

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

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

CONSOLIDATED FINANCIAL STATEMENTS

**December 31, 2016 and 2015
(With Independent Auditors' Report Thereon)**

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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~12
(4) Summary of significant accounting policies	12~27
(5) Significant accounting assumptions, and judgments and major sources of estimation uncertainty	27~28
(6) Explanation of significant accounts	28~56
(7) Related-party transactions	56~58
(8) Pledged assets	58
(9) Commitments and contingencies	58~59
(10) Losses Due to Major Disasters	59
(11) Subsequent Events	59
(12) Other	59
(13) Other disclosures	
(a) Information on significant transactions	59~63
(b) Information on investees	65
(14) Segment information	65~66

Representation Letter

The entities that are required to be included in the combined financial statements of Chinese Maritime Transport Ltd. as of and for the year ended December 31, 2016 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chinese Maritime Transport Ltd. and its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Chinese Maritime Transport Ltd.
Chairman: Jou M.H.
Date: March 21, 2017



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of Chinese Maritime Transport Ltd.:

Opinion

We have audited the consolidated financial statements of Chinese Maritime Transport Ltd. ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters that should be communicated in the audit report are as follows:

1. Recognition of Operating Revenues

Please refer to Note(4)(o) "Revenue recognition" and income statements for income details.

Description of key audit matters:

The main activities of the Group are bulk-carrier transportation through its overseas subsidiaries, domestic container hauling, vessel transportation, warehousing, and related business. Operating revenue is one of the key items in the consolidated financial statements, and the amounts and changes of operating revenue may affect the users' understanding on the entire financial statements. Therefore, the assessment on revenue recognition is considered a key matter in our audit.

Audit Procedure:

Our principal audit procedures included: testing related control over sales and receipts cycle, conducting tests on details of operating revenue, executing the confirmation process used to examine accounts receivable and major clients, and evaluating if the Group's timing of revenue recognition and amounts recognized are in accordance with related accounting standards.

2. Evaluation of assets impairment

Please refer to Note(4)(m) "Impairment of non financial assets" for accounting policies with respect to evaluating transportation equipment-bulk-carrier, Note (5)(a) "Impairment of transportation equipment-bulk-carrier" for judgment of significant evaluation for impairment of transportation equipment- bulk carrier, and Note (6)(e) for description of evaluation for transportation equipment-bulk-carrier.

Description of key audit matters:

Transportation equipment- bulk carrier is an important asset to the Group, and its industry is affected by changes in economic conditions, and the supply and demand in shipping market. Judgments involving the evaluation on impairment is considered a key matter in our audit.

Audit procedure:

Our principal audit procedures included: understanding the method of evaluating asset impairment, obtaining the documents of the Company's self-monitoring mechanisms for asset impairment, examining the management's decisions for cash-generating units, evaluating the indicators adopted for identifying impairment, and assessing the integrated evaluation conclusion if there are indications of impairment.

Other Matter

Chinese Maritime Transport Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unmodified opinion, for reference.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Fu Yen and Jui-Lan Lo.

KPMG

Taipei, Taiwan (Republic of China)
March 21, 2017

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CHINESE MARITIME TRANSPORT LTD. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(Expressed in, New Taiwan Dollars)

	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
1100 Cash and cash equivalents (note (6)(a))	\$ 3,685,514	17	2,850	21	\$ 119,949	1	1,259,759	6
1110 Current financial assets at fair value through profit or loss (note (6)(b))	709	-	2,850	-	185,208	1	138,943	1
1150 Notes and accounts receivable, net (note (6)(c))	167,898	1	163,792	1	35,141	-	32,300	-
1160 Notes and accounts receivable due from related parties, net (note (7))	113,711	1	98,436	1	203,617	1	205,931	1
1470 Other current assets	68,880	-	53,250	-	3,434,102	16	781,675	4
1476 Other current financial assets (notes (6)(c), (d), (e) and (8))	849,924	4	214,805	1	3,978,017	19	2,418,608	12
	4,886,636	23	5,039,591	24				
Non-current assets:								
1515 Non-current financial assets held for trading (note (6)(b))	39,422	-	67,066	-	2,300,000	11	2,800,000	13
1550 Investments accounted for using equity method (notes (6)(d) and (8))	1,910,522	9	2,130,941	10	4,208,187	19	4,222,067	20
1544 Non-current financial assets at cost (note (6)(b))	25,000	-	25,000	-	575,499	3	582,878	3
1600 Property, plant and equipment (notes (6)(e) and (8))	14,512,030	68	13,927,765	66	85,252	-	149,117	-
1760 Investment property, net (note (6)(f))	38,776	-	39,639	-	607	-	516	-
1780 Intangible assets	6,670	-	10,080	-	7,169,545	33	7,754,578	36
1840 Deferred tax assets (note (6)(k))	19,445	-	28,484	-	11,147,562	52	10,173,186	48
1900 Other non-current assets	10,876	-	22,486	-				
1980 Other non-current financial assets (notes (6)(g) and (8))	21,646	-	22,711	-	1,974,846	9	2,564,736	12
	16,584,387	77	16,274,172	76	53,411	-	53,411	-
Total assets	\$ 21,471,023	100	21,313,763	100				
Liabilities and Equity								
Current liabilities:								
Short-term borrowings (note (6)(h))								
Notes and accounts payable								
Unearned revenue								
Other current liabilities								
Long-term liabilities, current portion (note (6)(h))								
Non-current liabilities:								
Bonds payable (note (6)(h))								
Long-term borrowings (note (6)(h))								
Deferred tax liabilities (note (6)(k))								
Accrued pension liabilities (note (6)(l))								
Other non-current liabilities								
Total liabilities								
Equity attributable to owners of parent: (note (6)(i))								
Common stock								
Capital surplus								
Retained earnings:								
Legal reserve								
Special reserve								
Unappropriated retained earnings								
Other equity interest								
Total equity								
Total liabilities and equity								
	\$ 21,471,023	100	21,313,763	100	\$ 21,471,023	100	21,313,763	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CHINESE MARITIME TRANSPORT LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan dollars , Except for Earnings Per Common Share)

	2016		2015	
	Amount	%	Amount	%
4000 Operating Revenues (note (7))				
4621 Freight revenue-vessel chartering	\$ 1,450,876	44	1,520,742	45
4622 Freight revenue-container hauling, net, and logistics revenue	1,821,194	55	1,822,847	54
4623 Freight revenue-airline agent and others	22,764	1	17,868	1
	<u>3,294,834</u>	<u>100</u>	<u>3,361,457</u>	<u>100</u>
5000 Operating costs (notes (6)(j), (7) and (12))				
5621 Freight cost-vessel chartering	1,089,670	33	1,025,426	31
5622 Freight cost-container hauling and logistics cost	1,380,067	41	1,382,612	41
5623 Freight cost-airline agent and others	17,360	1	13,655	-
	<u>2,487,097</u>	<u>75</u>	<u>2,421,693</u>	<u>72</u>
5900 Gross profit	807,737	25	939,764	28
6000 Operating expenses (notes (6)(j), (o), (7) and (12))	351,432	11	349,251	10
6900 Net operating income	<u>456,305</u>	<u>14</u>	<u>590,513</u>	<u>18</u>
Non-operating income and expenses:				
7010 Other income (note (6)(i))	13,774	-	13,464	-
7050 Financial costs-interest expense (note (6)(n))	(172,296)	(5)	(133,923)	(4)
7060 Share of profit (loss) of associates accounted for using equity method (note (6)(d))	(53,126)	(2)	(76,484)	(2)
7100 Interest income	25,721	1	17,709	1
7210 Gains on disposals of property, plant and equipment (note (6)(e))	16,667	1	26,484	1
7235 Gains (losses) on financial assets at fair value through profit or loss (note (6)(b))	(28,266)	(1)	12,876	-
7560 Foreign exchange gains or losses	320	-	(1,597)	-
7590 Miscellaneous disbursements	(10,136)	-	(2,694)	-
7625 Losses on disposals of investments (note (6)(b) and (d))	(118,958)	(4)	(32,273)	(1)
	<u>(326,300)</u>	<u>(10)</u>	<u>(176,438)</u>	<u>(5)</u>
7900 Profit before tax	130,005	4	414,075	13
7950 Less: Tax expense (note (6)(k))	82,064	3	81,288	2
Profit (attributable to owners of parent)	<u>47,941</u>	<u>1</u>	<u>332,787</u>	<u>11</u>
8300 Other comprehensive income: (note (6)(l))				
8310 Items that may not be reclassified subsequently to profit or loss				
8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans (note (6)(j))	(16,228)	-	2,197	-
8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method that may not be reclassified subsequently to profit or loss	(795)	-	43	-
8349 Less: income tax relating to components of other comprehensive income that may not be reclassified subsequently to profit or loss (note (6)(k))	(2,759)	-	376	-
	<u>(14,264)</u>	<u>-</u>	<u>1,864</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss				
8361 Other comprehensive income, before tax, exchange differences on translation	(181,462)	(5)	378,193	11
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method that may be reclassified subsequently to profit or loss	(28,292)	(1)	33,845	1
8399 Less: income tax relating to components of other comprehensive income that may be reclassified subsequently to profit or loss (note (6)(k))	(146)	-	244	-
	<u>(209,608)</u>	<u>(6)</u>	<u>411,794</u>	<u>12</u>
8300 Other comprehensive income, net	<u>(223,872)</u>	<u>(6)</u>	<u>413,658</u>	<u>12</u>
Comprehensive income (attributable to owners of parent)	<u>\$ (175,931)</u>	<u>(5)</u>	<u>746,445</u>	<u>23</u>
Earnings per share (note (6)(m))				
Basic net income per share (NT dollars)	\$ <u>0.21</u>		\$ <u>1.30</u>	
Diluted net income per share (NT dollars)	\$ <u>0.21</u>		\$ <u>1.30</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CHINESE MARITIME TRANSPORT LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of parent									
	Retained earnings					Other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity
Balance on January 1, 2015	2,564,736	53,411	1,583,016	579,599	5,877,011	8,039,626	77,330	(7,556)	69,774	10,727,547
Appropriation and distribution of retained earnings:	-	-	-	-	(33,272)	-	-	-	-	-
Legal reserve appropriated	-	-	33,272	-	(33,272)	-	-	-	-	-
Special reserve appropriated	-	-	-	(220,112)	(333,415)	(333,415)	-	-	-	(333,415)
Cash dividends of ordinary share	-	-	-	(220,112)	(146,575)	(333,415)	-	-	-	(333,415)
Profit for the year ended December 31, 2015	-	-	-	-	332,787	332,787	-	-	-	332,787
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	1,864	1,864	417,412	(5,618)	411,794	413,658
Comprehensive income for the year ended December 31, 2015	-	-	-	-	334,651	334,651	417,412	(5,618)	411,794	746,445
Balance on December 31, 2015	2,564,736	53,411	1,616,288	359,487	6,065,087	8,040,862	494,742	(13,174)	481,568	11,140,577
Appropriation and distribution of retained earnings:	-	-	-	-	(33,278)	-	-	-	-	-
Legal reserve appropriated	-	-	33,278	-	(33,278)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(51,295)	(51,295)	-	-	-	(51,295)
Profit for the year ended December 31, 2016	-	-	33,278	-	(84,573)	(51,295)	-	-	-	(51,295)
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	47,941	47,941	-	-	-	47,941
Comprehensive income for the year ended December 31, 2016	-	-	-	-	(14,264)	(14,264)	(210,940)	1,332	(209,608)	(223,872)
Capital reduction by cash	(589,890)	-	-	-	33,677	33,677	(210,940)	1,332	(209,608)	(173,931)
Balance on December 31, 2016	1,974,846	53,411	1,649,566	359,487	6,014,191	8,023,244	283,802	(11,842)	271,960	10,323,461

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CHINESE MARITIME TRANSPORT LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(Expressed in thousands of New Taiwan dollars)

	2016	2015
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 130,005	414,075
Adjustments:		
Adjustments to reconcile profit		
Depreciation and amortization	762,183	728,048
Losses (gains) on financial assets at fair value through profit or loss	28,266	(12,876)
Interest expense	172,296	133,923
Interest income	(25,721)	(17,709)
Share of loss (profit) of associates for using equity method	53,126	76,484
Loss (gain) on disposal of property, plant and equipment	(16,667)	(26,484)
Loss (gain) on disposal of investments for using equity method	118,958	32,273
Adjustments to reconcile profit	<u>1,092,441</u>	<u>913,659</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	1,506	76,276
Decrease (increase) in notes and accounts receivable	(19,381)	42,407
Decrease (increase) in other current assets and prepayments	(15,630)	11,990
Decrease (increase) in other financial assets	(2,595)	(11,775)
	<u>(36,100)</u>	<u>118,898</u>
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	46,265	2,749
Increase (decrease) in other current liabilities	(13,213)	(21,469)
Increase (decrease) in unearned revenue	3,404	(8,152)
Increase (decrease) in net defined benefit liability	(80,093)	(777)
	<u>(43,637)</u>	<u>(27,649)</u>
Total changes in operating assets and liabilities	<u>(79,737)</u>	<u>91,249</u>
Total adjustments	<u>1,012,704</u>	<u>1,004,908</u>
Cash flows from operations	1,142,709	1,418,983
Interest received	25,379	19,033
Dividends received	13,885	43,173
Interest paid	(150,824)	(135,245)
Income taxes paid	(91,446)	(73,222)
Net cash flows from (used in) operating activities	<u>939,703</u>	<u>1,272,722</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(144,000)	(228,000)
Proceeds from disposal of investments accounted for using equity method	146,367	148,811
Acquisition of property, plant and equipment	(1,564,214)	(559,821)
Proceeds from disposal of property, plant and equipment	51,513	53,498
Deferred expenses and others	(3,629)	(14,361)
Decrease (increase) in other current financial assets	(625,669)	55,321
Decrease (increase) in other non-current financial assets	1,065	(2,320)
Net cash flows from (used in) investing activities	<u>(2,138,567)</u>	<u>(546,872)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(1,139,810)	150,159
Proceeds from issuance of corporate bonds	2,300,000	-
Proceeds from long-term borrowings	738,873	-
Repayments of long-term borrowings	(812,628)	(792,204)
Cash dividends paid	(51,295)	(333,415)
Capital reduction by cash	(589,890)	-
Others	91	(161)
Net cash flows from (used in) financing activities	<u>445,341</u>	<u>(975,621)</u>
Effect of exchange rate changes on cash and cash equivalents	(67,421)	146,226
Net increase (decrease) in cash and cash equivalents	(820,944)	(103,545)
Cash and cash equivalents at beginning of period	4,506,458	4,610,003
Cash and cash equivalents at end of period	<u>\$ 3,685,514</u>	<u>4,506,458</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CHINESE MARITIME TRANSPORT LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(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 of and for the year ended December 31, 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 (c) (ii). for related information.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the board of directors on March 21, 2017.

(3) New standards, amendments and interpretations adopted:

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

According to 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, in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014

(Continued)

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on the 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. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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"	Effective date to be determined 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
Amendments to IFRS 4 "Insurance Contracts" (Applicable for IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

(Continued)

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

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

Issuance / Release	Dates	Standards or Interpretations	Content of amendment
	May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	<p>IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations.</p> <p>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.</p>
	November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	<p>The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows:</p> <ul style="list-style-type: none"> • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

(Continued)

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

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • 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. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the presented periods in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statement have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and IFRSs endorsed by the FSC.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated annual consolidated financial statements have been prepared on the historical cost basis:

- 1) Financial instruments (including derivative financial instruments) measured at fair value through profit or loss are measured at fair value;
- 2) Available-for sale financial assets are measured at fair value.
- 3) The net defined benefit liabilities or assets are recognized as fair value of the pension assets after deducting the present value of the defined benefit obligation.

(Continued)

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

(ii) Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The Group consolidated financial statements are presented in New Taiwan Dollar, which is the Group's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the adjustment of non-controlling interests and the fair value of consideration paid or received is recognized as equity and attributed to the owners of the Company.

(ii) List of subsidiaries in the consolidated financial statements.

Investor	Name of subsidiary	Core business	Percentage of ownership (%)	
			December 31, 2016	December 31, 2015
The Company	Chinese Maritime Transport(S) Pte. Ltd. (CMTS)	Investment holding of ship-owning companies	0.51	0.87
"	Chinese Maritime Transport (Hong Kong), Limited (CMTHK)	"	100	100
"	CMT Logistics Co., Ltd. (CMTL)	Warehouse management	100	100
"	AGM Investment Ltd. (AGM)	Investment	100	100
"	Hope Investment Ltd. (HIL)	"	100	100
"	Mo Hsin Investment Ltd. (MHI)	"	100	100
"	Associated Transport Inc. (ATI)	Container trucking	100	100
"	CMT Travel Service Ltd. (CMTTSL)	Travel	100	100

(Continued)

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

Investor	Name of subsidiary	Core business	Percentage of ownership (%)	
			December 31, 2016	December 31, 2015
The Company	CMT AIR LTD. (CMA)	Forwarder	100	100
"	United Nan Hai Petroleum INC (UNH)	Gasoline international trade	100	100
"	United Nan Hai Development Inc. (NHD)	Investment management	100	100
CMTS	China Fortune Shipping Pte Ltd. (CFR)	Bulk-carrier transportation	100	100
"	China Enterprise Shipping PTE. Ltd. (CEP)	"	100	100
CMTHK	China Prosperity Shipping Ltd. (CPS)	"	100	100
"	China Peace Shipping Ltd. (CPC)	"	100	100
"	China Progress Shipping Ltd. (CPG)	"	100	100
"	China Pioneer Shipping Ltd. (CPN)	"	100	100
"	China Pride Shipping Ltd. (CPD)	"	100	100
"	CMT Chartering Ltd. (CCL)	Bulk-chartering services	100	100
"	China Triumph Shipping Ltd. (CTU)	Bulk-carrier transportation	100	100
"	China Trade Shipping Ltd. (CTD)	"	100	100
"	China Harmory Shipping LTD. (CHM)	"	100	100
"	China Honour shipping Ltd. (CHN)	"	100	100
"	CMT Investment CO., Limited (CHI)	Investment	100	100
"	CMT International Management Co. Limited (CIM)	Investment management	100	100
"	CMTS	Investment holding of ship-owning companies	99.49	99.13
ATI	Chang-Shun Transport CO., LTD. (CST)	Container trucking	100	100
"	Huang-Yuen Transport CO., LTD. (HYT)	"	100	100

(Continued)

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

Investor	Name of subsidiary	Core business	Percentage of ownership (%)	
			December 31, 2016	December 31, 2015
ATI	Mao-Hua Transport CO., LTD. (MHT)	Container trucking	100	100
"	AG Prosperity Transport CO., LTD. (APT)	"	100	100
"	Pioneer Transport Co., LTD (PTL)	"	100	100

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the available-for-sale equity instruments which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to TWD at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to TWD at average rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Continued)

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising thereon from part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statements in equity.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent, unless, the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits Commercial paper, and reverse repurchase agreement which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents. If they do not meet the above definition, time deposits should be recognized as other current and non current financial assets.

(g) Financial Instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

(Continued)

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

(i) Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturities financial assets, loans and receivables, and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than those classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- b) Performance of the financial asset is evaluated on a fair value basis;
- c) A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, and included in financial assets measured at cost.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

(Continued)

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

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expenses.

3) **Held-to-maturity financial assets**

If the Group has the positive intent and ability to hold debt securities to maturity, such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less, any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting

Interest income is included in non-operation income and expense.

4) **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and refundable deposits. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized as applicable using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

5) **Impairment of financial assets**

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

(Continued)

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

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in non-operating and expense.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND ITS SUBSIDIARIES**Notes to Consolidated Financial Statements****6) Derecognition of financial assets**

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss, and is included in non-operating income or expenses.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and shall be included in non-operating income or expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts.

(ii) Financial liabilities and equity instruments**1) Classification of debt or equity**

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

2) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, and bonds payable, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capitalized cost is recognized in profit or loss, and is included in non-operating income or expense.

(Continued)

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

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

4) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align the accounting policies with those of the Group from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of its investee.

(i) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost, less, accumulated depreciation and accumulated impairment losses. The depreciation is computed along with the depreciable amount. The method, the useful life and the residual amount are the same with those of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of a property changes such that it is reclassified as property, plant and equipment, the carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(Continued)

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

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Cost also includes foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and expense.

(ii) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from internal use to investment use.

(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life, and therefore, is not depreciated.

(Continued)

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

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings: 17 ~ 55 years
- 2) Building improvements: 3~15 years.
- 3) Container transportation equipment: 4 ~7 years
- 4) Shipping transportation equipment: 2~20 years
- 5) Container terminal facility: 4~60 years
- 6) Furniture, fixtures and other equipments: 3 ~12 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(k) Lease

(i) The Group as lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) The Group as lessee

Operating leases are not recognized in the Group's balance sheet.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense on a straight-line basis, over the term of the lease.

(l) Intangible assets

(i) Other intangible assets that are acquired by the Group are measured at cost, less, accumulated amortization and any accumulated impairment losses.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(Continued)

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

(iii) Amortization

The amortizable amount is the cost of an asset, less its residual value.

The intangible asset that the Group possesses is software. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives of computer software is 3 years.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(m) Impairment of non financial assets

Non financial assets except for deferred tax assets and assets arising from employee benefits are assessed at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less, costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset, other than goodwill, may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(o) Revenue

(i) Freight revenue is recognized after providing transportation service. The rental income of vessels is recognized in accordance with the rental contract. Warehouse storage charges and terminal handling fees are recognized after service is provided. Operating cost is recognized as incurred.

(Continued)

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

- (ii) Rental income from investment property is recognized in income on a straight-line basis over the lease term. Incentives granted to the lessee to enter into an operating lease are considered as part of rental income which is spread over the lease term on a straight-line basis so that the rental income received are recognized periodically.

(p) Employee benefits

- (i) Defined contribution plans

Obligations for contributions to the defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

- (ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group recognizes remeasurements of the net defined benefit plans in retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of the plan assets and the change in the present value of the defined benefit obligation.

(Continued)

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

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as the tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - 1) Levied by the same taxing authority; or
 - 2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

(Continued)

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

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

The 10% surtax on unappropriated earnings is recorded as current tax expense in the following year after the resolution to appropriate retain earnings is approved in the stockholder's meeting.

(r) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjusting the effects of all potential dilutive ordinary shares. Potential dilutive ordinary shares comprise employee stock options and employee bonuses that are yet to be resolved by the shareholders and approved by the board of directors.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions, and judgments and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the IFRSs 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.

The management continues to monitor the accounting estimates and assumptions. It recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgements in applying the accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(Continued)

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

(a) Impairment of transportation equipment- bulk carrier

In the process of evaluating the potential impairment of assets, subjective judgments are made depending on each indicators the management sets based on internal and external information. Any changes due to economic conditions, and the demand and supply in shipping market, could result in significant impairment charges or reversal in the future because of the occurrence and disappearance of indications of impairment. Please refer to note (6) for assessment on impairment of property, plant, and equipment.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Petty cash, checking accounts and demand deposits	\$ 1,921,490	1,869,671
Time deposits	1,496,627	2,531,835
Cash equipment-commercial paper and reverse repurchase agreement	<u>267,397</u>	<u>104,952</u>
	<u>\$ 3,685,514</u>	<u>4,506,458</u>

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

(b) Financial asset

(i) Information is as follow:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Fair value through profit or loss		
Current financial assets held for trading	\$ 709	2,850
Non-current financial assets held for trading	39,422	67,066
Non-current financial assets at cost	<u>25,000</u>	<u>25,000</u>
	<u>\$ 65,131</u>	<u>94,916</u>

The Group purchased 3,555 thousand shares of Green Energy Technology Ltd. amounting to \$34,824, which were classified as held-for-trading financial asset and recorded as current financial assets at fair value through profit or loss. The Group disposed parts of its shares in Green Energy Technology Ltd. for \$1,506 and \$78,363 in 2016 and 2015, respectively, and the realized a fair value gain (loss) of (\$596) and \$44,406, and recorded it as gain (loss) on financial assets at fair value through profit or loss.

The gain or loss on financial assets at fair value through profit or loss for the years ended December 31, 2015 and 2014 were a loss of \$28,266 and a profit of \$12,876, respectively.

(Continued)

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

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

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

(ii) Debt investment and fixed rate deposit

The carrying amounts of debt and fixed rate deposit as of December 31, 2016 and 2015, were \$39,422 and \$67,066, respectively. Other related information are as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Interest rates</u>	<u>Maturity dates</u>	<u>Interest rates</u>	<u>Maturity dates</u>
Non current financial assets held-for-trading	3%	2019	3%	2019

(iii) Sensitivity analysis – equity investment price risk

If the equity price changes, and if it is on the same basis for both years and assumes that all other variables remain the same, the impact on other comprehensive income will be as follows:

<u>Equity price at reporting date</u>	<u>2016</u>		<u>2015</u>	
	<u>After-tax other comprehensive</u>	<u>Before-tax</u>	<u>After-tax other comprehensive</u>	<u>Before-tax</u>
Increase 5%	\$ -	<u>35</u>	-	<u>143</u>
Decrease 5%	\$ -	<u>(35)</u>	-	<u>(143)</u>

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Notes receivable	\$ 9,809	6,841
Accounts receivable	160,062	158,760
Other receivables	<u>11,385</u>	<u>1,935</u>
	181,256	167,536
Less: allowance for uncollectible accounts	<u>(1,973)</u>	<u>(1,809)</u>
	<u>\$ 179,283</u>	<u>165,727</u>
Notes and account receivable, net	\$ 167,898	163,792
Other receivables – current	<u>11,385</u>	<u>1,935</u>
	<u>\$ 179,283</u>	<u>165,727</u>

(Continued)

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

As of December 31, 2016 and 2015 the Group did not provide any aforementioned notes and accounts receivable and other receivables as collaterals for its loans. 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>December 31, 2016</u>	<u>December 31, 2015</u>
Associates	\$ <u>1,910,522</u>	<u>2,130,941</u>

(ii) In 2016 and 2015, the Group's share of the net income of associates was as follows:

	<u>2016</u>	<u>2015</u>
Associates	\$ <u>(53,126)</u>	<u>(76,484)</u>

The losses on investment in associate recognized in 2016 and 2015 including the amortization of investment premium are \$49,668 and \$93,469, respectively. As of December 31, 2016 and 2015, the balance of unamortized investment premium amounted to \$33,691 and \$83,136, respectively.

(iii) Details of the material associate is as follows:

<u>Name</u>	<u>Nature of the relationship</u>	<u>Principal place of business/ Country of incorporation</u>	<u>Effective ownership interest and voting right</u>	
			<u>December 31, 2016</u>	<u>December 31, 2015</u>
Taiwan Navigation Co., Ltd. (TNCL)	A significant investee company of the Group, in which its main activities are sea shipping services and construction subcontractor, leasing and sales of commercial and residential buildings	Taiwan	13.045 %	15.917 %

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Taiwan Navigation Co., Ltd.	\$ 669,526	916,596

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.

(Continued)

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

1) Summarized financial information of Taiwan Navigation Co., Ltd.

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current assets	\$ 1,109,509	1,480,735
Non current assets	12,810,408	11,393,186
Current liabilities	(466,725)	(606,085)
Non current liabilities	<u>(3,739,754)</u>	<u>(2,215,760)</u>
Net assets (Belongs to the investee)	<u>\$ 9,713,438</u>	<u>10,052,076</u>
	<u>2016</u>	<u>2015</u>
Revenue	\$ 2,457,613	2,682,432
Profit (loss) from continuing operations	(90,825)	93,911
Other comprehensive income	<u>(156,008)</u>	251,179
Total comprehensive income (Belongs to the investee)	<u>\$ (246,833)</u>	<u>345,090</u>
	<u>2016</u>	<u>2015</u>
Beginning balance of Group's share of net assets	\$ 1,599,978	1,766,414
Group's share of total comprehensive income	(40,543)	53,484
Dividends	(14,380)	(43,173)
Disposals	<u>(277,937)</u>	<u>(176,747)</u>
Ending balance of Group's share of net assets	1,267,118	1,599,978
Add: Balance of unamortized investment premium	<u>33,691</u>	<u>83,136</u>
Carrying amounts in the consolidated balance sheets	<u>\$ 1,300,809</u>	<u>1,683,114</u>

(iv) Summarized financial information of insignificant associate

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Ending balance of the carrying amounts of insignificant associates	<u>\$ 609,713</u>	<u>447,827</u>
	<u>2016</u>	<u>2015</u>
Group's share of results:		
Profit (loss) from continuing operations	\$ 9,532	808
Other comprehensive income	<u>8,354</u>	<u>-</u>
Total comprehensive income	<u>\$ 17,886</u>	<u>808</u>

(Continued)

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

- (v) The Group disposed 11,987 and 7,452 thousand shares of its investments accounted for using equity method for \$147,865 and \$148,811, respectively in 2016 and 2015. The related losses amounted to \$118,958 and 32,273, respectively, which were recorded as non-operating income and expense. As of December 31, 2016, the amount settled but yet to be received was \$1,498 and recorded as other current financial asset.
- (vi) The Group purchased the newly issued shares of Taiwan Global Energy Maritime (TGEM) in proportion of its shareholding amounting to \$144,000 and \$228,000 in 2016 and 2015, respectively; and all related payables have been paid.
- (vii) In 2016 and 2015, the Group was allocated with cash dividends of \$13,885 and \$43,173, respectively, from the aforementioned investee companies.

(viii) Pledges

As of December 31, 2016 and 2015, the Group provided investment 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 Year ended December 31, 2016 and 2015 were as follows:

	Land	Buildings and construction	Transportation Equipment	Other equipment	On construction	Total
Cost or deemed cost:						
Balance on January 1, 2016	\$ 1,758,525	140,753	15,342,272	474,932	1,247,149	18,963,631
Additions	-	2,158	1,063,293	31,273	467,490	1,564,214
Disposals	-	(317)	(90,604)	(28,133)	-	(119,054)
Reclassifications	-	-	622,487	15,239	(622,487)	15,239
Effect of movements in exchange rates	-	(646)	(254,243)	-	(21,943)	(276,832)
Balance on December 31, 2016	<u>\$ 1,758,525</u>	<u>141,948</u>	<u>16,683,205</u>	<u>493,311</u>	<u>1,070,209</u>	<u>20,147,198</u>
Balance on January 1, 2015	\$ 1,758,525	140,962	14,781,197	480,376	738,792	17,899,852
Additions	-	1,611	71,513	21,675	465,022	559,821
Disposals	-	(4,653)	(31,883)	(27,119)	-	(63,655)
Reclassifications	-	1,512	-	-	-	1,512
Effect of movements in exchange rates	-	1,321	521,445	-	43,335	566,101
Balance on December 31, 2015	<u>\$ 1,758,525</u>	<u>140,753</u>	<u>15,342,272</u>	<u>474,932</u>	<u>1,247,149</u>	<u>18,963,631</u>

(Continued)

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

	<u>Land</u>	<u>Buildings and construction</u>	<u>Transportation Equipment</u>	<u>Other equipment</u>	<u>On construction</u>	<u>Total</u>
Depreciation and impairments loss:						
Balance on January 1, 2016	\$ -	73,292	4,727,451	235,123	-	5,035,866
Depreciation for the year	-	6,555	718,789	32,902	-	758,246
Disposals	-	(230)	(62,148)	(21,830)	-	(84,208)
Effect of movements in exchange rates	-	(63)	(74,673)	-	-	(74,736)
Balance on December 31, 2016	<u>\$ -</u>	<u>79,554</u>	<u>5,309,419</u>	<u>246,195</u>	<u>-</u>	<u>5,635,168</u>
Balance on January 1, 2015	\$ -	70,722	3,901,468	225,158	-	4,197,348
Depreciation for the year	-	6,676	684,302	32,345	-	723,323
Disposals	-	(4,234)	(10,027)	(22,380)	-	(36,641)
Effect of movements in exchange rates	-	128	151,708	-	-	151,836
Balance on December 31, 2015	<u>\$ -</u>	<u>73,292</u>	<u>4,727,451</u>	<u>235,123</u>	<u>-</u>	<u>5,035,866</u>
Carrying amounts:						
Balance on December 31, 2016	<u>\$ 1,758,525</u>	<u>62,394</u>	<u>11,373,786</u>	<u>247,116</u>	<u>1,070,209</u>	<u>14,512,030</u>
Balance on January 1, 2015	<u>\$ 1,758,525</u>	<u>70,240</u>	<u>10,879,729</u>	<u>255,218</u>	<u>738,792</u>	<u>13,702,504</u>
Balance on December 31, 2015	<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>

- (i) The pledge information is summarized in note 8.
- (ii) The Group took over a bulk-carrier construction contract from the third parties on January 10, 2014, and July 11, 2013. The Group commenced construction of the new bulk-carrier and the costs incurred up to the reporting date totaled \$1,054,575 (USD\$32,700,000).
- (iii) The Group sales and retires the property, plant and equipment to the third party in 2016 and 2015 for \$51,513 and \$53,498, respectively. The cost of aforementioned property, plant and equipment amounted to \$34,846 and \$27,014, respectively, and the related gain of disposal amounted to \$16,667 and \$26,484, respectively. The registration procedures of the property transfer have been completed and related receivable have been collected.
- (iv) The Group evaluated its transportation equipment for impairment and recognized no impairment loss according to IFRS 36 "Recoverable Amount Disclosures for Non-Financial Asset". The accumulated impairment amounted to USD\$31,555 (\$1,017,649 and \$1,035,793) as of December 31, 2016 and 2015, respectively.
- (v) The Group recorded the carrying amounts of \$102,538 and \$86,714 as significant repair under property, plant and equipment in 2016 and 2015 respectively.

(Continued)

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

(f) Investments property

	<u>Land</u>	<u>Building</u>	<u>Total</u>
Cost or deemed cost			
Balance on January 1, 2016	\$ 19,094	27,930	47,024
Effect of movements in exchange rates	-	(423)	(423)
Balance on December 31, 2016	<u>\$ 19,094</u>	<u>27,507</u>	<u>46,601</u>
Balance on January 1, 2015	\$ 19,094	27,065	46,159
Effect of movements in exchange rates	-	865	865
Balance on December 31, 2015	<u>\$ 19,094</u>	<u>27,930</u>	<u>47,024</u>
Depreciation and impairment losses:			
Balance on January 1, 2016	\$ -	7,385	7,385
Depreciation of the year	-	527	527
Effect of movements in exchange rates	-	(87)	(87)
Balance on December 31, 2016	<u>\$ -</u>	<u>7,825</u>	<u>7,825</u>
Balance on January 1, 2015	\$ -	6,386	6,386
Depreciation of the year	-	823	823
Effect of movements for exchange rates	-	176	176
Balance on December 31, 2015	<u>\$ -</u>	<u>7,385</u>	<u>7,385</u>
Carrying amount:			
Balance on December 31, 2016	<u>\$ 19,094</u>	<u>19,682</u>	<u>38,776</u>
Balance on December 31, 2015	<u>\$ 19,094</u>	<u>20,545</u>	<u>39,639</u>
Balance on January 1, 2015	<u>\$ 19,094</u>	<u>20,679</u>	<u>39,773</u>
Fair Value:			
Balance on December 31, 2016			<u>\$ 102,573</u>
Balance on December 31, 2015			<u>\$ 137,727</u>

The fair value of investment properties was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

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. See note 6(i) for further information.

(Continued)

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

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

(g) Other financial assets

	December 31, 2016	December 31, 2015
Time deposits (over three months)	\$ 656,950	42,434
Other receivables	18,899	9,818
Guarantee deposits	5,180	5,241
Pledged assets-time deposits	<u>198,055</u>	<u>187,906</u>
	<u>\$ 879,084</u>	<u>245,399</u>
Other current financial assets	\$ 857,438	222,688
Other non-current financial assets	<u>21,646</u>	<u>22,711</u>
	<u>\$ 879,084</u>	<u>245,399</u>

(h) Loans

The Group's detail of loans was as follows:

(i) Short-term loans and commercial paper payable

	December 31, 2016	December 31, 2015
Secured loans	\$ 50,000	640,000
Commercial paper payable	70,000	620,000
Less: discount on commercial paper payable	<u>(51)</u>	<u>(241)</u>
	<u>\$ 119,949</u>	<u>1,259,759</u>
Unused credit lines	<u>\$ 3,990,000</u>	<u>2,970,000</u>
Range of interest rate during the year	<u>0.938%~1.3%</u>	<u>1.058%~1.4%</u>

(Continued)

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

(ii) Long-term loans

Bank	Currency	Due Year	December 31, 2016	December 31, 2015
COMMERZ BANK	USD	2016	\$ -	191,633
COMMERZ BANK	"	2019	496,650	630,240
Mega International Commercial Bank	"	2022	725,625	886,275
Bank Sinopec	"	2022	1,018,679	1,145,168
Mega International Commercial Bank	"	2022	798,188	960,131
Bank Sinopec	"	2023	1,063,816	1,190,295
BNP PARIBAS	"	2026	739,331	-
			<u>4,842,289</u>	<u>5,003,742</u>
Current portion			<u>(634,102)</u>	<u>(781,675)</u>
			<u>\$ 4,208,187</u>	<u>4,222,067</u>
Range of interest rates during the year			<u>1.11%~2.54%</u>	<u>0.85%~2.1%</u>

(iii) Bonds Payable

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

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

(Continued)

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

- (iv) 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.
- (v) 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
- (i) The Group as lessee
- 1) Lease rentals that the Group signed the operating lease contracts for warehouse, office, and parking are payable as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Less than one year	\$ 68,661	59,449
Between one and five years	168,878	129,156
Above five years	<u>65,862</u>	<u>44,488</u>
	<u>\$ 303,401</u>	<u>233,093</u>

As of 2016 and 2015, the operating rental expenses were 64,658 and 56,069, respectively.

- (ii) The Group as lessor

The Company intends to lease out investment property under operating lease. Please see note (6)(f). The future minimum lease payments under non-cancellable lease are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Less than one year	\$ 5,731	4,731
Between one and five years	<u>7,787</u>	<u>12,518</u>
	<u>\$ 13,518</u>	<u>17,249</u>

The rental income earned by lease investment property amounted 6,522 and 5,818 in 2016 and 2015, respectively.

(Continued)

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

(j) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligations	\$ 220,146	203,463
Fair value of plan assets	<u>(134,894)</u>	<u>(54,346)</u>
Recognized liabilities for defined benefit obligations	<u>\$ 85,252</u>	<u>149,117</u>

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final consolidated financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$134,895 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group were as follows:

	<u>2016</u>	<u>2015</u>
Defined benefit obligation at 1 January	\$ 203,463	212,617
Benefits paid by the plan	(7,824)	(16,488)
Current service costs and interest	8,201	8,591
Remeasurement of the net defined benefit liability (asset)	<u>16,306</u>	<u>(1,257)</u>
Defined benefit obligation at 31 December	<u>\$ 220,146</u>	<u>203,463</u>

(Continued)

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

3) Movements of the fair value of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	<u>2016</u>	<u>2015</u>
Fair value of plan assets at 1 January	\$ 54,346	60,902
Contributions made	87,564	8,008
Benefits paid from the plan assets	(7,824)	(16,488)
Expected return on plan assets	730	984
Remeasurement of the net defined benefit liability (asset)	<u>78</u>	<u>940</u>
Fair value of plan assets at 31 December	<u>\$ 134,894</u>	<u>54,346</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2016</u>	<u>2015</u>
Service cost	\$ 5,109	4,750
Interest cost	3,092	3,841
Expected rate of return on plan assets	<u>(730)</u>	<u>(984)</u>
	<u>\$ 7,471</u>	<u>7,607</u>
Operating cost	\$ 3,807	3,940
Operating expense	<u>3,664</u>	<u>3,667</u>
	<u>\$ 7,471</u>	<u>7,607</u>

5) Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement in net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Accumulated amount at January 1	\$ 12,474	14,671
Recognized during the period	<u>16,228</u>	<u>(2,197)</u>
Accumulated amount at December 31	<u>\$ 28,702</u>	<u>12,474</u>

(Continued)

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

6) Actuarial assumptions

The following is the Group's principal actuarial assumptions of defined benefit obligations on the reporting date:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Discount rate as of December 31	1.125%	1.625 %
Future salary increasing rate	1.000%~3.500%	1.000%~3.500%

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date was \$7,867.

The weighted-average duration of the defined benefit obligation between 9.81~10.06 years.

7) Sensitivity analysis

The impact of the present value of the defined benefit obligations affected by the actuarial assumption for 2016 were as follows:

	<u>Influences of defined benefit obligation</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31,2016		
Discount rate	\$ (3,867)	3,985
Future salary increasing rate	3,808	(4,820)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2016 and 2015.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

(Continued)

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

The Group recognized pension costs under the defined contribution method amounting to \$6,735 and \$7,204 for the years ended December 31, 2016 and 2015, respectively. Payment was made to the Bureau of Labor Insurance.

The pension expenses recognized by the other subsidiaries included in consolidated financial statements for the years ended December 31, 2016 and 2015, were \$1,179 and \$1,181, respectively.

(k) Income taxes

(i) Income tax expenses

The amount of income tax for 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Current tax expense		
Recognized during the period	\$ 49,953	60,967
10% surtax on unappropriated earnings	25,008	18,148
Adjustment to the prior period	<u>2,538</u>	<u>1,195</u>
	77,499	80,310
Deferred tax expense		
Recognition and reversal of temporary differences	<u>4,565</u>	<u>978</u>
Income tax expense	<u>\$ 82,064</u>	<u>81,288</u>

The amount of income tax recognized in other comprehensive income for 2015 and 2014 was as follows:

	<u>2016</u>	<u>2015</u>
Items that may not be reclassified subsequently to profit or loss		
Remeasurement in defined benefit plan	<u>\$ (2,759)</u>	<u>376</u>
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences of foreign operations	<u>\$ (146)</u>	<u>244</u>

(Continued)

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

The reconciliation of income tax and profit before tax for 2015 and 2014 was as follows:

	<u>2016</u>	<u>2015</u>
Profit excluding income tax	\$ <u>130,005</u>	<u>414,075</u>
Income tax using the Company's domestic tax rate	22,101	70,393
Effect of tax rates in foreign jurisdiction	(29,032)	(56,264)
Dividend revenue-overseas	33,448	33,229
Tax exemption for investment income under the equity method	9,031	13,002
Loss (gain) on stop taxation of capital gain tax for securities	20,247	(2,273)
10% surtax on unappropriated earnings	25,008	18,148
Other	<u>1,261</u>	<u>5,053</u>
	<u>\$ 82,064</u>	<u>81,288</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The company entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2016 and 2015. Also, management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>9,369,676</u>	<u>9,538,518</u>
Unrecognized deferred tax liabilities	<u>1,592,845</u>	<u>1,621,548</u>

(Continued)

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

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2016 and 2015 were as follows:

	Defined benefit Plans	Investment income overseas recognized under the equity method	Land revaluation increment	Others	Total
Deferred tax liabilities:					
Balance on January 1, 2016	\$ -	138,835	438,368	5,675	582,878
Recognized in profit or loss	-	(7,000)	-	(233)	(7,233)
Recognized in other comprehensive income	-	-	-	(146)	(146)
Balance on December 31, 2016	<u>\$ -</u>	<u>131,835</u>	<u>438,368</u>	<u>5,296</u>	<u>575,499</u>
Balance on January 1, 2015	\$ -	138,835	438,368	4,092	581,295
Recognized in profit or loss	-	-	-	1,339	1,339
Recognized in other comprehensive income	-	-	-	244	244
Balance on December 31, 2015	<u>\$ -</u>	<u>138,835</u>	<u>438,368</u>	<u>5,675</u>	<u>582,878</u>
Deferred tax assets:					
Balance on January 1, 2016	\$ 23,052	-	-	5,432	28,484
Recognized in profit or loss	(11,967)	-	-	169	(11,798)
Recognized in other comprehensive income	2,759	-	-	-	2,759
Balance on December 31, 2016	<u>\$ 13,844</u>	<u>-</u>	<u>-</u>	<u>5,601</u>	<u>19,445</u>
Balance on January 1, 2015	23,496	-	-	4,964	28,460
Recognized in profit or loss	(68)	-	-	468	400
Recognized in other comprehensive income	(376)	-	-	-	(376)
Balance on December 31, 2015	<u>\$ 23,052</u>	<u>-</u>	<u>-</u>	<u>5,432</u>	<u>28,484</u>

3) Examination and approval

The income tax returns of the Company and its ROC Subsidiaries have been examined by the tax authorities for the years through 2014.

(Continued)

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

- 4) Information related to the unappropriated earnings and tax deduction ratio was summarized below:

	December 31, 2016	December 31, 2015
Unappropriated earnings of 1998 and after	\$ 6,014,191	6,065,087
Balance of imputation credit account	\$ 726,870	653,010
	2016	2015
	(Estimated)	(Actual)
Creditable ratio for earnings distribution to ROC residents	12.67 %	11.96 %

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

(I) Capital and other equities

(i) Ordinary shares

As of December 31, 2016 and 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 thousand shares, and 256,474 thousand shares were issued, respectively. All issued shares were paid upon issuance.

The shareholders' meeting of the Company on June 28, 2016 endorsed the cash capital reduction plan of reducing \$589,890 and cancelling 58,989 thousand issued shares. The cash capital reduction plan has been approved by Ruling No.1050028822 issued by the FSC. The board of directors has set the base date of capital reduction to August 13, 2016, and amendments of registration have been completed.

(ii) Capital surplus

In accordance with the ROC Company Act amended in 2013, realized capital reserves are distributed according to shareholding rates and can only be distributed as share dividends or cash dividends 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 balances of capital surplus were as follows:

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

(Continued)

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

(iii) 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.

1) Legal reserve

Following the amendment of the ROC Company Act announced on January 4, 2012, 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.

2) 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 International Financial Reporting Standards approved by the Financial Supervisory Commission (IFRSs), 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 Financial Supervisory Commission on 6 April 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.

(Continued)

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

3) Earnings distribution

The actual earning distribution to employees, directors, and supervisors for the fiscal year 2014 all amounted to \$5,196, which were no different from the estimated amounts in the Company's 2014 consolidated financial report.

Based on the resolutions of the annual stockholders' meetings held on June 28, 2016 and May 12, 2015, the earning distribution to Ordinary shareholders for the fiscal years 2015 and 2014 were as follows:

	2015	2014
Dividends distributed to ordinary shareholders		
Cash	\$ 51,295	333,415

4) Other Equity (After tax)

	Exchange differences on translation of foreign financial Statements	Unrealized gains (losses) on available for-sale financial assets	Total
January 1, 2016	\$ 494,742	(13,174)	481,568
The subsidiary	(181,316)	-	(181,316)
Associates	(29,624)	1,332	(28,292)
December 31, 2016	\$ 283,802	(11,842)	271,960
January 1, 2015	\$ 77,330	(7,556)	69,774
The subsidiary	377,949	-	377,949
Associates	39,463	(5,618)	33,845
December 31, 2015	\$ 494,742	(13,174)	481,568

(m) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 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:

1) Profit attributable to ordinary shareholders of the Company

	2016	2015
Profit attributable to ordinary shareholders of the Company	\$ 47,941	332,787

(Continued)

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

2) Weighted-average number of ordinary shares

	<u>2016</u>	<u>2015</u>
Issued ordinary shares at January 1	\$ 256,474	256,474
Effect of cash capital reduction	<u>(22,726)</u>	<u>-</u>
Weighted-average number of ordinary shares at December 31	<u>\$ 233,748</u>	<u>256,474</u>

3) Basic earnings per share (TWD)

	<u>2016</u>	<u>2015</u>
Basic earnings per share	<u>\$ 0.21</u>	<u>1.30</u>

(ii) Diluted earnings per share

The calculation of diluted earnings per share at December 31, 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:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	<u>2016</u>	<u>2015</u>
Profit attributable to ordinary shareholder of the Company (basic and diluted)	<u>\$ 47,941</u>	<u>332,787</u>

2) Weighted-average number of ordinary shares (diluted)

	<u>2016</u>	<u>2015</u>
Weighted-average number of ordinary shares (basic)	233,748	256,474
Effect on the employee stock bonuses	<u>62</u>	<u>255</u>
Weighted-average number of ordinary shares (diluted) at December 31	<u>233,810</u>	<u>256,729</u>

	<u>2016</u>	<u>2015</u>
Diluted earnings per share (TWD)		
Diluted earnings per share	<u>\$ 0.21</u>	<u>1.30</u>

(Continued)

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

(n) Financial cost-Interest expense

The financial cost interest expense in the years ended December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Secured bank loan	\$ 80,913	73,632
Bonds payable	<u>91,383</u>	<u>60,291</u>
	<u>\$ 172,296</u>	<u>133,923</u>

(o) Remuneration to employees, directors and supervisors

The Company's articles of incorporation, which were authorized by the board of directors but has yet to be determined by the shareholders, require that earning shall first be 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 directors' and supervisors' remuneration. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

The Company accrued and recognized the remuneration to employees, and directors and supervisors in 2016 were \$941 and \$941, respectively. The Company accrued and recognized the remuneration to its employees, and directors and supervisors in 2015 amounting to \$3,800 and \$3,800, respectively. These amounts are calculated by using the Company's pre-tax net profit for the period before deducting the amount of the remuneration to the employees and directors, multiplied by the distribution ratio of remuneration to the employees and directors under the Company's articles of association, and expensed under operating costs or expenses. If there are any changes after the reporting date, the changes would be treated as changes in accounting estimates and recognized in profit or loss in following year. If the shareholders approved the employee remuneration to be distributed through stock dividends, the calculation based on the number of shares will be calculated by using the stock price on the day before the shareholders' meeting.

(p) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2016 and 2015, the maximum amount exposed to credit risk amounted to \$4,903,824 and \$5,101,118, respectively.

The aggregation of sales to the Group's major customers exceeding 10% of the Group's total sales accounted for 58% of the total net sales both for the years ended December 31, 2016 and 2015, respectively. In order to reduce credit risk, the Group assesses the financial status of the customers and the possibility of collection of receivables in order to estimate an adequate allowance for doubtful accounts on a regular basis. The customers have had a good credit and profit record. The Group has never suffered any significant credit loss.

(Continued)

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

2) Impairment loss

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

	December 31, 2016	December 31, 2015
0-90 days	\$ 292,905	264,163
90-180 days	89	-
	<u>\$ 292,994</u>	<u>264,163</u>

Group recognized impairment loss in a collectively assessed method. The changes of allowance for notes and accounts receivable and other receivables were as follow :

	2016	2015
Balance on January 1	\$ 1,809	1,827
Bad debt expense	164	(18)
Balance on December 31	<u>\$ 1,973</u>	<u>1,809</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 December 31, 2016 and 2015, there were no recoveries of impairment on account receivable.

(ii) Liquidity Risk

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

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2016					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 119,949	(119,949)	(119,949)	-	-
Secured bank loan	4,842,289	(4,842,289)	(634,102)	(634,102)	(3,574,085)
Notes and accounts payable	185,208	(185,208)	(185,208)	-	-
Bonds payable	5,100,000	(5,100,000)	(2,800,000)	-	(2,300,000)
Accrued expenses and other payables	94,638	(94,638)	(94,638)	-	-
	<u>\$ 10,342,084</u>	<u>(10,342,084)</u>	<u>(3,833,897)</u>	<u>(634,102)</u>	<u>(5,874,085)</u>

(Continued)

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2015					
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	<u>83,722</u>	<u>(83,722)</u>	<u>(83,722)</u>	<u>-</u>	<u>-</u>
	<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>

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

(iii) Exchange rate risk

The Group do not have significant exposure to foreign currency risk.

(iv) Interest Rate analysis

Please refer to the note for liquidity risk management of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decrease or increased for the years ended December 31, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Increased 0.25%	\$ (7,602)	(10,985)
Decreased 0.25%	7,602	10,985

(Continued)

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

(v) Fair value

1) The kinds of financial instruments and fair value

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	December 31, 2016				
	Book value	Fair Value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss					
Current financial assets held for trading	\$ 709	709	-	-	709
Non-current financial assets held for trading	<u>39,422</u>	-	39,422	-	39,422
Total	<u>\$ 40,131</u>				
Non-current financial assets at cost					
	<u>\$ 25,000</u>				
Loans and receivables					
Cash and cash equivalents	\$ 3,685,514	-	-	-	-
Time deposits (over three months)	656,950	-	-	-	-
Notes and accounts receivable (including related party)	281,609	-	-	-	-
Other receivables	11,385	-	-	-	-
Guarantee deposits	5,180	-	-	-	-
Pledged assets-time deposits	<u>198,055</u>	-	-	-	-
Total	<u>\$ 4,838,693</u>				
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	\$ 119,949	-	-	-	-
Long-term borrowings	4,842,289	-	-	-	-
Notes and accounts payable	185,208	-	-	-	-
Bonds payable	5,100,000	-	5,100,000	-	5,100,000
Accrued expenses and other payables (recorded as other current liabilities)	<u>94,638</u>	-	-	-	-
Total	<u>\$ 10,342,084</u>				

(Continued)

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

	December 31, 2015				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Current financial assets held for trading	\$ 2,850	2,850	-	-	2,850
Non-current financial assets held for trading	<u>67,066</u>	-	-	67,066	67,066
Total	<u>\$ 69,916</u>				
Non-current financial assets at cost	<u>\$ 25,000</u>				
Loans and receivables					
Cash and cash equivalents	\$ 4,506,458	-	-	-	-
Time deposits (over three months)	42,434	-	-	-	-
Notes and accounts receivable (including related party)	262,228	-	-	-	-
Other receivables	1,935	-	-	-	-
Guarantee deposits	5,241	-	-	-	-
Pledged assets-time deposits	<u>187,906</u>	-	-	-	-
Total	<u>\$ 5,006,202</u>				
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	\$ 1,259,759	-	-	-	-
Long-term borrowings	5,003,742	-	-	-	-
Notes and accounts payable	138,943	-	-	-	-
Bonds payable	2,800,000	-	2,800,000	-	2,800,000
Accrued expenses and other payables (recorded as other current liabilities)	<u>83,722</u>	-	-	-	-
Total	<u>\$ 9,286,166</u>				

2) 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.

(Continued)

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

- 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.

- 3) 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 instrument

- 4) Transfers between Level 2 and Level 3

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, 2015 were \$54,652 and \$67,066, 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 in 2015.

- 5) Statement of changes in level 3

	Financial assets at fair value through profit or loss-Bond investment
Balance on January 1, 2016	\$ <u>67,066</u>
Gains or losses:	
Recognized in profit or loss	(706)
Transfers from Level 3 on March 31, 2016	<u>(66,360)</u>
Balance on December 31, 2016	<u>\$ -</u>
Balance on January 1, 2015	\$ 131,909
Gains or losses:	
Recognized in profit or loss	<u>(64,843)</u>
Balance on December 31, 2015	<u>\$ 67,066</u>

(Continued)

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

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 December 31, 2016 and 2015 were as follows:

	2016	2015
Total gains and losses		
Recognized in profit or loss (as “net gains (losses) on financial assets at fair value through profit or loss”)	\$ (706)	(64,843)

(q) Financial risk management

(i) Briefings

The Group is exposed to the following risks arising from financial instruments :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group’s finance department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

The Group minimizes the risk exposure through financial instruments. The Board of Directors regulated the use of financial instruments in accordance with the Group’s policy about risks arising from financial instruments, such as interest rate risk, credit risk, the use of non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Group continue with the review of the amount of the risk exposure in accordance with the Group’s policy and the risk management policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from customers and investment securities.

(Continued)

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

1) Accounting receivable and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group has established a credit policy. Credit limits are established for each customer. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group set the allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is based on historical collection record of similar financial assets.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's management. Since the Group's transaction counterparties and contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore no significant credit risk.

3) Guarantees

The Group is only permissible to provide financial guarantees to subsidiaries.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to note 6(h) for unused short-term bank facilities as of December 31, 2016 and 2015.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(Continued)

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

1) Currency risk

The Group is exposed to currency risk on revenue and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (TWD). The Group uses natural hedging strategy in exposing the current and future currency risk that arises from cash flows of foreign currency asset and liability. Foreign currency gains (losses) from assets and liabilities are subsequently offset by foreign currency losses (gains) to hedge the foreign currency risk.

2) Interest rate risk

The Group borrows funds on interest rate, which has risk exposure to cash flow. The bonds payable are fixed-interest-rate debts. Changes in market interest rates lower the effect on future cash flow.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in non-listing equity securities, corporate banks, listing equity securities that measure the fair value of the publicly quoted price, and quoted open-ended fund at fair value.

(r) Capital management

The Group maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there is financial resource and operating plan to support working capital, capital expenditures, and debt redemption and dividend payment and so on. The management decides the optimized capital by using appropriate debt-to-asset ratio. To maintain a strong capital base, the Group enhances the return on equity by optimizing debt-to-assets ratio. As of December 31, 2016 and 2015, the Company's debt-to-assets ratio at the end of the reporting date was as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Total liabilities	\$ 11,147,562	10,173,186
Total assets	21,471,023	21,313,763
Debt-to-equity ratio	52 %	48 %

There were no changes in the Group's approach to capital management during the years.

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

CMT investment is the ultimate controlling party of the Company and owns 54.52 percent of all shares outstanding of the Company. The Company has issued the Consolidated financial statements available for public use.

(Continued)

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

(b) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2016</u>	<u>2015</u>
Short-term employee benefits	\$ 42,347	42,926
Post-employment benefits	1,356	1,359
	<u>\$ 43,703</u>	<u>44,285</u>

(c) Significant related party transactions

(i) Freight revenue

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

	<u>Revenue</u>		<u>Account Receivable- related-parties</u>	
	<u>2016</u>	<u>2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Other relates parties	\$ 919,377	899,649	103,283	87,818
The entities with significant influence over the Group	616	351	-	-
	<u>\$ 919,993</u>	<u>900,000</u>	<u>103,283</u>	<u>87,818</u>

The collection periods of inland trucking transactions are within 30 to 60 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.

(ii) Logistic and agent revenue

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

	<u>Revenue</u>		<u>Account Receivable- related-parties</u>	
	<u>2016</u>	<u>2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
The entities with significant influence over the Group	\$ <u>72,375</u>	<u>74,089</u>	<u>10,428</u>	<u>10,619</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.

(Continued)

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

(iii) Operating expense

	Operating expense	
	2016	2015
Entities with significant influence over the Group	\$ 7,534	7,595

The Group entered into rental agreements with its related parties from March 2014 to March 2019. The prices are similar to those of the market prices, and they are being paid monthly.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2016	December 31, 2015
Investments accounted for using equity match – stock	Commercial paper payable – and long-term loans and credit lines	\$ 528,431	488,110
Property, plant and equipment – land and buildings	Short-term and long-term loans and credit line	899,336	899,336
Transportation and other equipment (including prepayment equipment)	//	11,402,654	10,295,864
Other current financial assets (pledged assets time deposit)	Long-term loans	181,589	170,436
Other non-current financial assets (Guarantee deposits and pledged assets-time deposits)	Guarantee for construction payment, warehouse deposits, long-term loans and import duty	21,646	22,711
		\$ 13,033,656	11,876,457

(9) Commitments and contingencies:

- (a) The Group had issued guarantee promissory notes amounting to \$5,205,920 and \$2,884,000 as of December 31, 2016 and 2015, respectively, as guarantee for bonds payable.
- (b) As of December 31, 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 ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

- (c) In order to expand the business scale, the subsidiaries took over a bulk-carrier construction contract from the third parties. The related information was as follows:

<u>Purchaser</u>	<u>Date of contract</u>	<u>Total price</u>	<u>Date of delivery</u>	<u>Price paid</u>
CEP	2013.7.11	\$ 1,509,300	June 2017	603,720
		(USD\$46,800,000)	(note 1)	(USD\$18,720,000)
CHM	2014.1.10	1,502,850	October 2017	450,855
		(USD\$46,600,000)	(note 2)	(USD\$13,980,000)

Note 1: It's the actual dates of delivery.

Note 2: It's the contract deadline of delivery.

(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:

By function	2016			2015		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
By item						
Employee benefits						
Salary	342,619	176,867	519,486	340,603	182,548	523,151
Labor and health insurance	7,906	14,326	22,232	7,441	14,109	21,550
Pension	5,713	9,672	15,385	5,559	10,433	15,992
Others	20,153	6,310	26,463	19,824	6,052	25,876
Depreciation (Note)	747,439	10,875	758,314	711,736	11,951	723,687
Amortization	-	3,410	3,410	-	3,902	3,902

Note: excluding the deduction of rental income of \$459 for the years ended December 31, 2016 and 2015, respectively.

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(Continued)

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 3)	Note
													Item	Value			
1	CMT HK	CPN	Other receivable due from related parties	Y	78,045	78,045	78,045		2	-	Operating	-	-	-	10,178,892	10,178,892	Transactions in the left column had been written off during the preparation of consolidated financial statements
1	CMT HK	CPD	"	Y	242,155	242,155	242,155		2	-	"	-	-	-	10,178,892	10,178,892	"
1	CMT HK	CTU	"	Y	517,613	517,613	517,613		2	-	"	-	-	-	10,178,892	10,178,892	"
1	CMT HK	CTD	"	Y	517,613	517,613	517,613		2	-	"	-	-	-	10,178,892	10,178,892	"
1	CMT HK	CPC	"	Y	338,625	338,625	338,625		2	-	"	-	-	-	10,178,892	10,178,892	"
1	CMT HK	CHM	"	Y	359,910	359,910	359,910		2	-	"	-	-	-	10,178,892	10,178,892	"
1	CMT HK	CHN	"	Y	161,250	161,250	161,250		2	-	"	-	-	-	10,178,892	10,178,892	"
1	CMT HK	CEP	"	Y	161,250	-	-		2	-	"	-	-	-	10,178,892	10,178,892	"
1	CMT HK	CPG	"	Y	419,250	419,250	419,250		2	-	"	-	-	-	10,178,892	10,178,892	"
1	CMT HK	CMTS	"	Y	387,000	387,000	387,000		2	-	"	-	-	-	10,178,892	10,178,892	"
2	ATI	CST	Accounts receivable due from related parties	Y	40,000	7,000	7,000	1.20%	1	179,319	-	-	-	-	179,319	278,660	"
2	ATI	MHT	"	Y	15,000	-	-	1.20%	1	83,719	-	-	-	-	83,719	278,660	"
2	ATI	APT	"	Y	80,000	60,000	60,000	1.20%	1	94,619	-	-	-	-	94,619	278,660	"
2	ATI	PTL	"	Y	30,000	18,000	18,000	1.20%	2	-	Operating	-	-	-	278,660	278,660	"

Note 1: 1. Represents entities with business dealings. 2. Represents where an inter-company or inter-firm short-term financing facility is necessary.

Note 2: The amount shall not exceed 40 percent of the lender's net worth. The amount lendable to directly or indirectly wholly owned foreign subsidiaries is not limited by the restriction of 40 percent of the lender's net worth, only the total amount lending limit shall still be no more than the net worth of each subsidiary.

Note 3: The total amount lending limit shall not exceed the net worth of each subsidiary. The amount lendable to directly or indirectly wholly owned foreign subsidiaries is not limited by the restriction of 40 percent of the lender's net worth, only the total amount lending limit shall still be no more than the net worth of each subsidiary.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements / guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	THE COMPANY	CPN	Sub-subsidiary	15,485,191	1,451,250	1,451,250	1,018,679	-	14.06 %	15,485,191	Y	-	-
0	"	CTU	"	"	1,451,250	1,451,250	725,625	-	14.06 %	"	Y	-	-
0	"	CTD	"	"	1,451,250	1,451,250	798,188	-	14.06 %	"	Y	-	-
0	"	ATI	Subsidiary	"	150,000	100,000	-	-	0.97 %	"	Y	-	-
0	"	CFR	Sub-subsidiary	"	1,433,513	1,433,513	1,063,817	-	13.89 %	"	Y	-	-
0	"	CEP	"	"	452,790	452,790	452,790	-	4.39 %	"	Y	-	-
0	"	CHM	"	"	1,352,565	-	-	-	- %	"	Y	-	-
0	"	CHN	"	"	1,352,565	1,352,565	1,352,565	-	13.10 %	"	Y	-	-
1	CMT HK	CPG	Subsidiary	15,268,336	188,276	-	-	-	- %	15,268,336	-	-	-
1	"	CPD	Subsidiary	"	2,031,750	2,031,750	496,650	-	19.96 %	"	-	-	-
1	"	THE COMPANY	Parent company	"	2,580	2,580	2,580	-	0.03 %	"	-	Y	-
1	"	CHM	Subsidiary	"	1,051,995	1,051,995	739,331	-	10.34 %	"	-	-	-
1	"	CEP	Subsidiary	"	1,031,355	1,031,355	-	-	10.13 %	"	-	-	-

(Continued)

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

Note1: Represents the Company.

Note2: The total amount of external endorsements and/or guarantees shall not exceed 150 percent of the Company's net worth. Among which, the amount of endorsements/ guarantees for any single entity (1) whose voting shares are 100% owned by the Company shall not exceed 150 percent of the Company's net worth. (2) company whose more than 80 percent voting shares owned by the Company shall not exceed 30 percent of the Company's net worth.

Note3: CMT HK's total amount of external endorsements/ guarantees shall not exceed 150 percent of CMT HK's net worth. Among which, the amount of endorsements/ guarantees for any single entity (1) investee whose voting shares are 100% owned by the Company shall not exceed 150 percent of the Company's net worth. (2) company whose more than 80 percent voting shares owned by the Company shall not exceed 30 percent of the Company's net worth. (3) company whose less than 80 percent voting shares owned by the Company shall not exceed 10 percent of the Company's net worth.

Note4: The amount was translated to the TWD at the exchange rates at the reporting date.

- (iii) Securities held as of December 31, 2016 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the period		Note
				Shares/Units (thousands)	Carrying value	percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
THE COMPANY	Yang Ming Marine Transport Corporation	-	Non-current financial assets held for trading	1,000	39,422	- %	39,422	1,000	-%	-
"	Asia Pacific Emerging Industry Venture Capital Co., Ltd.	-	Non-current financial assets at cost	2,500	25,000	- %	25,000	2,500	-%	-
CMTS	FIRST SHIP fund	-	Current financial assets at fair value through profit or loss	200	709	- %	709	200	- %	-

- (iv) Individual securities, acquired or disposed, with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with an amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with an amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/ sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
THE COMPANY	OTWL	Substantial associates	Freight revenue	(840,549)	(63) %	30 to 45 days after consignment date	-	-	86,277	50%	
	ATI	Subsidiary	Freight cost	1,161,135	98 %	Depending on the demand for funding of subsidiaries	-	-	(206,902)	(99)%	Note 1
ATI	THE COMPANY	Subsidiary	Freight revenue	(1,161,135)	(88) %	"	-	-	206,902	88%	"
CST	ATI	Subsidiary	Freight revenue	(147,547)	(98) %	"	-	-	12,609	92%	"
ATI	CST	Subsidiary	Freight cost	147,547	13 %	"	-	-	(12,609)	(13)%	"
HYT	ATI	Subsidiary	Freight revenue	(148,898)	(100)%	"	-	-	13,810	100%	"

(Continued)

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
ATI	HYT	Subsidiary	Freight cost	148,898	13 %	"	-		(13,810)	(14)%	"
APT	ATI	Subsidiary	Freight revenue	(111,073)	(40) %	"	-		9,877	100%	"
ATI	APT	Subsidiary	Freight cost	111,073	80 %	"	-		(9,877)	5%	"
CPD	CCL	Same as Parent company	Rental income	(277,792)	(100)%	Rent received in advance	-		-	-%	"
CCL	CPD	Same as Parent company	Rental expense	277,792	100 %	Prepaid rent	-		-	-%	"

Note1: Transactions in the left column had been written off during the preparation of consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
CMT HK	CTD	Subsidiary	517,613	Notel	-		-	-	
"	CPD	Subsidiary	242,155	"	-		-	-	
"	CTU	Subsidiary	517,613	"	-		-	-	
"	CHM	Subsidiary	359,910	"	-		-	-	
"	CPC	Subsidiary	338,625	"	-		-	-	
"	CHN	Subsidiary	161,250	"	-		-	-	
"	CPG	Subsidiary	419,250	"	-		-	-	
"	CMTS	Subsidiary	387,000	"	-		-	-	
AYI	THE COMPANY	Subsidiary	206,902	5.59	-		206,902	-	

Note1: There were no turnover rates due to the accounts receivable from related parties.

Note2: Transactions in the left column had been written off during the preparation of the consolidated financial statements.

(ix) Trading in derivative instruments:None

(Continued)

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

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
1	CST	ATI	2	Operating revenues	147,547	Price depends on the market, and the receivables depend on funding demand in the credit period	4.48%
1	CST	ATI	2	Accounts receivable	12,609	"	0.06%
2	HYT	ATI	2	Operating revenues	148,898	"	4.52%
2	HYT	ATI	2	Accounts receivable	13,810	"	0.06%
3	APT	ATI	2	Operating revenues	111,073	"	3.37%
3	APT	ATI	2	Accounts receivable	9,877	"	0.05%
4	ATI	THE COMPANY	2	Operating revenues	1,161,135	"	35.24%
4	ATI	THE COMPANY	2	Accounts receivable	206,902	"	0.96%
5	CPD	CCL	3	Rental income	277,792	Rent received in advance	8.43%
6	CMT HK	CPD	3	Other receivables	242,155	-	1.13%
6	CMT HK	CTU	3	"	517,613	-	2.41%
6	CMT HK	CTD	3	"	517,613	-	2.41%
6	CMT HK	CHM	3	"	359,910	-	1.68%
6	CMT HK	CHM	3	"	161,250	-	0.75%
6	CMT HK	CMTS	3	"	387,000	-	1.80%
6	CMT HK	CPC	3	"	338,625	-	1.58%
6	CMT HK	CPG	3	"	419,250	-	1.95%

Note 1: The companies are coded as follows:

1. 0 represents the parent company.
2. The subsidiaries are coded sequentially beginning from 1 in the order of companies' names.

Note 2: The relationships with transactions are as follows:

- 1 represents transactions from the parent company to its subsidiaries.
- 2 represents transactions from the subsidiaries to the parent company.
- 3 represents transaction between subsidiaries.

(Continued)

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

(b) Information on investees:

The following is the information on investees for the highest balance during 2016 (excluding the information on investees in Mainland China):

(In Thousands of Shares)
(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main Businesses and Products	Original Investment Amount (Note 1)		Balance as of December 31, 2016			Net Income		The highest holdings in the period		Note
				December 31, 2016	December 31, 2015	Shares (thousands)	Percentage of Ownership	Carrying Value	(Losses) of the Investee	Share of profits/losses of investee	Shares (In Thousands)	Percentage of Ownership (%)	
The Company	CMTS	Singapore	Investment holding of ship-owning companies	4,282	4,282	217	0.51 %	5,483	24,097	172	217	0.87 %	Note1 - Note4
	CMT HK	Hong Kong	Investment holding of ship-owning companies	34,356	34,356	12,000	100 %	10,178,892	170,886	170,886	12,000	100 %	#
	CMTL	Taiwan	Warehouse management	689,558	689,558	19,200	100 %	1,025,640	45,363	45,363	19,200	100 %	#
	AGM	"	Investment	1,000	1,000	100	100 %	1,154	(51)	(51)	100	100 %	#
	HIL	"	"	865,000	865,000	86,500	100 %	703,600	(133,063)	(133,063)	865,000	100 %	#
	MHI	"	"	1,300	1,300	130	100 %	1,338	(51)	(51)	450	100 %	#
	ATI	"	Container trucking	500,000	500,000	50,000	100 %	696,650	139,327	139,327	50,000	100 %	#
	TNCL	"	Bulk-carrier transportation	1,007,412	1,007,412	31,125	7.459 %	758,216	(90,825)	(49,328)	31,125	7.459 %	Note2
	CMTTSL	"	Travel	20,000	20,000	2,000	100 %	10,552	(2,148)	(2,148)	2,000	100 %	Note1 - Note4
	TGEM	"	Bulk-carrier transportation	601,200	457,200	60,120	12 %	609,713	79,433	9,532	60,120	12 %	Note2
	UNH	"	Gasoline international trade	1,000	1,000	100	100 %	981	-	-	100	100 %	Note1 - Note4
	UHD	"	Investment management	1,000	1,000	100	100 %	978	(1)	(1)	100	100 %	#
	CMA	"	Forwarder	30,000	30,000	3,000	100 %	23,934	(3,296)	(3,296)	3,000	100 %	#
CMTS	CFR	Singapore	Bulk-carrier transportation	741,750	741,750	29,900	100 %	741,363	35,592	Has been recognized as investment incomes(losses) by CMTS	29,900	100 %	Note3 - Note4
	CEP	"	"	648,225	325,725	20,100	100 %	641,220	(4,846)	#	20,100	100 %	#
CMT HK	CPS	Hong Kong	"	64,500	64,500	2,000	100 %	64,026	(23)	Has been recognized as investment incomes(losses) by CMTHK	2,000	100 %	#
	CPG	"	"	193,500	193,500	6,000	100 %	306,079	106,196	#	6,000	100 %	#
	CPC	"	"	177,375	177,375	5,500	100 %	298,151	(48,204)	#	5,500	100 %	#
	CCL	"	Bulk-chartering services	323	323	10	100 %	6,858	(411)	#	10	100 %	#
	CPN	"	Bulk-carrier transportation	774,000	774,000	240	100 %	773,353	26,842	#	240	100 %	#
	CPD	"	"	1,354,500	1,354,500	420	100 %	1,378,479	83,656	#	420	100 %	#
	CTD	"	"	419,250	419,250	13,000	100 %	457,403	15,591	#	13,000	100 %	#
	CTU	"	"	419,250	419,250	13,000	100 %	453,691	15,745	#	13,000	100 %	#
	CHM	"	"	483,750	483,750	150	100 %	458,973	(17,458)	#	150	100 %	#
	CHN	"	"	483,750	322,500	150	100 %	478,580	(4,316)	#	150	100 %	#
	CHI	"	Investment	323	323	0.1	100 %	(40)	(134)	#	0.1	100 %	#
	CIM	"	"	32,250	32,250	10	100 %	31,797	(164)	#	10	100 %	#
	CMTS	Singapore	Investment holding of ship-owning companies	1,044,900	625,650	42,367	99.49 %	1,071,354	24,097	#	42,367	100 %	#
HIL	TNCL	Taiwan	Bulk-carrier transportation	610,242	924,082	23,308	5.586 %	542,593	(90,825)	Has been recognized as investment incomes(losses) by HIL	35,295	8.458 %	Note4
ATI	CST	"	Container trucking	86,642	86,642	8,200	100 %	99,691	7,688	Has been recognized as investment incomes(losses) by ATI	8,200	100 %	Note1 - Note4
#	HYT	"	"	28,932	28,932	3,000	100 %	38,149	1,817	-	3,000	100 %	#
#	MHT	"	"	30,568	30,568	3,000	100 %	58,382	20,470	-	3,000	100 %	#
#	APT	"	"	30,719	30,719	3,000	100 %	41,193	6,730	-	3,000	100 %	#
#	FTL	"	"	30,000	30,000	3,000	100 %	31,850	1,847	-	3,000	100 %	#

(Continued)

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

Note1: Subsidiaries controlled by the parent company.
 Note2: Investees affected by the comprehensive shareholdings of the Group.
 Note3: The amount was translated to the NTD at the exchange rates at the reporting date.
 Note4: The account had been written off during the preparation of consolidated financial statements.

(c) Information on investment in mainland China:None

(14) Segment information:

The Group's reportable segments consist of the Land Transportation, and the Logistics Segment and the Sea Transportation Segment. The land transportation and the logistics segment 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 Company'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 Company's 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.

	December 31, 2016				
	Inland trucking and terminal & logistics department	Shipping department	Others	Adjustments and eliminations	Total
Revenue from external customers	\$ 1,821,194	1,450,876	22,764	-	3,294,834
Intersegment revenue	-	-	-	-	-
Total revenues	<u>\$ 1,821,194</u>	<u>1,450,876</u>	<u>22,764</u>	<u>-</u>	<u>3,294,834</u>
Segment income before tax	<u>\$ 230,658</u>	<u>231,459</u>	<u>(5,812)</u>	<u>-</u>	<u>456,305</u>
Reportable segment assets					<u>\$ 21,471,023</u>
	December 31, 2015				
	Inland trucking and terminal & logistics department	Shipping department	Others	Adjustments and eliminations	Total
Revenue from external customers	\$ 1,822,847	1,520,742	17,868	-	3,361,457
Intersegment revenue	-	-	-	-	-
Total revenues	<u>\$ 1,822,847</u>	<u>1,520,742</u>	<u>17,868</u>	<u>-</u>	<u>3,361,457</u>
Segment income before tax	<u>\$ 217,347</u>	<u>377,917</u>	<u>(4,751)</u>	<u>-</u>	<u>590,513</u>
Reportable segment assets					<u>\$ 21,313,724</u>

(Continued)

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

(a) Entity-wide information

The Consolidated Company's industrial information is the same as the one in reportable segments.

The geographic information of the Consolidated Company's sales that was presented by customer location, and the non-current assets that were presented by location were as follows:

(i) Revenue from external customers:

<u>Country</u>	<u>2016</u>	<u>2015</u>
Taiwan	\$ 1,844,642	1,841,474
Switzerland	403,710	433,108
Marshall islands	430,888	443,307
Others	<u>615,594</u>	<u>643,568</u>
	<u>\$ 3,294,834</u>	<u>3,361,457</u>

(ii) Non-current Assets:

<u>Country</u>	<u>2016</u>	<u>2015</u>
Taiwan	\$ 2,413,802	2,416,354
Hong Kong	9,783,320	9,386,331
Singapore	<u>2,371,230</u>	<u>2,197,285</u>
	<u>\$ 14,568,352</u>	<u>13,999,970</u>

(b) Major customers

Sales to individual customers constituting over 10% of the total revenue in the consolidated statements of income of 2016 and 2015 are summarized as follows:

<u>Customer</u>	<u>Nature of services</u>	<u>2016</u>		<u>2015</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
A Company	Container transportation	\$ 840,549	26	827,893	25
F Company	Vessel transportation	430,888	13	443,307	13
S Company	Vessel transportation	<u>633,190</u>	<u>19</u>	<u>669,368</u>	<u>20</u>
		<u>\$ 1,904,627</u>	<u>58</u>	<u>1,940,568</u>	<u>58</u>