

**CHINESE MARITIME TRANSPORT LTD.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**For the six months ended June 30, 2016 and 2015**

**(with Independent Auditors' Report Thereon)**

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## Independent Auditors' Report

The Board of Directors  
Chinese Maritime Transport Ltd.:

We have reviewed the accompanying consolidated balance sheets of Chinese Maritime Transport Ltd. and its subsidiaries as of June 30, 2016 and 2015, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2016 and 2015, and the changes in stockholders' equity and cash flows for the six months ended June 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

Except as described in the following two paragraphs, we conducted our review in accordance with the guidelines of ROC Statement on Auditing Standards No. 36, "Engagements to Review Financial Statements". Those guidelines require that we plan and perform the review, consisting principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Republic of China, with the objective of expressing an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Also included in the accompanying consolidated financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent auditors. These consolidated subsidiaries reflected the total assets amounting to \$2,089,088 and \$2,056,299, constituting 9.58% and 10.12% of the consolidated totals as of June 30, 2016 and 2015, respectively. The total liabilities of these subsidiaries amounted to \$688,936 and \$656,330, constituting 6.38% and 6.50% of the consolidated totals as of June 30, 2016 and 2015, respectively. The comprehensive income (loss) of these subsidiaries amounted to \$28,513, \$25,977, \$38,109 and \$55,877, constituting 44.92%, (15.00)%, (44.04)%, and (35.12)% of the consolidated totals for the three months and six months ended June 30, 2016 and 2015, respectively.

As stated in note 6(d) of the consolidated financial statements, the investments accounted for using equity method amounting to \$2,042,058 and \$1,886,243 as of June 30, 2016 and 2015, and the related shares of profit (loss) of associates and joint ventures accounted for using equity method amounting to \$(12,303), \$(28,891), \$(26,361) and \$(38,387) recognized for the three months and six months ended June 30, 2016 and 2015, respectively, were based on the investees' financial statements without any review procedures conducted by independent auditors.



Based on our review, we are not aware of any modifications that should be made, in any material respects, except for the effects of the adjustments, if any, that might have emerged had the financial statements of the said consolidated subsidiaries and the investees accounted for using equity method been reviewed by independent auditors, to the accompanying consolidated financial statements described in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, "Interim Financial Reporting", which are endorsed by the Financial Supervisory Commission.

A handwritten signature in black ink, appearing to read 'KPMG'.

August 12, 2016

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and consolidated cash flows in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and IAS 34 Interim Financial Reporting as endorsed by the Financial Supervisory Commissions in the Republic of China and not those of any other jurisdictions. The standards, procedures, and practices to review such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language versions of the auditors' report and consolidated financial statements, the Chinese version shall prevail.



CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Unaudited)

For the three months and six months ended June 30, 2016 and 2015  
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	Three months ended June 30, 2016		Three months ended June 30, 2015		Six months ended June 30, 2016		Six months ended June 30, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Operating revenue (note 7)</b>								
Freight revenue-vessel chartering	\$ 352,697	43	364,778	43	738,304	45	754,838	45
Freight revenue-container hauling, net, and logistics revenue	462,937	56	471,757	56	886,155	54	911,826	55
Freight revenue-airline agent and others	6,446	1	4,272	1	10,967	1	6,725	-
	<u>822,080</u>	<u>100</u>	<u>840,807</u>	<u>100</u>	<u>1,635,426</u>	<u>100</u>	<u>1,673,389</u>	<u>100</u>
<b>Operating Cost (notes 7 and 12)</b>								
Freight cost-vessel chartering	254,922	31	272,373	32	517,958	32	509,226	30
Freight cost-container hauling and logistics cost	343,755	42	353,928	42	661,901	40	692,897	41
Freight cost-airline agent and others	5,027	1	3,174	-	8,558	1	4,964	-
	<u>603,704</u>	<u>74</u>	<u>629,475</u>	<u>74</u>	<u>1,188,417</u>	<u>73</u>	<u>1,207,087</u>	<u>71</u>
<b>Gross profit</b>	218,376	26	211,332	26	447,009	27	466,302	29
<b>Operating expenses (notes 7 and 12)</b>	88,137	11	88,233	10	179,011	11	179,411	11
<b>Net operating income</b>	<u>130,239</u>	<u>15</u>	<u>123,099</u>	<u>16</u>	<u>267,998</u>	<u>16</u>	<u>286,891</u>	<u>18</u>
<b>Non-operating income and expenses:</b>								
Other income	3,307	-	2,277	-	7,365	-	6,251	-
Financial costs-interest expense (note 6(n))	(42,804)	(5)	(32,377)	(4)	(80,080)	(5)	(65,868)	(4)
Share of profit (loss) of associates accounted for using equity method (note 6(d))	(12,303)	(1)	(28,891)	(3)	(26,361)	(2)	(38,387)	(2)
Interest income	6,351	1	6,877	1	10,558	1	11,356	1
Gains on disposals of investment property, plant and equipment (note 6(f))	5,325	1	6,684	1	15,110	1	21,476	1
Gain (loss) on financial assets at fair value through profit or loss	(6,484)	(1)	(46,808)	(6)	(7,667)	-	(16,565)	(1)
Foreign exchange gains.(loss)	337	-	286	-	(49)	-	(747)	-
Miscellaneous disbursements	-	-	-	-	(10,000)	(1)	-	-
Losses on disposals of investments	(10,780)	(1)	(11,996)	(1)	(10,780)	(1)	(26,523)	(2)
	<u>(57,051)</u>	<u>(6)</u>	<u>(103,948)</u>	<u>(12)</u>	<u>(101,904)</u>	<u>(7)</u>	<u>(109,007)</u>	<u>(7)</u>
<b>Profit before tax</b>	73,188	9	19,151	4	166,094	9	177,884	11
<b>Tax expense (note 6(k))</b>	39,078	5	32,749	4	53,162	3	48,129	3
<b>Profit (loss)</b>	<u>34,110</u>	<u>4</u>	<u>(13,598)</u>	<u>-</u>	<u>112,932</u>	<u>6</u>	<u>129,755</u>	<u>8</u>
<b>Other comprehensive income: (note 6(l))</b>								
Other comprehensive income, before tax, exchange differences on translation	28,227	3	(138,237)	(16)	(175,345)	(11)	(248,257)	(15)
Other comprehensive income, before tax, available-for-sale financial assets	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates for using equity method	1,141	-	(21,284)	(3)	(24,129)	(1)	(40,585)	(2)
Other comprehensive income, net	<u>29,368</u>	<u>3</u>	<u>(159,521)</u>	<u>(19)</u>	<u>(199,474)</u>	<u>(12)</u>	<u>(288,842)</u>	<u>(17)</u>
<b>Comprehensive income</b>	<u>\$ 63,478</u>	<u>7</u>	<u>(173,119)</u>	<u>(19)</u>	<u>(86,542)</u>	<u>(6)</u>	<u>(159,087)</u>	<u>(9)</u>
<b>Earnings per share: (note 6(m))</b>								
Basic net income (loss) per share	\$ <u>0.13</u>		\$ <u>(0.05)</u>		\$ <u>0.44</u>		\$ <u>0.51</u>	
Diluted net income (loss) per share	\$ <u>0.13</u>		\$ <u>(0.05)</u>		\$ <u>0.44</u>		\$ <u>0.51</u>	

See accompanying notes to consolidated financial statements.

**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**  
**Consolidated Statements of changes in equity (Unaudited)**

**For the six months ended June 30, 2016 and 2015**  
 (expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of parent									
	Retained earnings					Other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity
<b>Balance on January 1, 2015</b>	\$ 2,564,736	53,411	1,583,016	579,599	5,877,011	8,039,626	77,330	(7,556)	69,774	10,727,547
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	33,272	-	(33,272)	-	-	-	-	-
Special reserve appropriated	-	-	-	(220,112)	220,112	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(333,415)	(333,415)	-	-	-	(333,415)
<b>Profit for the six-month period ended June 30, 2015</b>	-	-	33,272	-	129,755	129,755	-	-	-	129,755
<b>Other comprehensive income (loss) for the six-month period ended June 30, 2015</b>	-	-	-	-	-	-	(285,891)	(2,951)	(288,842)	(288,842)
<b>Comprehensive income (loss) for six-month period ended June 30, 2015</b>	-	-	-	-	129,755	129,755	(285,891)	(2,951)	(288,842)	(159,087)
<b>Balance on June 30, 2015</b>	<u>2,564,736</u>	<u>53,411</u>	<u>1,616,288</u>	<u>359,487</u>	<u>5,869,191</u>	<u>7,835,966</u>	<u>(208,561)</u>	<u>(10,507)</u>	<u>(219,068)</u>	<u>10,235,045</u>
<b>Balance on January 1, 2016</b>	\$ 2,564,736	53,411	1,616,288	359,487	6,065,087	8,040,862	494,742	(13,174)	481,568	11,140,577
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	33,278	-	(33,278)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(51,295)	(51,295)	-	-	-	(51,295)
<b>Profit for the six-month period ended June 30, 2016</b>	-	-	33,278	-	112,932	112,932	-	-	-	112,932
<b>Other comprehensive income (loss) for the six-month period ended June 30, 2016</b>	-	-	-	-	-	-	(198,343)	(1,131)	(199,474)	(199,474)
<b>Comprehensive income (loss) for the six-month period ended June 30, 2016</b>	-	-	-	-	112,932	112,932	(198,343)	(1,131)	(199,474)	(86,542)
<b>Balance on June 30, 2016</b>	<u>\$ 2,564,736</u>	<u>53,411</u>	<u>1,649,566</u>	<u>359,487</u>	<u>6,093,446</u>	<u>8,102,499</u>	<u>296,399</u>	<u>(14,305)</u>	<u>282,094</u>	<u>11,002,740</u>

See accompanying notes to consolidated financial statements.

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Consolidated Statements of cash flows (Unaudited)

For the six-months ended June 30, 2016 and 2015  
(expressed in thousands of New Taiwan dollars)

	<u>2016</u>	<u>2015</u>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 166,094	177,884
Adjustments:		
<b>Adjustments to reconcile profit:</b>		
Depreciation and amortization	372,171	357,707
Loss (gain) on financial assets at fair value through profit or loss	7,667	16,565
Interest expense	80,080	65,868
Interest income	(10,558)	(11,356)
Share of loss (profit) of associates for using equity method	26,361	38,387
Loss (gain) on disposal of property, plant and equipment	(15,110)	(21,476)
Loss (gain) on disposal of investments	10,780	26,523
<b>Adjustments to reconcile profit</b>	<u>471,391</u>	<u>472,218</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in asset at fair value through profit and loss	-	825
Decrease (increase) in notes and accounts receivable	(23,023)	47,247
Decrease (increase) in other current assets and prepayment	(43,731)	(22,427)
Decrease (increase) in other current financial assets	1,159	8,782
	<u>(65,595)</u>	<u>34,427</u>
<b>Changes in operating liabilities:</b>		
Increase (decrease) in notes and accounts payable	(11,781)	(36,989)
Net defined benefit liability increase (decrease)	(80,152)	(395)
Increase (decrease) in other current liabilities	(12,140)	(13,543)
Increase (decrease) in unearned revenue	(15,179)	(9,717)
	<u>(119,252)</u>	<u>(60,644)</u>
<b>Total changes in operating assets and liabilities</b>	<u>(184,847)</u>	<u>(26,217)</u>
<b>Total adjustments</b>	<u>286,544</u>	<u>446,001</u>
Cash flows from operations	452,638	623,885
Interest received	9,995	9,216
Interest paid	(91,707)	(86,353)
Income taxes paid	(59,226)	(50,255)
<b>Net Cash flows from (used in) operating activities</b>	<u>311,700</u>	<u>496,493</u>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of investments accounted for using equity method	13,233	134,337
Acquisition of property, plant, equipment	(295,818)	(82,776)
Proceeds from disposal of property, plant and equipment	38,142	34,121
Increase in deferred expense and others	(5,029)	4,333
Decrease (increase) in other current financial assets	(596,938)	64,488
Decrease (increase) in other non-current financial assets	9	215
<b>Net cash flows from (used in) investing activities</b>	<u>(846,401)</u>	<u>154,718</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	(1,029,771)	(209,904)
Issuance of corporate bond	2,300,000	-
Repayments of long-term borrowings	(484,355)	(467,662)
Others	86	(5)
<b>Net cash flows from (used in) financing activities</b>	<u>785,960</u>	<u>(677,571)</u>
Effect of exchange rate changes on cash and cash equivalents	(61,520)	(105,086)
Net increase (decrease) in cash and cash equivalents	189,739	(131,446)
Cash and cash equivalents at beginning of period	4,506,458	4,610,003
Cash and cash equivalents at end of period	\$ <u>4,696,197</u>	<u>4,478,557</u>

See accompanying notes to consolidated financial statements.



# CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015 (Unaudited)

(expressed in thousands of New Taiwan dollars unless otherwise specified)

### (1) Company history

Chinese Maritime Transport Ltd. (the Company), previously named Associated Transport Inc., was incorporated as a company limited by shares on January 31, 1978, in the Republic of China. The Company's common shares were listed on the Taiwan Stock Exchange (TSE). The consolidated financial statements of the Company as at and for the six months ended June 30, 2016 comprise the Company and its subsidiaries (together refined to as the "Group" and individually as "Group entities"). The main activities of the Company are bulk-carrier transportation through its 100%-owned overseas subsidiaries; domestic container hauling, vessel transportation, warehousing, and related business; and acting as the general sales agent for Saudi Arabian Airlines. The Company also owns investment companies to engage in the business of investment. Based on the organization of the Group and distribution of duties, the Company leads and invests in the business in the Group related to transportation. Please refer to note 4 (b) for related information.

### (2) Consolidated financial statements authorization date and authorization process

These consolidated financial statements were authorized for issuance by the board of directors on August 12, 2016.

### (3) New standards and interpretations not yet adopted

- (a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect

According to the Ruling No. 1050026834 issued on July 18, 2016 by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 (Excluding IFRS 9 "Financial Instruments", IFRS 15 "Agreement for Contracts with Customers", and others which have yet to be approved by the FSC in order for them to take effect) in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

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**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group have assessed that the initial application of the above new IFRSs, whenever applied, would not have any material impact on its consolidated financial statements.

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC as of the end of the reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Net yet endorsed by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of classification and measurement of share-based payment transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	<ul style="list-style-type: none"> <li>• The new Standard provides a single model for determining whether an entity recognizes revenue in accordance with the method, timing and amount by applying the five-step model. IFRS 15 replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", and the relevant interpretations.</li> <li>• Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.</li> </ul>

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## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Issuance / Release Dates	Standards or Interpretations	Content of amendment
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	<p>The new standard replaces IAS 39 "Financial Instruments: Recognition and Measurement". The main amendments are as follows:</p> <ul style="list-style-type: none"> <li>• Classification and measurement: The financial asset is driven by the entity's business model and the contractual cash flow characteristics, which would be classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (OCI), and financial assets at fair value through profit or loss. The financial liabilities measured at fair value through profit or loss that have changes in fair value related to the changes in its credit risk are recognized in OCI.</li> <li>• Impairment: The new expected credit loss model is to replace the current incurred loss model.</li> <li>• Hedge accounting: More principle-based regulations are adopted to correspond hedge accounting with risk management. Such regulations include the revisions on the requirements of adoption, continuation, and discontinuation of hedge accounting, allowing more categories of risk exposure to conform with the hedged items.</li> </ul>

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>• For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>

The Group is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

**(4) Significant Accounting Policies****(a) Statement of compliance**

These consolidated interim financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and the guidelines of IAS 34 Interim Financial Reporting which are endorsed by the FSC. These consolidated interim financial statements do not include all of the information required by the Regulations and by the International Financial Reporting Standards, the International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC) for the annual financial statements.

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## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The significant accounting policies used in the interim financial statement are consistent with the consolidated financial statement for the year ended December 31, 2015. For related information, please refer to note 4 of the consolidated financial statement for the year ended December 31, 2015.

## (b) Basis of consolidation

Principle of preparation of the consolidated financial statements is consistent with the consolidated financial statement for the year ended December 31, 2015. For related information, please refer to note 4(c) of the consolidated financial statement for the year ended December 31, 2015.

List of subsidiaries in the consolidated financial statements.

Investor	Name of subsidiary	Core business	Percentage of ownership (%)		
			June 30, 2016	December 31, 2015	June 30, 2015
The Company	Chinese Maritime Transport(S) Pte. Ltd. (CMTS)	Investment holding of ship-owning companies	0.71	0.87	0.95
"	Chinese Maritime Transport (Hong Kong), Limited (CMTHK)	"	100	100	100
"	CMT Logistics Co., Ltd. (CMTL)	Warehouse management	100	100	100
"	AGM Investment Ltd. (AGM)	Investment	100	100	100
"	Hope Investment Ltd. (HIL)	Investment	100	100	100
"	Mo Hsin Investment Ltd. (MHI)	Investment	100	100	100
"	Associated Transport Inc. (ATI)	Container trucking	100	100	100
"	CMT Travel Service Ltd.	Travel	100	100	100
"	United Nan Hai Petroleum INC (UNH)	Gasoline international trade	100	100	100
"	United Nan Hai Development Investment INC (NHD)	Investment	100	100	(note 1)
"	CMT AIR LTD. (CMA)	Forwarder	100	100	100
CMTS	China Fortune Shipping Pte Ltd. (CFR)	Bulk-carrier transportation	100	100	100
"	China Enterprise Shipping PTE. Ltd. (CEP)	"	100	100	100
CMTHK	China Prosperity Shipping Ltd. (CPS)	"	100	100	100
"	China Peace Shipping Ltd. (CPC)	"	100	100	100
"	China Progress Shipping Ltd. (CPG)	"	100	100	100
CMTHK	China Pioneer Shipping Ltd. (CPN)	Forwarder	100	100	100

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Investor	Name of subsidiary	Core business	Percentage of ownership (%)		
			June 30, 2016	December 31, 2015	June 30, 2015
CMTHK	China Pride Shipping Ltd. (CPD)	"	100	100	100
"	CMT Chartering Ltd. (CCL)	Bulk-chartering services	100	100	100
"	China Triumph Shipping Ltd. (CTU)	"	100	100	100
"	China Trade Shipping Ltd. (CTD)	"	100	100	100
"	China Harmony Shipping LTD.(CHM)	"	100	100	100
"	China Honour Shipping Ltd. (CHN)	"	100	100	100
"	CMT Investment Co. Limited (CHI)	Investment	100	100	100
"	CMT International Management Co., Limited. (CIM)	Investment Management	100	100	100
"	CMTS	Investment holding of ship-owning companies	99.29	99.13	99.05
ATI	Chang-Shun Transport LTD. (CST)	Container trucking	100	100	100
"	Huang-Yuen Transport LTD. (HYT)	Container trucking	100	100	100
"	Mao-Hua Transport LTD. (MHT)	Container trucking	100	100	100
"	AG Prosperity Transport LTD. (APT)	Container trucking	100	100	100
"	Pioneer Transport Co., LTD (PTL)	Container trucking	100	100	(note 1)

Note 1: NHD and PTL were incorporated in December 2015.

## (c) Income Taxes

Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the year is best estimated by multiplying the pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at the time of realization or liquidation and recognized directly in equity or other comprehensive income as tax expense.

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (d) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

## (5) Major sources of significant accounting assumptions, judgments, and estimation uncertainty

The preparation of the consolidated interim financial statements in conformity with IFRSs (in accordance with IAS 34 endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In the preparation of this consolidated interim financial statements, the major sources of accounting assumptions, judgments and estimation uncertainty are consistent with note 5 of the annual consolidated financial statements for the year ended December 31, 2015.

## (6) Explanation of significant accounts

Except for described below, there is no significant difference between these consolidated interim financial statements and the annual consolidated financial statements for the year ended December 31, 2015. Please refer to note 6 of the consolidated financial statements for the ended December 31, 2015 for related information.

## (a) Cash and cash equivalents

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Petty cash, checking accounts and demand deposits	\$ 1,720,199	1,869,671	1,544,119
Time deposits	2,398,073	2,531,835	2,846,510
Cash equivalents-commercial paper and bonds purchased under resale agreements	<u>577,925</u>	<u>104,952</u>	<u>87,928</u>
	<u>\$ 4,696,197</u>	<u>4,506,458</u>	<u>4,478,557</u>

Please refer to note 6(o) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (b) Financial assets

## 1. Information is as follow:

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
<b>Fair value through profit or loss-current</b>			
Held-for-trading	\$ 2,845	2,850	798
Financial assets at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>31,030</u>
	<u>2,845</u>	<u>2,850</u>	<u>31,828</u>
Non-current financial assets held for trading	<u>59,391</u>	<u>67,066</u>	<u>83,172</u>
Non-current financial assets at cost	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
	<u>\$ 87,236</u>	<u>94,916</u>	<u>140,000</u>

Please refer to note 6(o) for the exposure to credit risk, currency risk and interest rate risk of the financial instruments of the Group.

The gain or loss on financial asset at fair value through profit or loss for the three months and six months ended June 30, 2016 and 2015 were \$(6,484), \$(46,808), \$(7,667) and \$(16,565).

The Group did not provide any aforementioned financial assets as collateral for its loans as of June 30, 2016, and December 31 and June 30, 2015, respectively.

## 2. Debt investment and fixed rate deposit:

The carrying amounts of debt investment and fixed rate deposit as of June 30, 2016 and December 31 and June 30, 2015, is \$59,391, \$67,066 and \$114,202, respectively. Other related information are as follows:

	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Interest rates</u>	<u>Maturity dates</u>	<u>Interest rates</u>	<u>Maturity dates</u>
Current financial assets at fair value through profit or loss	-	-	3.75%	2015
Non current financial assets held-for-trading	3%	2019	3%	2019

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (c) Notes and accounts receivable and other receivables-third parties

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Notes receivable	\$ 7,623	6,841	7,802
Accounts receivable	180,865	158,760	153,493
Other receivables	<u>8,659</u>	<u>9,818</u>	<u>13,111</u>
	197,147	175,419	174,406
Less: allowance for uncollectible accounts	<u>(1,920)</u>	<u>(1,809)</u>	<u>(1,827)</u>
	<u>\$ 195,227</u>	<u>173,610</u>	<u>172,579</u>
Notes and account receivable, net	\$ 186,568	163,792	159,468
Other receivables – current	<u>8,659</u>	<u>9,818</u>	<u>13,111</u>
	<u>\$ 195,227</u>	<u>173,610</u>	<u>172,579</u>

As of June 30, 2016, and December 31 and June 30, 2015, the Group did not provide any aforementioned notes and accounts receivable and other receivables as collaterals for its loans. The Group recognized an impairment loss in a collectively assessed method. Please refer to note 6(p) for the change in the allowance for doubtful accounts of the Group.

## (d) Investments accounted for using equity method

- (i) A summary of the Group's financial information for equity-accounted investees at the reporting date is as follows:

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Associates	\$ <u>2,042,058</u>	<u>2,130,941</u>	<u>1,886,243</u>

- (ii) The Group's share of the net income of its associate was as follows:

	<u>Three months</u> <u>ended</u> <u>June 30, 2016</u>	<u>Three months</u> <u>ended</u> <u>June 30, 2015</u>	<u>Six months</u> <u>ended</u> <u>June 30, 2016</u>	<u>Six months</u> <u>ended</u> <u>June 30, 2015</u>
Associates	\$ <u>(12,303)</u>	<u>(28,891)</u>	<u>(26,361)</u>	<u>(38,387)</u>

The losses on investment in associate recognized for the six months ended June 30, 2016 and 2015, including the amortization of investment premium, were \$27,050 and \$47,869, respectively. As of June 30, 2016 and 2015, the balance of unamortized investment premium amounted to \$56,156 and \$129,461, respectively.

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(iii) The following is the related information of significant associate

Name	Nature of the relationship	Principal place of business/ Country of incorporation	Effective ownership interest and voting right		
			2016.6.30	2015.12.31	2015.6.30
Taiwan Navigation Co., Ltd.	A significant investee company of the Group, in which its main activities are sea shipping services and construction subcontractor, leasing and sales of commercial and residential buildings	Taiwan	15.664%	15.917%	16.119%

The market value of the shares of listed Group's material associate was as follows:

	2016.6.30	2015.12.31	2015.6.30
Taiwan Navigation Co., Ltd.	\$ 790,893	916,596	1,163,600

The following table summarizes the information of the Group's material associate adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

## A. Summarized financial information of Taiwan Navigation Co., Ltd.

	2016.6.30	2015.12.31	2015.6.30
Current assets	\$ 1,190,249	1,480,735	1,663,044
Non current assets	11,770,131	11,393,186	10,482,149
Current liabilities	(520,753)	(606,085)	(884,972)
Non current liabilities	(2,621,680)	(2,215,760)	(1,720,711)
Net assets	\$ <u>9,817,947</u>	<u>10,052,076</u>	<u>9,539,510</u>

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	Three months ended June 30, <u>2016</u>	Three months ended June 30, <u>2015</u>	Six months ended June 30, <u>2016</u>	Six months ended June 30, <u>2015</u>
Revenue	\$ <u>590,612</u>	<u>683,391</u>	<u>1,157,197</u>	<u>1,350,678</u>
Profit (loss) from continuing operations	(6,885)	(32,651)	2,142	50,787
Other comprehensive income	<u>14,294</u>	<u>(123,038)</u>	<u>(144,466)</u>	<u>(218,263)</u>
Total comprehensive income	\$ <u><u>7,409</u></u>	<u><u>(155,689)</u></u>	<u><u>(142,324)</u></u>	<u><u>(167,476)</u></u>

	<u>Six months ended June 30, 2016</u>	<u>Six months ended June 30, 2015</u>
Beginning balance of comprehensive income owned by the Group	\$ 1,599,978	1,766,414
Comprehensive income attributed to the Group	(22,652)	(28,102)
Dividends receivable	(14,380)	(43,719)
Disposals	<u>(25,071)</u>	<u>(156,999)</u>
Ending Balance of comprehensive Income owned by the Group	1,537,875	1,537,594
Add: Balance of undeducted amortization of premium on investment	<u>56,156</u>	<u>129,461</u>
Ending balance of comprehensive income owned by the Group	\$ <u><u>1,594,031</u></u>	<u><u>1,667,055</u></u>

## (iv) Summarized financial information of insignificant associate:

The summarized financial information of insignificant associate using the equity-accounted method is as follows:

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Ending balance of carrying amount of insignificant associate	\$ <u><u>448,027</u></u>	<u><u>447,827</u></u>	<u><u>219,188</u></u>

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	Three months ended <u>June 30, 2016</u>	Three months ended <u>June 30, 2015</u>	Six months ended <u>June 30, 2016</u>	Six months ended <u>June 30, 2015</u>
Group's share of results:				
Profit (loss) from continuing operations	\$ 65	51	201	168
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income	\$ <u>65</u>	<u>51</u>	<u>201</u>	<u>168</u>

(v) During the six months ended June 30, 2016 and 2015, the Group disposed of 1,057 and 6,612 thousand shares of its investments accounted for using equity method for \$13,233 and \$134,337, respectively. The losses on disposal amounted to \$10,780 and 26,523, respectively and recorded as non-operating income and expense. The receivable amounting to \$1,580 and \$1,407 as of June 30, 2016 and 2015 was recorded as other current financial asset.

(vi) Pledges

As of June 30, 2016, and December 31 and June 30, 2015, the Group provided investments accounted for using equity method as collateral for its loans. Please refer to note (8).

(e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the six months ended June 30, 2016 and 2015 were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Under construction</u>	<u>Total</u>
Cost or deemed cost:						
Balance at January 1, 2016	\$ 1,758,525	140,753	15,342,272	474,932	1,247,149	18,963,631
Additions	-	1,146	125,775	11,647	157,250	295,818
Disposals	-	-	(39,576)	(6,287)	-	(45,863)
Reclassifications	-	-	-	15,239	-	15,239
Effect of movements in exchange rates	<u>-</u>	<u>(618)</u>	<u>(244,427)</u>	<u>-</u>	<u>(22,798)</u>	<u>(267,843)</u>
Balance on June 30, 2016	\$ <u>1,758,525</u>	<u>141,281</u>	<u>15,184,044</u>	<u>495,531</u>	<u>1,381,601</u>	<u>18,960,982</u>
Balance on January 1, 2015	\$ 1,758,525	140,962	14,781,197	480,376	738,792	17,899,852
Additions	-	273	67,033	11,295	4,175	82,776
Disposals	-	(288)	(14,636)	(15,187)	-	(30,111)
Reclassifications	-	1,512	-	-	-	1,512
Effect of movements in exchange rates	<u>-</u>	<u>(888)</u>	<u>(350,178)</u>	<u>-</u>	<u>(18,482)</u>	<u>(369,548)</u>
Balance on June 30, 2015	\$ <u>1,758,525</u>	<u>141,571</u>	<u>14,483,416</u>	<u>476,484</u>	<u>724,485</u>	<u>17,584,481</u>

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	<u>Land</u>	<u>Buildings and construction</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Under construction</u>	<u>Total</u>
<b>Depreciation and impairments loss:</b>						
Balance on January 1, 2016	\$ -	73,292	4,727,451	235,123	-	5,035,866
Depreciation for the period	-	3,285	350,758	16,133	-	370,176
Disposals	-	-	(18,560)	(4,271)	-	(22,831)
Reclassifications	-	-	-	-	-	-
Effect of movements in exchange rates	-	(65)	(75,584)	-	-	(75,649)
Balance on June 30, 2016	<u>\$ -</u>	<u>76,512</u>	<u>4,984,065</u>	<u>246,985</u>	<u>-</u>	<u>5,307,562</u>
Balance on January 1, 2015	\$ -	70,722	3,901,468	225,158	-	4,197,348
Depreciation for the period	-	3,314	335,220	16,663	-	355,197
Disposals	-	(288)	(4,377)	(12,801)	-	(17,466)
Effect of movements in exchange rates	-	(73)	(91,067)	-	-	(91,140)
Balance on June 30, 2015	<u>\$ -</u>	<u>73,675</u>	<u>4,141,244</u>	<u>229,020</u>	<u>-</u>	<u>4,443,939</u>
<b>Carrying amounts:</b>						
Balance on January 1, 2016	<u>\$ 1,758,525</u>	<u>67,461</u>	<u>10,614,821</u>	<u>239,809</u>	<u>1,247,149</u>	<u>13,927,765</u>
Balance on June 30, 2016	<u>\$ 1,758,825</u>	<u>64,769</u>	<u>10,199,979</u>	<u>248,546</u>	<u>1,381,601</u>	<u>13,653,420</u>
Balance on June 30, 2015	<u>\$ 1,758,525</u>	<u>67,896</u>	<u>10,342,172</u>	<u>247,464</u>	<u>724,485</u>	<u>13,140,542</u>

- (i) The pledge information is summarized in note 8
- (ii) The Group entered into bulk-carrier construction contracts with the third parties on January 10, 2014, July 11, 2013 and August 30, 2013. As of June 30, 2016, the cost incurred totaled \$1,381,601.
- (iii) The Group sold its property, plant and equipment to third party in six month ended June 30, 2016 and 2015 for \$38,142 and \$34,121, respectively. The cost of aforementioned property, plant and equipment amounted to \$23,032 and \$12,645, respectively, and the related gain of disposal amounted to \$15,110 and \$21,476, respectively. The registration procedures of the property transfer have been completed and amounts have been fully received.
- (iv) The Group tested the transportation equipment for impairment and recognized an impairment loss of US \$31,555,000 (NTD \$1,018,438, \$1,035,793 and \$973,787, respectively) as of June 30, 2016, and December 31 and June 30, 2015, respectively.

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (f) Investments property

	<u>Land</u>	<u>Building</u>	<u>Total</u>
<b>Cost:</b>			
Balance on January 1, 2016	\$ 19,094	27,930	47,024
Effect of movements in exchange rates	<u>-</u>	<u>(405)</u>	<u>(405)</u>
Balance on June 30, 2016	<u>\$ 19,094</u>	<u>27,525</u>	<u>46,619</u>
Balance on January 1, 2015	\$ 19,094	27,065	46,159
Effect of movements in exchange rates	<u>-</u>	<u>(582)</u>	<u>(582)</u>
Balance on June 30, 2015	<u>\$ 19,094</u>	<u>26,483</u>	<u>45,577</u>
<b>Depreciation and impairment losses:</b>			
Balance on January 1, 2016	\$ -	7,385	7,385
Depreciation for the year	<u>-</u>	<u>267</u>	<u>267</u>
Effect of movements for exchange rates	<u>-</u>	<u>(87)</u>	<u>(87)</u>
Balance on June 30, 2016	<u>\$ -</u>	<u>7,565</u>	<u>7,565</u>
Balance on January 1, 2015	\$ -	6,386	6,386
Depreciation for the year	<u>-</u>	<u>434</u>	<u>434</u>
Effect of movements for exchange rates	<u>-</u>	<u>(105)</u>	<u>(105)</u>
Balance on June 30, 2015	<u>\$ -</u>	<u>6,715</u>	<u>6,715</u>
<b>Carrying amount:</b>			
Balance on January 1, 2016	\$ <u>19,094</u>	<u>20,545</u>	<u>39,639</u>
Balance on June 30, 2016	<u>\$ 19,094</u>	<u>19,960</u>	<u>39,054</u>
Balance on June 30, 2015	<u>\$ 19,094</u>	<u>19,768</u>	<u>38,862</u>

Investment property comprises a number of commercial properties that are leased to third parties. Each of the lease contract contains an initial non-cancellable period. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. Please refer to note 6(i) for further information.

There were no significant change in the fair value of investment property during the six months ended June 30, 2016 and 2015 as disclosed in note 6(f) of the consolidated financial statements for the year ended December 31, 2015.

As of June 30, 2016 and December 31 and June 30, 2015, the investment property of the Group were not pledged as collateral or restricted.

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## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (g) Other financial assets

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Time deposits (over three months)	\$ 639,968	42,434	10,700
Dividend receivables	14,380	-	43,719
Other receivables	8,659	9,818	13,111
Guarantee deposits	5,204	5,241	5,235
Pledged assets-time deposits	<u>187,338</u>	<u>187,906</u>	<u>176,210</u>
	<u>\$ 855,549</u>	<u>245,399</u>	<u>248,975</u>
Other financial assets-current	\$ 832,847	222,688	228,799
Other financial assets-non-current	<u>22,702</u>	<u>22,711</u>	<u>20,176</u>
	<u>\$ 855,549</u>	<u>245,399</u>	<u>248,975</u>

## (h) Loans

The Group's detail of loans was as follows:

## 1. Short-term loans and commercial paper payable

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Credit loans	\$ 170,000	640,000	380,000
Commercial paper payable	60,000	620,000	520,000
Less: discount on commercial paper payable	<u>(12)</u>	<u>(241)</u>	<u>(304)</u>
	<u>\$ 229,988</u>	<u>1,259,759</u>	<u>899,696</u>
Unused credit lines	<u>\$ 4,085,000</u>	<u>2,970,000</u>	<u>3,335,000</u>
Range of interest rate during the period	<u>0.998%~1.3%</u>	<u>1.058%~1.4%</u>	<u>1.118%~1.4%</u>

## 2. Long-term loans

<u>Bank</u>	<u>Currency</u>	<u>Due Year</u>	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
COMMERZBANK (formerly Deutsche Schiffs Bank)	USD	2016	\$ -	191,633	210,187
COMMERZBANK (formerly Deutsche Schiffs Bank)	"	2019	580,950	630,240	629,544
Mega International Commercial Bank	"	2022	798,806	886,275	902,655
Bank SinoPac	"	2022	1,072,725	1,145,168	1,127,536
Mega International Commercial Bank	"	2022	871,425	960,131	972,090

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

<u>Bank</u>	<u>Currency</u>	<u>Due Year</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Bank SinoPac	USD	2023	<u>1,117,496</u>	<u>1,190,925</u>	<u>1,169,578</u>
			4,441,402	5,003,742	5,011,590
Less: current portion			<u>(580,156)</u>	<u>(781,675)</u>	<u>(764,908)</u>
			\$ <u>3,861,246</u>	<u>4,222,067</u>	<u>4,246,682</u>
Range of interest rates during the period			<u>1.11%~1.69%</u>	<u>0.85%~2.1%</u>	<u>0.85%~2.10%</u>

## 3. Bonds Payable

The Group issued secured bonds at face value. The interest is calculated and paid annually from the date of issuance. The bonds payable on June 30, 2016 and December 31, and June 30, 2015 were as follows:

	<u>Guarantee bank</u>	<u>Interest rate</u>	<u>Due</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
The third secured bonds payable	Shanghai Commercial Bank	1.40%	June 2017	1,000,000	1,000,000	1,000,000
"	Cathay United Bank	1.40%	June 2017	500,000	500,000	500,000
"	Chinatrust Commercial Bank	1.40%	June 2017	500,000	500,000	500,000
"	Bank SinoPac	1.40%	June 2017	500,000	500,000	500,000
"	Industrial Bank of Taiwan	1.40%	June 2017	300,000	300,000	300,000
The first secured bonds payable (2016)	Bank of Taiwan	0.88%	March 2021	900,000	-	-
The second secured bonds payable (2016)	Mega Bank	1.00%	March 2021	1,400,000	-	-
				<u>5,100,000</u>	<u>2,800,000</u>	<u>2,800,000</u>
Less: corporate bonds payable- current portion				<u>(2,800,000)</u>	<u>-</u>	<u>-</u>
				\$ <u>2,300,000</u>	<u>2,800,000</u>	<u>2,800,000</u>

4. In order to repay its bank loans and bonds payable which were issued previously, as well as to increase its working capital for the requirement of business development, the Group issued two secured corporate bonds on January 29, 2016 and February 22, 2016, which were approved at the Board of Directors meetings. The first and second secured corporate bonds both amounted to \$1,000, at par value per phase, which were released with a period of five years, with a total par values of \$900,000 and \$1,400,000, respectively.

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

5. Refer to note 6(p) for the information of exposure to liquidity risk. The Group provided assets as collaterals for credit line of short-term and long-term borrowing, please refer to note 8.

## (i) Operating lease

There were no significant new lease contracts during the six months ended June 30, 2016 and 2015. Please refer to note 6(i) of the consolidated financial statements for the year ended December 31, 2015.

## (j) Employee benefits

## 1. Defined benefit plans

Given there was no significant volatility of the market or any significant reimbursement, settlement or other one-time event in the prior fiscal year, pension cost in the interim financial statements is measured and disclosed in accordance with the actuarial report measured on December 31, and January 1, 2015.

The pension costs of the defined benefit plans were as follows:

	Three months ended <u>June 30, 2016</u>	Three months ended <u>June 30, 2015</u>	Six months ended <u>June 30, 2016</u>	Six months ended <u>June 30, 2015</u>
Cost of sales and operating expenses	\$ <u>1,744</u>	<u>2,139</u>	<u>3,496</u>	<u>3,828</u>

In accordance with Paragraph 2 of Article 56 of the Labor Standards Act, before the end of each year, employers shall assess the balance in the designated labor pension reserve funds account. If the amount is inadequate to pay pensions for workers retiring in the same year according to Article 53 or subparagraph 1 of Paragraph 1 of Article 54, the employer is required to make up the difference. The difference as of March 2016 was \$79,775 thousand.

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## 2. Defined contribution plans

The pension costs under the defined contribution plans were as follows, and the payment was made to the Bureau of Labor Insurance:

	Three months ended <u>June 30, 2016</u>	Three months ended <u>June 30, 2015</u>	Six months ended <u>June 30, 2016</u>	Six months ended <u>June 30, 2015</u>
Cost of sales and operating expenses	\$ <u>2,134</u>	<u>2,056</u>	<u>4,313</u>	<u>4,089</u>

## (k) Income taxes

Income tax expense is best estimated by multiplying the pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management.

## 1. The amount of income tax was as follows:

	Three months ended June <u>30, 2016</u>	Three months ended June <u>30, 2015</u>	Six months ended June <u>30, 2016</u>	Six months ended June <u>30, 2015</u>
Current tax expense	\$ <u>39,078</u>	<u>32,749</u>	<u>53,162</u>	<u>48,129</u>

## 2. The ROC tax authorities have examined the tax returns of the Company through 2013 and its domestic subsidiaries through 2014.

## 3. Information related to the unappropriated earnings and tax deduction ratio was summarized below:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Unappropriated earnings retained after January 1, 1998	\$ <u>6,093,446</u>	<u>6,065,087</u>	<u>5,860,191</u>
Balance of imputation credit account	\$ <u>724,076</u>	<u>653,010</u>	<u>643,814</u>
	<u>2015 (Estimated)</u>	<u>2014 (Actual)</u>	
Creditable ratio for earnings distribution to ROC residents	\$ <u>11.94%</u>	<u>11.23%</u>	

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The above stated information was prepared in accordance with the information letter No.10204562810 announced by the Ministry of Finance of R.O.C. on October 17, 2013.

## (I) Capital and other equities

Except for those described below, there is no significant change of capital and other equities for the six months ended June 30, 2016 and 2015. For related information, please refer to note 6(l) of the 2015 annual consolidated financial statement.

## 1. Capital surplus

In accordance with the ROC Company Act amended in 2014, realized capital reserves could be reclassified as share capital or distributed as cash dividends only after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

The balance of capital surplus were as following:

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Gain or loss on disposal of subsidiary	\$ 42,503	42,503	42,503
Changes in equity of associates for using equity method	<u>10,908</u>	<u>10,908</u>	<u>10,908</u>
	<u>\$ 53,411</u>	<u>53,411</u>	<u>53,411</u>

## 2. Retained Earning

In accordance with the amendments to the Company's articles of incorporation on June 28, 2016, net earnings should first be used to offset the prior years' deficits, if any, before paying any in income taxes, of the remaining balance, 10% is to be appropriated as legal reserve, and when there is a reduction in stockholders' equity at the end of the year, the Company should appropriate the same amount as special reserve from retained earnings. The remainder and the accumulated unappropriated earnings of prior years are distributable as dividends to stockholders. The distribution rate is based on the proposal of the Company's board of directors and should be approved in the stockholders' meeting.

Dividends are paid in cash or stock from retained earnings, and the amount of cash dividends should not be less than 10% of total dividends.

(Continued)

**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(i) Legal reserve**

Following the ROC Company Act, the Company must retain 10% of its after tax annual earnings as legal reserve until such retention equals the amount of total capital. Upon a resolution of the shareholders' meeting, when the Company has no accumulated deficits on the books, the legal reserve can be converted to share capital or distributed as cash dividends, and only the portion of legal reserve that exceeds 25% of issued share capital may be distributed.

**(ii) Special reserve**

By choosing to apply the exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards during the Company's first-time adoption of the IFRSs approved by the FSC, unrealized revaluation gains recognized under shareholders' equity. The increase in retained earnings occurring before the adoption date, due to the first-time adoption of IFRSs, in accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, shall be reclassified as a special earnings reserve during earnings distribution. The carrying amount of special earnings reserve amounted to \$359,487 on June 30, 2016.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of other shareholders' equity resulting from the first-time adoption of IFRSs and the carrying amount of special earnings reserve as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

**(iii) Earnings distribution**

The Company's actual distribution of employee bonuses and director's remuneration for year 2014 amounted to \$5,196.

There was no difference between the actual distribution and the estimation in the 2014 consolidated financial statement.

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Based on the resolutions of the annual stockholders' meetings held on June 28, 2016 and May 12, 2015, the distribution of cash dividends to employees, directors and supervisors for the fiscal years 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Earnings distribution: cash	\$ <u>51,295</u>	<u>333,415</u>

## 3. Other equity (after tax)

	<u>Exchange differences on translation of foreign financial Statements</u>	<u>Unrealized gains (losses) on available for-sale financial assets</u>	<u>Total</u>
<b>January 1, 2016</b>	\$ 494,742	(13,174)	481,568
The subsidiaries	(175,345)	-	(175,345)
Associates	<u>(22,998)</u>	<u>(1,131)</u>	<u>(24,129)</u>
<b>June 30, 2016</b>	\$ <u>296,399</u>	<u>(14,305)</u>	<u>282,094</u>
<b>January 1, 2015</b>	\$ 77,330	(7,556)	69,774
The subsidiaries	(248,257)	-	(248,257)
Associates	<u>(37,634)</u>	<u>(2,951)</u>	<u>(40,585)</u>
<b>June 30, 2015</b>	\$ <u>(208,561)</u>	<u>(10,507)</u>	<u>(219,068)</u>

## (m) Earnings per share

## 1. Basic earnings per share

The calculation of basic earnings per share at June 30, 2016 and 2015 were based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

## (i) Profit attributable to ordinary shareholders of the Company

	<u>Three months ended June 30, 2016</u>	<u>Three months ended June 30, 2015</u>	<u>Six months ended June 30, 2016</u>	<u>Six months ended June 30, 2015</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>34,110</u>	<u>(13,598)</u>	<u>112,932</u>	<u>129,755</u>

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (ii) Weighted-average number of ordinary shares

	Three months ended <u>June 30, 2016</u>	Three months ended <u>June 30, 2015</u>	Six months ended <u>June 30, 2016</u>	Six months ended <u>June 30, 2015</u>
Issued ordinary shares at January 1 (equal to June 30)	\$ <u>256,474</u>	<u>256,474</u>	<u>256,474</u>	<u>256,474</u>

## Basic earnings per share (TWD)

	Three months ended <u>June 30, 2016</u>	Three months ended <u>June 30, 2015</u>	Six months ended <u>June 30, 2016</u>	Six months ended <u>June 30, 2015</u>
Basic earnings per share	\$ <u>0.13</u>	<u>(0.05)</u>	<u>0.44</u>	<u>0.51</u>

## 2. Diluted earnings per share

The calculation of diluted earnings per share at June 30, 2016 and 2015 were based on profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

## (i) Profit attributable to ordinary shareholders of the Company (diluted)

	Three months ended <u>June 30, 2016</u>	Three months ended <u>June 30, 2015</u>	Six months ended <u>June 30, 2016</u>	Six months ended <u>June 30, 2015</u>
Profit attributed to ordinary shareholder of the Company (basic and diluted)	\$ <u>34,110</u>	<u>(13,598)</u>	<u>112,932</u>	<u>129,755</u>

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (ii) Weighted-average number of ordinary shares (diluted)

	Three months ended June 30, <u>2016</u>	Three months ended June 30, <u>2015</u>	Six months ended June 30, <u>2016</u>	Six months ended June 30, <u>2015</u>
Weighted-average number of ordinary shares (basic)	\$ 256,474	256,474	256,474	256,474
Effect of employee stock bonuses	<u>23</u>	<u>91</u>	<u>94</u>	<u>113</u>
Weighted-average number of ordinary shares (diluted) at June 30	\$ <u><u>256,497</u></u>	<u><u>256,565</u></u>	<u><u>256,568</u></u>	<u><u>256,587</u></u>

The average market value of the Company's shares for the purpose of calculating the dilutive effect of shares options was based on quoted market price for the period during which the options were outstanding.

	Three months ended June 30, <u>2016</u>	Three months ended June 30, <u>2015</u>	Six months ended June 30, <u>2016</u>	Six months ended June 30, <u>2015</u>
Diluted earnings per share (TWD)				
Diluted earnings per share	\$ <u><u>0.13</u></u>	<u><u>(0.05)</u></u>	<u><u>0.44</u></u>	<u><u>0.51</u></u>

## (n) Financial cost-interest expense

The financial cost-interest expense were as follows:

	Three months ended June 30, <u>2016</u>	Three months ended June 30, <u>2015</u>	Six months ended June 30, <u>2016</u>	Six months ended June 30, <u>2015</u>
Bank loans	\$ 17,961	17,304	38,383	35,722
Bonds payable	<u>24,843</u>	<u>15,073</u>	<u>41,697</u>	<u>30,146</u>
	\$ <u><u>42,804</u></u>	<u><u>32,377</u></u>	<u><u>80,080</u></u>	<u><u>65,868</u></u>

(Continued)

**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(o) Remuneration to employees, directors and supervisors**

In accordance with the amendments to the Company's articles of incorporation on June 28, 2016, earnings shall first be used to offset against any deficit, then a range from 0.5% to 2% will be distributed as employee remuneration, and a maximum of 2% will be allocated as director's and supervisors' remuneration.

The Company estimated its remuneration to employees, directors and supervisors to be \$2,008 and \$2,956, which were recorded as cost of sales or operation expenses for the three months and six months ended June 30, 2016, respectively. The remuneration to employees, directors and supervisors were estimated based on a percentage of the pre-tax profit for each period after deducting the remuneration to employees, directors and supervisors. The Company recognized its remuneration to employees, and directors and supervisors of \$182 and \$2,336 for the three months and six months ended June 30, 2015, respectively, as cost of sales or operation expenses. The remuneration to employees, directors and supervisors were estimated based on a percentage of the net income for each period after deducting 10% of the legal reserve. When there is a reduction in stockholders' equity at the end of the year, the Company should appropriate the same amount as special reserve from the retained earnings for the six months ended June 30, 2015. The differences between the amounts approved in the shareholders' meeting and those recognized in the consolidated financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the following year. The equivalent number of shares distributed for stock dividends is determined based on the closing price of the day before the shareholders' meeting.

The Company, as actually distributed, accrued and recognized its remuneration to employees, directors and supervisors of \$3,800. The related information can be accessed from the Market Observation Post System website after the holding of the shareholders' meeting.

**(p) Financial Instruments**

There were no significant changes on fair value, credit risk, liquidity risk and market risk of financial instruments during the six months ended June 30, 2016 and 2015. For related information, please refer to note 6(p) of the 2015 annual consolidated financial statements.

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (i) Credit risk – impairment loss

The aging analysis of accounts receivable and other receivables were as follows:

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
0-90 days	\$ 285,825	264,163	270,351
90-180 days	<u>202</u>	<u>-</u>	<u>148</u>
	<u>\$ 286,027</u>	<u>264,163</u>	<u>270,499</u>

The changes of allowance for notes and accounts receivable and other receivables were as follow :

	<u>2016.6.30</u>	<u>2015.6.30</u>
Balance on January 1	\$ 1,809	1,827
Bad Debt Expense	<u>111</u>	<u>-</u>
Balance on June 30	<u>\$ 1,920</u>	<u>1,827</u>

The Group believes that the unimpaired amounts that are past due are still collectible, base on historic payment behavior and extensive analysis of customer credit risk, including the underlying customers' credit ratings, when available.

Allowances for uncollectible accounts are used to record loss on doubtful accounts. When it is determined a receivable is uncollectible, it is written off from the allowance account. As of June 30, 2016, and December 31 and June 30, 2015, there were no loss of uncollectible on account receivable.

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## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## 2. Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements:

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>June 30, 2016</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 229,988	(230,000)	(230,000)	-	-
Secured bank loan	4,441,402	(4,441,402)	(580,156)	(580,156)	(3,281,090)
Notes and accounts payable	127,162	(127,162)	(127,162)	-	-
Dividend payable	51,295	(51,295)	(51,295)	-	-
Bonds payable	5,100,000	(5,100,000)	(2,800,000)	-	(2,300,000)
Accrued expenses and other payables	89,296	(89,296)	(89,296)	-	-
	<u>\$ 10,039,143</u>	<u>(10,039,155)</u>	<u>(3,877,909)</u>	<u>(580,156)</u>	<u>(5,581,090)</u>
<b>December 31, 2015</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 1,259,759	(1,260,000)	(1,260,000)	-	-
Secured bank loan	5,003,742	(5,003,742)	(781,675)	(590,042)	(3,632,025)
Notes and accounts payable	138,943	(138,943)	(138,943)	-	-
Bonds payable	2,800,000	(2,800,000)	-	(2,800,000)	-
Accrued expenses and other payables	83,722	(83,722)	(83,722)	-	-
	<u>\$ 9,286,166</u>	<u>(9,286,407)</u>	<u>(2,264,340)</u>	<u>(3,390,042)</u>	<u>(3,632,025)</u>
<b>June 30, 2015</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 899,696	(900,000)	(900,000)	-	-
Secured bank loan	5,011,590	(5,011,590)	(764,908)	(554,721)	(3,691,961)
Notes and accounts payable	99,205	(99,205)	(99,205)	-	-
Bonds payable	2,800,000	(2,800,000)	-	-	(2,800,000)
Dividend payable	333,415	(333,415)	(333,415)	-	-
Accrued expenses and other payables	85,116	(85,116)	(85,116)	-	-
	<u>\$ 9,229,022</u>	<u>(9,229,326)</u>	<u>(2,182,644)</u>	<u>(554,721)</u>	<u>(6,491,961)</u>

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## 3. Fair value

## (i) Financial instruments and fair value

The Group's financial assets and liabilities' book value and fair value were as follows:

	June 30, 2016				
	Book value	Fair value			Total
	Level 1	Level 2	Level 3		
<b>Financial assets at fair value through profit or loss</b>					
Current financial assets held for trading	\$ 2,845	2,845	-	-	2,845
Non-current financial assets held for trading	<u>59,391</u>	-	59,391	-	59,391
Total	<u>\$ 62,236</u>				
<b>Non-current financial assets at cost</b>	<u>\$ 25,000</u>				
<b>Loans and receivables</b>					
Cash and cash equivalents	\$ 4,696,197	-	-	-	-
Time deposits (over three months)	639,968	-	-	-	-
Notes and accounts receivable (including related party)	277,368	-	-	-	-
Dividend receivable	14,380	-	-	-	-
Other receivables	8,659	-	-	-	-
Guarantee deposits	5,204	-	-	-	-
Pledged assets-time deposits	<u>187,338</u>	-	-	-	-
Total	<u>\$ 5,829,114</u>				
<b>Financial liabilities at amortized cost through profit or loss</b>					
Short-term borrowings	\$ 229,988	-	-	-	-
Secured bank loan	4,441,402	-	-	-	-
Notes and accounts payable	127,162	-	-	-	-
Dividend payable	51,295	-	-	-	-
Bonds payable	5,100,000	-	5,100,000	-	5,100,000
Accrued expenses and other payables	<u>89,296</u>	-	-	-	-
Total	<u>\$ 10,039,143</u>	-	-	-	-

(Continued)



## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	June 30, 2015				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities at amortized cost through profit or loss</b>					
Short-term borrowings	\$ 899,696	-	-	-	-
Secured bank loan	5,011,590	-	-	-	-
Notes and accounts payable	99,205	-	-	-	-
Dividend payable	333,415	-	-	-	-
Bonds payable	2,800,000	-	2,800,000	-	2,800,000
Accrued expenses and other payables	<u>85,116</u>	-	-	-	-
Total	<u>\$ 9,229,022</u>	-	-	-	-

## (ii) Fair value valuation technique of financial instruments not measured at fair value

The Group estimate instruments, that are not measured at fair value, by method and presumption as follows:

## A. Financial Assets Held- to-Maturity

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, fair value of financial assets are evaluated based on the valuation method or quoted price of the counterparties.

## B. Bond investment without an active market and financial liabilities at amortized cost

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

## (iii) Valuation techniques and assumptions used in fair value determination

The Group uses the following methods in determining the fair value of its financial assets and liabilities:

A. The fair value of listed shares and bonds is based on the financial assets traded in active markets. The fair value is determined based on the quoted market prices.

B. The bonds and other financial assets without an active market are estimated by using the financial instruments as reference.

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(iv) YangMing Marine Transport Corp's corporate bond held by the Group is categorized as financial assets at fair value through profit or loss. The values of the bond as of March 31, 2016, and December 31 and March 31, 2015 were \$66,360, \$67,066, and \$130,221, respectively. To determine the fair value of the bond, the management uses inputs of Convertible Bond Pricing Model for the assets based on observable market data. Based on the results, the fair value was transferred from level 3 to level 2 on March 31, 2016. There was no transfer of fair value of the asset for the six months ended June 30, 2015.

(v) Changes in level 3

	<b>Financial assets at fair value through profit and loss- Bond Investment</b>
<b>Balance on January 1, 2016</b>	\$ 67,066
Total gains and losses:	
Recognized in profit or loss	(706)
Transfer from level 3 on March 31, 2016	<u>(66,360)</u>
<b>Balance on June 30, 2016</b>	\$ <u>-</u>
<b>Balance on January 1, 2015</b>	\$ 131,909
Total gains and losses:	
Recognized in profit or loss	<u>(17,707)</u>
<b>Balance on June 30, 2015</b>	\$ <u>114,202</u>

The aforementioned total gains and losses were recorded as net gains (losses) on financial assets at fair value through profit or loss, and the related information to the assets held during the years ended June 30, 2016 and 2015 were as follows:

	<b>Six months ended June 30, 2016</b>	<b>Six months ended June 30, 2015</b>
Total gains and losses:		
Recognized in profit or loss (as "net gains (losses) on financial assets at fair value through profit or loss")	\$ <u>(706)</u>	<u>(17,707)</u>

(Continued)

**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(q) Financial risk management

The Group's objectives and policies for managing the financial risk are consistent with those disclosed in the note 6(q) of the consolidated financial statements for the year ended December 31, 2015.

(r) Capital management

The Group's objectives, policies and processes of capital management are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2015. There were no significant changes of quantitative data of capital management compared with the consolidated financial statements for the year ended December 31, 2015. Please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2015.

**(7) Related-Party Transactions**

(a) Parent company and ultimate controlling company

CMT investment is the ultimate controlling party of the Company and owns 58.80 percent of all shares outstanding of the Company. The Company has issued the consolidated financial statements available for public use.

(b) Key management personnel compensation

Key management personnel compensation comprised:

	<b>Three months ended June 30, 2016</b>	<b>Three months ended June 30, 2015</b>	<b>Six months ended June 30, 2016</b>	<b>Six months ended June 30, 2015</b>
Short-term employee benefits	\$ 9,574	9,342	18,504	19,059
Post-employment benefits	<u>260</u>	<u>219</u>	<u>483</u>	<u>438</u>
	\$ <u><u>9,834</u></u>	<u><u>9,561</u></u>	<u><u>18,987</u></u>	<u><u>19,497</u></u>

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (c) Significant related party transactions

## 1. Freight revenue

The amounts of significant sales transactions and account receivable between the Group and its related parties were as follows:

	<u>Revenue</u>			
	<u>Three months</u> <u>ended June 30,</u> <u>2016</u>	<u>Three months</u> <u>ended June 30,</u> <u>2015</u>	<u>Six months</u> <u>ended June 30,</u> <u>2016</u>	<u>Six months</u> <u>ended June 30,</u> <u>2015</u>
	Other relates parties	\$ 236,076	233,752	445,847
The entities with significant influence over the Group	<u>153</u>	<u>1</u>	<u>409</u>	<u>221</u>
	<u>\$ 236,229</u>	<u>233,753</u>	<u>446,256</u>	<u>444,166</u>
		<u>Account receivable-related-parties</u>		
		<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Other relates parties	\$ 79,260	87,818	88,144	
The entities with significant influence over the Group	<u>73</u>	<u>-</u>	<u>-</u>	
	<u>\$ 79,333</u>	<u>87,818</u>	<u>88,144</u>	

The collection periods of inland trucking transactions are within 30 to 45 days after consignment, which are similar to those of the ordinary customers. If the contracts have similar terms and conditions, the selling prices for related parties and ordinary customers shall not have any significant different.

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## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## 2. Logistic and agent revenue

The amount of significant sales transactions and account receivable between the Group and its related parties were as follows:

	<u>Revenue</u>			
	<u>Three months ended June 30, 2016</u>	<u>Three months ended June 30, 2015</u>	<u>Six months ended June 30, 2016</u>	<u>Six months ended June 30, 2015</u>
The entities with significant influence over the Group	\$ <u>18,521</u>	<u>18,068</u>	<u>36,811</u>	<u>36,713</u>

	<u>Account receivable-related-parties</u>		
	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
The entities with significant influence over the Group	\$ <u>11,467</u>	<u>2,735</u>	<u>9,776</u>

The Group's selling price for related parties is cost, plus, fixed percentage when the related parties receive cash from customers; the related parties pay the Group immediately.

## 3. Operating expense

	<u>Operating expense</u>			
	<u>Three months ended June 30, 2016</u>	<u>Three months ended June 30, 2015</u>	<u>Six months ended June 30, 2016</u>	<u>Six months ended June 30, 2015</u>
The entities with significant influence over the Group-rent expense	\$ <u>1,883</u>	<u>1,818</u>	<u>3,767</u>	<u>3,679</u>

The Group entered into rental agreements with its related parties from November 2008 to December 2016. The rentals are similar to those of the market prices, and they are being paid monthly.

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## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (8) Pledged asset:

The carrying values of pledged assets are as follow:

Assets	Subject	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Long-term investment with equity method – stock	Commercial paper payable – and long-term loans and credit lines	\$ 535,054	488,110	450,610
Property and equipment – land and buildings	Short-term and long-term loans and credit lines	899,336	899,336	899,336
Transportation and other equipment (including prepayment equipment)	Short-term and long-term loans and credit lines	9,838,726	10,295,864	9,977,892
Other financial assets – Current (time deposit)	Long-term loans	169,268	170,436	161,269
Other financial assets noncurrent (guarantee deposits and pledged time deposits)	Guarantee for construction payments, warehouse deposits, long-term loans, ETC, and import duty	23,274	22,711	20,176
		<u>\$ 11,465,658</u>	<u>11,876,457</u>	<u>11,509,283</u>

## (9) Commitments and contingencies

- (a) The Group had issued guarantee promissory notes amounting to \$5,205,920, \$2,884,000 and \$2,884,000 as of June 30, 2016, and December 31 and June 30, 2015, respectively, as guarantee for bonds payable.
- (b) As of June 30, 2016, the Group still had several long-term leases of its ships with customers in effect. The ending periods of the contracts are from February 2017 to July 2020.

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## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

- (c) In order to expand the business scale, the subsidiaries entered into bulk-carrier construction contracts with the third parties on July 11 and August 30, 2013, and January 10, 2014. The related information was as follows:

Purchaser	Date of contract	Total price	Date of delivery	Amount paid
CEP	July 11, 2013	\$ 1,510,470 (US\$46,800,000)	March 2017 (note)	454,335 (US\$14,077,000)
CHM	August 30, 2013	1,504,015 (US\$46,600,000)	October 2016 (note)	626,458 (US\$19,410,000)
CHN	January 10, 2014	1,504,015 (US\$46,600,000)	October 2017 (note)	300,808 (US\$9,320,000)

Note: These are the estimated latest dates of delivery of bulk-carrier construction.

(10) Losses due to major disasters: none

(11) Subsequent events:

- (a) The Company's investee company (Global Energy Maritime Co., Ltd.) accounted for using equity method, issued a capital injection which was approved by the board of directors. The effective date is on July 12, 2016. The Company purchased \$144,000 newly issued shares in proportion to its number of shares owned; the amount was fully paid on July 8, 2016.
- (b) As filed in accordance with Ruling No. 1050028822 issued by the Financial Supervisory Commission, the Company's capital reduction, approved in the shareholders' meeting on June 28, 2016, proposed to reduce 58,989 thousand shares of common stocks, with the reduction in capital of \$589,889. The effective date of the capital reduction is on August 13, 2016, which was proposed by Board of Directors on August 12, 2016.

(12) Other

- (a) The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By item	By function	Three months ended June 30, 2016			Three months ended June 30, 2015		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		65,553	43,067	108,620	60,587	45,292	105,879
Labor and health insurance		1,914	4,269	6,183	1,837	4,034	5,871
Pension		1,392	2,486	3,878	1,355	2,840	4,195
Others		4,830	1,396	6,226	4,239	1,381	5,620
Depreciation (Note)		181,302	2,879	184,181	174,238	2,965	177,203
Amortization		-	858	858	-	929	929

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## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Note: excluding the deduction of rental income of \$115 for the three months ended June 30, 2016 and 2015.

By item	By function	Six months ended June 30, 2016			Six months ended June 30, 2015		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		130,911	87,016	217,927	122,174	95,179	217,353
Labor and health insurance		4,054	7,863	11,917	3,935	7,609	11,544
Pension		2,781	5,028	7,809	2,767	5,150	7,917
Others		9,739	2,706	12,445	9,094	2,734	11,828
Depreciation (Note)		364,428	5,786	370,214	349,599	5,803	355,402
Amortization		-	1,728	1,728	-	2,076	2,076

Note: excluding the deduction of rental income of \$229 for the six months ended June 30, 2016 and 2015.

## (b) Seasonality of interim operation

The operating of the Group is not subject to seasonal fluctuations.

## (13) Segment information

The Group's reportable segments consist of the inland trucking and terminal department, the logistics department and the shipping department. The inland trucking and terminal department and the logistics department engage in the container transportation business, warehousing business, and freight agent business. And the sea transportation segment engages in the bulk carrier business. The Group's reportable segments are the strategic business units that provide different kinds of transportation services. Each strategic business unit requires different services and marketing strategies, thus, should be managed separately.

The amounts of the Group's reportable segments are the same as those in the report used by the chief operating decision maker. The accounting policies for the operating segments are the same as those in Note 2, which describe significant accounting policies. The operating segments' income before tax was the foundation for the chief operating decision maker to evaluate performance. There was no transfer of revenue between segments.

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## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Three months ended June 30, 2016					
	Inland trucking and terminal & logistics department	Shipping department	Others	Adjustments and eliminations	Total
Revenue from outside customers	\$ 462,937	352,697	6,446	-	822,080
Revenue from segments	-	-	-	-	-
Total revenues	\$ <u>462,937</u>	<u>352,697</u>	<u>6,446</u>	<u>-</u>	<u>822,080</u>
Segment income before tax	\$ <u>67,176</u>	<u>64,386</u>	<u>(1,323)</u>	<u>-</u>	<u>130,239</u>
Total assets of segment					\$ <u>21,797,397</u>

Three months ended June 30, 2015					
	Inland trucking and terminal & logistics department	Shipping department	Others	Adjustments and eliminations	Total
Revenue from outside customers	\$ 471,757	364,778	4,272	-	840,807
Revenue from segments	-	-	-	-	-
Total revenues	\$ <u>471,757</u>	<u>364,778</u>	<u>4,272</u>	<u>-</u>	<u>840,807</u>
Segment income before tax	\$ <u>58,691</u>	<u>65,253</u>	<u>(845)</u>	<u>-</u>	<u>123,099</u>
Total assets of segment					\$ <u>20,325,160</u>

Six months ended June 30, 2016					
	Inland trucking and terminal & logistics department	Shipping department	Others	Adjustments and eliminations	Total
Revenue from outside customers	\$ 866,155	738,304	10,967	-	1,635,426
Revenue from segments	-	-	-	-	-
Total revenues	\$ <u>866,155</u>	<u>738,304</u>	<u>10,967</u>	<u>-</u>	<u>1,635,426</u>
Segment income before tax	\$ <u>114,899</u>	<u>155,553</u>	<u>(2,454)</u>	<u>-</u>	<u>267,998</u>
Total assets of segment					\$ <u>21,797,397</u>

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## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Six months ended June 30, 2015

	<u>Inland trucking and terminal &amp; logistics department</u>	<u>Shipping department</u>	<u>Others</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
Revenue from outside customers	\$ 911,826	754,838	6,725	-	1,673,389
Revenue from segments	-	-	-	-	-
Total revenues	<u>\$ 911,826</u>	<u>754,838</u>	<u>6,725</u>	<u>-</u>	<u>1,673,389</u>
Segment income before tax	<u>\$ 100,690</u>	<u>188,059</u>	<u>(1,858)</u>	<u>-</u>	<u>286,891</u>
Total assets of segment					\$ <u>20,325,160</u>

