

**CHINESE MARITIME TRANSPORT LTD.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**For the nine months ended September 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 September 30, 2016 and 2015, the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2016 and 2015, and the changes in stockholders' equity and cash flows for the nine months ended September 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 \$2,065,360 and \$2,029,073, constituting 9.45% and 9.49% of the consolidated totals as of September 30, 2016 and 2015, respectively. The total liabilities of these subsidiaries amounted to \$654,327 and \$631,481, constituting 5.56% and 6.11% of the consolidated totals as of September 30, 2016 and 2015, respectively. The comprehensive income (loss) of these subsidiaries amounted to \$19,247, \$25,491, \$57,356 and \$81,368, constituting the absolute value of the 6.28%, 3.12%, 14.59%, and 12.37% of the consolidated totals for the three months and nine months ended September 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 \$2,032,222 and \$2,155,588 as of September 30, 2016 and 2015, and the related shares of profit (loss) of associates and joint ventures accounted for using equity method amounting to \$(8,527), \$(14,529), \$(34,888) and \$(52,916) recognized for the three months and nine months ended September 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 be 'KPMG'.

November 11, 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 Balance Sheets (the amounts as of September 30, 2016 and 2015 are unaudited)**

**September 30, 2016, and December 31 and September 30, 2015**  
(expressed in thousands of New Taiwan dollars)

| Assets   | September 30, 2016<br>Amount | %          | September 30, 2015<br>Amount | %          | Liabilities and equity                             | September 30, 2016<br>Amount | %          | December 31, 2015<br>Amount | %          | September 30, 2015<br>Amount | %          |
|--|------------------------------|------------|------------------------------|------------|--|------------------------------|------------|-----------------------------|------------|------------------------------|------------|
| <b>Current assets:</b>   |                              |            |                              |            |  |                              |            |                             |            |                              |            |
| Cash and cash equivalents (note 6(a))  | \$ 4,118,091                 | 19         | 4,639,471                    | 22         | Short-term borrowings (note 6(h))                  | \$ 150,000                   | 1          | 1,259,759                   | 6          | 1,309,726                    | 6          |
| Current financial assets at fair value through profit or loss (notes 6(b) and (p)) | 2,456                        | -          | 46,056                       | -          | Notes and accounts payable                         | 140,028                      | -          | 138,943                     | 1          | 107,839                      | 1          |
| Notes and accounts receivable, net (note 6(c))                                     | 201,264                      | 1          | 153,544                      | 1          | Dividends payable (note 6(i))                      | 51,295                       | -          | -                           | -          | -                            | -          |
| Notes and accounts receivable due from related parties, net (note 7)               | 100,023                      | -          | 101,405                      | -          | Unearned revenue                                   | 24,179                       | -          | 32,300                      | -          | 33,286                       | -          |
| Other current assets   | 71,338                       | -          | 71,814                       | 1          | Other current liabilities                          | 767,904                      | 4          | 205,931                     | 1          | 176,763                      | -          |
| Other current financial assets (notes 6(c), (d), (g) and 8)                        | 820,239                      | 4          | 197,020                      | 1          | Long-term liabilities, current portion (note 6(h)) | 3,416,603                    | 16         | 781,675                     | 4          | 814,729                      | 4          |
|  | <u>5,313,411</u>             | <u>24</u>  | <u>5,209,310</u>             | <u>25</u>  | <b>Non-current liabilities:</b>                    | <u>4,550,009</u>             | <u>21</u>  | <u>2,418,608</u>            | <u>12</u>  | <u>2,442,343</u>             | <u>11</u>  |
| <b>Non-current assets:</b>   |                              |            |                              |            | Bonds payable (note 6(h))                          | 2,300,000                    | 11         | 2,800,000                   | 13         | 2,800,000                    | 13         |
| Non-current financial assets held for trading (notes 6(b) and (p))                 | 54,652                       | -          | 72,311                       | -          | Long-term borrowings (note 6(h))                   | 4,257,875                    | 19         | 4,222,067                   | 20         | 4,355,642                    | 20         |
| Investments accounted for using equity method (note 6(d) and 8)                    | 2,032,222                    | 10         | 2,155,588                    | 10         | Deferred tax liabilities                           | 582,878                      | 3          | 582,878                     | 3          | 581,295                      | 3          |
| Non-current financial assets at cost (note 6(b))                                   | 25,000                       | -          | 25,000                       | -          | Accrued pension liabilities (note 6(j))            | 68,989                       | -          | 149,117                     | -          | 151,320                      | 1          |
| Property, plant and equipment (notes 6(e) and 8)                                   | 14,333,385                   | 66         | 13,820,239                   | 65         | Other non-current liabilities                      | 600                          | -          | 516                         | -          | 679                          | -          |
| Investment property, net (note 6(f))   | 38,397                       | -          | 39,831                       | -          | <b>Total liabilities</b>                           | <u>7,210,342</u>             | <u>33</u>  | <u>7,754,578</u>            | <u>36</u>  | <u>7,888,936</u>             | <u>37</u>  |
| Intangible assets  | 7,510                        | -          | 10,983                       | -          | <b>Common stock (note 6(i))</b>                    | <u>11,760,351</u>            | <u>54</u>  | <u>10,173,186</u>           | <u>48</u>  | <u>10,331,279</u>            | <u>48</u>  |
| Deferred tax assets  | 28,484                       | -          | 28,460                       | -          | Capital surplus (note 6(i))                        | 1,974,846                    | 9          | 2,564,736                   | 12         | 2,564,736                    | 12         |
| Other non-current assets   | 10,263                       | -          | 3,550                        | -          | Retained earnings (note 6(i))                      | 53,411                       | -          | 53,411                      | -          | 53,411                       | -          |
| Other non-current financial assets (notes 6(g) and 8)                              | 23,271                       | -          | 17,712                       | -          | Legal reserve                                      | 1,649,566                    | 7          | 1,616,288                   | 8          | 1,616,288                    | 8          |
|  | <u>16,553,184</u>            | <u>76</u>  | <u>16,173,674</u>            | <u>75</u>  | Special reserve                                    | 359,487                      | 2          | 359,487                     | 2          | 359,487                      | 2          |
|  | <u>\$ 21,866,595</u>         | <u>100</u> | <u>\$ 21,382,984</u>         | <u>100</u> | Unappropriated retained earnings                   | 6,114,656                    | 28         | 6,065,087                   | 28         | 5,960,783                    | 28         |
|  |                              |            |                              |            | Other equity interest                              | 8,123,709                    | 37         | 8,040,862                   | 38         | 7,936,558                    | 38         |
|  |                              |            |                              |            | Total equity                                       | <u>(45,722)</u>              | <u>2</u>   | <u>481,568</u>              | <u>2</u>   | <u>497,000</u>               | <u>2</u>   |
|  |                              |            |                              |            | <b>Total liabilities and equity</b>                | <u>\$ 21,866,595</u>         | <u>100</u> | <u>\$ 21,313,763</u>        | <u>100</u> | <u>\$ 21,382,984</u>         | <u>100</u> |

See accompanying notes to consolidated financial statements.

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Unaudited)

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

|   | Three months ended<br>September 30, 2016 |             | Three months ended<br>September 30, 2015 |            | Nine months ended<br>September 30, 2016 |             | Nine months ended<br>September 30, 2015 |            |
|---|--|-------------|--|------------|---|-------------|---|------------|
|   | Amount                                   | %           | Amount                                   | %          | Amount                                  | %           | Amount                                  | %          |
| <b>Operating revenue (note 7)</b>   |  |             |  |            |   |             |   |            |
| Freight revenue-vessel chartering   | \$ 365,707                               | 45          | 379,271                                  | 45         | 1,104,011                               | 45          | 1,134,109                               | 45         |
| Freight revenue-container hauling, net, and<br>logistics revenue                      | 459,478                                  | 55          | 455,835                                  | 54         | 1,345,633                               | 55          | 1,367,661                               | 55         |
| Freight revenue-airline agent and others  | 3,892                                    | -           | 4,592                                    | 1          | 14,859                                  | -           | 11,317                                  | -          |
|   | <u>829,077</u>                           | <u>100</u>  | <u>839,698</u>                           | <u>100</u> | <u>2,464,503</u>                        | <u>100</u>  | <u>2,513,087</u>                        | <u>100</u> |
| <b>Operating Cost (notes 7 and 12)</b>  |  |             |  |            |   |             |   |            |
| Freight cost-vessel chartering  | 262,969                                  | 32          | 252,106                                  | 30         | 780,927                                 | 32          | 761,332                                 | 30         |
| Freight cost-container hauling and logistics cost                                     | 350,218                                  | 42          | 344,361                                  | 41         | 1,012,119                               | 41          | 1,037,258                               | 41         |
| Freight cost-airline agent and others   | 2,945                                    | -           | 3,597                                    | -          | 11,503                                  | -           | 8,561                                   | -          |
|   | <u>616,132</u>                           | <u>74</u>   | <u>600,064</u>                           | <u>71</u>  | <u>1,804,549</u>                        | <u>73</u>   | <u>1,807,151</u>                        | <u>71</u>  |
| <b>Gross profit</b>   | 212,945                                  | 26          | 239,634                                  | 29         | 659,954                                 | 27          | 705,936                                 | 29         |
| <b>Operating expenses (notes 7 and 12)</b>  | 84,310                                   | 10          | 80,088                                   | 10         | 263,321                                 | 11          | 259,499                                 | 10         |
| <b>Net operating income</b>   | <u>128,635</u>                           | <u>16</u>   | <u>159,546</u>                           | <u>19</u>  | <u>396,633</u>                          | <u>16</u>   | <u>446,437</u>                          | <u>19</u>  |
| <b>Non-operating income and expenses:</b>   |  |             |  |            |   |             |   |            |
| Other income  | 2,850                                    | -           | 4,906                                    | 1          | 10,215                                  | -           | 11,157                                  | -          |
| Financial costs-interest expense (note 6(n))  | (43,909)                                 | (5)         | (34,075)                                 | (4)        | (123,989)                               | (5)         | (99,943)                                | (4)        |
| Share of profit (loss) of associates accounted for<br>using equity method (note 6(d)) | (8,527)                                  | (1)         | (14,529)                                 | (2)        | (34,888)                                | (2)         | (52,916)                                | (2)        |
| Interest income   | 9,203                                    | 1           | 3,032                                    | -          | 19,761                                  | 1           | 14,388                                  | 1          |
| Gains on disposals of property, plant and equipment<br>(note 6(e))                    | (844)                                    | -           | 4,045                                    | -          | 14,266                                  | -           | 25,521                                  | 1          |
| Gain (loss) on financial assets at fair value through<br>profit or loss (note 6(b))   | (5,104)                                  | (1)         | (357)                                    | -          | (12,771)                                | -           | (16,922)                                | (1)        |
| Foreign exchange gains (loss)   | 370                                      | -           | (1,014)                                  | -          | 321                                     | -           | (1,761)                                 | -          |
| Miscellaneous disbursements   | (135)                                    | -           | (192)                                    | -          | (10,135)                                | -           | (192)                                   | -          |
| Losses on disposals of investments (note 6(d))  | (48,623)                                 | (6)         | (5,750)                                  | (1)        | (59,403)                                | (2)         | (32,273)                                | (1)        |
|   | <u>(94,719)</u>                          | <u>(12)</u> | <u>(43,934)</u>                          | <u>(6)</u> | <u>(196,623)</u>                        | <u>(8)</u>  | <u>(152,941)</u>                        | <u>(6)</u> |
| <b>Profit before tax</b>  | 33,916                                   | 4           | 115,612                                  | 13         | 200,010                                 | 8           | 293,496                                 | 13         |
| <b>Tax expense (note 6(k))</b>  | 12,706                                   | 1           | 15,020                                   | 2          | 65,868                                  | 3           | 63,149                                  | 3          |
| <b>Profit (loss)</b>  | <u>21,210</u>                            | <u>3</u>    | <u>100,592</u>                           | <u>11</u>  | <u>134,142</u>                          | <u>5</u>    | <u>230,347</u>                          | <u>10</u>  |
| <b>Other comprehensive income: (note 6(l))</b>  |  |             |  |            |   |             |   |            |
| Other comprehensive income, before tax, exchange<br>differences on translation        | (288,253)                                | (35)        | 640,518                                  | 76         | (463,598)                               | (19)        | 392,261                                 | 16         |
| Other comprehensive income, before tax, available-<br>for-sale financial assets       | -  | -           | -  | -          | -                                       | -           | -                                       | -          |
| Share of other comprehensive income of<br>associates for using equity method          | (39,563)                                 | (5)         | 75,550                                   | 9          | (63,692)                                | (3)         | 34,965                                  | 1          |
| Other comprehensive income, net   | <u>(327,816)</u>                         | <u>(40)</u> | <u>716,068</u>                           | <u>85</u>  | <u>(527,290)</u>                        | <u>(22)</u> | <u>427,226</u>                          | <u>17</u>  |
| <b>Comprehensive income</b>   | <u>\$ (306,606)</u>                      | <u>(37)</u> | <u>816,660</u>                           | <u>96</u>  | <u>(393,148)</u>                        | <u>(17)</u> | <u>657,573</u>                          | <u>27</u>  |
| <b>Earnings per share: (note 6(m))</b>  |  |             |  |            |   |             |   |            |
| <b>Basic net income (loss) per share</b>  | \$ <u>0.09</u>                           |             | <u>0.39</u>                              |            | <u>0.55</u>                             |             | <u>0.90</u>                             |            |
| <b>Diluted net income (loss) per share</b>  | \$ <u>0.09</u>                           |             | <u>0.39</u>                              |            | <u>0.55</u>                             |             | <u>0.90</u>                             |            |

See accompanying notes to consolidated financial statements.

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

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

|                  | Equity attributable to owners of parent |                  |                 |   |                         |  |                 | Total other equity interest | Total equity |
|------------------|---|------------------|-----------------|---|-------------------------|--|-----------------|-----------------------------|--------------|
|                  | Retained earnings                       |                  |                 | Exchange differences on translation of foreign financial statements |                         | Other equity interest  |                 |                             |              |
| Ordinary shares  | Capital surplus                         | Legal reserve    | Special reserve | Unappropriated retained earnings                                    | Total retained earnings | Unrealized gains (losses) on available-for-sale financial assets |                 |                             |              |
| \$ 2,564,736     | 53,411                                  | 1,583,016        | 579,599         | 5,877,011   | 8,039,626               | 77,330   | 69,774          | 10,727,547                  |              |
| -                | -                                       | 33,272           | -               | (33,272)  | -                       | -  | -               | -                           |              |
| -                | -                                       | -                | (220,112)       | 220,112   | -                       | -  | -               | -                           |              |
| -                | -                                       | -                | -               | (333,415)   | (333,415)               | -  | -               | (333,415)                   |              |
| -                | -                                       | 33,272           | (220,112)       | (146,575)   | (333,415)               | -  | -               | (333,415)                   |              |
| -                | -                                       | -                | -               | 230,347   | 230,347                 | -  | -               | 230,347                     |              |
| -                | -                                       | -                | -               | -   | -                       | 433,682  | 427,226         | 427,226                     |              |
| <u>2,564,736</u> | <u>53,411</u>                           | <u>1,616,288</u> | <u>359,487</u>  | <u>5,960,783</u>  | <u>7,936,558</u>        | <u>433,682</u>   | <u>427,226</u>  | <u>657,573</u>              |              |
| \$ 2,564,736     | 53,411                                  | 1,616,288        | 359,487         | 6,065,087   | 8,040,862               | 511,012  | 497,000         | 11,051,705                  |              |
| -                | -                                       | 33,278           | -               | (33,278)  | -                       | -  | -               | -                           |              |
| -                | -                                       | -                | -               | (51,295)  | (51,295)                | -  | -               | (51,295)                    |              |
| -                | -                                       | 33,278           | -               | (84,573)  | (51,295)                | -  | -               | (51,295)                    |              |
| -                | -                                       | -                | -               | 134,142   | 134,142                 | -  | -               | 134,142                     |              |
| -                | -                                       | -                | -               | -   | -                       | (527,274)  | (527,290)       | (527,290)                   |              |
| -                | -                                       | -                | -               | 134,142   | 134,142                 | (527,274)  | (527,290)       | (393,148)                   |              |
| (589,890)        | -                                       | -                | -               | -   | -                       | -  | -               | (589,890)                   |              |
| <u>1,974,846</u> | <u>53,411</u>                           | <u>1,649,566</u> | <u>359,487</u>  | <u>6,114,656</u>  | <u>8,123,709</u>        | <u>(32,532)</u>  | <u>(45,722)</u> | <u>10,106,244</u>           |              |

**Balance on January 1, 2015**

Appropriation and distribution of retained earnings:

Legal reserve appropriated

Special reserve appropriated

Cash dividends of ordinary share

Profit for the nine-month period ended September 30, 2015

Other comprehensive income (loss) for the nine-month period ended September 30, 2015

Comprehensive income (loss) for nine-month period ended September 30, 2015

**Balance on September 30, 2015**

**Balance on January 1, 2016**

Appropriation and distribution of retained earnings:

Legal reserve appropriated

Cash dividends of ordinary share

Profit for the nine-month period ended September 30, 2016

Other comprehensive income (loss) for the nine-month period ended September 30, 2016

Comprehensive income (loss) for the nine-month period ended September 30, 2016

Capital reduction of ordinary share

**Balance on September 30, 2016**

See accompanying notes to consolidated financial statements.

**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**

**Consolidated Statements of cash flows (Unaudited)**

**For the nine-months ended September 30, 2016 and 2015**

(expressed in thousands of New Taiwan dollars)

|   | <b>2016</b>         | <b>2015</b>      |
|---|---------------------|------------------|
| <b>Cash flows from (used in) operating activities:</b>                  |                     |                  |
| <b>Profit before tax</b>  | \$ 200,010          | 293,496          |
| <b>Adjustments:</b>   |                     |                  |
| <b>Adjustments to reconcile profit:</b>                                 |                     |                  |
| Depreciation and amortization   | 560,469             | 541,692          |
| Loss (gain) on financial assets at fair value through profit or loss    | 12,771              | 16,922           |
| Interest expense  | 123,989             | 99,943           |
| Interest income   | (19,761)            | (14,388)         |
| Share of loss (profit) of associates for using equity method            | 34,888              | 52,916           |
| Loss (gain) on disposal of property, plant and equipment                | (14,266)            | (25,521)         |
| Loss (gain) on disposal of investments                                  | 59,403              | 32,273           |
| <b>Adjustments to reconcile profit</b>                                  | <b>757,493</b>      | <b>703,837</b>   |
| <b>Changes in operating assets and liabilities:</b>                     |                     |                  |
| <b>Changes in operating assets:</b>                                     |                     |                  |
| Decrease (increase) in notes and accounts receivable                    | (46,942)            | 49,686           |
| Decrease (increase) in other current assets and prepayment              | (17,630)            | (5,343)          |
| Decrease (increase) in other current financial assets                   | 1,882               | 6,349            |
|   | <b>(62,690)</b>     | <b>50,692</b>    |
| <b>Changes in operating liabilities:</b>                                |                     |                  |
| Increase (decrease) in notes and accounts payable                       | 1,085               | (28,355)         |
| Net defined benefit liability increase (decrease)                       | (80,128)            | (395)            |
| Increase (decrease) in other current liabilities                        | 7,643               | (21,856)         |
| Increase (decrease) in unearned revenue                                 | (6,888)             | (7,177)          |
|   | <b>(78,288)</b>     | <b>(57,783)</b>  |
| <b>Total changes in operating assets and liabilities</b>                | <b>(140,978)</b>    | <b>(7,091)</b>   |
| <b>Total adjustments</b>  | <b>616,515</b>      | <b>696,746</b>   |
| Cash flows from operations  | 816,525             | 990,242          |
| Interest received   | 19,261              | 12,806           |
| Interest paid   | (133,041)           | (113,129)        |
| Dividends received  | 13,885              | 43,173           |
| Income taxes paid   | (91,314)            | (71,794)         |
| <b>Net Cash flows from (used in) operating activities</b>               | <b>625,316</b>      | <b>861,298</b>   |
| <b>Cash flows from (used in) investing activities:</b>                  |                     |                  |
| Acquisition of financial assets in held-to-maturity                     | -                   | (2,267)          |
| Acquisition of investments accounted for using equity method            | (144,000)           | (228,000)        |
| Proceeds from disposal of investments accounted for using equity method | 68,457              | 148,811          |
| Acquisition of property, plant, equipment                               | (1,519,992)         | (254,425)        |
| Proceeds from disposal of property, plant and equipment                 | 42,622              | 48,304           |
| Increase in deferred expense and others                                 | (3,146)             | 4,575            |
| Decrease (increase) in other current financial assets                   | (597,039)           | 54,982           |
| Decrease (increase) in other non-current financial assets               | (560)               | 2,679            |
| <b>Net cash flows from (used in) investing activities</b>               | <b>(2,153,658)</b>  | <b>(225,341)</b> |
| <b>Cash flows from (used in) financing activities:</b>                  |                     |                  |
| Increase in short-term borrowings                                       | (1,109,759)         | 200,126          |
| Issuance of corporate bond  | 2,300,000           | -                |
| Increase in long-term borrowings  | 741,395             | -                |
| Repayments of long-term borrowings                                      | (644,399)           | (632,003)        |
| Cash dividends paid   | -                   | (333,412)        |
| Others  | 84                  | 2                |
| <b>Net cash flows from (used in) financing activities</b>               | <b>1,287,321</b>    | <b>(765,287)</b> |
| Effect of exchange rate changes on cash and cash equivalents            | (147,346)           | 158,798          |
| Net increase (decrease) in cash and cash equivalents                    | (388,367)           | 29,468           |
| Cash and cash equivalents at beginning of period                        | 4,506,458           | 4,610,003        |
| Cash and cash equivalents at end of period                              | <b>\$ 4,118,091</b> | <b>4,639,471</b> |

See accompanying notes to consolidated financial statements.

# CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 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 nine months ended September 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 November 11, 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:

(Continued)

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

**Notes to Consolidated Financial Statements**

| <b>New, Revised or Amended Standards and Interpretations</b>  | <b>Effective date<br/>per IASB</b> |
|---|------------------------------------|
| Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities:<br>Applying the Consolidation Exception"  | January 1, 2016                    |
| Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint<br>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<br>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<br>Non-Financial Assets"                         | January 1, 2014                    |
| Amendments to IAS 39 "Novation of Derivatives and Continuation of<br>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:

| <b>New, Revised or Amended Standards and Interpretations</b>   | <b>Effective date per IASB</b> |
|--|--------------------------------|
| 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:

| <b>Issuance / Release Dates</b> | <b>Standards or Interpretations</b>                | <b>Content of amendment</b>   |
|---------------------------------|--|---|
| May 28, 2014<br>April 12, 2016  | IFRS 15<br>"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> |

(Continued)

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

**Notes to Consolidated Financial Statements**

| <b>Issuance /<br/>Release Dates</b>   | <b>Standards or<br/>Interpretations</b> | <b>Content of amendment</b>  |
|---------------------------------------|---|--|
| November 19,<br>2013<br>July 24, 2014 | IFRS 9 "Financial<br>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**

| <b>Issuance /<br/>Release Dates</b> | <b>Standards or<br/>Interpretations</b> | <b>Content of amendment</b>   |
|-------------------------------------|---|---|
| January 13,<br>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.

(Continued)

## 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 (%) |                   |                    |
|-------------|---|---|-----------------------------|-------------------|--------------------|
|             |   |   | September 30, 2016          | December 31, 2015 | September 30, 2015 |
| The Company | Chinese Maritime Transport(S) Pte. Ltd. (CMTS)          | Investment holding of ship-owning companies | 0.51                        | 0.87              | 0.87               |
| "           | 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**

| <u>Investor</u> | <u>Name of subsidiary</u>                        | <u>Core business</u>                        | <u>Percentage of ownership (%)</u> |                          |                           |
|-----------------|--|---|------------------------------------|--------------------------|---------------------------|
|                 |  |   | <u>September 30, 2016</u>          | <u>December 31, 2015</u> | <u>September 30, 2015</u> |
| 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 Harmory 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 | 99.49                              | 99.13                    | 99.13                     |
| 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>September</u><br><u>30, 2016</u> | <u>December</u><br><u>31, 2015</u> | <u>September</u><br><u>30, 2015</u> |
|---|-------------------------------------|------------------------------------|-------------------------------------|
| Petty cash, checking accounts and demand deposits                             | \$ 1,797,921                        | 1,869,671                          | 1,524,869                           |
| Time deposits   | 1,798,505                           | 2,531,835                          | 3,039,660                           |
| Cash equivalents-commercial paper and bonds purchased under resale agreements | <u>521,665</u>                      | <u>104,952</u>                     | <u>74,942</u>                       |
|   | <u>\$ 4,118,091</u>                 | <u>4,506,458</u>                   | <u>4,639,471</u>                    |

Please refer to note 6(p) 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>September<br/>30, 2016</u> | <u>December<br/>31, 2015</u> | <u>September<br/>30, 2015</u> |
|--|-------------------------------|------------------------------|-------------------------------|
| <b>Fair value through profit or loss-current</b> |                               |                              |                               |
| Held-for-trading                                 | \$ 2,456                      | 2,850                        | 46,056                        |
| Non-current financial assets held for trading    |                               |                              |                               |
| Derivative instruments                           | 54,652                        | 67,066                       | 72,311                        |
| Non-current financial assets at cost             | <u>25,000</u>                 | <u>25,000</u>                | <u>25,000</u>                 |
| Total  | <u>\$ 82,108</u>              | <u>94,916</u>                | <u>143,367</u>                |

Please refer to note 6(p) 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 nine months ended September 30, 2016 and 2015 were \$(5,104), \$(357), \$(12,771) and \$(16,922).

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

## 2. Debt investment and fixed rate deposit:

The carrying amounts of debt investment and fixed rate deposit as of September 30, 2016 and December 31 and September 30, 2015, is \$54,652, \$67,066 and \$72,311, respectively. Other related information are as follows:

|   | <u>Nine months ended<br/>September 30, 2016</u> |                           | <u>Nine months ended<br/>September 30, 2015</u> |                           |
|---|---|---------------------------|---|---------------------------|
|   | <u>Interest<br/>rates</u>                       | <u>Maturity<br/>dates</u> | <u>Interest<br/>rates</u>                       | <u>Maturity<br/>dates</u> |
| Non current financial assets held-<br>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>September<br/>30, 2016</u> | <u>December<br/>31, 2015</u> | <u>September<br/>30, 2015</u> |
|--|-------------------------------|------------------------------|-------------------------------|
| Notes receivable                           | \$ 5,892                      | 6,841                        | 6,370                         |
| Accounts receivable                        | 197,292                       | 158,760                      | 149,001                       |
| Other receivables                          | <u>10,330</u>                 | <u>9,818</u>                 | <u>10,545</u>                 |
|  | 213,514                       | 175,419                      | 165,916                       |
| Less: allowance for uncollectible accounts | <u>(1,920)</u>                | <u>(1,809)</u>               | <u>(1,827)</u>                |
|  | <u>\$ 211,594</u>             | <u>173,610</u>               | <u>164,089</u>                |
| Notes and account receivable, net          | \$ 201,264                    | 163,792                      | 153,544                       |
| Other receivables – current                | <u>10,330</u>                 | <u>9,818</u>                 | <u>10,545</u>                 |
|  | <u>\$ 211,594</u>             | <u>173,610</u>               | <u>164,089</u>                |

As of September 30, 2016, and December 31 and September 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>September<br/>30, 2016</u> | <u>December<br/>31, 2015</u> | <u>September<br/>30, 2015</u> |
|------------|-------------------------------|------------------------------|-------------------------------|
| Associates | \$ <u>2,032,222</u>           | <u>2,130,941</u>             | <u>2,155,588</u>              |

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

|            | <u>Three months ended<br/>September 30,</u> |                 | <u>Nine months ended<br/>September 30,</u> |                 |
|------------|---|-----------------|--|-----------------|
|            | <u>2016</u>                                 | <u>2015</u>     | <u>2016</u>                                | <u>2015</u>     |
| Associates | \$ <u>(8,527)</u>                           | <u>(14,529)</u> | <u>(34,888)</u>                            | <u>(52,916)</u> |

The losses on investment in associate recognized for the nine months ended September 30, 2016 and 2015, including the amortization of investment premium, were \$38,140 and \$70,669, respectively. As of September 30, 2016 and 2015, the balance of unamortized investment premium amounted to \$44,876 and \$105,936, 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

| <b>Name</b>                       | <b>Nature of the relationship</b>  | <b>Principal place<br/>of business/<br/>Country of<br/>incorporation</b> | <b>Effective ownership interest<br/>and voting right</b> |                   |                  |
|-----------------------------------|--|--|--|-------------------|------------------|
|                                   |  |  | <b>2016.9.30</b>   | <b>2015.12.31</b> | <b>2015.9.30</b> |
| Taiwan<br>Navigation<br>Co., Ltd. | A significant investee<br>company of the Group, in<br>which its main activities<br>are sea shipping services<br>and construction<br>subcontractor, leasing and<br>sales of commercial and<br>residential buildings | Taiwan   | 14.534%  | 15.917%           | 15.919%          |

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

|                             | <b>2016.9.30</b> | <b>2015.12.31</b> | <b>2015.9.30</b> |
|-----------------------------|------------------|-------------------|------------------|
| Taiwan Navigation Co., Ltd. | \$ 742,962       | 916,596           | 846,856          |

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.

|                         | <b>2016.9.30</b>    | <b>2015.12.31</b> | <b>2015.9.30</b>  |
|-------------------------|---------------------|-------------------|-------------------|
| Current assets          | \$ 1,121,721        | 1,480,735         | 1,477,788         |
| Non current assets      | 11,964,288          | 11,393,186        | 11,575,559        |
| Current liabilities     | (396,111)           | (606,085)         | (705,992)         |
| Non current liabilities | (3,113,487)         | (2,215,760)       | (2,280,074)       |
| Net assets              | <b>\$ 9,576,411</b> | <b>10,052,076</b> | <b>10,067,281</b> |

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

|   | Three months ended<br>September 30, |         | Nine months ended<br>September 30, |           |
|---|-------------------------------------|---------|------------------------------------|-----------|
|   | 2016                                | 2015    | 2016                               | 2015      |
| Revenue                                     | \$ 629,754                          | 687,256 | 1,786,951                          | 2,037,934 |
| Profit (loss) from<br>continuing operations | (16,717)                            | 51,539  | (14,575)                           | 102,326   |
| Other comprehensive<br>income               | (224,819)                           | 476,232 | (369,285)                          | 257,969   |
| Total comprehensive<br>income               | \$ (241,536)                        | 527,771 | (383,860)                          | 360,295   |

|   | Nine months<br>ended September<br>30, 2016 |  | Nine months<br>ended September<br>30, 2015 |  |
|---|--|--|--|--|
| Beginning balance of comprehensive income<br>owned by the Group     | \$ 1,599,978                               |  | 1,766,414                                  |  |
| Comprehensive income attributed to the<br>Group                     | (60,484)                                   |  | 55,903                                     |  |
| Dividends receivable  | (14,380)                                   |  | (43,173)                                   |  |
| Disposals   | (133,288)                                  |  | (176,746)                                  |  |
| Ending Balance of comprehensive Income<br>owned by the Group        | 1,391,826                                  |  | 1,602,398                                  |  |
| Add: Balance of undeducted amortization of<br>premium on investment | 44,876                                     |  | 105,936                                    |  |
| Ending balance of comprehensive income<br>owned by the Group        | \$ 1,436,702                               |  | 1,708,334                                  |  |

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

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

|   | 2016.9.30  | 2015.12.31 | 2015.9.30 |
|---|------------|------------|-----------|
| Ending balance of carrying amount of<br>insignificant associate | \$ 595,520 | 447,827    | 447,254   |

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

|   | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |            |
|---|-------------------------------------|-----------|------------------------------------|------------|
|   | 2016                                | 2015      | 2016                               | 2015       |
| Group's share of results:                   |                                     |           |                                    |            |
| Profit (loss) from<br>continuing operations | \$ 5,326                            | 67        | 5,527                              | 235        |
| Other comprehensive<br>income               | (1,833)                             | -         | (1,833)                            | -          |
| Total comprehensive<br>income               | \$ <u>3,493</u>                     | <u>67</u> | <u>3,694</u>                       | <u>235</u> |

(v) During the nine months ended September 30, 2016 and 2015, the Group disposed of 5,770 and 7,452 thousand shares of its investments accounted for using equity method for \$70,851 and \$148,811, respectively. The losses on disposal amounted to \$59,403 and 32,273, respectively and recorded as non-operating income and expense. The receivable amounting to \$2,394 as of September 30, 2016 was recorded as other current financial asset.

(vi) The Group purchased the newly issued shares of Taiwan Global Energy Maritime in proportion to its shareholding amounting to \$144,000 and \$228,000 during the nine months ended 2016 and 2015, respectively; and all related payables have been paid.

(vii) The Group received the cash dividends amounting to \$13,885 and \$43,173 from the said investees during the nine months ended 2016 and 2015, respectively.

(viii) Pledges

As of September 30, 2016, and December 31 and September 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 nine months ended September 30, 2016 and 2015 were as follows:

|  | Land                | Buildings and<br>construction | Transportation<br>equipment | Other<br>equipment | Under<br>construction | Total             |
|--|---------------------|-------------------------------|-----------------------------|--------------------|-----------------------|-------------------|
| <b>Cost or deemed cost:</b>              |                     |                               |                             |                    |                       |                   |
| Balance at January 1, 2016               | \$ 1,758,525        | 140,753                       | 15,342,272                  | 474,932            | 1,247,149             | 18,963,631        |
| Additions                                | -                   | 1,973                         | 1,034,836                   | 27,149             | 456,034               | 1,519,992         |
| Disposals                                | -                   | (286)                         | (71,077)                    | (26,501)           | -                     | (97,864)          |
| Reclassifications                        | -                   | -                             | 624,612                     | 15,239             | (624,612)             | 15,239            |
| Effect of movements in<br>exchange rates | -                   | (1,647)                       | (697,268)                   | -                  | (50,553)              | (749,468)         |
| Balance on September 30, 2016            | \$ <u>1,758,525</u> | <u>140,793</u>                | <u>16,233,375</u>           | <u>490,819</u>     | <u>1,028,018</u>      | <u>19,651,530</u> |

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

|   | <u>Land</u>         | <u>Buildings and<br/>construction</u> | <u>Transportation<br/>equipment</u> | <u>Other<br/>equipment</u> | <u>Under<br/>construction</u> | <u>Total</u>      |
|---|---------------------|---------------------------------------|-------------------------------------|----------------------------|-------------------------------|-------------------|
| Balance on January 1, 2015                | \$ 1,758,525        | 140,962                               | 14,781,197                          | 480,376                    | 738,792                       | 17,899,852        |
| Additions                                 | -                   | 1,140                                 | 72,575                              | 14,440                     | 166,270                       | 254,425           |
| Disposals                                 | -                   | (4,475)                               | (27,332)                            | (17,460)                   | -                             | (49,267)          |
| Reclassifications                         | -                   | 1,512                                 | -                                   | -                          | -                             | 1,512             |
| Effect of movements in<br>exchange rates  | -                   | 1,371                                 | 541,717                             | -                          | 36,040                        | 579,128           |
| Balance on September 30, 2015             | <u>\$ 1,758,525</u> | <u>140,510</u>                        | <u>15,368,157</u>                   | <u>477,356</u>             | <u>941,102</u>                | <u>18,685,650</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               | -                   | 4,920                                 | 528,329                             | 24,253                     | -                             | 557,502           |
| Disposals                                 | -                   | (217)                                 | (48,509)                            | (20,782)                   | -                             | (69,508)          |
| Reclassifications                         | -                   | -                                     | -                                   | -                          | -                             | -                 |
| Effect of movements in<br>exchange rates  | -                   | (178)                                 | (205,537)                           | -                          | -                             | (205,715)         |
| Balance on September 30, 2016             | <u>\$ -</u>         | <u>77,817</u>                         | <u>5,001,734</u>                    | <u>238,594</u>             | <u>-</u>                      | <u>5,318,145</u>  |
| Balance on January 1, 2015                | \$ -                | 70,722                                | 3,901,468                           | 225,158                    | -                             | 4,197,348         |
| Depreciation for the period               | -                   | 4,900                                 | 508,519                             | 24,617                     | -                             | 538,036           |
| Disposals                                 | -                   | (4,119)                               | (7,869)                             | (14,496)                   | -                             | (26,484)          |
| Effect of movements in<br>exchange rates  | -                   | 132                                   | 156,379                             | -                          | -                             | 156,511           |
| Balance on September 30, 2015             | <u>\$ -</u>         | <u>71,635</u>                         | <u>4,558,497</u>                    | <u>235,279</u>             | <u>-</u>                      | <u>4,865,411</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 September 30, 2016             | <u>\$ 1,758,825</u> | <u>62,976</u>                         | <u>11,231,641</u>                   | <u>252,225</u>             | <u>1,028,018</u>              | <u>14,333,385</u> |
| Balance on September 30, 2015             | <u>\$ 1,758,525</u> | <u>68,875</u>                         | <u>10,809,660</u>                   | <u>242,077</u>             | <u>941,102</u>                | <u>13,820,239</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. As of September 30, 2016, the cost incurred totaled \$1,025,472.
- (iii) The Group sold its property, plant and equipment to third party in nine month ended September 30, 2016 and 2015 for \$42,622 and \$48,304, respectively. The cost of aforementioned property, plant and equipment amounted to \$28,356 and \$22,783, respectively, and the related gain of disposal amounted to \$14,266 and \$25,521, 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 \$989,565, \$1,035,793 and \$1,037,213, respectively) as of September 30, 2016, and December 31 and September 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      | -                | (1,078)         | (1,078)       |
| Balance on September 30, 2016              | <u>\$ 19,094</u> | <u>26,852</u>   | <u>45,946</u> |
| Balance on January 1, 2015                 | \$ 19,094        | 27,065          | 46,159        |
| Effect of movements in exchange rates      | -                | 898             | 898           |
| Balance on September 30, 2015              | <u>\$ 19,094</u> | <u>27,963</u>   | <u>47,057</u> |
| <b>Depreciation and impairment losses:</b> |                  |                 |               |
| Balance on January 1, 2016                 | \$ -             | 7,385           | 7,385         |
| Depreciation for the year                  | -                | 397             | 397           |
| Effect of movements for exchange rates     | -                | (233)           | (233)         |
| Balance on September 30, 2016              | <u>\$ -</u>      | <u>7,549</u>    | <u>7,549</u>  |
| Balance on January 1, 2015                 | \$ -             | 6,386           | 6,386         |
| Depreciation for the year                  | -                | 657             | 657           |
| Effect of movements for exchange rates     | -                | 183             | 183           |
| Balance on September 30, 2015              | <u>\$ -</u>      | <u>7,226</u>    | <u>7,226</u>  |
| <b>Carrying amount:</b>                    |                  |                 |               |
| Balance on January 1, 2016                 | <u>\$ 19,094</u> | <u>20,545</u>   | <u>39,639</u> |
| Balance on September 30, 2016              | <u>\$ 19,094</u> | <u>19,303</u>   | <u>38,397</u> |
| Balance on September 30, 2015              | <u>\$ 19,094</u> | <u>20,737</u>   | <u>39,831</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 nine months ended September 30, 2016 and 2015 as disclosed in note 6(f) of the consolidated financial statements for the year ended December 31, 2015.

As of September 30, 2016 and December 31 and September 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>September<br/>30, 2016</u> | <u>December<br/>31, 2015</u> | <u>September<br/>30, 2015</u> |
|------------------------------------|-------------------------------|------------------------------|-------------------------------|
| Time deposits (over three months)  | \$ 639,516                    | 42,434                       | 15,700                        |
| Other receivables                  | 10,330                        | 9,818                        | 10,545                        |
| Guarantee deposits                 | 5,201                         | 5,241                        | 5,242                         |
| Pledged assets-time deposits       | <u>188,463</u>                | <u>187,906</u>               | <u>183,245</u>                |
|                                    | <u>\$ 843,510</u>             | <u>245,399</u>               | <u>214,732</u>                |
| Other financial assets-current     | \$ 820,239                    | 222,688                      | 197,020                       |
| Other financial assets-non-current | <u>23,271</u>                 | <u>22,711</u>                | <u>17,712</u>                 |
|                                    | <u>\$ 843,510</u>             | <u>245,399</u>               | <u>214,732</u>                |

## (h) Loans

The Group's detail of loans was as follows:

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

|  | <u>September<br/>30, 2016</u> | <u>December<br/>31, 2015</u> | <u>September<br/>30, 2015</u> |
|--|-------------------------------|------------------------------|-------------------------------|
| Credit loans                               | \$ 130,000                    | 640,000                      | 660,000                       |
| Commercial paper payable                   | 20,000                        | 620,000                      | 650,000                       |
| Less: discount on commercial paper payable | -                             | (241)                        | (274)                         |
|  | <u>\$ 150,000</u>             | <u>1,259,759</u>             | <u>1,309,726</u>              |
| Unused credit lines                        | <u>\$ 3,980,000</u>           | <u>2,970,000</u>             | <u>3,025,000</u>              |
| Range of interest rate during the period   | <u>0.948%~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>September 30,<br/>2016</u> | <u>December 31,<br/>2015</u> | <u>September 30,<br/>2015</u> |
|---|-----------------|-----------------|-------------------------------|------------------------------|-------------------------------|
| COMMERZBANK (formerly<br>Deutsche Schiffs Bank) | USD             | 2016            | \$ -                          | 191,633                      | 223,877                       |
| COMMERZBANK (formerly<br>Deutsche Schiffs Bank) | "               | 2019            | 526,848                       | 630,240                      | 631,104                       |
| Mega International<br>Commercial Bank           | "               | 2022            | 776,160                       | 886,275                      | 961,448                       |
| Bank SinoPac                                    | "               | 2022            | 990,567                       | 1,145,168                    | 1,146,738                     |
| Mega International<br>Commercial Bank           |                 | 2022            | 776,160                       | 960,131                      | 961,448                       |

(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>September 30,<br/>2016</u> | <u>December 31,<br/>2015</u> | <u>September 30,<br/>2015</u> |
|---|-----------------|-----------------|-------------------------------|------------------------------|-------------------------------|
| Bank SinoPac                              | USD             | 2023            | 1,085,815                     | 1,190,925                    | 1,245,756                     |
| BNP PARIBAS                               | "               | 2026            | 718,928                       | -                            | -                             |
|   |                 |                 | 4,874,478                     | 5,003,742                    | 5,170,371                     |
| Less: current portion                     |                 |                 | (616,603)                     | (781,675)                    | (814,729)                     |
|   |                 |                 | <u>\$ 4,257,875</u>           | <u>4,222,067</u>             | <u>4,355,642</u>              |
| Range of interest rates during the period |                 |                 | <u>1.11%~2.43%</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 September 30, 2016 and December 31, and September 30, 2015 were as follows:

|  | <u>Guarantee<br/>bank</u>     | <u>Interest<br/>rate</u> | <u>Due</u> | <u>September 30,<br/>2016</u> | <u>December 31,<br/>2015</u> | <u>September 30,<br/>2015</u> |
|--|-------------------------------|--------------------------|------------|-------------------------------|------------------------------|-------------------------------|
| The third secured<br>bonds payable                   | Shanghai<br>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<br>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<br>Taiwan  | 1.40%                    | June 2017  | 300,000                       | 300,000                      | 300,000                       |
| The first secured<br>bonds payable<br>(2016)         | Bank of Taiwan                | 0.88%                    | March 2021 | 900,000                       | -                            | -                             |
| The second<br>secured bonds<br>payable (2016)        | Mega Bank                     | 1.00%                    | March 2021 | 1,400,000                     | -                            | -                             |
|  |                               |                          |            | 5,100,000                     | 2,800,000                    | 2,800,000                     |
| Less: corporate<br>bonds payable-<br>current portion |                               |                          |            | (2,800,000)                   | -                            | -                             |
|  |                               |                          |            | <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 nine months ended September 30, 2016 and 2015. Please refer to 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:

|                                      | <b>Three months ended</b> |              | <b>Nine months ended</b> |              |
|--------------------------------------|---------------------------|--------------|--------------------------|--------------|
|                                      | <b>September 30,</b>      |              | <b>September 30,</b>     |              |
|                                      | <b>2016</b>               | <b>2015</b>  | <b>2016</b>              | <b>2015</b>  |
| Cost of sales and operating expenses | \$ <u>1,746</u>           | <u>1,888</u> | <u>5,242</u>             | <u>5,716</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.

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## 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<br>September 30, |              | Nine months ended<br>September 30, |              |
|--------------------------------------|-------------------------------------|--------------|------------------------------------|--------------|
|                                      | 2016                                | 2015         | 2016                               | 2015         |
| Cost of sales and operating expenses | \$ <u>2,045</u>                     | <u>2,196</u> | <u>6,358</u>                       | <u>6,285</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<br>September 30, |               | Nine months ended<br>September 30, |               |
|---------------------|-------------------------------------|---------------|------------------------------------|---------------|
|                     | 2016                                | 2015          | 2016                               | 2015          |
| Current tax expense | \$ <u>12,706</u>                    | <u>15,020</u> | <u>65,868</u>                      | <u>63,149</u> |

- The ROC tax authorities have examined the tax returns of the Company through 2013 and its domestic subsidiaries through 2014.
- Information related to the unappropriated earnings and tax deduction ratio was summarized below:

|   | September<br>30, 2016 | December<br>31, 2015 | September<br>30, 2015 |
|---|-----------------------|----------------------|-----------------------|
| Unappropriated earnings retained after January 1, 1998      | \$ <u>6,114,656</u>   | <u>6,065,087</u>     | <u>5,960,783</u>      |
| Balance of imputation credit account                        | \$ <u>723,369</u>     | <u>653,010</u>       | <u>647,336</u>        |
|   | <u>2015 (Actual)</u>  | <u>2014 (Actual)</u> |                       |
| Creditable ratio for earnings distribution to ROC residents | \$ <u>11.96%</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.

(l) Capital and other equities

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

1. Capital stock

As of September 30, 2016, and December 31 and September 30, 2015, the authorized common stocks amounted to \$3,600,000, with a par value of 10 New Taiwan dollars per share. All the ordinary shares were common stocks, and of which 197,485, 256,474, and 256,474 thousand shares were issued, respectively. All issued shares were paid upon issuance.

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 \$589,890. The effective date of the capital reduction proposed by Board of Directors was August 13, 2016.

2. 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>September<br/>30, 2016</u> | <u>December<br/>31, 2015</u> | <u>September<br/>30, 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><u>\$ 53,411</u></u>       | <u><u>53,411</u></u>         | <u><u>53,411</u></u>          |

(Continued)

**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES****Notes to Consolidated Financial Statements****3. 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.

**(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.

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## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (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.

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> |

## 4. Other equity (after tax)

|                           | <b>Exchange<br/>differences on<br/>translation of<br/>foreign financial<br/>Statements</b> | <b>Unrealized gains<br/>(losses) on<br/>available for-<br/>sale financial<br/>assets</b> | <b>Total</b>    |
|---------------------------|--|--|-----------------|
| <b>January 1, 2016</b>    | \$ 494,742   | (13,174)   | 481,568         |
| The subsidiaries          | (463,598)  | -  | (463,598)       |
| Associates                | <u>(63,676)</u>  | <u>(16)</u>  | <u>(63,692)</u> |
| <b>September 30, 2016</b> | \$ <u>(32,532)</u>   | <u>(13,190)</u>  | <u>(45,722)</u> |
| <b>January 1, 2015</b>    | \$ 77,330  | (7,556)  | 69,774          |
| The subsidiaries          | 392,261  | -  | 392,261         |
| Associates                | <u>41,421</u>  | <u>(6,456)</u>   | <u>34,965</u>   |
| <b>September 30, 2015</b> | \$ <u>511,012</u>  | <u>(14,012)</u>  | <u>497,000</u>  |

## (m) Earnings per share

## 1. Basic earnings per share

The calculation of basic earnings per share at September 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:

(Continued)

## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

|   | Three months ended<br>September 30, |                | Nine months ended<br>September 30, |                |
|---|-------------------------------------|----------------|------------------------------------|----------------|
|   | <u>2016</u>                         | <u>2015</u>    | <u>2016</u>                        | <u>2015</u>    |
| Profit attributable to ordinary shareholders of the Company | \$ <u>21,210</u>                    | <u>100,592</u> | <u>134,142</u>                     | <u>230,347</u> |

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

|   | Three months ended<br>September 30, |                | Nine months ended<br>September 30, |                |
|---|-------------------------------------|----------------|------------------------------------|----------------|
|   | <u>2016</u>                         | <u>2015</u>    | <u>2016</u>                        | <u>2015</u>    |
| Issued ordinary shares at January 1 (equal to September 30) | \$ <u>225,055</u>                   | <u>256,474</u> | <u>245,924</u>                     | <u>256,474</u> |

## Basic earnings per share (TWD)

|                          | Three months ended<br>September 30, |             | Nine months ended<br>September 30, |             |
|--------------------------|-------------------------------------|-------------|------------------------------------|-------------|
|                          | <u>2016</u>                         | <u>2015</u> | <u>2016</u>                        | <u>2015</u> |
| Basic earnings per share | \$ <u>0.09</u>                      | <u>0.39</u> | <u>0.55</u>                        | <u>0.90</u> |

## 2. Diluted earnings per share

The calculation of diluted earnings per share at September 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<br>September 30, |                | Nine months ended<br>September 30, |                |
|--|-------------------------------------|----------------|------------------------------------|----------------|
|  | <u>2016</u>                         | <u>2015</u>    | <u>2016</u>                        | <u>2015</u>    |
| Profit attributed to ordinary shareholder of the Company (basic and diluted) | \$ <u>21,210</u>                    | <u>100,592</u> | <u>134,142</u>                     | <u>230,347</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<br>September 30, |                | Nine months ended<br>September 30, |                |
|---|-------------------------------------|----------------|------------------------------------|----------------|
|   | 2016                                | 2015           | 2016                               | 2015           |
| Weighted-average<br>number of ordinary<br>shares (basic)                      | \$ 225,055                          | 256,474        | 245,924                            | 256,474        |
| Effect of employee stock<br>bonuses   | 72                                  | 119            | 98                                 | 180            |
| Weighted-average<br>number of ordinary<br>shares (diluted) at<br>September 30 | \$ <u>225,127</u>                   | <u>256,593</u> | <u>246,022</u>                     | <u>256,654</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<br>September 30, |             | Nine months ended<br>September 30, |             |
|-------------------------------------|-------------------------------------|-------------|------------------------------------|-------------|
|                                     | 2016                                | 2015        | 2016                               | 2015        |
| Diluted earnings per<br>share (TWD) | \$ <u>0.09</u>                      | <u>0.39</u> | <u>0.55</u>                        | <u>0.90</u> |

## (n) Financial cost-interest expense

The financial cost-interest expense were as follows:

|               | Three months ended<br>September 30, |               | Nine months ended<br>September 30, |               |
|---------------|-------------------------------------|---------------|------------------------------------|---------------|
|               | 2016                                | 2015          | 2016                               | 2015          |
| Bank loans    | \$ 19,066                           | 19,003        | 57,449                             | 54,725        |
| Bonds payable | 24,843                              | 15,072        | 66,540                             | 45,218        |
|               | \$ <u>43,909</u>                    | <u>34,075</u> | <u>123,989</u>                     | <u>99,943</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 \$482 and \$3,438, which were recorded as cost of sales or operation expenses for the three months and six months ended September 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 \$2,969 and \$5,305 for the three months and nine months ended September 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 nine months ended September 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 nine months ended September 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>September<br/>30, 2016</u> | <u>December<br/>31, 2015</u> | <u>September<br/>30, 2015</u> |
|-------------|-------------------------------|------------------------------|-------------------------------|
| 0-90 days   | \$ 311,128                    | 264,163                      | 265,201                       |
| 90-180 days | 489                           | -                            | 293                           |
|             | <u>\$ 311,617</u>             | <u>264,163</u>               | <u>265,494</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        | 111              | -                |
| Balance on September 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 September 30, 2016, and December 31 and September 30, 2015, there were no loss of uncollectible on account receivable.

(Continued)

## 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<br/>Amount</u> | <u>Contractual<br/>cash flows</u> | <u>Within a year</u> | <u>1 ~ 2 years</u> | <u>Over 2 years</u> |
|---------------------------------------|----------------------------|-----------------------------------|----------------------|--------------------|---------------------|
| <b>September 30, 2016</b>             |                            |                                   |                      |                    |                     |
| Non-derivative financial liabilities: |                            |                                   |                      |                    |                     |
| Short-term borrowings                 | \$ 150,000                 | (150,000)                         | (150,000)            | -                  | -                   |
| Secured bank loan                     | 4,874,478                  | (4,874,478)                       | (616,603)            | (616,603)          | (3,641,272)         |
| Notes and accounts payable            | 140,028                    | (140,028)                         | (140,028)            | -                  | -                   |
| 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   | 701,699                    | (701,699)                         | (701,699)            | -                  | -                   |
|                                       | <u>\$ 11,017,500</u>       | <u>(11,017,500)</u>               | <u>(4,459,625)</u>   | <u>(616,603)</u>   | <u>(5,941,272)</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>September 30, 2015</b>             |                            |                                   |                      |                    |                     |
| Non-derivative financial liabilities: |                            |                                   |                      |                    |                     |
| Short-term borrowings                 | \$ 1,309,726               | (1,310,000)                       | (1,310,000)          | -                  | -                   |
| Secured bank loan                     | 5,170,371                  | (5,170,371)                       | (814,729)            | (590,851)          | (3,764,791)         |
| Notes and accounts payable            | 107,839                    | (107,839)                         | (107,839)            | -                  | -                   |
| Bonds payable                         | 2,800,000                  | (2,800,000)                       | -                    | (2,800,000)        | -                   |
| Accrued expenses and other payables   | 108,710                    | (108,710)                         | (108,710)            | -                  | -                   |
|                                       | <u>\$ 9,496,646</u>        | <u>(9,496,920)</u>                | <u>(2,341,278)</u>   | <u>(3,390,851)</u> | <u>(3,764,791)</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:

|   | September 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                             | \$ 2,456             | 2,456      | -         | -       | 2,456     |
| Non-current financial assets held for trading                         | <u>54,652</u>        | -          | 54,652    | -       | 54,652    |
| Total   | <u>\$ 57,108</u>     |            |           |         |           |
| <b>Non-current financial assets at cost</b>                           | <u>\$ 25,000</u>     |            |           |         |           |
| <b>Loans and receivables</b>  |                      |            |           |         |           |
| Cash and cash equivalents   | \$ 4,118,091         | -          | -         | -       | -         |
| Time deposits (over three months)                                     | 639,516              | -          | -         | -       | -         |
| Notes and accounts receivable (including related party)               | 301,287              | -          | -         | -       | -         |
| Other receivables   | 10,330               | -          | -         | -       | -         |
| Guarantee deposits  | 5,201                | -          | -         | -       | -         |
| Pledged assets-time deposits  | <u>188,463</u>       | -          | -         | -       | -         |
| Total   | <u>\$ 5,262,888</u>  |            |           |         |           |
| <b>Financial liabilities at amortized cost through profit or loss</b> |                      |            |           |         |           |
| Short-term borrowings   | \$ 150,000           | -          | -         | -       | -         |
| Secured bank loan   | 4,874,478            | -          | -         | -       | -         |
| Notes and accounts payable  | 140,028              | -          | -         | -       | -         |
| Dividend payable  | 51,295               | -          | -         | -       | -         |
| Bonds payable   | 5,100,000            | -          | 5,100,000 | -       | 5,100,000 |
| Accrued expenses and other payables                                   | <u>701,699</u>       | -          | -         | -       | -         |
| Total   | <u>\$ 11,017,500</u> | -          | -         | -       | -         |

(Continued)



## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

|   | September 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   | \$ 1,309,726        | -          | -         | -       | -         |
| Secured bank loan   | 5,176,371           | -          | -         | -       | -         |
| Notes and accounts payable  | 107,839             | -          | -         | -       | -         |
| Bonds payable   | 2,800,000           | -          | 2,800,000 | -       | 2,800,000 |
| Accrued expenses and other payables                                   | 108,710             | -          | -         | -       | -         |
| Total   | <u>\$ 9,496,646</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.

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## 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 September 31, 2015 were \$54,652, \$67,066, and \$72,311, 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 nine months ended September 30, 2015.

(v) Changes in level 3

|   | <b>Financial assets at<br/>fair value through<br/>profit and loss-<br/>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 September 30, 2016</b>    | <u>\$ -</u>  |
| <b>Balance on January 1, 2015</b>       | \$ 131,909   |
| Total gains and losses:                 |  |
| Recognized in profit or loss            | <u>(59,598)</u>  |
| <b>Balance on September 30, 2015</b>    | <u>\$ 72,311</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 September 30, 2016 and 2015 were as follows:

|   | <b><u>Nine months ended<br/>September 30, 2016</u></b> | <b><u>Nine months ended<br/>September 30, 2015</u></b> |
|---|--|--|
| Total gains and losses:   |  |  |
| Recognized in profit or loss (as "net gains<br>(losses) on financial assets at fair value<br>through profit or loss") | \$ <u>(706)</u>  | <u>(59,598)</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 57.90 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:

|                              | Three months ended<br>September 30, |                     | Nine months ended<br>September 30, |                      |
|------------------------------|-------------------------------------|---------------------|------------------------------------|----------------------|
|                              | 2016                                | 2015                | 2016                               | 2015                 |
| Short-term employee benefits | \$ 9,016                            | 9,092               | 27,520                             | 28,151               |
| Post-employment benefits     | <u>236</u>                          | <u>229</u>          | <u>719</u>                         | <u>667</u>           |
|                              | \$ <u><u>9,252</u></u>              | <u><u>9,321</u></u> | <u><u>28,239</u></u>               | <u><u>28,818</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:

|  | <b>Revenue</b>            |                |   |                  |
|--|---------------------------|----------------|---|------------------|
|  | <b>Three months ended</b> |                | <b>Nine months ended</b>                  |                  |
|  | <b>September 30,</b>      |                | <b>September 30,</b>                      |                  |
|  | <b>2016</b>               | <b>2015</b>    | <b>2016</b>                               | <b>2015</b>      |
| Other relates parties                                  | \$ 228,376                | 227,605        | 674,223                                   | 671,550          |
| The entities with significant influence over the Group | 172                       | 81             | 581                                       | 302              |
|  | <b>\$ 228,548</b>         | <b>227,686</b> | <b>674,804</b>                            | <b>671,852</b>   |
|  |                           |                | <b>Account receivable-related-parties</b> |                  |
|  |                           |                | <b>September</b>                          | <b>December</b>  |
|  |                           |                | <b>30, 2016</b>                           | <b>31, 2015</b>  |
|  |                           |                | <b>September</b>                          | <b>September</b> |
|  |                           |                | <b>30, 2015</b>                           | <b>30, 2015</b>  |
| Other relates parties                                  | \$ 87,452                 | 87,818         | 89,244                                    | 89,244           |
| The entities with significant influence over the Group | 27                        | -              | 75  | 75               |
|  | <b>\$ 87,479</b>          | <b>87,818</b>  | <b>89,319</b>                             | <b>89,319</b>    |

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:

|  | <b>Revenue</b>            |                      |   |                      |
|--|---------------------------|----------------------|---|----------------------|
|  | <b>Three months ended</b> |                      | <b>Nine months ended</b>                  |                      |
|  | <b>September 30,</b>      | <b>September 30,</b> | <b>September 30,</b>                      | <b>September 30,</b> |
|  | <b>2016</b>               | <b>2015</b>          | <b>2016</b>                               | <b>2015</b>          |
| The entities with significant influence over the Group | \$ <u>18,020</u>          | <u>18,830</u>        | <u>54,831</u>                             | <u>55,543</u>        |
|  |                           |                      | <b>Account receivable-related-parties</b> |                      |
|  |                           |                      | <b>September</b>                          | <b>December</b>      |
|  |                           |                      | <b>30, 2016</b>                           | <b>31, 2015</b>      |
|  |                           |                      | <b>September</b>                          | <b>September</b>     |
|  |                           |                      | <b>30, 2015</b>                           | <b>30, 2015</b>      |
| The entities with significant influence over the Group |                           | \$ <u>12,544</u>     | <u>2,735</u>                              | <u>12,086</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

|   | <b>Operating expense</b>  |                      |                          |                      |
|---|---------------------------|----------------------|--------------------------|----------------------|
|   | <b>Three months ended</b> |                      | <b>Nine months ended</b> |                      |
|   | <b>September 30,</b>      | <b>September 30,</b> | <b>September 30,</b>     | <b>September 30,</b> |
|   | <b>2016</b>               | <b>2015</b>          | <b>2016</b>              | <b>2015</b>          |
| The entities with significant influence over the Group-rent expense | \$ <u>1,884</u>           | <u>2,044</u>         | <u>5,651</u>             | <u>5,723</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.

(Continued)

## 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>September<br/>30, 2016</u> | <u>December<br/>31, 2015</u> | <u>September<br/>30, 2015</u> |
|--|--|-------------------------------|------------------------------|-------------------------------|
| Long-term investment with equity method – stock                                  | Commercial paper payable – and long-term loans and credit lines                                | \$ 521,414                    | 488,110                      | 495,540                       |
| 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  | 11,007,171                    | 10,295,864                   | 10,468,221                    |
| Other financial assets – Current (time deposit)                                  | Long-term loans  | 170,393                       | 170,436                      | 170,775                       |
| Other financial assets noncurrent (guarantee deposits and pledged time deposits) | Guarantee for construction payments, warehouse deposits, long-term loans, ETC, and import duty | <u>23,271</u>                 | <u>22,711</u>                | <u>17,712</u>                 |
|  |  | <u>\$ 12,621,585</u>          | <u>11,876,457</u>            | <u>12,051,584</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 September 30, 2016, and December 31 and September 30, 2015, respectively, as guarantee for bonds payable.
- (b) As of September 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.

(Continued)

**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 two parties on July 11, and January 10, 2014. The related information was as follows:

| <b>Purchaser</b> | <b>Date of contract</b> | <b>Total price</b>               | <b>Date of delivery</b> | <b>Amount paid</b>          |
|------------------|-------------------------|----------------------------------|-------------------------|-----------------------------|
| CEP              | July 11, 2013           | \$ 1,467,648<br>(US\$46,800,000) | March 2017<br>(note)    | 587,059<br>(US\$18,720,000) |
| CHN              | January 10, 2014        | 1,461,376<br>(US\$46,600,000)    | October 2017<br>(note)  | 438,413<br>(US\$13,980,000) |

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

**(10) Losses due to major disasters: none**

**(11) Subsequent events: none**

**(12) Other**

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

| <b>By item</b>             | <b>By function</b> | <b>Three months ended<br/>September 30, 2016</b> |                               |              | <b>Three months ended<br/>September 30, 2015</b> |                               |              |
|----------------------------|--------------------|--|-------------------------------|--------------|--|-------------------------------|--------------|
|                            |                    | <b>Cost of<br/>sales</b>                         | <b>Operating<br/>expenses</b> | <b>Total</b> | <b>Cost of<br/>sales</b>                         | <b>Operating<br/>expenses</b> | <b>Total</b> |
| Employee benefits          |                    |  |                               |              |  |                               |              |
| Salary                     |                    | 63,308   | 44,688                        | 107,996      | 63,104   | 39,694                        | 102,798      |
| Labor and health insurance |                    | 1,784  | 2,845                         | 4,629        | 1,871  | 3,029                         | 4,900        |
| Pension                    |                    | 1,450  | 2,341                         | 3,791        | 1,390  | 2,694                         | 4,084        |
| Others                     |                    | 5,114  | 2,003                         | 7,117        | 5,725  | 1,231                         | 6,956        |
| Depreciation (Note)        |                    | 184,894  | 2,447                         | 187,341      | 179,986  | 2,961                         | 182,947      |
| Amortization               |                    | -  | 842                           | 842          | -  | 923                           | 923          |

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

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## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

| By item                    | By function | Nine months ended<br>September 30, 2016 |                       |         | Nine months ended<br>September 30, 2015 |                       |         |
|----------------------------|-------------|---|-----------------------|---------|---|-----------------------|---------|
|                            |             | Cost of<br>sales                        | Operating<br>expenses | Total   | Cost of<br>sales                        | Operating<br>expenses | Total   |
| Employee benefits          |             |   |                       |         |   |                       |         |
| Salary                     |             | 194,219                                 | 131,704               | 325,923 | 185,278                                 | 134,873               | 320,151 |
| Labor and health insurance |             | 5,838                                   | 10,708                | 16,546  | 5,806                                   | 10,638                | 16,444  |
| Pension                    |             | 4,231                                   | 7,369                 | 11,600  | 4,157                                   | 7,844                 | 12,001  |
| Others                     |             | 14,853                                  | 4,709                 | 19,562  | 14,819                                  | 3,965                 | 18,784  |
| Depreciation (Note)        |             | 549,322                                 | 8,233                 | 557,555 | 529,585                                 | 8,764                 | 538,349 |
| Amortization               |             | -                                       | 2,570                 | 2,570   | -                                       | 2,999                 | 2,999   |

Note: excluding the deduction of rental income of \$344 for the nine months ended September 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 September 30, 2016 |   |                        |                |                                    |                      |
|---------------------------------------|---|------------------------|----------------|------------------------------------|----------------------|
|                                       | Inland<br>trucking and<br>terminal &<br>logistics<br>department | Shipping<br>department | Others         | Adjustments<br>and<br>eliminations | Total                |
| Revenue from outside customers        | \$ 459,478  | 365,707                | 3,892          | -                                  | 829,077              |
| Revenue from segments                 | -   | -                      | -              | -                                  | -                    |
| Total revenues                        | <u>\$ 459,478</u>   | <u>365,707</u>         | <u>3,892</u>   | <u>-</u>                           | <u>829,077</u>       |
| Segment income before tax             | <u>\$ 58,308</u>  | <u>71,443</u>          | <u>(1,116)</u> | <u>-</u>                           | <u>128,635</u>       |
| Total assets of segment               |   |                        |                |                                    | \$ <u>21,866,595</u> |

| Three months ended September 30, 2015 |   |                        |              |                                    |                      |
|---------------------------------------|---|------------------------|--------------|------------------------------------|----------------------|
|                                       | Inland<br>trucking and<br>terminal &<br>logistics<br>department | Shipping<br>department | Others       | Adjustments<br>and<br>eliminations | Total                |
| Revenue from outside customers        | \$ 455,835  | 379,271                | 4,592        | -                                  | 839,698              |
| Revenue from segments                 | -   | -                      | -            | -                                  | -                    |
| Total revenues                        | <u>\$ 455,835</u>   | <u>379,271</u>         | <u>4,592</u> | <u>-</u>                           | <u>839,698</u>       |
| Segment income before tax             | <u>\$ 59,950</u>  | <u>100,415</u>         | <u>(819)</u> | <u>-</u>                           | <u>159,546</u>       |
| Total assets of segment               |   |                        |              |                                    | \$ <u>21,382,984</u> |

| Nine months ended September 30, 2016 |   |                        |                |                                    |                      |
|--------------------------------------|---|------------------------|----------------|------------------------------------|----------------------|
|                                      | Inland<br>trucking and<br>terminal &<br>logistics<br>department | Shipping<br>department | Others         | Adjustments<br>and<br>eliminations | Total                |
| Revenue from outside customers       | \$ 1,345,633  | 1,104,011              | 14,859         | -                                  | 2,464,503            |
| Revenue from segments                | -   | -                      | -              | -                                  | -                    |
| Total revenues                       | <u>\$ 1,345,633</u>   | <u>1,104,011</u>       | <u>14,859</u>  | <u>-</u>                           | <u>2,464,503</u>     |
| Segment income before tax            | <u>\$ 173,207</u>   | <u>226,996</u>         | <u>(3,570)</u> | <u>-</u>                           | <u>396,633</u>       |
| Total assets of segment              |   |                        |                |                                    | \$ <u>21,866,595</u> |

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## CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

| Nine months ended September 30, 2015 |  |                                |                |   |                      |
|--------------------------------------|--|--------------------------------|----------------|---|----------------------|
|                                      | <u>Inland<br/>trucking and<br/>terminal &amp;<br/>logistics<br/>department</u> | <u>Shipping<br/>department</u> | <u>Others</u>  | <u>Adjustments<br/>and<br/>eliminations</u> | <u>Total</u>         |
| Revenue from outside customers       | \$ 1,367,661   | 1,134,109                      | 11,317         | -   | 2,513,087            |
| Revenue from segments                | -  | -                              | -              | -   | -                    |
| Total revenues                       | <u>\$ 1,367,661</u>  | <u>1,134,109</u>               | <u>11,317</u>  | <u>-</u>                                    | <u>2,513,087</u>     |
| Segment income before tax            | <u>\$ 160,640</u>  | <u>288,474</u>                 | <u>(2,677)</u> | <u>-</u>                                    | <u>446,437</u>       |
| Total assets of segment              |  |                                |                |   | \$ <u>21,382,984</u> |