ 27,909

As of June 30, 2004, the Corporation had unused credit lines aggregating \$4,082,180, which were available for short-term financing.

10. INTEREST-BEARING LONG-TERM DEBTS

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
<u>June 30, 2004</u>			
Unsecured bank loans	\$ 310,600	\$ 77,569	\$ 388,169
Domestic unsecured bonds	-	8,100,000	8,100,000
Domestic secured bonds	700,000	3,000,000	3,700,000
Domestic unsecured convertible bonds	100	2,812,000	2,812,100
Interest premium—domestic unsecured convertible bonds	-	6,318	6,318
Capital leases (Note 6)	<u>261,914</u>	<u>736,303</u>	<u>998,217</u>
	<u>\$ 1,272,614</u>	<u>\$ 14,732,190</u>	<u>\$ 16,004,804</u>
<u>June 30, 2003</u>			
Unsecured bank loans	\$ 17,340	\$ 51,880	\$ 69,220
Domestic unsecured bonds	-	6,500,000	6,500,000
Domestic secured bonds	-	3,700,000	3,700,000
Domestic unsecured convertible bonds	-	619,000	619,000
Capital leases (Note 6)	<u>237,284</u>	<u>1,017,566</u>	<u>1,254,850</u>
	<u>\$ 254,624</u>	<u>\$ 11,888,446</u>	<u>\$ 12,143,070</u>

Unsecured Bank Loans

Unsecured bank loans in Japanese yen (the “Yen Loan”) are repayable in eight quarterly installments from October 2003 to July 2005. Annual interest on the Yen Loan is 0.4017%, compounded monthly. Unsecured bank loans in U.S. dollars (the “US Loan”) are repayable in eight semiannual installments from February 2003 to April 2007. Annual interest on the US Loan is 2.4259%. As of December 31, 2003, the Corporation had fully repaid the US Loan in advance. Other information on the Corporation’s unsecured bank loans is as follows:

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Unsecured bank loan of YEN \$1,250,000 thousand	\$ 388,169	\$ -
Unsecured bank loan of US\$2,000 thousand	<u>-</u>	<u>69,220</u>
	<u>\$ 388,169</u>	<u>\$ 69,220</u>

Domestic Unsecured Bonds

On various dates, the Corporation issued domestic unsecured bonds; the dates and the aggregate face values were as follows: \$3,000,000 on June 1, 2000 (the “June 2000 Bonds”); \$2,400,000 on November 20, 2000 (the “November 2000 Bonds”); \$1,100,000 on July 16, 2001 (the “July 2001 Bonds”) and \$1,600,000 on June 18, 2004 (the “June 2004 Bonds”).

Other bond features and terms are as follows:

June 2000 Bonds	Type A—Aggregate face value: \$1,200,000; repayments as follows: 33%—June 1, 2005, 33%—June 1, 2006, and 34%—June 1, 2007; 5.7% annual interest; Type B—Aggregate face value: \$1,800,000; repayments as follows: 33%—June 1, 2008, 33%—June 1, 2009, and 34%, and June 1, 2010; 6.09% annual interest;
November 2000 Bonds	Repayments as follows: 20%—November 20, 2010, 40%—November 20, 2011, and 40%—November 20, 2012; 6.02% annual interest;
July 2001 bonds	Repayments as follows: 20%—July 2006, 40%—July 2007, and 40%—July 2008; 4.49% annual interest.
June 2004 bonds	Type A—Aggregate face value of \$600,000 and maturity on June 18, 2011 at 2.46% annual interest. Type B—Aggregate face value of \$500,000 and maturity on June 18, 2011 at USD 6-month LIBOR rate (the target rate) when the target rate is smaller than 1.15%; at 4.4% when the target rate is between 1.5% and 3.5%; at 6% less the target rate when the target rate is greater than 3.5%. The interest rate should not be smaller than 0% and will reset every three months. Type C—Aggregate face value of \$500,000 and maturity on June 18, 2011 at 4.5% interest multiplied by a ratio (interest-bearing days per month divided by interest-bearing days per year) when USD 6-month LIBOR rate (the target rate) is between a certain interest zone; at 0% when the target rate is out of the interest zone.

Domestic Secured Bonds

On November 25, 1999, the Corporation issued domestic secured bonds with aggregate face value of \$700,000 and maturity on November 25, 2004 at 5.75% annual interest.

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

Domestic Unsecured Convertible Bonds

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

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

As of June 30, 2004, the 1997 convertible bonds with an aggregate face value of \$2,499,900 had been converted into 92,318 thousand common shares and 39,521 thousand certificates of conversion of bonds to common shares of the Corporation.

On August 7, 2003, the Corporation issued five-year domestic secured bonds (the “2003 Convertible Bonds”) with an aggregate face value of \$8,000,000 and 0% interest. The bonds are classified as “Type A” (with aggregate face value of \$3,000,000) and “Type B” (with aggregate face value of \$5,000,000). Bond settlement is as follows:

- a. Lump-sum payment to the holders upon maturity (in 2008) at 101.256% of the face value;
- b. Conversion by the holders, from November 2003 to 10 days before due date, into common shares of the Corporation at the prevailing conversion price (NT\$26.13 per share as of June 30, 2004);
- c. Reselling to the Corporation by the holders before maturity. The reselling of Type A bonds starts from August 7, 2005 at face value while that of Type B bonds starts from August 7, 2006 at 100.451% of the face value; and
- d. Redemption by the Corporation, under certain conditions, at face value before bond maturity.

As of June 30, 2004, the 2003 Convertible Bonds with aggregate face value of \$5,188,000 had been converted into 198,545 thousand common shares of the Corporation.

Between April 1, 2004 and June 30, 2004, the holders of the 2003 convertible bonds with aggregate face value of \$29,500 applied to convert the bonds into 1,129 thousand common shares. The Corporation set July 6, 2004 as the date to change the registration of the issued stock with the Ministry of Economic Affairs, R.O.C.

As of June 30, 2004, the Corporation had used all its credit lines available for long-term bank loans.

11. RESERVE FOR LAND VALUE INCREMENT TAX

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

12. UNREALIZED GAIN ON SALE AND LEASEBACK

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Chassis	\$ 35,106	\$ 42,886
Vessel Ming North	9,194	10,344
Vessel Med Keelung	<u>-</u>	<u>369</u>
	<u>\$ 44,300</u>	<u>\$ 53,599</u>

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

13. STOCKHOLDERS’ EQUITY

On November 14, 1996, the Corporation issued 10 million units of global depositary receipts (GDRs), representing 100 million shares, at an issuance price of US\$11.64 per unit. The holders of the GDRs may not exchange them for the Corporation’s stocks. However, starting February 14, 1997, the holders of the GDR may request the depositary bank to sell the shares represented by the GDRs. As of June 30, 2004, there were 4,773,061 units outstanding, representing 47,730,658 shares.

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

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

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

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

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

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

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

Under the Integrated Income Tax System, which took effect on July 1, 1998, noncorporate ROC resident stockholders are entitled to tax credit on income tax paid by the Corporation on earnings generated from January 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 stockholder. The maximum credit available for allocation to each stockholder cannot exceed the ICA balance on the date of dividend distribution.

The stockholders resolved to appropriate the 2003 and 2002 earnings on June 24, 2004 and June 20, 2003, respectively, as following:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (Dollars)</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Legal reserve	\$ 664,910	\$ 113,672		
Bonus to employees	71,718	23,113		
Cash dividends	4,716,781	1,100,590	\$ 2.30	\$ 0.60
Stock dividends	1,025,387	-	0.50	-

The stockholders also approved the capitalization of unappropriated earnings of \$1,025,387 to issue additional shares (included in capital stock—to be issued). After this capitalization, the aggregate par value of the Company's outstanding shares increased to \$21,544,419. The issuance of additional capital stock was approved by the Securities and Future Bureau on July 8, 2004, and the Board of Director's set August 16, 2004 as the date when the stockholders of record will receive the additional shares and cash dividends.

14. TREASURY STOCKS

<u>Reasons for Repurchase</u>	<u>Outstanding Shares (Thousands)</u>			<u>Ending of the Period</u>
	<u>Beginning of the Period</u>	<u>Increase</u>	<u>Decrease</u>	
<u>For the six months ended June 30, 2004</u>				
Stocks of the Corporation held by subsidiaries	<u>54,384</u>	<u>-</u>	<u>-</u>	<u>54,384</u>
<u>For the six months ended June 30, 2003</u>				
Stocks of the Corporation held by subsidiaries	<u>67,619</u>	<u>-</u>	<u>8,313</u>	<u>59,306</u>

On January 1, 2002, the Corporation reclassified the shares of the Corporation held by subsidiaries from investments into treasury stocks. The proceeds from the subsidiaries' disposal of these shares were \$173,288 in 2003. As of June 30, 2004 and 2003, the carrying values of the Corporation's shares held by subsidiaries were \$422,620 and \$460,684, respectively, and the market values were \$1,568,441 and \$1,196,789, respectively.

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

15. INCOME TAX

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

	<u>Six Months Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Tax on pretax income at 25% statutory rate	\$ 1,204,469	\$ 681,318
Add (deduct) tax effects of:		
Permanent differences	(306,814)	(15,637)
Temporary differences	83,327	(101,050)
Tax-exempt income	(365,445)	(155,745)
Loss carryforward	-	(180,805)
Investment tax credit	<u>-</u>	<u>(28,258)</u>
Currently payable	<u>\$ 615,537</u>	<u>\$ 199,823</u>

- b. Income tax expense consisted of:

	<u>Six Months Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Income tax expense—current	\$ 615,537	\$ 199,823
Income tax expense—deferred	282,118	206,511
Adjustments of prior years' taxes	<u>(97,018)</u>	<u>(3,852)</u>
	<u>\$ 800,637</u>	<u>\$ 402,482</u>

c. Deferred income tax assets (liabilities) as of June 30, 2004 and 2003 consisted of the following:

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Current (included in other current asset or liabilities)		
Unrealized foreign exchange gain	\$ 38,115	(\$ 19,435)
Others	<u>3,556</u>	<u>10,490</u>
	<u>\$ 41,671</u>	<u>(\$ 8,945)</u>
Noncurrent (included in other liabilities)		
Cumulative equity in net income of investee companies	(\$ 1,369,913)	(\$ 473,307)
Differences in estimated service lives of containers	(245,959)	(268,207)
Deferred pension cost	<u>98,154</u>	<u>86,435</u>
	<u>(\$ 1,517,718)</u>	<u>(\$ 655,079)</u>

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

d. Integrated income tax system information

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Balance of imputation credit account	<u>\$ 641,270</u>	<u>\$ 35,579</u>

The estimated creditable tax ratio for the 2003 earnings was 9.27%. The creditable tax ratio for the 2002 earnings was 2.80%.

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

e. As of June 30, 2004 and 2003, the total of the balances of special reserve and unappropriated retained earnings generated before January 1, 1998 aggregated \$2,064,438.

f. Income tax returns through 2001 had been examined and cleared by the tax authorities.

16. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	<u>Six Months Ended June 30, 2004</u>		
	<u>Operating Costs</u>	<u>Operating Expenses</u>	<u>Total</u>
Employment			
Salary	\$ 300,834	\$ 586,825	\$ 887,659
Insurance	11,191	22,910	34,101
Pension	47,442	27,005	74,447
Others	19,496	36,169	55,665
Depreciation	858,158	22,770	880,928
Amortization	<u>10,947</u>	<u>12,108</u>	<u>23,055</u>
	<u>\$ 1,248,068</u>	<u>\$ 707,787</u>	<u>\$ 1,955,855</u>

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

17. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

	Amount (Numerator)		Capital Stock (Denominator) (in Thousand Shares)	Earnings Per Share (Dollars)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
<u>Six months ended June 30, 2004</u>					
Basic EPS	\$ 4,817,877	\$ 4,017,240	1,996,719	\$ 2.41	\$ 2.01
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>7,530</u>	<u>5,648</u>	<u>147,943</u>		
Diluted EPS	<u>\$ 4,825,407</u>	<u>\$ 4,022,888</u>	<u>2,144,662</u>	<u>\$ 2.25</u>	<u>\$ 1.88</u>
EPS retroactively adjusted for stock dividend distribution					
Basic EPS	<u>\$ 4,817,877</u>	<u>\$ 4,017,240</u>	<u>2,096,555</u>	<u>\$ 2.30</u>	<u>\$ 1.92</u>
Diluted EPS	<u>\$ 4,825,407</u>	<u>\$ 4,022,888</u>	<u>2,251,895</u>	<u>\$ 2.14</u>	<u>\$ 1.79</u>
<u>Six months ended June 30, 2003</u>					
Primary EPS	\$ 2,725,273	\$ 2,322,791	1,771,125	\$ 1.54	\$ 1.31
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>13,927</u>	<u>10,445</u>	<u>39,527</u>		
Diluted EPS	<u>\$ 2,739,200</u>	<u>\$ 2,333,236</u>	<u>1,810,652</u>	<u>\$ 1.51</u>	<u>\$ 1.29</u>
EPS retroactively adjusted for stock dividend distribution					
Basic EPS	<u>\$ 2,725,273</u>	<u>\$ 2,322,791</u>	<u>1,859,681</u>	<u>\$ 1.47</u>	<u>\$ 1.25</u>
Diluted EPS	<u>\$ 2,739,200</u>	<u>\$ 2,333,236</u>	<u>1,901,185</u>	<u>\$ 1.44</u>	<u>\$ 1.23</u>

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

	<u>Amount (Numerator)</u>		<u>Capital Stock (Denominator) (in Thousand Shares)</u>	<u>Earnings Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>Six months ended June 30, 2004</u>					
Pro forma basic EPS	\$4,817,877	\$4,017,240	2,051,103	<u>\$ 2.35</u>	<u>\$ 1.96</u>
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>7,530</u>	<u>5,648</u>	<u>147,943</u>		
Pro forma diluted EPS	<u>\$4,825,407</u>	<u>\$4,022,888</u>	<u>2,199,046</u>	<u>\$ 2.19</u>	<u>\$ 1.83</u>
<u>Six months ended June 30, 2003</u>					
Pro forma basic EPS	\$3,357,589	\$2,955,107	1,835,903	<u>\$ 1.83</u>	<u>\$ 1.61</u>
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>13,927</u>	<u>10,445</u>	<u>39,527</u>		
Pro forma diluted EPS	<u>\$3,371,516</u>	<u>\$2,965,552</u>	<u>1,875,430</u>	<u>\$ 1.80</u>	<u>\$ 1.58</u>

18. PENSION PLAN

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

- a. Pension plan for onshore employees. Benefits are based on service years and average basic salary of the six months before retirement. The pension fund, to which the Corporation contributes amounts equal to 9% of salaries every month, is administered by an employees' pension fund committee and deposited in the committee's name in the Central Trust of China.
- b. Pension plan for shipping crews. Before the adoption of the ROC Maritime Labor Act, benefits were based on the amounts stated in the crews' hiring contracts. Under the Maritime Labor Act, benefits are based on service years and average basic salary of the six months before retirement.
- c. Pension plan for retired employees of China Merchants Steam Navigation Company (CMSNC). Benefits are based on service years and level of basic salary at the time of retirement.

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

Pension costs for the six months ended June 30, 2004 and 2003 were \$74,447 and \$59,877, respectively, and pension benefits contributed and paid for the same periods amounted to \$34,338 and \$16,532, respectively. As of June 30, 2004 and 2003, the balances of the pension fund deposited in the Central Trust of China were \$170,339 and \$111,611, respectively.

19. RELATED-PARTY TRANSACTIONS

The Corporation's related parties are listed in Schedules A, B and I.

The significant transactions with related parties for the six months ended June 30, 2004 and 2003 and the related balances, in addition to those mentioned in Notes 21, 22 and Schedule D, are summarized in the accompanying schedules A and B.

The transactions with related parties were conducted under contract terms.

20. ASSETS PLEDGED OR MORTGAGED

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

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Properties—net	\$ 831,335	\$ 1,074,511
Nonoperating assets—net	89,230	89,230
Pledged time deposits (included in other assets)	<u>917</u>	<u>-</u>
	<u>\$ 921,482</u>	<u>\$ 1,163,741</u>

21. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments and contingent liabilities as of June 30, 2004 were as follows:

- a. Obligations to provide crews to two ships of Chinese Petroleum Corporation under contracts that will expire on various dates by October 2008. The daily compensation under the contracts is \$578 for all the crews.
- b. Leases of office premises, ships and container yard under operating lease agreements that will expire on various dates until September 2013. The total rents were \$5,953,288 for the six months ended June 30, 2004, and future minimum rentals are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2004 (July 1, 2004 to December 31, 2004)	\$ 5,520,750
2005	4,388,431
2006	2,305,478
2007	1,318,432
2008	1,097,619

Rentals after 2008 amount to \$4,284,830. The present value of those rentals, computed at an annual interest rate of 1.40%, is \$3,889,935.

- c. Leases of containers and chassis under capital lease agreements expiring on various dates until May 2011. Rentals for the six months ended June 30, 2004 were about \$88,963 (deducted from leases payable). Future minimum rentals are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2004 (July 1, 2004 to December 31, 2004)	\$ 140,534
2005	283,581
2006	283,581
2007	110,961
2008	97,897

Rentals after 2008 amount to \$269,310. The present value of those rentals, computed at an annual interest rate of 1.40%, is \$247,317.

- d. Guarantee of loans obtained by two subsidiaries, Yang Ming Line (B.V.I.) Holding Co., Ltd. (US\$81,304,000) and All Oceans Transportation Inc. (US\$47,821,000); Yang Ming (America) Corp., an indirect subsidiary (US\$1,500,000); and United Terminal Leasing LLC, an equity-method investee of a subsidiary (US\$1,010,000).
- e. Guarantee by the Corporation and Yang Ming Line Holding Co. (a subsidiary) of a loan of US\$3,039,000 obtained by West Basin Container Terminal LLC;
- f. Lawsuit against the Corporation. As of June 30, 2004, 17 former shipping crew members, who retired after the Corporation's privatization, sued the Corporation and claimed \$36,490 as additional severance benefit based on the Labor Standards Law instead of the Rules of Privatization for Government-Owned Corporations. The Taipei District Court decided this case in favor of the Corporation. The plaintiffs appealed this decision to a higher court. No liability was accrued since management believed the appeal would not prosper.
- g. Agreement between the Corporation and China Shipbuilding Corp. (CSBC) for CSC to construct five vessels for US\$130,180,000, for delivery by 2007. As of June 30, 2004, the Corporation had paid US\$27,118,000 to CSC.
- h. Agreement between the Corporation and Hyundai Heavy Industries Co., Ltd. (HHI) for HHICL to construct four vessels for US\$316,800,000 for delivery by February 2007. As of June 30, 2004, the Corporation had paid US\$63,360,000 to HHICL.
- i. One vessel leased by the Corporation to a third party have been investigated to have fuel oil leaks, which caused pollution. As of June 30, 2004, the Corporation had paid US\$1,000,000 as refundable deposits in line with the ongoing legal proceedings on this case. On the basis of conservatism convention, the Corporation had accrued a loss of US\$1,000,000.

22. SUBSEQUENT EVENT

In July 2004, the board of directors resolved to sell a vessel at carrying value of \$1,708,946 to All Oceans Transportation Inc., a subsidiary. The vessel was delivered on July 16, 2004.

23. FINANCIAL INSTRUMENTS

Under Statement of Financial Accounting Standards No. 27, "Disclosure of Financial Instruments," the information on the Corporation's financial instruments is shown as follows:

- a. The Corporation used derivative instruments for trading and nontrading purposes for the six months ended June 30, 2004 and 2003. Nontrading purposes refer to the Corporation's hedging of exchange rate fluctuations on assets or liabilities denominated in foreign currency; trading purposes refer to the Corporation's intent to profit from derivative transactions.

1) Open contracts and credit risk

The information on interest rate swap contracts entered into by the Corporation is as follows:

<u>Type of Transaction</u>	<u>June 30, 2004</u>				
	<u>Notional Amount</u>	<u>Fixed Rate</u>	<u>Market Rate</u>	<u>Settlement Date</u>	<u>Maturity Date</u>
Interest rate swap					
Nontrading purpose	\$ 1,000,000	2.46%-2.47%	4.4%-4.5%	Annually	June 18, 2004- June 18, 2011

The Corporation did not enter into interest rate swap contract for the six months ended June 30, 2003.

Reduction of interest expenses on these swap contracts for the six months ended June 30, 2004 amounted to \$706.

The information on forward exchange contracts and foreign-currency options is as follows:

<u>Type of Transaction</u>	<u>June 30, 2003</u>		
	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Credit Risk</u>
Forward exchange contract			
Nontrading purposes	Call US\$839 thousand	\$ 498	\$ 498
Selling foreign-currency put option			
Trading purposes	US\$5,000 thousand	104	-

There was no open contract as of June 30, 2004.

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

- a) For trading purposes

	<u>Six Months Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Foreign-currency option	\$ 4,278	\$ 2,627
Forward exchange contract	-	1,469
	<u>\$ 4,278</u>	<u>\$ 4,096</u>

b) For nontrading purposes

	<u>Six Months Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Cross-currency swap contract	\$ -	\$ 12,025
Forward exchange contract	-	1,607
Foreign-currency option	-	(11,284)
	<u>\$ -</u>	<u>\$ 2,348</u>

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

2) Market risk

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

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

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

The interest rate swap contracts are settled at net amounts, and the expected cash demand is not significant. The forward exchange rates are determined in advance and no additional material cash is required. Due to the simultaneous cash inflow and outflow generated from cross currency swap contracts, the aggregate net cash outflow is expected to be insignificant. Management believes that the Corporation has sufficient operating capital to meet its cash demand.

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

As of June 30, 2004, the interest rate swap contracts held by the Corporation were for nontrading purposes, i.e., to hedge overall fluctuations on interest rates. The Corporation uses interest rate swap contracts with gains or losses that offset the gains or losses on floating interest-bearing liabilities. Through these contracts, the Corporation hedges most of the risks in the market. The interest rates on the contracts are fixed. In addition, the Corporation evaluates the hedging effectiveness of the contracts periodically.

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

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

	June 30			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative instruments</u>				
Assets				
Short-term financial instruments				
Cash and cash equivalents	\$ 4,592,552	\$ 4,592,552	\$ 2,631,314	\$ 2,631,314
Short-term investments	14,600,783	14,600,783	6,356,291	6,356,291
Accounts receivable	876,509	876,509	756,786	756,786
Receivables from related parties	10,221,386	10,221,386	3,024,822	3,024,822
Advances to shipping agents	510,821	510,821	1,370,685	1,370,685
Other financial assets—current	32,917	32,917	-	-
Investments in shares of stock	11,726,263	11,573,856	8,188,168	8,188,168
Long-term receivables from related parties	3,138,089	3,138,089	9,640,803	9,640,803
Other assets—pledged time deposits	917	917	-	-
Liabilities				
Short-term financial instruments				
Short-term debts	-	-	27,909	27,909
Note payable	-	-	16,196	16,196
Payables to related parties	1,857,177	1,857,177	1,343,113	1,343,113
Tax payable	615,537	615,537	199,823	199,823
Accrued expenses	1,630,153	1,630,153	1,266,927	1,266,927
Dividend payable	4,738,246	4,738,246	1,116,816	1,116,816
Payables for equipment	971,301	971,301	793,764	793,764
Payable to shipping agents	1,679,023	1,679,023	1,389,903	1,389,903
Bank loans	388,169	388,169	69,220	69,220
Bonds	14,618,418	15,619,235	10,819,000	12,299,048
Capital lease obligations	998,217	998,217	1,254,850	1,254,850
<u>Derivative instruments</u>				
Interest rate swap contract	706	(26,019)	-	-
Forward exchange contract	-	-	472	498
Foreign-currency put option	-	-	104	104

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

- 1) The carrying values of short-term financial instruments, except for short-term investments, approximate fair values because of the short maturity of these instruments.
- 2) Fair values of short-term investments and investments in shares of stock are based on market prices or, if market prices are unavailable, on the Corporation's equity in the equity-method investee's net assets or on investment costs of stocks with no quoted market prices.
- 3) Fair values of long-term receivable from related parties, bank loans, bonds, and capital lease obligations are based on market prices or, if market prices are unavailable, on the present values of the expected cash inflows or outflows. Discount rate used in determining the present values is based on the interest rate for bank loans that the Corporation can obtain under similar conditions.

- 4) Fair values of derivatives are calculated at exchange rates quoted from the Reuter's New Agency or the Associated Press and market value quoted by banks.

24. ADDITIONAL DISCLOSURES

Except for those mentioned in Note 23 and Schedules C to H, no additional disclosures are required by the Securities and Futures Bureau for the Corporation and its investees and on their investments in Mainland China.

YANG MING MARINE TRANSPORT CORPORATION

RELATED PARTY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (See Notes Below)	Operating Revenues																						Operating Costs				Interest Income		Acquisition of Properties		Sale of Properties	
		Charter Hire		Agents' Income		Rent of Container		Cargo Transport Revenue		Rent of Container Section		Ship Management		Haulage		Tally		Commission		Interest Income		Acquisition of Properties		Sale of Properties									
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%								
<u>2004</u>																																	
Kuang Ming Shipping Corp.	A	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 17,963	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-						
All Oceans Transportation Inc.	A	-	-	-	-	-	-	-	-	-	-	-	-	2,830,706	D 22	-	-	-	-	70,391	55	3,322,526	G 33	5,404,389	H 99	-	-						
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	198,831	2	-	-	-	-	-	-	-	-	-	-	-	-						
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	275,170	2	-	-	-	-	-	-	-	-	-	-	-	-						
Yang Ming (America) Corp.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	234,646	12	-	-	-	-	-	-	-	-						
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,308	2	-	-	-	-	-	-	-	-						
Young-Carrier Company Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,555	9	226,351	11	-	-	-	-	-	-	-	-						
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	116,147	E 1	-	-	-	-	-	-	-	-	-	-	-	-						
Yang Ming (U.K.) Ltd.	B	223,978	C 30	40,681	99	496,032	101	-	-	1,480	-	76,415	61	1,037,680	8	-	-	-	-	-	-	-	-	-	-	-	-						
Yang Ming Shipping Europe GmbH	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,617	29	70,094	4	-	-	-	-	-	-	-	-						
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	147,183	7	-	-	-	-	-	-	-	-						
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,355	1	-	-	-	-	-	-	-	-						
Kuang Ming Shipping Corp. (Panama)	B	-	-	-	-	-	-	-	-	-	-	-	-	75,414	F 1	-	-	-	-	-	-	-	-	-	-	-	-						
Yang Ming Line (M) Sdn. Bhd	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,196	1	-	-	-	-	-	-	-	-						
Yang Ming Italy S.p.A.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,875	7	27,003	1	-	-	-	-	-	-	-	-						
Yes Logistic Corp.	A	-	-	-	-	-	-	46,979	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Yang Ming (Netherlands) B.V.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	635	1	20,817	1	-	-	-	-	-	-	-	-						
		<u>\$223,978</u>	<u>30</u>	<u>\$ 40,681</u>	<u>99</u>	<u>\$496,032</u>	<u>101</u>	<u>\$ 46,979</u>	<u>-</u>	<u>\$1,480</u>	<u>-</u>	<u>\$ 76,415</u>	<u>61</u>	<u>\$4,551,911</u>	<u>36</u>	<u>\$ 43,682</u>	<u>46</u>	<u>\$802,953</u>	<u>40</u>	<u>\$ 70,391</u>	<u>55</u>	<u>\$3,322,526</u>	<u>33</u>	<u>\$5,404,389</u>	<u>99</u>	<u>-</u>	<u>-</u>						
<u>2003</u>																																	
Kuang Ming Shipping Corp.	A	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 8,411	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-						
All Oceans Transportation Inc.	A	-	-	-	-	-	-	-	-	-	-	-	-	1,080,700	D 12	-	-	-	-	288,135	92	450,284	I 29	1,086,799	J 65	-	-						
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	189,347	2	-	-	-	-	-	-	-	-	-	-	-	-						
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	237,714	3	-	-	-	-	-	-	-	-	-	-	-	-						
Yang Ming Line Holding Co.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	775	-	-	-	-	-	-	-	-						
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,881	2	-	-	-	-	-	-	-	-						
Young-Carrier Company Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,788	-	240,085	15	-	-	-	-	-	-	-	-						
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	103,878	E 1	-	-	-	-	-	-	-	-	-	-	-	-						
Yang Ming (U.K.) Ltd.	B	278,250	C 65	48,505	98	507,487	100	-	-	6,914	1	78,840	43	348,633	4	2,327	-	5,181	-	-	-	-	-	-	-	-	-						
Yang Ming Shipping Europe GmbH	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,420	1	7,588	-	-	-	-	-	-	-	-	-						
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	143,731	9	-	-	-	-	-	-	-	-						
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,220	2	-	-	-	-	-	-	-	-						
Kuang Ming Shipping Corp. (Panama)	B	-	-	-	-	-	-	-	-	-	-	-	-	82,895	F 1	-	-	-	-	-	-	-	-	-	-	-	-						
Yang Ming Line (M) Sdn. Bhd	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,590	1	-	-	-	-	-	-	-	-						
Yang Ming Italy S.p.A.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,297	1	36,310	2	-	-	-	-	-	-	-	-						
Yes Logistic Corp.	A	-	-	-	-	141	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
		<u>\$278,250</u>	<u>65</u>	<u>\$ 48,505</u>	<u>98</u>	<u>\$507,628</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>	<u>\$6,914</u>	<u>1</u>	<u>\$ 78,840</u>	<u>43</u>	<u>\$2,051,578</u>	<u>23</u>	<u>\$ 14,832</u>	<u>2</u>	<u>\$512,586</u>	<u>31</u>	<u>\$288,910</u>	<u>92</u>	<u>\$ 450,284</u>	<u>29</u>	<u>\$1,086,799</u>	<u>65</u>	<u>-</u>	<u>-</u>						

- Notes:
- A. An equity-method investee of Yang Ming Marine Transport Corporation (the "Corporation").
 - B. An equity-method investee of a wholly owned subsidiary of the Corporation.
 - C. Lease of 17 ships to Yangming (U.K.) Ltd. under several agreements expiring on various dates until July 2005; rent is receivable monthly.
 - D. Lease of 21 ships from All Oceans Transportation Inc. under several agreements expiring on various dates until March 2005; rent is payable semiannually.
 - E. Lease of one ship from Yang Ming (Cayman) Ltd. under an agreement expiring on December 31, 2007; rent payable quarterly.
 - F. Lease of two ships from Kuang Ming Shipping Corp. (Panama) under two agreements agreement expiring on December 31, 2005 and December 31, 2015 with rent payable semimonthly and quarterly, respectively.
 - G. Acquisition of two ships from All Oceans Transportation Inc. in April 2004 at book value.
 - H. Sale of four ships to All Oceans Transportation Inc. in January, February, April and June of 2004 at book value.
 - I. Acquisition of one ship from All Oceans Transportation Inc. in May 2003 at book value.
 - J. Sale of two ships to All Oceans Transportation Inc. in January and March of 2003 at book value.

YANG MING MARINE TRANSPORT CORPORATION

RELATED-PARTY ACCOUNT BALANCES
 JUNE 30, 2004 AND 2003
 (In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (See Notes Below)	Receivables from Related Parties								Advances to Shipping Agents	Prepaid Expense	Long-term Receivable from Related Parties	Payables to Related Parties								Advances from Customers	Unrealized Gain on Sale and Leaseback							
		Accounts Receivables		Other Receivables		Total		Amount	%				Amount	%	Amount	%	Accrued Expense		Payables to Shipping Agents				Receipts under Custody		Total	Amount	%	Amount	%
		Amount	%	Amount	%	Amount	%										Amount	%	Amount	%			Amount	%					
2004																													
Kuang Ming Shipping Corp.	A	\$ -	-	\$ 3,208	-	\$ 3,208	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-				
All Oceans Transportation Inc.	A	-	-	8,171,254	C 80	8,171,254	80	-	-	-	-	3,138,089	C 100	-	-	-	-	-	-	-	-	-	-	-	-				
Homing Terminal & Stevedoring Co., Ltd.	A	-	-	4,554	-	4,554	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	22,639	1	-	-	-	-	22,639	1	-	-	-	-				
Yang Ming (America) Corp.	B	-	-	-	-	-	-	397,451	78	-	-	-	-	-	-	-	-	-	-	-	-	326,821	32	-	-				
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	169,411	9	-	-	169,411	9	170,739	17	-	-				
Yang Ming Line Holding Co.	A	-	-	56,589	1	56,589	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Young-Carrier Company Ltd.	B	571,288	5	-	-	571,288	5	-	-	-	-	-	-	-	-	238,013	13	-	-	238,013	13	-	-	-	-				
Yangming (Cayman) Ltd.	B	-	-	-	-	-	-	-	-	2,998	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Yang Ming (U.K.) Ltd.	B	283,642	3	-	-	283,642	3	-	-	-	-	-	-	-	-	117,493	7	584,614	D 31	702,107	38	-	-	-	-				
Yang Ming Shipping Europe GmbH	B	100,100	2	-	-	100,100	2	-	-	-	-	-	-	-	-	25,639	1	-	-	25,639	1	-	-	-	-				
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	232,825	13	-	-	232,825	13	176,627	17	-	-				
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,597	2	-	-	40,597	2	13,102	1	-	-				
Kuang Ming Shipping Corp. (Panama)	B	-	-	-	-	-	-	-	-	10,651	4	-	-	-	-	-	-	16,064	1	16,064	1	-	-	-	-				
Yang MingLine (M) Sdn. Bhd	B	48,671	-	-	-	48,671	-	-	-	-	-	-	-	-	-	76,336	4	-	-	76,336	4	537	-	-	-				
Yes Logistics Corp.	A	15,884	-	4,846	-	20,730	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Yang Ming Italy S.p.A.	B	317,593	3	-	-	317,593	3	-	-	-	-	-	-	-	-	235,662	13	-	-	235,662	13	-	-	-	-				
Yang Ming Line (Singapore) Pte. Ltd.	A	-	-	608,040	E 6	608,040	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Yang Ming (Netherlands) B.V.	B	33,551	-	-	-	33,551	-	-	-	-	-	-	-	-	-	97,884	5	-	-	97,884	5	1,244	-	-	-				
Other	F	-	-	2,166	-	2,166	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
		<u>\$1,370,729</u>	<u>13</u>	<u>\$8,850,657</u>	<u>87</u>	<u>\$10,221,386</u>	<u>100</u>	<u>\$397,451</u>	<u>78</u>	<u>\$ 13,649</u>	<u>5</u>	<u>\$3,138,089</u>	<u>100</u>	<u>\$ 22,639</u>	<u>1</u>	<u>\$1,233,860</u>	<u>67</u>	<u>\$600,678</u>	<u>32</u>	<u>\$1,857,177</u>	<u>100</u>	<u>\$689,070</u>	<u>67</u>	<u>\$ -</u>	<u>-</u>				

(Continued)

Related Party	Nature of Relationship (See Notes Below)	Receivables from Related Parties								Advances to Shipping Agents	Prepaid Expense	Long-term Receivable from Related Parties	Payables to Related Parties								Advances from Customers	Unrealized Gain on Sale and Leaseback				
		Accounts Receivables		Other Receivables		Total		Amount	%				Amount	%	Amount	%	Accrued Expense		Payables to Shipping Agents				Receipts under Custody		Total	
		Amount	%	Amount	%	Amount	%										Amount	%	Amount	%			Amount	%	Amount	%
<u>2003</u>																										
Kuang Ming Shipping Corp.	A	\$ -	-	\$ 1,055	-	\$ 1,055	-	\$ -	-	\$ -	-	\$ -	-	\$ 10,776	1	\$ -	-	\$ -	-	\$ 10,776	1	\$ 2	-	\$ -	-	
All Oceans Transportation Inc.	A	-	-	1,973,949	C 65	1,973,949	65	-	-	877,337	75	9,017,823	C 94	-	-	-	-	47,045	4	47,045	4	-	-	369	1	
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	5,000	-	-	-	-	-	5,000	-	-	-	-	-	
Jing Ming Transportation Co., Ltd.	A	-	-	3,667	-	3,667	-	-	-	-	-	-	-	11,216	1	-	-	-	-	11,216	1	-	-	-	-	
Yangming (Japan) Co., Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	154,636	12	-	-	154,636	12	25,809	3	-	-	
Yang Ming Line Holding Co.	A	-	-	7,575	-	7,575	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Young-Carrier Company Ltd.	B	460,055	15	-	-	460,055	15	-	-	-	-	-	-	-	-	166,409	12	-	-	166,409	12	-	-	-	-	
Yangming (Cayman) Ltd.	B	-	-	69	-	69	-	-	-	3,236	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Yang Ming (U.K.) Ltd.	B	125,637	4	-	-	125,637	4	-	-	-	-	-	-	-	-	10,988	1	547,391	D 41	558,379	42	-	-	-	-	
Yang Ming Shipping Europe GmbH	B	73,560	2	-	-	73,560	2	-	-	-	-	-	-	-	-	21,792	2	-	-	21,792	2	-	-	-	-	
Yang Ming Line (Hong Kong) Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	206,257	15	-	-	206,257	15	140,119	15	-	-	
Yangming Shipping (Singapore) Pte. Ltd.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,126	2	-	-	22,126	2	17,067	2	-	-	
Kuang Ming Shipping Corp. (Panama)	B	-	-	351	-	351	-	-	-	13,129	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Yang MingLine (M) Sdn. Bhd	B	31,858	1	-	-	31,858	1	-	-	-	-	-	-	-	-	50,445	4	-	-	50,445	4	1,085	-	-	-	
Yes Logistics Corp.	A	9,680	-	-	-	9,680	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Yang Ming Italy S.p.A.	B	253,469	8	-	-	253,469	8	-	-	-	-	-	-	-	-	89,032	7	-	-	89,032	7	-	-	-	-	
Yang Ming Line (Singapore) Pte. Ltd.	A	-	-	83,064	E 3	83,064	3	-	-	-	-	622,980	E 6	-	-	-	-	-	-	-	-	-	-	-	-	
Other	F	-	-	833	-	833	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		<u>\$ 954,259</u>	<u>32</u>	<u>\$2,070,563</u>	<u>68</u>	<u>\$ 3,024,822</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>	<u>\$893,702</u>	<u>76</u>	<u>\$9,640,803</u>	<u>100</u>	<u>\$ 26,992</u>	<u>2</u>	<u>\$ 721,685</u>	<u>54</u>	<u>\$594,436</u>	<u>48</u>	<u>\$1,343,113</u>	<u>100</u>	<u>\$184,082</u>	<u>20</u>	<u>\$ 369</u>	<u>1</u>	

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

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

FINANCING PROVIDED

JUNE 30, 2004

(In Thousands of New Taiwan Dollars)

No.	Financier	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate	Nature of Financing (Note A)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counterparty	Maximum Amount of Financing that May Be Provided by the Financier
											Item	Value		
1	Yang Ming (America) Corp. (Note L)	Yang Ming Line Holding Co.	Receivables from related parties	\$ 42,225 (US\$ 1,250,000)	\$ 34,219 (US\$ 1,013,000)	2.11%-2.15%	2	\$ -	Payment of debts	\$ -	-	\$ -	\$ 344,556 (Note H)	\$ 405,360 (US\$12,000,000)
2	Yang Ming Shipping (B.V.I.) Inc. (Note L)	Karman Properties Limited	Other current assets	106,928 (HK\$24,689,000)	106,928 (HK\$24,689,000)	3%	2	-	Acquisition of office building	-	-	-	395,206 (Note E)	494,008 (Note D)
3	Yang Ming Line (Singapore) Pte. Ltd. (Note L)	Yang Ming Line (M) Sdn. Bhd.	Other receivables	1,959 (US\$ 58,000)	270 (US\$ 8,000)	1.05%	2	-	Acquisition of equipment	-	-	-	648,350 (Note F)	1,296,699 (Note D)
4	Yang Ming Line (B.V.I.) Holding Co., Ltd. (Note L)	Yang Ming Line B.V.	Other current assets	40,732 (Note I)	40,732 (Note I)	1.5%	2	-	Investment in Yang Ming Italy S.p.A., Yangming (UK) Ltd., Yang Ming (Netherlands) B.V. and Yang Ming Shipping Europe GmbH	-	-	-	2,765,317 (Note E)	3,456,646 (Note D)
5	Young-Carrier Company Ltd. (Note L)	Yang Ming Line (Singapore) Pte. Ltd.	Receivables from related parties	122,453 (US\$ 3,625,000)	114,008 (US\$ 3,375,00)	1%	2	-	Acquisition of office building	-	-	-	347,123 (Note G)	347,123 (Note H)

Notes: A. Nature of Financing:

1. Yang Ming Marine Transport Corporation (the "Corporation"). has transactions with the borrower.
2. The borrower needs short-term financing.

B. The maximum financing amount is 40% of net assets of the Corporation. For borrowers with transactions with the Corporation, maximum financing is 30% of net assets of the Corporation. For borrowers with short-term financing need, the maximum is 10% of net assets of the Corporation.

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

D. Represents the lender's net asset value.

E. Represents 80% of the lender's net asset value.

F. Represents 50% of the lender's net asset value.

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

H. Represents 85% of the maximum financing amount of US\$12,000,000.

I. Equivalent to GBP\$300,000 and EUR\$547,000 translated into New Taiwan dollars at the exchange rate of GBP1=NT\$61.08 and EUR1=NT\$40.965 on June 30, 2004.

J. United States dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$33.78 on June 30, 2004.

K. Hong Kong dollars translated into New Taiwan dollars at the exchange rate of HK\$1=NT\$4.3310 on June 30, 2004.

L. Based on unaudited financial statements.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED

JUNE 30, 2004

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

No.	Guarantor	Counter-party		Maximum Amount of Guarantee to Individual Counterparties	Maximum Balance for the Period	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity Shown in the Latest Financial Statement	Maximum Amount of Guarantee that can be Provided by the Guarantor
		Name	Nature of Relationship						
0	Yang Ming Marine Transport Corporation	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Equity-method investee	\$ 17,551,702 (Note B)	\$ 3,016,318 (US\$ 89,293,000)	\$ 2,746,449 (US\$ 81,304,000)	\$ -	7.69%	\$ 21,939,628 (Note A)
		All Oceans Transportation, Inc.	Equity-method investee	17,551,702 (Note B)	1,808,818 (US\$ 53,547,000)	1,615,393 (US\$ 47,821,000)	-	4.52%	21,939,628 (Note A)
		Yang Ming (America) Corp.	Equity-method investee of a wholly-owned subsidiary	17,551,702 (Note B)	50,670 (US\$ 1,500,000)	50,670 (US\$ 1,500,000)	-	0.14%	21,939,628 (Note A)
		United Terminal Leasing LLC.	Equity-method investee of a wholly-owned subsidiary	17,551,702 (Note B)	37,124 (US\$ 1,099,000)	34,118 (US\$ 1,010,000)	-	0.10%	21,939,628 (Note A)
0, 1	Yang Ming Marine Transport Corporation and Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Equity-method investee	17,551,702 (Note B)	116,372 (US\$ 3,445,000)	102,657 (US\$ 3,039,000)	-	0.29%	21,939,628 (Note A)
1	Yang Mine Line Holding Co. (Note F)	West Basin Container Terminal LLC	Equity-method investee	486,432 (Note D)	16,619 (US\$ 492,000)	15,065 (US\$ 446,000)	-	0.04%	608,040 (Note C)

Notes:

- A. It represents 100% of the paid-in capital of Yang Ming Marine Transport Corporation (the "Corporation").
- B. It represents 80% of the Corporation's paid-in capital.
- C. It represents US\$18,000,000.
- D. It represents 80% of the amount mentioned in Note C.
- E. United States dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$33.78 on June 30, 2004.
- F. Based on unaudited financial statements.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

SECURITIES HELD
JUNE 30, 2004

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

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2004			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
Yang Ming Marine Transport Corporation	<u>Common stock</u>							
	Ritek Corporation	-	Short-term investments	9,842,625	731,466	0.47	154,106	
	Sunplus Technology Co., Ltd.	-	Short-term investments	1,737,500	132,008	0.22	106,359	
	United Microelectronics Corp.	-	Short-term investments	1,485,574	104,243	0.01	36,884	
	Senao International Co, Ltd.	-	Short-term investments	3,707,827	96,000	1.77	64,709	
	Asustek Computer Inc.	-	Short-term investments	325,125	64,402	0.01	25,677	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investments	728,635	55,020	-	35,616	
	Macronix International Co., Ltd.	-	Short-term investments	858,000	49,362	0.02	9,464	
	Compal Eletronics, Inc.	-	Short-term investments	727,950	42,012	0.02	27,385	
	Elan Microelectronics Corp	-	Short-term investments	2,000,220	41,281	0.59	49,443	
	Dbtel Incorporated	-	Short-term investments	579,927	39,932	0.08	13,402	
	Chunghwa Picture Tubes, Ltd.	-	Short-term investments	2,000,129	32,172	0.03	35,402	
	Twinhead International Corp.	-	Short-term investments	796,400	29,788	0.14	3,917	
	U-Tech Media Corp.	-	Short-term investments	1,120,000	26,753	0.61	28,149	
	Polaris Securities Co., Ltd.	-	Short-term investments	492,229	23,619	0.04	8,506	
	Advanced Semiconductor Engineering, Inc.	-	Short-term investments	338,800	18,341	0.01	8,255	
	Inventec Corporation	-	Short-term investments	290,400	16,474	0.01	6,107	
	China Airlines Ltd.	-	Short-term investments	1,391,304	16,000	0.05	24,207	
	Winbond Eletronics Corp	-	Short-term investments	240,000	15,970	0.01	3,595	
	Micro-Star International Co., Ltd.	-	Short-term investments	154,845	15,503	0.02	5,757	
	Yageo Corporation	-	Short-term investments	499,468	15,337	0.02	8,010	
	Gigastorage Corporation	-	Short-term investments	495,000	14,972	0.19	8,283	
	Delpha Construction Co., Ltd.	-	Short-term investments	376,310	14,523	0.09	1,434	
	Quanta Computer Inc.	-	Short-term investments	126,500	13,730	-	8,861	
	Universal Scientific Industrial Co., Ltd.	-	Short-term investments	166,600	12,517	0.02	2,199	
	Realtek Semiconductor Corp	-	Short-term investments	109,200	11,504	0.02	4,510	
	Prodisc Technology Inc.	-	Short-term investments	158,270	10,830	0.03	3,666	
	Accton Technology Corp	-	Short-term investments	135,191	10,265	0.02	2,642	
	Mosel Vitelic Inc.	-	Short-term investments	116,149	10,164	0.01	595	
	Siliconware Precision Industries Co., Ltd.	-	Short-term investments	165,995	7,687	0.01	4,153	
	Aurora Corporation	-	Short-term investments	72,600	7,459	0.02	1,325	
	Hon Hai Precision Ind. Co., Ltd.	-	Short-term investments	37,551	6,369	-	4,764	
	Hannstar Display Corp.	-	Short-term investments	200,000	4,431	-	3,331	
	Taiwan Mask Corp.	-	Short-term investments	26,967	2,135	0.01	455	
	Silicon Integrated System Corp.	-	Short-term investments	3,427	234	-	52	
	Taiwan Fu Hsing Industrial Co., Ltd.	-	Short-term investments	4,279	173	-	131	
	Cheng Loong Corp.	-	Short-term investments	2,403	43	-	28	
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Equity-method investee	Investments in shares of stock	67,505,031	3,456,646	100.00	3,456,646	
	Yang Ming Line (Singapore) Pte. Ltd.	Equity-method investee	Investments in shares of stock	28,400,000	1,296,698	100.00	1,296,698	
	Chunghwa Investment Co., Ltd	Equity-method investee	Investments in shares of stock	80,000,000	792,532	40.00	792,532	
Yes Logistics Corp.	Equity-method investee	Investments in shares of stock	45,251,100	428,391	90.50	428,390		
Honming Terminal & Stevedoring Co., Ltd.	Equity-method investee	Investments in shares of stock	31,600,000	353,601	79.00	353,601		
Kuang Ming Shipping Corp.	Equity-method investee	Investments in shares of stock	31,500,000	185,132	100.00	185,132	Note G	
All Oceans Transportation, Inc.	Equity-method investee	Investments in shares of stock	1,000	3,508,343	100.00	3,508,343		
Yang Ming Line Holding Co.	Equity-method investee	Investments in shares of stock	7,500	167,808	100.00	167,808		
Transyang Shipping Pte. Ltd.	Equity-method investee	Investments in shares of stock	686	90,164	24.99	90,164	Note I	
Jing Ming Transportation Co., Ltd.	Equity-method investee	Investments in shares of stock	5,266,225	70,873	50.80	70,873		
Ching Ming Investment Corp.	Equity-method investee	Investments in shares of stock	149,946,800	83,249	99.96	83,249	Note G	
United Venture Capital Corp.		Investments in shares of stock	8,000,000	80,000	9.04	66,880		

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2004			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
	Waterland Financial Holdings Co., Ltd.		Investments in shares of stock	9,086,561	\$ 70,000	0.43	\$ 107,494	
	Hotung Investment Holding Ltd.		Investments in shares of stock	8,861,600	40,268	0.70	31,281	
	SF Technology Venture Capital Investment Corp.		Investments in shares of stock	4,000,000	40,000	7.24	34,240	
	Kingmax Technology Corp.	-	Investments in shares of stock	1,580,992	24,000	1.40	23,999	
	Ascentek Venture Capital Corp.	-	Investments in shares of stock	2,000,000	20,080	2.14	20,780	
	Forwin Securities Corp.	-	Investments in shares of stock	2,500,000	20,000	2.00	14,300	
	Taipei Port container Terminal Co., Ltd.	-	Investments in shares of stock	8,000,000	80,000	10.00	77,520	
	Taiwan Nano Electro-Optical Technology Co., Ltd.	-	Investments in shares of stock	2,719,839	24,478	3.89	18,821	
	China Technology Venture Capital Corporation	-	Investments in shares of stock	3,000,000	30,000	8.96	31,410	
	<u>Preferred stock</u>							
	New Century Infocomm Co., Ltd.	-	Investments in shares of stock	80,000,000	864,000	1.68	713,600	
	Penguin Computing, Inc.	-	Investments in shares of stock	218,341	7,698	0.93	52	
	Arescom Inc.	-	Investments in shares of stock	100,000	7,698	0.24	42	
	<u>Mutual fund</u>							
	Prudential Bond Fund	-	Short-term investments	127,207,944	1,907,703	-	1,914,772	
	The Duo Li-2 Bond Fund	-	Short-term investments	81,673,101	1,151,121	-	1,151,462	
	Entrust KIRIN Bond Fund	-	Short-term investments	85,746,370	913,079	-	916,757	
	Forever Fund	-	Short-term investments	64,357,708	898,342	-	900,648	
	Sheng Hua 1699 Bond Fund	-	Short-term investments	64,399,042	769,575	-	772,460	
	Truswell Yi Li Shi	-	Short-term investments	60,172,609	739,772	-	742,410	
	Fuhwa Bond Fund	-	Short-term investments	51,758,192	636,576	-	639,291	
	Fuh-Hwa Bond Fund	-	Short-term investments	46,777,151	597,976	-	601,040	
	United Welli Bond Fund	-	Short-term investments	34,513,698	434,807	-	436,077	
	Capital Safe Income Fund	-	Short-term investments	29,557,752	420,437	-	422,602	
	PCA Unique Fund	-	Short-term investments	28,552,563	418,000	-	423,377	
	EnTrust Phoenix Bond Fund	-	Short-term investments	27,198,618	394,736	-	396,336	
	Home Run Fund	-	Short-term investments	27,872,265	376,830	-	378,271	
	Prudential Well Pool Fund	-	Short-term investments	26,796,493	324,332	-	325,090	
	FJU-I II Bond Fund	-	Short-term investments	22,590,988	316,601	-	317,948	
	Jih Sun Bond Fund	-	Short-term investments	18,759,148	247,003	-	247,439	
	Capital Cash Reserves Fund	-	Short-term investments	19,526,516	219,750	-	220,761	
	Tiim High Yield Fund	-	Short-term investments	17,375,461	204,849	-	206,909	
	Chung Hsing Ping-An Fund	-	Short-term investments	19,358,273	200,000	-	200,097	
	NITC Taiwan Bond Fund	-	Short-term investments	14,385,032	195,342	-	195,786	
	Sheng Hua 5599 Bond Fund	-	Short-term investments	16,934,697	182,941	-	183,454	
	Tiim Bond Fund	-	Short-term investments	11,706,110	159,691	-	160,217	
	Taiyu Long River Bond Fund	-	Short-term investments	11,965,405	136,410	-	136,491	
	PCA Hightech Fund	-	Short-term investments	4,268,136	129,000	-	109,350	
	Diamond Bond Fund	-	Short-term investments	11,358,518	126,000	-	126,063	
	Cathay Capital Income Growth Bond Fund	-	Short-term investments	11,334,574	119,360	-	119,656	
	PCA Balance II Fund	-	Short-term investments	11,420,274	116,000	-	108,150	
	Shnkong Chi-Shun Fund	-	Short-term investments	7,668,840	109,000	-	109,047	
	PCA Balance 3 Fund	-	Short-term investments	10,000,000	100,000	-	97,860	
	Yuanta Asset Management Ltd.—Certificate Shipping	-	Short-term investments	2,800,800	94,015	-	80,769	
	Ta Chong Callop Bond Fund	-	Short-term investments	8,095,640	85,000	-	85,171	
	Fuh-Hwa Albatross Fund	-	Short-term investments	7,003,248	75,609	-	75,996	
	Shinkong NT High Yield Fund	-	Short-term investments	4,362,518	70,000	-	70,081	
	EnTrust Yung Chong Fund	-	Short-term investments	9,494,235	60,000	-	51,459	
	Polaris Global Short Duration Diversified Bond Fund	-	Short-term investments	5,000,000	50,000	-	48,691	
	Grand Cathay Bond Fund	-	Short-term investments	3,993,074	50,000	-	50,052	
	Barits Value Balance Fund	-	Short-term investments	4,691,806	50,000	-	50,560	
	Entrust New Star Fund	-	Short-term investments	11,520,737	50,000	-	51,843	
	Reliance Niche Fund	-	Short-term investments	4,724,796	50,000	-	49,138	
	Grand Cathay Global Balance Fund of Funds	-	Short-term investments	5,000,000	50,000	-	48,750	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2004			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
	Longma Fund	-	Short-term investments	1,906,267	\$ 40,000		\$ 35,876	
	NITC Great Fortune Fund	-	Short-term investments	4,000,000	40,000		38,160	
	Sheng Hua 5168 Fund of Funds	-	Short-term investments	3,921,931	40,000		36,861	
	Truswell Elite Fund	-	Short-term investments	3,980,377	40,000		40,032	
	ABN Amro Aggressive Taiwan Bond Fund	-	Short-term investments	3,457,184	37,000		36,742	
	PCA Elech Fund	-	Short-term investments	5,035,552	35,000		30,818	
	Yuanta Asset Management Ltd.—Certificate Gentem	-	Short-term investments	385,560	32,561		28,173	
	Capital Cash Reserves Fund	-	Short-term investments	2,523,449	32,423		32,897	
	FGIT Excellent Fund	-	Short-term investments	1,152,516	30,000		26,266	
	Barits Great China Fund	-	Short-term investments	2,250,563	30,000		24,239	
	Prudential Unit-Link Fund	-	Short-term investments	2,933,612	30,000		29,917	
	Everflourishing Balanced Fund	-	Short-term investments	2,557,106	27,000		26,381	
	HT High-Yield Fund	-	Short-term investments	1,756,431	24,500		24,523	
	UBSC(Taiwan) Global Credit Bond Fund	-	Short-term investments	2,000,000	20,000		19,645	
	Reliance Niche Fund	-	Short-term investments	2,000,000	20,000		20,240	
	NITC Wonderful Fund	-	Short-term investments	1,776,199	20,000		18,579	
	Chung Hsing Taiwan Fund	-	Short-term investments	1,456,136	20,000		15,217	
	FGIT Millenary Fund	-	Short-term investments	3,430,532	20,000		18,285	
	Capital Securities Corp.—Certificate CMC	-	Short-term investments	660,419	16,371		12,359	
	Yuanta Asset Management Ltd.—Certificate Etron	-	Short-term investments	297,515	16,309		10,448	
	The Duo Duo Fund	-	Short-term investments	1,262,626	15,000		17,273	
	Einstein Balanced Fund	-	Short-term investments	969,405	14,000		13,407	
	Nitc Value Fund	-	Short-term investments	1,234,000	12,340		12,439	
	Abn Amro Global Leader Fund	-	Short-term investments	1,000,000	10,010		11,890	
	Cathy Global Bond Fund	-	Short-term investments	1,000,000	10,000		9,998	
	Cathay Superior Balanced Fund	-	Short-term investments	1,000,000	10,000		9,870	
	The Duo Fu Fund	-	Short-term investments	633,714	10,000		10,285	
	Transcend Property Fund	-	Short-term investments	773,994	10,000		9,203	
	Ta Chong Top 25 Fund	-	Short-term investments	1,000,000	10,000		9,040	
	President James Bond Fund	-	Short-term investments	603,537	9,000		9,009	
	Cathay Balanced Fund	-	Short-term investments	634,417	8,000		7,537	
	Yuanta Asset Management Ltd.—Certificate Airlines	-	Short-term investments	306,070	5,200		5,325	
	Certificates of conversion of bond to stocks China Airlines Ltd.—Convertible Bond-II	-	Short-term investments	200,000	20,000	-	22,139	
Ching Ming Investment Co., Ltd. (Note N)	<u>Common stocks</u> Yang Ming Marine Transport Corporation	Parent company	Short-term investments	52,700,308	1,017,962	2.41	1,519,771	3,200,000 shares pledged as collateral for a short-term bank loan.
	Ritek Corporation	-	Short-term investments	7,002,336	459,757	-	109,636	5,600,000 shares pledged as collateral for a short-term bank loan.
	China Container Terminal Corporation	-	Short-term investments	1,000,000	65,410	-	8,338	
	Micro-Star International Co., Ltd.	-	Short-term investments	154,845	15,462	-	5,757	
	CMC Magnetics Corporation	-	Short-term investments	200,000	6,039	-	3,743	
	Greatek Eletronics Inc.	-	Short-term investments	230,000	8,179	-	7,814	
	Harvatek Corporation	-	Short-term investments	100,000	6,309	-	4,364	
	Sintek Photonics Corp.	-	Short-term investments	150,000	4,492	-	3,226	
	AU Optronics Corp	-	Short-term investments	150,000	7,310	-	7,889	
	Etron Technology Inc.	-	Short-term investments	100,000	6,659	-	3,512	
	Taishin Financial Holding Co., Ltd.	-	Short-term investments	250,000	7,091	-	6,955	
	Quanta Display Inc.	-	Short-term investments	50,000	1,348	-	1,146	
	Mega Financial Holding Company	-	Short-term investments	200,000	5,047	-	4,366	
	Rossmax International Ltd.	-	Short-term investments	100,000	6,064	-	3,703	
	KGI Securities Co., Ltd.	-	Short-term investments	150,000	2,313	-	1,954	
	Wei-Chuan Foods Corp.	-	Short-term investments	100,000	1,509	-	1,262	
	Waterland Financial Holdings	-	Short-term investments	478,240	3,180	-	5,658	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2004			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
Yes Logistics Corp. (Note N)	Chang Hwa Commercial Bank, Ltd.	-	Short-term investments	200,000	\$ 4,426	-	\$ 3,746	
	Advanced Microelectronics Products Inc.	-	Short-term investments	100,000	1,908	-	1,104	
	Honming Terminal & Stevedoring Co., Ltd.	Equity-method investee	Investments in shares of stock	3,950,000	44,218	9.88	44,218	
	Tytech Co, Ltd.	-	Investments in shares of stock	150,000	1,500	7.78	260	
	<u>Mutual fund</u>							
	Shinkong NT High Yield Fund		Short-term investments	125,536	2,014	-	2,017	
	<u>Certificates of conversion of bond to stocks</u>							
	China Airlines Ltd.—Convertible Bond-II	-	Short-term investments	200,000	22,433	-	22,142	
	Quanta Display Inc. —Convertible Bond	-	Short-term investments	100,000	10,250	-	10,250	
	Hsin Kuang Steel Co., Ltd. —Convertible Bond-II	-	Short-term investments	50,000	5,000	-	5,282	
	<u>Common stocks</u>							
	United Microelectronics Corp.	-	Short-term investments	20,632	1,238	-	512	
	Siliconware Precision Industries Co., Ltd.	-	Short-term investments	20,000	729	-	500	
	Macronix Internatinal Co., Ltd.	-	Short-term investments	7,150	341	-	79	
	Winbond Eletronics Corp.	-	Short-term investments	29,875	1,631	-	448	
	Synnex Technology International Corp.	-	Short-term investments	7,562	696	-	393	
	Ritek Corporation	-	Short-term investments	16,250	1,182	-	254	
	Silicon Integrated System Corp.	-	Short-term investments	16,499	1,522	-	251	
	Via Technologies, Inc.	-	Short-term investments	2,049	319	-	59	
	Everlight Eletronics Co., Ltd.	-	Short-term investments	20,000	1,347	-	951	
	Greatek Eletronics Inc.	-	Short-term investments	20,000	919	-	680	
	Walsin Technology Corp.	-	Short-term investments	7,324	341	-	172	
	Mega Financial Holding Company	-	Short-term investments	40,000	865	-	873	
	Taishin Financial Holding Co. Ltd.	-	Short-term investments	20,000	641	-	556	
	Elite Semi-Conductor Memory Technology Inc.	-	Short-term investments	2,912	855	-	316	
	Hloy Store Enterprise Co, Ltd.	-	Short-term investments	4,547	495	-	274	
	Vanguard International Semiconductor Co.	-	Short-term investments	15,000	659	0.01	207	
	Tailyn Communication Co, Ltd.	-	Short-term investments	5,512	180	-	54	
	Promos Technology Inc.	-	Short-term investments	5,950	393	-	103	
	Yang Ming Marine Transport Corp.—Convertible Bond-II	Parent company	Short-term investments	30,000	3,000	-	3,552	
	China Airlines Ltd.—Convertible Bond-II	-	Short-term investments	100,000	10,000	-	11,071	
	ET Internet Technology Corporation—Convertible Bond-III	-	Short-term investments	100,000	10,000	-	9,534	
	Honming Terminal & Stevedoring Co., Ltd.	Equity-method investee	Investments in shares of stock	4,382,370	45,735	10.96	49,038	
	Yes Logistics Corp.	Equity-method investee	Investments in shares of stock	100,000	2,385	100.00	2,385	
	Yes Logistics Company Ltd.	Equity-method investee	Investments in shares of stock	100,000	-	100.00	(5,456)	
	Yes Yangming Logistics (Singapore) PTE Ltd.	Equity-method investee	Investments in shares of stock	340,000	6,608	100.00	6,608	
	B2B. Com Holdings Ltd.	-	Investments in shares of stock	800,000	39,533	8.00	39,523	
	United Raw Material Solutions, Inc.	-	Investments in shares of stock	200,000	33,128	1.33	33,128	
	<u>Mutual fund</u>							
	Fuhwa Bond Fund	-	Short-term investments	243,350	3,000	-	3,006	
Tiim Bond Fund	-	Short-term investments	670,469	7,600	-	7,984		
Fuh-Hwa Bond Fund	-	Short-term investments	6,157	79	-	79		
Fuh-Hwa Albatross Fund	-	Short-term investments	559,908	6,030	-	6,076		
Fuh-Hwa Global Bond Fund	-	Short-term investments	1,000,000	10,020	-	10,481		
Capital Safe Income Fund	-	Short-term investments	1,059,694	15,036	-	15,151		
UBS (Taiwan) Global Credit Bond Fund	-	Short-term investments	500,000	5,000	-	4,901		
Capital Cash Reserves Fund	-	Short-term investments	578,382	7,404	-	7,540		
Nam Short Term Fixed Income Fund	-	Short-term investments	4,811	2,151	-	2,122		
GC Dollar Fund	-	Short-term investments	2,560	914	-	917		
JF Global Balance Fund	-	Short-term investments	1,000,000	10,000	-	9,556		
Fuhwa New Balance Fund	-	Short-term investments	1,496,460	15,000	-	16,984		
Classical Fund	-	Short-term investments	500,086	5,001	-	5,063		
President Pao-An Balance Fund	-	Short-term investments	500,000	5,000	-	4,914		
Mega Fancy Balanced Fund	-	Short-term investments	500,000	5,000	-	4,552		
Fuh-Hwa Global Balance Fund	-	Short-term investments	1,000,000	10,000	-	9,910		

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2004			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
	Fuhwa Diamond Fund	-	Short-term investments	300,000	\$ 3,000	-	\$ 3,012	
	Fu-Hwa Aegis Fund	-	Short-term investments	1,000,000	10,000	-	9,786	
	Fu-Hwa Heirloom Balance Fund	-	Short-term investments	654,060	7,230	-	8,142	
	Fuhwa Life Goal Bond Fund	-	Short-term investments	2,000,000	20,000	-	21,642	
	HSBC Taiwan Safe and Rich Fund	-	Short-term investments	397,773	10,080	-	5,668	
	Prudential Financial Maxima Fund	-	Short-term investments	39,262	1,000	-	665	
	Prudential Financial Taiwan Enterprise Fund	-	Short-term investments	68,353	1,003	-	749	
	Fuhwa System Fund of Fund	-	Short-term investments	986,777	10,000	-	10,320	
	Dresdner ADAM APDS Fund	-	Short-term investments	1,000,000	10,000	-	9,580	
	<u>Long-term investment in bonds</u>							
	NAM AP Unison Series 1 Ltd.	-	Long-term investments in bonds	(Note J)	3,475	-	3,376	
	Primax 0% 08 Credit Linked Note	-	Long-term investments in bonds	(Note K)	18,918	-	18,568	
Yang Ming Line (Singapore) Pte. Ltd. (Note N)	<u>Common stocks</u>							
	Sunplus Technology Co., Ltd.	-	Short-term investments	835,312	66,499	0.11	48,866	
	Dbtel Incorporated	-	Short-term investments	438,840	33,154	0.06	8,338	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Short-term investments	364,317	27,787	-	17,633	
	Ritek Corporation	-	Short-term investments	279,500	25,553	0.01	4,193	
	Macronix International Co., Ltd	-	Short-term investments	228,800	13,674	0.01	2,471	
	Au Optonics Corp.	-	Short-term investments	220,500	8,599	0.01	11,246	
	Winbond Electronics Corp	-	Short-term investments	47,800	3,445	-	736	
	Silicon Integrated Systems Corp.	-	Short-term investments	50,000	2,659	-	730	
	Yang Ming Shipping (B.V.I) Inc.	Equity-method investee	Investments in shares of stock	510	251,944	51.00	251,944	
	Young-Carrier Company Ltd.	Equity-method investee	Investments in shares of stock	910,000	319,855	91.00	319,855	
	Yangming (Japan) Co., Ltd.	Equity-method investee	Investments in shares of stock	3,000	46,571	100.00	46,571	
	Yangming Shipping (Singapore) Pte Ltd.	Equity-method investee	Investments in shares of stock	1,000,000	30,419	100.00	30,419	
	Yang Ming Line (M) Sdn. Bhd.	Equity-method investee	Investments in shares of stock	700,000	9,079	70.00	9,079	
	Yangming (Cayman) Ltd.	Equity-method investee	Investments in shares of stock	20,000	(204)	100.00	(204)	Note D
	Yang Ming Line (Hong Kong) Ltd.	Equity-method investee	Investments in shares of stock	510,000	(82,398)	51.00	(82,398)	Note D
	<u>Global depositary receipt</u>							
	Permal Emerging Market Holdings N.V.	-	Short-term investments	654	34,078	-	39,453	
	Permal Investment Holdings N.V.	-	Short-term investments	344	33,834	-	38,222	
	Via source Policy Fund	-	Short-term investments	5	11,654	-	11,654	
	Permal Global Opportunities B	-	Short-term investments	666	33,876	-	34,397	
	Sunplus Technology Co., Ltd. GDR	-	Short-term investments	92,221	15,936	-	11,838	
	Synnex Technology International Corp. Gdr	-	Short-term investments	55,823	10,787	-	11,503	
Yangming (Japan) Co., Ltd. (Note N)	<u>Common stocks</u>							
	Manwa &Co, Ltd.	Equity-method investee	Investments in shares of stock	200	2,879	100.00	2,879	
Yang Ming Shipping (B.V.I) Inc. (Note N)	<u>Common stocks</u>							
	Karman Properties Limited	Equity-method investee	Investments in shares of stock	1,000	(11,226)	100.00	(11,226)	Note D
Yang Ming Line (B.V.I.) Holding Co., Ltd. (Note N)	<u>Common stocks</u>							
	Yang Ming Line N.V.	Equity-method investee	Investments in shares of stock	1,500,000	(81,812)	100.00	(81,812)	Note D
Yang Ming Line N.V. (Note N)	<u>Common stocks</u>							
	Yang Ming Line B.V.	Equity-method investee	Investments in shares of stock	2,500	(85,480)	100.00	(85,480)	Note D
Yang Ming Line B.V. (Note N)	<u>Common stocks</u>							
	Yangming (UK) Ltd.	Equity-method investee	Investments in shares of stock	900,000	(152,686)	100.00	(152,686)	Note D
	Yang Ming Shipping Europe GmbH	Equity-method investee	Investments in shares of stock	(Note B)	72,491	100.00	72,491	
	Yang Ming Italy S.p.A.	Equity-method investee	Investments in shares of stock	125,000	15,725	50.00	15,725	
	Yang Ming (Netherlands) B.V.	Equity-method investee	Investments in shares of stock	(Note M)	6,145	70.00	6,145	
Yangming (UK) Ltd. (Note N)	<u>Common stocks</u>							
	Corstor Ltd.	Equity-method investee	Investments in shares of stock	(Note C)	8,518	50.00	8,518	
	Yes Logistic UK Ltd.	Equity-method investee	Investments in shares of stock	(Note H)	3,367	100.00	3,367	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2004				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
Yang Ming Shipping Europe GmbH (Note N)	<u>Common stocks</u> Yes Logistics Europe GmbH	Equity-method investee	Investments in shares of stock	(Note L)	\$ 1,024	100.00	\$ 1,024	
Yang Ming Italy S.p.A. (Note N)	<u>Common stocks</u> Yang Ming (Naples) S.r.l.	Equity-method investee	Investments in shares of stock	6,000	246	60.00	246	
Yang Ming Line Holding Co. (Note N)	<u>Common stocks</u> West Basin Container Terminal LLC	Equity-method investee	Investments in shares of stock	(Note E)	189,992	40.00	189,992	
	United Terminal Leasing LLC	Equity-method investee	Investments in shares of stock	(Note F)	33,234	40.00	33,234	
	Yang Ming (America) Co.	Equity-method investee	Investments in shares of stock	500,000	46,646	100.00	46,646	
Kuang Ming Shipping Corp. (Note N)	<u>Common stocks</u> Yang Ming Marine Transport Corp.	Parent company	Short-term investments	1,704,995	34,405	0.09	49,169	
	China Steel Corporation	-	Short-term investments	616,717	14,183	-	18,669	
	Yuen Foong Yu Paper Mfg. Co, Ltd.	-	Short-term investments	3,543	57	-	63	
	Siliconware Precision Industries Co, Ltd.	-	Short-term investments	594	32	-	15	
	Kuang Ming Shipping Corp. (Panama)	Equity-method investee	Investments in shares of stock	49,500	(37,856)	100.00	(37,856)	Note D
	<u>Mutual fund</u> Forever Fund	-	Short-term investment	381,263	5,000	-	5,336	
	Rsit Enhanced Bond Fund	-	Short-term investment	482,174	5,000	-	5,133	
	Fuhwa Bond Fund	-	Short-term investment	332,925	4,000	-	4,112	
	Classical Fund	-	Short-term investment	99,993	1,000	-	1,012	
	Fuh-Hwa Bond Fund	-	Short-term investment	412,718	5,000	-	5,303	
	Capital Safe Income Fund	-	Short-term investment	364,894	5,000	-	5,217	
	Phoenix Bond Fund	-	Short-term investment	350,184	5,000	-	5,103	
	<u>Convertible bonds</u> Yang Ming Marine Transport Corp. Convertible Bond—II	Parent Company	Investments in shares of stock	50,000	5,000	-	5,882	
	Jing Ming Transportation Co., Ltd. (Note N)	<u>Mutual fund</u> Shinkong Chi Shin Fund	-	Short-term investment	2,175,142	30,000	-	30,141
Fuh-Hwa Aegis Fund		-	Short-term investment	1,000,000	10,036	-	9,786	
Honming Terminal & Stevedoring Co., Ltd. (Note N)	<u>Common stocks</u> Yes Logistics Corp.	Equity-method investee	Investments in shares of stock	1,068,800	10,139	2.13	10,037	
	Taiwan Nano Electro-Optical Technology Co.	-	Investments in shares of stock	2,400,000	36,000	3.42	16,608	
	<u>Mutual fund</u> The Duo Li-2 Bond Fund	-	Short-term investments	2,222,444	30,000	-	30,025	

Notes:

- A. Market values were based on average closing prices in June 2004 or the net asset value of the fund on June 30, 2004, or, if market prices were unavailable, on the investees' net assets.
- B. The issued capital stock amounted to EUR\$818 thousand.
- C. The issued capital stock amounted to GBP\$1,000.
- D. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability.
- E. This is equivalent to US\$3,800,000, and no shares were issued.
- F. This is equivalent to US\$1,000,000, and no shares were issued.
- G. Reclassified from investment in shares of stock to treasury stock in proportion to subsidiaries' stockholdings.
- H. This is equivalent to GBP\$200, and no shares were issued.
- I. The investment income (loss) was recognized using the financial statements of the immediately preceding year, and the equity of Yang Ming Marine Transport Corporation (the "Corporation") was as of the investee's latest balance sheet presented since the investee's financial statements covering the same reporting period as that of the Corporation were not timely available. The Corporation recognized investment income for the year ended December 31, 2003 on the basis of the investee's audited financial statements for the same period.
- J. There were 100 thousand units, and each unit represented one U.S. dollar.
- K. The principal amount was US\$550 thousand.
- L. This is equivalent to EUR\$25 thousand, and no shares were issued.
- M. This is equivalent to EUR\$13 thousand, and no shares were issued.
- N. Investment-related amounts were based on unaudited financial statements.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE SIX MONTHS ENDED JUNE 30, 2004
 (Amounts in Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Yang Ming Marine Transport Corporation	<u>Mutual fund</u>													
	Prudential Bond Fund	Short-term investments	-	-	106,988,808	\$ 1,597,140	141,113,511	\$ 2,115,702	120,894,375	\$ 1,812,702	\$ 1,805,139	\$ 7,562	127,207,944	\$ 1,907,703
	The Duo Li-2 Bond Fund	Short-term investments	-	-	80,964,479	1,136,425	81,673,101	1,151,121	80,964,479	1,141,121	1,136,425	4,695	81,673,101	1,151,121
	Entrust KIRIN Bond Fund	Short-term investments	-	-	96,971,080	1,027,981	96,971,080	1,032,606	108,195,789	1,152,606	1,147,508	5,098	85,746,370	913,079
	Forever Fund	Short-term investments	-	-	28,290,607	392,747	65,077,345	908,341	29,010,243	404,341	402,747	1,594	64,357,708	898,342
	Sheng Hua 1699 Bond Fund	Short-term investments	-	-	43,265,735	514,407	75,759,908	905,074	54,626,600	652,574	649,907	2,667	64,399,042	769,575
	Truwell Yi Li Shi	Short-term investments	-	-	44,777,386	548,134	71,899,136	883,636	56,503,912	694,636	691,998	2,638	60,172,609	739,771
	Fuhwa Bond Fund	Short-term investments	-	-	48,259,551	590,751	53,386,963	656,576	49,888,321	613,576	610,750	2,825	51,758,192	636,576
	FJU-I II Bond Fund	Short-term investments	-	-	-	-	45,181,976	632,601	22,590,988	194,518	193,917	601	22,590,988	316,601
	Fuh-Hwa Bond Fund	Short-term investments	-	-	46,777,151	594,879	46,777,151	597,975	46,777,151	597,975	594,897	3,096	46,777,151	597,976
	Diamond Bond Fund	Short-term investments	-	-	18,277,040	201,256	53,377,593	591,085	60,296,115	667,737	666,341	1,396	11,358,518	126,000
	Taiyu Long River Bond Fund	Short-term investments	-	-	16,479,155	186,506	51,350,649	584,256	55,864,399	635,703	634,353	1,350	11,965,405	136,410
	Prudential Well Pool Fund	Short-term investments	-	-	54,949,038	661,663	43,290,899	523,739	71,443,444	863,739	861,070	2,669	26,796,493	324,332
	Home Run Fund	Short-term investments	-	-	18,836,655	253,519	35,506,641	479,830	26,471,031	357,830	356,518	1,311	27,872,265	376,830
	Capital Safe Income Fund	Short-term investments	-	-	26,424,722	373,835	32,480,372	461,936	29,347,342	417,436	415,335	2,101	29,557,752	420,437
	United Welli Bond Fund	Short-term investments	-	-	18,175,135	227,805	36,423,616	458,806	20,085,053	252,806	251,805	1,001	34,513,698	434,807
	HT High-Yield Fund	Short-term investments	-	-	30,247,140	419,002	30,111,011	419,167	58,601,720	815,678	813,669	2,009	1,756,431	24,500
	Entrust Phoenix Bond Fund	Short-term investments	-	-	27,198,618	392,965	27,198,618	394,736	27,198,618	394,736	392,965	1,770	27,198,618	394,736
	Solomon Bond Fund	Short-term investments	-	-	33,655,267	376,037	34,546,509	387,588	68,201,776	765,561	763,625	1,935	-	-
	Chung Hsing Ping-An Fund	Short-term investments	-	-	21,407,093	219,538	35,895,347	370,295	37,944,167	391,025	389,833	1,192	19,358,273	200,000
	Iit Wan Pao Fund	Short-term investments	-	-	5,508,748	80,189	20,869,708	306,000	26,378,456	386,590	386,189	401	-	-
	United Welli Bond Fund	Short-term investments	-	-	57,406,730	582,902	29,528,430	301,366	86,935,160	886,382	884,268	2,113	-	-
	Tiim Bond Fund	Short-term investments	-	-	184,430	2,504	20,520,158	279,690	8,998,478	122,690	122,504	186	11,706,110	159,691
	Jih Sun Bond Fund	Short-term investments	-	-	2,448,573	32,043	20,344,162	267,802	4,033,586	53,002	52,842	160	18,759,148	247,003
	TLAM B.B. Bond Fund	Short-term investments	-	-	6,826,662	73,954	23,827,551	259,102	30,654,213	333,349	333,056	293	-	-
	Capital Cash Reserves Fund	Short-term investments	-	-	19,172,142	214,649	19,526,516	219,749	19,172,142	215,749	214,649	1,100	19,526,516	219,750
	Sheng Hua 5599 Bond Fund	Short-term investments	-	-	7,076,658	76,021	19,676,688	212,441	9,818,649	105,941	105,520	420	16,934,697	182,941
	NITC Taiwan Bond Fund	Short-term investments	-	-	4,154,426	56,085	15,272,003	207,342	5,041,397	68,342	68,084	257	14,385,032	195,342
	Transcend Yung-Li Bond Fund	Short-term investments	-	-	-	-	17,052,770	200,000	17,052,770	200,073	200,000	73	-	-
	Union Bond Fund	Short-term investments	-	-	32,392,598	377,940	16,158,699	189,390	48,551,297	568,758	567,331	1,427	-	-
	Barits Bond Fund	Short-term investments	-	-	-	-	14,760,364	173,043	14,760,365	173,135	173,043	91	-	-
	Prudential Financial Bond Fund	Short-term investments	-	-	11,466,633	160,878	12,068,054	170,164	23,534,687	331,982	331,042	939	-	-
	Shinkong Chi-Shun Fund	Short-term investments	-	-	-	-	11,105,747	157,500	3,436,907	48,583	48,500	83	7,668,840	109,000
	Shinkong NT High Yield fund	Short-term investments	-	-	5,543,986	88,355	8,249,718	132,000	9,431,186	150,622	150,355	267	4,362,518	70,000
	Yanta Asset Management Ltd.— Certificate Shipping	Short-term investments	-	-	-	-	3,803,290	130,742	1,002,490	30,922	36,727	(5,805)	2,800,800	94,015
	PCA Hightech Fund	Short-term investments	-	-	-	-	4,268,136	129,000	-	-	-	-	4,268,136	129,000
	The Duo Li Bond Fund	Short-term investments	-	-	-	-	7,852,787	126,081	7,852,787	126,189	126,081	107	-	-
	FJU-I Bond Fund	Short-term investments	-	-	-	-	7,996,690	122,000	7,996,690	122,083	122,000	83	-	-
	Cathay Capital Income Growth Bond Fund	Short-term investments	-	-	5,837,232	61,087	11,334,574	119,359	5,837,232	61,359	61,087	272	11,334,574	119,360
	PCA Unique Fund	Short-term investments	-	-	21,436,302	313,000	7,116,261	105,000	-	-	-	-	28,552,563	418,000
	PCA Balance 3 Fund	Short-term investments	-	-	-	-	10,000,000	100,000	-	-	-	-	10,000,000	100,000
	IIT Increment Fund	Short-term investments	-	-	1,718,567	25,077	5,805,246	85,182	7,523,813	110,472	110,260	212	-	-
	Prudential Unit-Link Fund	Short-term investments	-	-	19,869,069	200,000	2,933,612	30,000	19,869,069	204,224	200,000	4,224	2,933,612	30,000
	Classical Fund	Short-term investments	-	-	10,000,000	100,000	-	-	10,000,000	101,628	100,000	1,628	-	-

YANG MING MARINE TRANSPORT CORPORATION

**ACQUISITION OF INDIVIDUAL REAL ESTATES AT COST OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2004
(Expressed in Thousands of New Taiwan Dollars)**

Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-Party				Price Reference	Purpose of Acquisition	Other Terms
						Owner	Relationship	Transaction Date	Amount			
Chongqing Building	March 12, 2004	\$1,677,000 (including sales tax)	Fully paid	De He Construction Co., Ltd., Guang He Construction Co., Ltd., Guang He Investment Co., Ltd. and Guang Ji Engineering Co., Ltd.	Third parties	-	-	-	-	Appraisal report: — Cheng Ta Real Estate Appraisal Co., Ltd. \$1,824,601 — China Property Appraisal Co., Ltd. \$1,826,077	Lease to others	-

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

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

JUNE 30, 2004

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yang Ming Marine Transport Corporation	All Oceans Transportation, Inc.	A	\$ 11,309,343 (Note C)	-	\$ -	-	\$ 440,655	\$ -
	Yang Ming Line (Singapore) Pte. Ltd.	A	608,040 (Note D)	-	-	-	-	-
	Young-Carrier Company Ltd.	B	571,288	-	-	-	408,987	-
	Yangming (UK) Ltd.	B	283,642	-	-	-	26,419	-
	Yang Ming Italy S.p.A	B	317,593	-	-	-	274,973	-
	Yang Ming Shipping Europe GmbH	B	100,100	-	-	-	98,737	-

Notes:

- A. Equity-method investee.
- B. Investee of a wholly owned subsidiary.
- C. Long-term receivables from related parties.
- D. Dividend receivable.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE SIX MONTHS ENDED JUNE 30, 2004
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount (Note D)		Balance as of June 30, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2004	December 31, 2003	Shares	Percentage of Ownership	Carrying Value			
Yang Ming Marine Transport Corporation	Yang Ming Line (B.V.I.) Holding Co., Ltd.	British Virgin Islands	Investment, shipping and forwarding agent and shipping managers	\$ 2,136,925	\$ 2,136,925	67,505,031	100.00	\$ 3,456,646	\$ 265,041	\$ 265,041	Subsidiary
	Yang Ming Line (Singapore) Pte. Ltd.	Singapore	Investment, shipping service, chartering, sale and purchase of ships and forwarding agency	569,686	569,686	28,400,000	100.00	1,296,698	35,153	35,153	Subsidiary
	Ching Ming Investment Corp.	Taipei, Taiwan	Investment	1,499,468	1,499,468	149,946,800	99.96	83,249	(48,754)	(48,734)	Subsidiary
	All Oceans Transportation, Inc.	Monrovia, Republic of Liberia	Shipping and forwarding agent and shipping managers	3,235	3,235	1,000	100.00	3,508,343	2,567,522	2,567,522	Subsidiary
	YES Logistics Corp.	Keelung, Taiwan	Warehouse operation and forwarding agency	451,944	451,944	45,251,100	90.50	428,391	(4,696)	(4,250)	Subsidiary
	Kuang Ming Shipping Corp.	Taipei, Taiwan	Shipping service, shipping and forwarding agency	145,085	145,085	31,500,000	100.00	185,132	15,924	15,924	Subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	316,000	316,000	31,600,000	79.00	353,601	25,151	19,869	Subsidiary
	Jing Ming Transportation Co., Ltd.	Kaohsiung, Taiwan	Container transportation	35,560	35,560	5,226,225	50.80	70,873	10,766	5,469	Subsidiary
Yang Ming Line Holding Co.	Wilmington, USA	Investment, shipping and forwarding agent and shipping managers	52,297	52,297	7,500	100.00	167,808	(13,753)	(13,753)	Subsidiary	
Transyang Shipping Pte. Ltd.	Singapore	Shipping service, chartering, sale and purchase of ships, forwarding and shipping agent	24,842	24,842	686	24.99	90,164	31,237	7,817	(Note C)	
Chunghwa Investment Co., Ltd	Taipei, Taiwan	Investment	800,000	800,000	80,000,000	40.00	792,532	(34,019)	(13,607)	Equity-method investee	
Ching Ming Investment Corp. (Note K)	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	39,500	39,500	3,950,000	9.88	44,218	25,151	-	Subsidiary
Yang Ming Line Holding Co. (Note K)	West Basin Container Terminal LLC	Los Angeles, USA	Terminal operation and stevedoring	132,050	132,050	(Note F)	40.00	189,992	1,381	-	Equity-method investee
	United Terminal Leasing LLC	Los Angeles, USA	Terminal operation machine lease	34,750	34,750	(Note G)	40.00	33,234	-	-	Equity-method investee
	Yang Ming (America) Corp.	New Jersey, USA	Shipping and forwarding agent and shipping managers	17,305	17,305	500,000	100.00	46,646	221	-	Indirect subsidiary
Yang Ming Line (B.V.I.) Holding Co., Ltd. (Note K)	Yang Ming Line N.V.	Netherlands Antilles	Investment, shipping and forwarding agent and shipping managers	41,235	41,235	1,500,000	100.00	(81,812) (Note E)	(106,580)	-	Indirect subsidiary
Yang Ming Line N.V. (Note K)	Yang Ming Line B.V.	Amsterdam, The Netherlands	Investment, shipping and forwarding agent and shipping managers	41,235	41,235	2,500	100.00	(85,480) (Note E)	(106,476)	-	Indirect subsidiary
Yang Ming Line B.V. (Note K)	Yangming (UK) Ltd.	London U.K.	Investment, shipping and forwarding agent and shipping managers	42,408	42,408	900,000	100.00	(152,686) (Note E)	(155,108)	-	Indirect subsidiary
	Yang Ming Shipping Europe GmbH	Hamburg, Germany	Investment, shipping and forwarding agent and shipping managers	29,697	29,697	(Note A)	100.00	72,491	32,064	-	Indirect subsidiary
	Yang Ming Italy S.p.A.	Genova, Italy	Shipping agent	4,319	4,319	125,000	50.00	15,725	11,451	-	Indirect subsidiary
	Yang Ming (Netherlands) B.V.	Amsterdam, The Netherlands	Shipping agent	540	-	(Note J)	70.00	6,145	8,050	-	Indirect subsidiary
Yangming (UK) Ltd. (Note K)	Corstor Ltd.	U.K.	Forwarding agent and shipping management	25	25	(Note B)	50.00	8,518	1,772	-	Indirect subsidiary
	Yes Logistics (UK) Limited.	U.K.	Shipping agent	1,097	1,097	(Note H)	100.00	3,367	2,047	-	Indirect subsidiary
Yang Ming Italy S.p.A. (Note K)	Yang Ming Naples S.r.l.	Naples, Italy	Shipping agent	238	238	6,000	60.00	246	-	-	Indirect subsidiary
Yang Ming Shipping Europe GmbH (Note K)	Yes Logistics Europe GmbH	Hamburg, Germany	Shipping agent	945	945	(Note I)	100.00	1,024	-	-	Indirect subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note D)		Balance as of June 30, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2004	December 31, 2003	Shares	Percentage of Ownership	Carrying Value			
Yang Mine Line (Singapore) Pte Ltd. (Note K)	Young-Carrier Company Ltd.	Hong Kong	Investment, shipping and forwarding agent and shipping managers	\$ 3,229	\$ 3,229	910,000	91.00	\$ 319,855	\$ 8,512	\$ -	Indirect subsidiary
	Yang Ming Shipping (B.V.I) Inc.	British Virgin Islands	Forwarding agency and shipping agent	16	16	510	51.00	251,944	17,532	-	Indirect subsidiary
	Yangming (Japan) Co., Ltd.	Tokyo, Japan	Shipping service, chartering, sale and purchase of ships and forwarding agent	36,235	36,235	3,000	100.00	46,571	16,008	-	Indirect subsidiary
	Yang Ming Line (Hong Kong) Ltd.	Hong Kong	Forwarding and shipping agent	2,138	2,138	510,000	51.00	(82,398) (Note E)	(8,313)	-	Indirect subsidiary
	Yangming Shipping (Singapore) Pte Ltd.	Singapore	Shipping and forwarding agency and shipping managers	18,851	18,851	1,000,000	100.00	30,419	2,593	-	Indirect subsidiary
	Yang Ming Line (M) Sdn. Bhd.	Malaysia	Shipping agency, forwarding agent and shipping managers	5,784	5,784	700,000	70.00	9,079	(4,555)	-	Indirect subsidiary
	Yangming (Cayman) Ltd.	Cayman Island	Shipping lease	629	629	20,000	100.00	(204) (Note E)	(83)	-	Indirect subsidiary
Yangming (Japan) Co., Ltd. (Note K)	Manwa & Co., Ltd.	Tokyo, Japan	Forwarding and shipping agent	2,666	2,666	200	100.00	2,879	(18)	-	Indirect subsidiary
Yang Ming Shipping (B.V.I) Inc. (Note K)	Karman Properties Limited	Hong Kong	Property agent	4	4	1,000	100.00	(11,226) (Note E)	(1,438)	-	Indirect subsidiary
Kuang Ming Shipping Corp. (Note K)	Kuang Ming Shipping Corp. (Panama)	Panama	Forwarding agent	30,887	30,887	50,000	100.00	(37,856) (Note E)	4,393	-	Indirect subsidiary
Honming Terminal & Stevedoring Co., Ltd. (Note K)	YES Logistics Corp.	Keelung, Taiwan	Warehouse operation and forwarding agent	10,610	10,610	1,068,800	2.10	10,139	(4,696)	-	Subsidiary
YES Logistics Corp. (Note K)	Yes Logistics Corp. (USA)	Auckland, USA	Shipping and forwarding agency and shipping managers	3,313	3,313	100,000	100.00	2,385	(310)	-	Indirect subsidiary
	Yes Yangming Logistics (Singapore) Pte. Ltd.	Singapore	Investment	6,608	-	340,000	100.00	6,608	-	-	Subsidiary
	Honming Terminal & Stevedoring Co., Ltd. Yes Logistics Corp., Ltd. (Hong Kong)	Kaohsiung, Taiwan Hong Kong	Terminal operation and stevedoring Shipping agent	43,824 425	43,824 425	4,382,370 100,000	10.96 100.00	45,735 -	25,151 (4,514)	- -	Subsidiary Indirect subsidiary

Notes:

- A. Paid-in capital was equivalent to EUR\$818,000, and no shares were issued.
- B. Paid-in capital was equivalent to GBP\$1,000, and no shares were issued.
- C. Under approval of the Securities and Future Bureau, 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 of Yang Ming Marine Transport Corporation (the "Corporation") may be based on the investee's latest balance sheet date since the investee's financial statements covering the same reporting period as that of the Corporation are not timely available.
- D. This is translated into New Taiwan dollars at the exchange rate prevailing at the time of investment acquisition.
- E. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability.
- F. This is equivalent to US\$3,800,000, and no shares were issued.
- G. This is equivalent to US\$1,000,000, and no shares were issued.
- H. Paid-in capital was equivalent to GBP\$200, and no shares were issued.
- I. Paid-in capital was equivalent to EUR\$25,000, and no shares were issued.
- J. Paid-in capital was equivalent to EUR\$18,000, and no shares were issued.
- K. Based on unaudited financial statements.