

CHINESE MARITIME TRANSPORT LTD.**Parent Company Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017**

Address: 4F., NO15, Sec. 1, Jinan Rd., Taipei City, Taiwan (R.O.C)
Telephone: (02)2396-3282

The independent auditors' report and the accompanying parent company only 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 independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~15
(4) Summary of significant accounting policies	15~31
(5) Significant accounting assumptions, and judgments and major sources of estimation uncertainty	32
(6) Explanation of significant accounts	32~59
(7) Related-Party Transactions	59~63
(8) Pledged Assets	64
(9) Significant Commitments and Contingencies	64
(10) Losses Due to Major Disasters	64
(11) Subsequent Events	64
(12) Other	64
(13) Other Disclosures	
(a) Information on significant transactions	65~68
(b) Information on investees	68~69
(c) Information on investment in mainland China	69
(14) Segment Information	69
9. Statement of significant accounts	70~75



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of CHINESE MARITIME TRANSPORT LTD.:

Opinion

We have audited the financial statements of CHINESE MARITIME TRANSPORT LTD. (“the Company”), which comprise the balance sheets as of December 31, 2018 and 2017, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, Based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements which represented investment in another entity accounted for using the equity method of the Company. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts is based solely on the report of other auditors. The investment in Taiwan Navigation Co., Ltd. and Taiwan Global Energy Maritime Co., Ltd. accounted for using the equity method constitute 11.86% of total assets at December 31, 2018. The investment in Taiwan Global Energy Maritime Co., Ltd. accounted for using the equity method constitute 4.44% of total assets at December 31, 2017. The related share of profit of associates accounted for using the equity method constitute 22.64% and 35.07% of total profit before tax for the years ended December 31, 2018 and 2017, respectively.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 freight revenue—container hauling

Refer to Note(4)(o) “Revenue” and to Note (6) (o) “Revenue from contracts with customers” for income details.

Description of key audit matters:

The main activities of the Company are container hauling and related business. Freight revenue container hauling is one of the significant items in the financial statements, and the amounts and changes may affect the users’ understanding on the entire financial statements. Therefore, the testing over freight revenue container hauling recognition is considered a key matter in our audit.

Audit Procedure:

Our principal audit procedures included testing related control over sale and receipts cycle, conducting tests of details of freight revenue container hauling, executing the confirmation process used to examine accounts receivable and major clients, and evaluating if the Company’ s timing of revenue recognition are in accordance with related accounting standards.

2. Freight revenue—vessel chartering, using equity method investment, subsidiary

Refer to Note(4)(h) “Investment in subsidiary”, and to Note (6)(e) for “Investment accounted for using equity method”.

Description of key audit matters:

The main activity of the subsidiaries, accounted for using equity method investment, is operating bulk carrier. Freight revenue vessel chartering is one of the significant items in the financial statements, and the amounts and changes may affect the users’ understanding on the entire financial statements. Therefore, the testing over freight revenue vessel chartering recognition is considered a key matter in our audit.

Audit procedure:

Our principal audit included testing related control over sale and receipts cycle of subsidiaries, which are investments using equity method, executing substantive analytical procedures of freight revenue-vessel chartering, assessing contract liabilities, and evaluating the timing of revenue recognition is in accordance with related accounting standards.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding investment subsidiary using equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 I-Wen Wang and Jui-Lan Lo.

KPMG

Taipei, Taiwan (Republic of China)

March 28, 2019

Notes to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial statements 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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 independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)
CHINESE MARITIME TRANSPORT LTD.

Balance Sheets

December 31, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017		December 31, 2018		December 31, 2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents (note (6)(a))	\$ 229,607	2	238,861	2	2100			
1110 Current financial assets at fair value through profit or loss (note (6)(b))	38,389	-	-	-	2150			
1150 Notes and accounts receivable, net (note (6)(d))	174,579	1	75,649	1	2181			
1160 Notes and accounts receivable due from related parties, net (note (6)(d) and (7))	-	-	83,421	1	2219			
1470 Other current assets (notes (7))	8,146	-	7,185	-	2300			
1476 Other current financial assets (notes (6)(h) and (8))	7,450	-	482	-				
	<u>458,171</u>	<u>3</u>	<u>405,598</u>	<u>4</u>				
Non-current assets:								
1510 Non-current financial assets at fair value through profit or loss (note (6)(b))	24,788	-	-	-	2530			
1515 Non-current financial assets held for trading (note (6)(b))	-	-	48,913	-	2570			
1544 Non-current financial assets at cost (notes (6)(c))	-	-	25,000	-	2640			
1550 Investments accounted for using equity method, net (note (6)(e))	13,454,442	93	12,687,509	92	2670			
1600 Property, plant and equipment (notes (6)(f) and (8))	510,927	4	505,990	4				
1760 Investment property, net (notes (6)(g))	20,240	-	20,308	-	3100			
1780 Intangible assets	12,655	-	15,915	-	3200			
1840 Deferred tax assets (note (6)(f))	3,215	-	9,031	-	3310			
1900 Other non-current assets	2,766	-	8,079	-	3320			
1980 Other non-current financial assets (note (6)(h) and (8))	5,671	-	5,527	-	3350			
	<u>14,035,704</u>	<u>97</u>	<u>13,326,272</u>	<u>96</u>				
Total assets	<u>\$ 14,493,875</u>	<u>100</u>	<u>13,731,870</u>	<u>100</u>				
Liabilities and Equity								
Current liabilities:								
Short-term borrowings (note (6)(i))								
Notes and accounts payable								
Accounts payable to related parties (note (7))								
Other payables, others								
Other current liabilities (note (7))								
	<u>8,477</u>	<u>-</u>	<u>14,170</u>	<u>-</u>				
	<u>969,358</u>	<u>7</u>	<u>987,018</u>	<u>7</u>				
Non-Current liabilities:								
Bonds payable (note (6)(i))								
Deferred tax liabilities (note (6)(f))								
Net defined benefit liability, non-current (note (6)(k))								
Other non-current liabilities, others								
	<u>516</u>	<u>-</u>	<u>516</u>	<u>-</u>				
	<u>3,337,702</u>	<u>23</u>	<u>3,318,140</u>	<u>23</u>				
	<u>4,307,060</u>	<u>30</u>	<u>4,305,158</u>	<u>32</u>				
	<u>1,974,846</u>	<u>14</u>	<u>1,974,846</u>	<u>14</u>				
	<u>53,411</u>	<u>-</u>	<u>53,411</u>	<u>-</u>				
Total liabilities	<u>1,664,166</u>	<u>12</u>	<u>1,654,360</u>	<u>12</u>				
Common stock (note (6)(m))	621,623	4	359,487	3				
Capital surplus (note (6)(m))	6,151,652	42	6,006,231	44				
Retained earnings (note (6)(m))	8,437,441	58	8,020,078	59				
Legal reserve								
Special reserve								
Unappropriated retained earnings								
	<u>(278,883)</u>	<u>(2)</u>	<u>(621,623)</u>	<u>(5)</u>				
Other equity:								
Other equity interest								
	<u>10,186,815</u>	<u>70</u>	<u>9,426,712</u>	<u>68</u>				
Total equity	<u>14,493,875</u>	<u>100</u>	<u>13,731,870</u>	<u>100</u>				
Total liabilities and equity	<u>\$ 14,493,875</u>	<u>100</u>	<u>13,731,870</u>	<u>100</u>				

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
CHINESE MARITIME TRANSPORT LTD.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in thousands of New Taiwan dollars, Except earnings per share)

	2018		2017	
	Amount	%	Amount	%
4000 Operating Revenues (notes (6)(o), and (7))				
4621 Freight revenue-vessel chartering	\$ 60,990	5	55,003	4
4622 Freight revenue-container hauling, net and logistics revenue	1,170,487	90	1,127,314	90
4623 Freight revenue-airline agent and others	<u>68,673</u>	<u>5</u>	<u>76,769</u>	<u>6</u>
	1,300,150	100	1,259,086	100
5000 Operating costs (notes (6)(j), (7) and (12))	<u>1,147,651</u>	<u>88</u>	<u>1,098,535</u>	<u>87</u>
5900 Gross profit	152,499	12	160,551	13
Operating expenses:				
6000 Operating expenses (notes (6)(j), (k), (q), (7) and (12))	157,604	12	135,969	11
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (notes (6)(d))	<u>(1,790)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	155,814	12	135,969	11
6900 Net operating income	<u>(3,315)</u>	<u>-</u>	<u>24,582</u>	<u>2</u>
Non-operating income and expenses:				
7010 Other income (note (6)(j))	11,887	1	8,621	1
7050 Finance costs-interest expense (note (6)(p))	(61,947)	(5)	(81,203)	(6)
7070 Share of profit (loss) of associates and joint ventures accounted for using equity method, net (note (6)(e))	600,934	46	43,632	3
7100 Interest income	3,197	-	5,970	-
7210 Gains on disposals of property, plant and equipment (note (6)(f) and (7))	-	-	82,252	7
7235 Gains on financial assets at fair value through profit or loss(note (6)(b))	<u>(10,855)</u>	<u>(1)</u>	<u>9,491</u>	<u>1</u>
Total non-operating income and expenses	<u>543,216</u>	<u>41</u>	<u>68,763</u>	<u>6</u>
7900 Profit before tax	539,901	41	93,345	8
7950 Less: Tax expense (note (6)(l))	<u>26,190</u>	<u>2</u>	<u>(4,707)</u>	<u>-</u>
Profit	<u>513,711</u>	<u>39</u>	<u>98,052</u>	<u>8</u>
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans (note (6)(k))	758	-	3,492	-
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(10,669)	(1)	(5,374)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(l))	<u>12</u>	<u>-</u>	<u>594</u>	<u>-</u>
	<u>(9,923)</u>	<u>(1)</u>	<u>(2,476)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation	307,783	24	(785,605)	(62)
8380 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	40,113	3	(108,497)	(9)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(l))	<u>193</u>	<u>-</u>	<u>(519)</u>	<u>-</u>
	<u>347,703</u>	<u>27</u>	<u>(893,583)</u>	<u>(71)</u>
8300 Other comprehensive income, net	<u>337,780</u>	<u>26</u>	<u>(896,059)</u>	<u>(71)</u>
8500 Comprehensive income	<u>\$ 851,491</u>	<u>65</u>	<u>(798,007)</u>	<u>(63)</u>
Earnings per share (note (6)(n))				
9750 Basic net income per share (NT dollars)	<u>\$ 2.60</u>		<u>0.50</u>	
9850 Diluted net income per share (NT dollars)	<u>\$ 2.60</u>		<u>0.50</u>	

(English Translation of Financial Statements Originally Issued in Chinese)
CHINESE MARITIME TRANSPORT LTD.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017
 (Expressed in thousands of New Taiwan dollars)

Share capital	Retained earnings						Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings						
\$ 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			
-	-	4,794	-	(4,794)	-	-	-	-	(98,742)			
-	-	4,794	-	(103,536)	(98,742)	(98,742)	-	-	(98,742)			
-	-	-	-	98,052	98,052	(2,476)	-	-	98,052			
-	-	-	-	(2,476)	(2,476)	(895,001)	-	-	(895,583)			
-	-	-	-	95,576	95,576	(895,001)	-	-	1,418			
1,974,846	53,411	1,654,360	359,487	6,006,231	8,020,078	(611,199)	(10,424)	(621,623)	9,426,712			
-	-	-	-	1,118	1,118	-	-	-	10,424			
1,974,846	53,411	1,654,360	359,487	6,007,349	8,021,196	(611,199)	(4,188)	(615,387)	9,434,066			
-	-	9,806	-	(9,806)	-	-	-	-	-			
-	-	-	262,136	(262,136)	-	-	-	-	-			
-	-	-	-	(98,742)	(98,742)	-	-	-	(98,742)			
-	-	9,806	262,136	(370,684)	(98,742)	-	-	-	(98,742)			
-	-	-	-	513,711	513,711	-	-	-	513,711			
-	-	-	-	1,276	1,276	347,703	-	-	(11,199)			
-	-	-	-	514,987	514,987	347,703	-	-	336,504			
1,974,846	53,411	1,664,166	621,623	6,151,652	8,437,441	(263,496)	(15,387)	(278,883)	10,186,815			

Balance at January 1, 2017

Appropriation and distribution of retained earnings:

Legal reserve appropriated

Cash dividends of ordinary share

Net income for the year ended December 31, 2017

Other comprehensive income for the year ended December 31, 2017

Total comprehensive income for the year ended December 31, 2017

Balance at December 31, 2017

Effects of retrospective application

Balance at January 1, 2018 after adjustments

Appropriation and distribution of retained earnings:

Legal reserve appropriated

Special reserve appropriated

Cash dividends of ordinary share

Net income for the year ended December 31, 2018

Other comprehensive income for the year ended December 31, 2018

Total comprehensive income for the year ended December 31, 2018

Balance at December 31, 2018

(English Translation of Financial Statements Originally Issued in Chinese)

CHINESE MARITIME TRANSPORT LTD.**Statements of Cash Flows****For the years ended December 31, 2018 and 2017****(Expressed in thousands of New Taiwan dollars)**

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 539,901	93,345
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	9,328	10,346
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	(1,790)	-
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	10,855	(9,491)
Interest expense	61,947	81,203
Interest income	(3,197)	(5,970)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(600,934)	(43,632)
Loss (gain) on disposal of property, plant and equipment	-	(82,252)
Total adjustments to reconcile profit (loss)	(523,791)	(49,796)
Changes in operating assets:		
Decrease (increase) in notes and accounts receivable (including related parties)	(13,719)	18,787
Increase in other receivable due from related parties	(6,642)	-
Decrease in other current assets	(961)	7,080
Increase in other financial assets	(11)	(22)
	(21,333)	25,845
Changes in operating liabilities:		
Decrease in notes and accounts payable	(21,993)	(80,443)
Decrease in net defined benefit liability	(445)	(119)
Increase (decrease) in other payable and other current liabilities	4,664	(781)
	(17,774)	(81,343)
Total changes in operating assets and liabilities	(39,107)	(55,498)
Total adjustments	(562,898)	(105,294)
Cash inflow generated from operations	(22,997)	(11,949)
Interest received	3,198	6,181
Dividends received	197,464	150,581
Interest paid	(62,007)	(96,597)
Income taxes paid	(590)	(38,444)
Net cash flows from operating activities	115,068	9,772
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(20,000)	-
Decrease (increase) in other current financial assets	-	614,000
Proceeds from capital reduction of investments accounted for using equity method	-	323,197
Acquisition of property, plant and equipment (including prepayment for equipment)	(5,624)	(19,792)
Proceeds from disposal of property, plant and equipment	-	128,002
Decrease (increase) in other non-current financial assets	(144)	-
Net cash flows from (used in) investing activities	(25,768)	1,045,407
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	188	799,649
Proceeds from issuing bonds	-	800,000
Repayments of bonds	-	(2,800,000)
Cash dividends paid	(98,742)	(98,742)
Net cash flows used in financing activities	(98,554)	(1,299,093)
Net decrease in cash and cash equivalents	(9,254)	(243,914)
Cash and cash equivalents at beginning of period	238,861	482,775
Cash and cash equivalents at end of period	\$ 229,607	238,861

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(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 (TWSE). 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.

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issuance by the board of directors on March 28, 2019.

(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”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as no adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

Vessel management and commission revenue is currently recognized when the service is provided; container hauling revenue is recognized when the goods are delivered to the customers’ premise; also, airline agent revenue is recognized when the service is provided. Revenue is recognized at the point that the revenue and costs can be measured reliably and the recovery of the consideration is probable. Under IFRS 15, revenue will be recognized when the service is provided and the right of service is obtained by customers.

There is no material impact on its financial statements in the said period.

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note (4) (f).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note (4) (f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

· Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

· The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

· If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company’s financial assets as of January 1, 2018.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and cash equivalents	Loans and receivables	238,861	Amortized cost	238,861
Debt securities	Non-current financial assets held for trading (note 1)	48,913	FVTPL	48,913
Debt securities	Financial assets measured at cost (note 2)	25,000	FVTPL	26,118
Notes and accounts receivable, net (including related parties)	Loans and receivables (note 3)	159,070	Amortized cost	159,070
Other receivables (recorded as other current financial asset)	Loans and receivables (note 3)	482	Amortized cost	482
Guarantee deposits (recorded as other non-current financial asset)	Loans and receivables	477	Amortized cost	477
Pledged assets-time deposits (recorded as other non-current financial asset)	Loans and receivables	5,050	Amortized cost	5,050

Note1: Under IAS 39, these debt securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

Note2: The corporate debt securities are categorized as financial assets measured at cost under IAS 39. The Company assesses that these securities are held within a business model whose objective is achieved both by collecting the contractual cash flows and selling securities. Consequently, as permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVTPL. An increase of \$1,118 thousand in those assets recognized, as well as an increase of 1,118 thousand in retained earnings was recognized on January 1, 2018.

Note3: Notes and accounts receivable and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. The adoption of IFRS 9 did not have any a significant impact on its opening retained earnings.

Note4: The Company recognized the amount of \$6,236 thousand for retrospective application by using equity method in other equity on January 1, 2018.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	\$ -	-	-		-	-
Additions – debt instruments:						
From available for sale– non-current	-	48,913	-		-	-
From financial assets measured at cost	-	25,000	1,118		1,118	-
Total	\$ -	73,913	1,118	75,031	1,118	-

(iii) Amendments to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(u).

(iv) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Loss”

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

There is no material impact on its financial statements in the said period.

(b) The impact of IFRS endorsed by the FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16“Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

(Continued)

CHINESE MARITIME TRANSPORT LTD.**Notes to the Financial Statements**

- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the Company estimated the application of the amendments would not have any material impact on its financial statements.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Company estimated the application of the amendments would not have any material impact on its consolidated financial statements.

(iii) IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and the effect of the asset ceiling is disregarded when calculating past service cost and the gain or loss on settlement. Any change in that effect is recognized in other comprehensive income.

So far, the Company estimated the application of the amendments would not have any material impact on its financial statements.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

Those which may be relevant to the Company are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
October 31, 2018	Amendments to IAS 1 and IAS 8 “Definition of Material”	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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

(4) Summary of significant accounting policies

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

- (a) Statement of compliance

These financial statement have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) The net defined benefit liability (asset) is recognized as fair value of the pension assets after deducting the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company 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 fair value through other comprehensive income 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 NTD at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to NTD at average rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

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 Company 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 Company 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.

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.

(d) 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 (as defined in IAS 7) 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.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash and cash in bank. 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.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(f) Financial instruments

(i) Financial assets (applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable (including related parties), other receivable, guarantee deposit paid and pledged assets-time deposit).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings. The time deposits held by the Company were considered to have low credit risk because the Company's transaction counterparties and the contractually obligated counter parties are financial institutions with credit ratings beyond investment grade.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, 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 Company recognizes the difference between its 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 on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

The Company 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 assets (policy applicable before January 1, 2018)

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, 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.

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. 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.

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.

(Continued)

CHINESE MARITIME TRANSPORT LTD.**Notes to the Financial Statements**

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 Company 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 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 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.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company 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.

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

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 Company 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. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

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

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.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

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 Company 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.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company 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.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

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 accounts 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.

3) Derecognition of financial liabilities

The Company 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.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

4) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company 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.

(g) Investment in associates

Associates are those entities in which the Company 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 financial statements include the Company'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 Company from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company'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 Company'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 Company has an obligation or has made payments on behalf of its investee.

(h) Investment in subsidiary

When preparing financial statement, the Company used equity method to account for its investments in subsidiary. Under the equity method, the profit and loss and other comprehensive income in financial statement is as same as the profit and loss and other comprehensive income that belongs to parent company equity in financial statement.

Changes in the Company's ownership interest in a subsidiary, do not result in the Company losing control of the subsidiary are equity transactions.

(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.
Notes to the 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 Company. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. 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.

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

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

- 1) Buildings: 24 ~ 55 years
- 2) Building improvements: 3~16 years
- 3) Transportation equipment: 5 ~6 years
- 4) Furniture, fixtures and other equipment: 1 ~9 years

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

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 Company 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 Company as lessee

Operating leases are not recognized in the Company'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 Company 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.

(iii) Amortization

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

The intangible asset that the Company 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 3~7 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.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(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 Company shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount for the individual asset, then the Company 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 Company 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 Company 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) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Freight revenue

Container hauling revenue is recognized when the goods are delivered to the customers' premises; vessel management and commission revenue are recognized when the service is provided.

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

2) Rental income from investment property

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.

3) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Revenue (policy applicable before January 1, 2018)

1) Freight revenue

Container hauling revenue is recognized when the goods are delivered to the customers' premises; vessel management and commission revenue are recognized when the service is provided. Operating cost is recognized as incurred.

2) Rental income from investment property

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 Company'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 Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, 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 Company. An economic benefit is available to the Company 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 pension cost incurred from 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 Company recognizes remeasurements of the net defined benefit plans in retained earnings.

The Company 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.

(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 Company 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.

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

(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.

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 Company 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

The Company has already provided the operating segments disclosure in the consolidated financial statements.

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

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

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Petty cash, checking accounts and demand deposits	<u>\$ 229,607</u>	<u>238,861</u>

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

(b) Financial asset at fair value through profit or loss

(i) Information is as follow:

	December 31, 2018	December 31, 2017
Current financial assets mandatorily measured as at fair value through profit or loss:		
Non-derivative instruments not use for hedging		
Convertible bond	\$ 38,389	-
Non-current financial assets mandatorily measured as at fair value through profit or loss:		
Non-derivative financial instrument		
Domestic unlisted common shares	25,788	-
Non-current financial assets held for trading:		
Convertible bond	<u>-</u>	<u>48,913</u>
	<u>\$ 64,177</u>	<u>48,913</u>

The gain or loss on financial assets at fair value through profit or loss for the years ended December 31, 2018 and 2017 were a loss of \$10,855, and a profit of \$9,491, respectively.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

The Company did not provide any aforementioned financial assets as collateral as of December 31, 2018 and 2017, respectively.

(ii) Debt investment and fixed rate deposit

The carrying amounts of debt and fixed rate deposit as of December 31, 2018 and 2017 were \$38,389 and \$48,913, respectively. Other related information are as follows: (The investments were classified as current financial assets mandatorily measured as at fair value through profit or loss on December 31, 2018 and as non-current financial assets held-for-trading on December 31, 2017.)

	2018		2017	
	Interest rates	Maturity dates	Interest rates	Maturity dates
Current financial assets mandatorily measured as at fair value through profit or loss	3%	2019	-	-
Non-current financial assets held-for-trading	-	-	3%	2019

(iii) The Company has assessed that the domestic unlisted common shares are held within a business model whose objective is achieved by both collecting the contractual cash flows and by selling securities; therefore, they have been classified as non-current financial assets mandatorily measured value through profit or loss. These investments were classified as financial assets measured at cost on December 31, 2017.

(c) Financial assets measured at cost

	December
	31, 2017
Domestic unlisted common shares	\$ <u>25,000</u>

The aforementioned investments held by the Company were measured at amortized cost as of December 31, 2017, given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Company management had determined that the fair value cannot be measured reliably. These investments were classified as non-current financial assets at fair value through profit or loss on December 31, 2018.

As of December 31, 2017, the financial assets measured at cost of the Company had been no pledged as collateral.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(d) Notes and accounts receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Notes receivable	\$ 1,568	1,743
Accounts receivable	173,011	159,117
Less: Loss allowance	<u>-</u>	<u>(1,790)</u>
	<u>\$ 174,579</u>	<u>159,070</u>
Notes and accounts receivable, net	<u>\$ 174,579</u>	<u>75,649</u>
Notes and accounts receivable due from related parties, net	<u>\$ -</u>	<u>83,421</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2018 was determined as follows:

	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 174,571	-	-
1 to 30 days past due	<u>8</u>	-	<u>-</u>
	<u>\$ 174,579</u>		<u>-</u>

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and there were no notes and accounts receivable, which were past due but not impaired.

The movement in the allowance for notes and accounts receivable was as follows:

	<u>2018</u>	<u>2017 Collectively assessed impairment</u>
Balance on January 1, 2018 and 2017 per IAS 39	\$ 1,790	1,790
Adjustment on initial application of IFRS 9	<u>-</u>	
Balance on January 1, 2018 per IFRS 9	1,790	
Impairment losses reversed	<u>(1,790)</u>	<u>-</u>
Balance on December 31, 2018 and 2017	<u>\$ -</u>	<u>1,790</u>

The Company did not provide any aforementioned notes and accounts receivable as collaterals as of December 31, 2018 and 2017.

Please refer to note (6)(r) for credit risk of other receivables.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(e) Investments accounted for using equity method

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries	\$ 12,043,185	11,361,807
Associates	<u>1,411,257</u>	<u>1,325,702</u>
	<u>\$ 13,454,442</u>	<u>12,687,509</u>

(i) Subsidiaries

- 1) Please refer to the 2018 consolidated financial statement.
- 2) According to IAS36 "Impairment of Assets", the Company conducted assessment of impairment losses, and there was no impairment losses recognized in 2018 and 2017.

(ii) The Company's share of the net income of associates was as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries	\$ 507,190	7,244
Associates	<u>93,744</u>	<u>36,388</u>
	<u>\$ 600,934</u>	<u>43,632</u>

The losses on investment in associate recognized for the years ended December 31, 2018 and 2017 including the amortization of investment premium are \$2,548 and \$31,143, respectively. As of December 31, 2018 and 2017, the balance of unamortized investment premium amounted to \$0 and \$2,548, respectively.

(iii) Details of the material associate was 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, 2018</u>	<u>December 31, 2017</u>
Taiwan Navigation Co., Ltd. (TNCL)	Entity in which the Group has significant influence and in which its main activities are sea shipping services and construction subcontractor, leasing and sales of commercial and residential buildings	Taiwan	7.459 %	7.459 %
Taiwan Global Energy Maritime Co., Ltd (TGEM)	A significant investee company of Group, in which its main activities are shipping transportation	Taiwan	12 %	12 %

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

The fair value of the shares of the listed material associate of the Company was as follows:

	December 31, 2018	December 31, 2017
TNCL	\$ 591,375	516,675

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

1) Summarized financial information of TNCL

	December 31, 2018	December 31, 2017
Current assets	\$ 1,255,739	987,757
Non-current assets	13,880,162	14,429,959
Current liabilities	(939,806)	(729,666)
Non-current liabilities	<u>(3,776,103)</u>	<u>(5,131,063)</u>
Net assets (Belongs to the investee)	<u>\$ 10,419,992</u>	<u>9,556,987</u>
	December 31, 2018	December 31, 2017
Revenue	\$ <u>3,367,236</u>	<u>2,817,921</u>
Profit (loss) from continuing operations	957,635	466,471
Other comprehensive income	<u>137,550</u>	<u>(622,922)</u>
Total comprehensive income (Belongs to the investee)	<u>\$ 1,095,185</u>	<u>(156,451)</u>
	December 31, 2018	December 31, 2017
Beginning balance of Company's share of net assets	\$ 712,855	724,525
Adjustment on initial application of IFRS 9	<u>4,470</u>	<u>-</u>
Beginning balance of Company's share of net assets after adjustment	<u>717,325</u>	<u>724,525</u>
Company's share of total comprehensive income	81,690	(11,670)
Dividends received by associates	<u>(21,788)</u>	<u>-</u>
Ending balance of Company's share of net assets	777,227	712,855
Add: Balance of unamortized investment premium	<u>-</u>	<u>2,548</u>
Carrying amounts in the balance sheets	<u>\$ 777,227</u>	<u>715,403</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

2) Summarized financial information of TGEM

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current assets	\$ 2,106,095	1,914,688
Non-current assets	9,506,736	9,686,372
Current liabilities	(388,800)	(318,464)
Non-current liabilities	<u>(5,940,452)</u>	<u>(6,196,771)</u>
Net assets (Belongs to the investee)	<u>\$ 5,283,579</u>	<u>5,085,825</u>
	<u>2018</u>	<u>2017</u>
Revenue	\$ <u>1,207,767</u>	<u>970,188</u>
Profit (loss) from continuing operations	207,177	272,828
Other comprehensive income	<u>110,867</u>	<u>(266,774)</u>
Total comprehensive income (Belongs to the investee)	<u>\$ 318,044</u>	<u>6,054</u>
	<u>2018</u>	<u>2017</u>
Beginning balance of Company's share of net assets	\$ 610,299	609,713
Company's share of total comprehensive income	38,165	724
Dividends received by associates	<u>(14,434)</u>	<u>(138)</u>
Ending balance of Company's share of net assets	<u>\$ 634,030</u>	<u>610,299</u>

- (iv) In 2018 and 2017, the Company was allocated with cash dividends of \$197,464 and \$150,581, respectively, from the aforementioned investee companies.
- (v) CMT Air Ltd. (CMA), the Company's investment accounted for using equity method, was dissolved in December, 2017. The Company was refunded amounting to \$23,197, and all related receivables have been collected as of December 31, 2017.
- (vi) Hope Investment Ltd. (HIL), the Company's investment accounted for using equity method, reduced capital of \$300,000 through the Board of Directors on May 10, 2017. As of December 31, 2017, all related receivables have been collected.
- (vii) As of December 31, 2018 and 2017, the Company did not provide investment accounted for using equity method as collateral.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(f) Property, plant and equipment

The cost depreciation, and impairment of the property, plant and equipment of the Company for the year ended December 31, 2018 and 2017 were as follows:

	Land	Buildings and construction	Transportation Equipment	Other equipment	Total
Cost or deemed cost:					
Balance on January 1, 2018	\$ 483,451	44,111	2,050	44,695	574,307
Additions	-	764	-	3,819	4,583
Disposals	-	-	-	-	-
Transfer	-	-	-	6,174	6,174
Balance on December 31, 2018	<u>\$ 483,451</u>	<u>44,875</u>	<u>2,050</u>	<u>54,688</u>	<u>585,064</u>
Balance on January 1, 2017	\$ 525,396	52,720	2,050	43,307	623,473
Additions	-	128	-	1,434	1,562
Disposals	(41,945)	(8,737)	-	(46)	(50,728)
Balance on December 31, 2017	<u>\$ 483,451</u>	<u>44,111</u>	<u>2,050</u>	<u>44,695</u>	<u>574,307</u>
Depreciation and impairments loss:					
Balance on January 1, 2018	\$ -	30,709	2,050	35,558	68,317
Depreciation for the year	-	1,315	-	4,685	6,000
Disposals	-	-	-	-	-
Transfer	-	-	-	(180)	(180)
Balance on December 31, 2018	<u>\$ -</u>	<u>32,024</u>	<u>2,050</u>	<u>40,063</u>	<u>74,137</u>
Balance on January 1, 2017	\$ -	33,493	2,046	31,193	66,732
Depreciation for the year	-	2,148	4	4,411	6,563
Disposals	-	(4,932)	-	(46)	(4,978)
Balance on December 31, 2017	<u>\$ -</u>	<u>30,709</u>	<u>2,050</u>	<u>35,558</u>	<u>68,317</u>
Carrying amounts:					
Balance on December 31, 2018	<u>\$ 483,451</u>	<u>12,851</u>	<u>-</u>	<u>14,625</u>	<u>510,927</u>
Balance on December 31, 2017	<u>\$ 483,451</u>	<u>13,402</u>	<u>-</u>	<u>9,137</u>	<u>505,990</u>
Balance on January 1, 2017	<u>\$ 525,396</u>	<u>19,227</u>	<u>4</u>	<u>12,114</u>	<u>556,741</u>

The Company disposed land and buildings in Zhongzheng District in Taipei to CMT DEVELOPMENT INC. (related party) for \$128,002(excluding sale tax) on November, 2017. As of December 31, 2017, related gain of disposal amounted to \$82,252 have been collected. Please refer to note (7).

There was no disposal of property, plant and equipment in 2018.

As of December 31, 2018 and 2017, the pledge information is summarized in note (8).

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(g) Investments property

	<u>Land</u>	<u>Building</u>	<u>Total</u>
Cost or deemed cost:			
Balance on December 31, 2018	\$ <u>19,094</u>	<u>3,769</u>	<u>22,863</u>
Balance on December 31, 2017	\$ <u>19,094</u>	<u>3,769</u>	<u>22,863</u>
Depreciation and impairment losses:			
Balance on January 1, 2018	\$ -	2,555	2,555
Depreciation of the year	<u>-</u>	<u>68</u>	<u>68</u>
Balance on December 31, 2018	\$ <u>-</u>	<u>2,623</u>	<u>2,623</u>
Balance on January 1, 2017	\$ -	2,488	2,488
Depreciation of the year	<u>-</u>	<u>67</u>	<u>67</u>
Balance on December 31, 2017	\$ <u>-</u>	<u>2,555</u>	<u>2,555</u>
Carrying amount:			
Balance on December 31, 2018	\$ <u>19,094</u>	<u>1,146</u>	<u>20,240</u>
Balance on December 31, 2017	\$ <u>19,094</u>	<u>1,214</u>	<u>20,308</u>
Balance on January 1, 2017	\$ <u>19,094</u>	<u>1,281</u>	<u>20,375</u>
Fair Value:			
Balance on December 31, 2018			\$ <u>44,113</u>
Balance on December 31, 2017			\$ <u>40,962</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.

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)(j) for further information.

As of December 31, 2018 and 2017, the Investment property of the Company were not pledged as collateral or restricted.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(h) Other financial assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other receivables	\$ 808	482
Other receivables-related parties	6,642	-
Guarantee deposits	621	477
Pledged assets-time deposits	<u>5,050</u>	<u>5,050</u>
	<u>\$ 13,121</u>	<u>6,009</u>
Other current financial assets	\$ 7,450	482
Other non-current financial assets	<u>5,671</u>	<u>5,527</u>
	<u>\$ 13,121</u>	<u>6,009</u>

(i) Loans

The Company's detail of loans was as follows:

(i) Short-term loans and commercial paper payable, net

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Secured loans	\$ 550,000	500,000
Commercial paper payable	250,000	300,000
Less: discount on commercial paper payable	<u>(163)</u>	<u>(351)</u>
	<u>\$ 799,837</u>	<u>799,649</u>
Unused credit lines	<u>\$ 2,100,000</u>	<u>2,200,000</u>
Range of interest rate during the year	<u>0.938%~1.100%</u>	<u>0.938%~1.048%</u>

(ii) 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, 2018 and 2017, were as follows:

	<u>Guarantee bank</u>	<u>Interest rate</u>	<u>Due</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
2016					
The first secured bonds payable	Bank of Taiwan	0.88 %	March 2021	\$ 900,000	900,000
The second secured bonds payable	Mega Bank	1.00 %	March 2021	1,400,000	1,400,000
2017					
The first secured bonds payable	Shanghai Commercial Bank	1.13 %	April 2020	400,000	400,000
"	"	1.13 %	April 2022	<u>400,000</u>	<u>400,000</u>
				<u>\$ 3,100,000</u>	<u>3,100,000</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

- (iii) 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 Company issued secured corporate bonds on March 21, 2017, which were approved at the Board of Directors' meetings. The first Secured corporate bonds (2017) were released with a period of three years and five years, which amounted to \$1,000, at par value per issue, with a total par values of \$400,000, \$400,000, respectively.
- (iv) Refer to note 6(r) for the information of exposure to liquidity risk. The Company provided assets as collaterals for credit line of short-term and long-term borrowing, please refer to note (8).
- (j) Operating lease
- (i) Leases as lessee
- 1) Lease rentals that the Company signed the non-cancellable operating lease contracts for warehouse, office, and parking are payable as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$ 436	3,299
Between one and five years	-	550
	\$ 436	3,849

As of 2018 and 2017, the operating rental expenses were \$3,413 and \$3,646, respectively.

- (ii) Leases as lessor

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

	December 31, 2018	December 31, 2017
Less than one year	\$ 8,270	7,007
Between one and five years	4,455	2,614
	\$ 12,725	9,621

The rental income earned by lease investment property amounted 9,302 and 8,618 in 2018 and 2017, respectively.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(k) Employee benefits

(i) Defined benefit plans

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	\$ 51,854	60,594
Fair value of plan assets	<u>(35,138)</u>	<u>(42,675)</u>
Recognized liabilities for defined benefit obligations	<u><u>\$ 16,716</u></u>	<u><u>17,919</u></u>

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

1) Composition of plan assets

The Company 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 Company's Bank of Taiwan labor pension reserve account balance amounted to \$35,138 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 Company were as follows:

	2018	2017
Defined benefit obligation at 1 January	\$ 60,594	72,476
Benefits paid from the plan	(10,976)	(10,368)
Benefits paid by the Company	-	(278)
Current service costs and interest	1,530	2,278
Remeasurement of the net defined benefit liability (asset)	<u>706</u>	<u>(3,514)</u>
Defined benefit obligation at 31 December	<u><u>\$ 51,854</u></u>	<u><u>60,594</u></u>

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the 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 Company were as follows:

	<u>2018</u>	<u>2017</u>
Fair value of plan assets at 1 January	\$ 42,675	50,946
Contributions made	1,664	1,660
Benefits paid from the plan assets	(10,976)	(10,368)
Expected return on plan assets	311	459
Remeasurement of the net defined benefit liability (asset)	<u>1,464</u>	<u>(22)</u>
Fair value of plan assets at 31 December	<u>\$ 35,138</u>	<u>42,675</u>

4) Expenses recognized in profit or loss

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

	<u>2018</u>	<u>2017</u>
Service cost	\$ 1,044	1,582
Interest cost	486	696
Expected rate of return on plan assets	<u>(311)</u>	<u>(459)</u>
Operating expense	<u>\$ 1,219</u>	<u>1,819</u>

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

The Company's remeasurement in net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Accumulated amount at January 1	\$ 4,644	8,136
Recognized during the period	<u>(758)</u>	<u>(3,492)</u>
Accumulated amount at December 31	<u>\$ 3,886</u>	<u>4,644</u>

6) Actuarial assumptions

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate as of December 31	1.000 %	1.000 %
Future salary increasing rate	3.500 %	3.500 %

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

In accordance with Paragraph 2 of Article 56 of the Labor Standards Act, before the end of each year, employers shall assess the balance in the designated labor pension reserve funds account. If the amount is inadequate to pay pensions for workers retiring in the same year according to Article 53 or subparagraph 1 of Paragraph 1 of Article 54, the employer is required to make up the difference. The difference as of December 31, 2018 and 2017 were \$1,076 and \$804, respectively.

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was \$412.

The weighted-average lifetime of the defined benefit plan is 10.40 years.

7) Sensitivity analysis

The impact of the present value of the defined benefit obligations affected by the actuarial assumption for December 31, 2018 and 2017 were as follows:

	<u>Influences of defined benefit obligation</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2018		
Discount rate	(778)	801
Future salary increasing rate	854	(727)
December 31, 2017		
Discount rate	(927)	953
Future salary increasing rate	1,014	(867)

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 2018 and 2017.

(ii) Defined contribution plans

The Company 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 Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Company recognized pension costs under the defined contribution method amounting to \$2,664 and \$2,099 for the years ended December 31, 2018 and 2017, respectively. Payment was made to the Bureau of Labor Insurance.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(l) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018.

(i) Income tax expenses

The amounts of income tax for 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Current tax expense		
Current period	\$ -	187
Land value increment tax	-	3,764
Adjustment for prior periods	<u>(186)</u>	<u>(9)</u>
	(186)	3,942
Deferred tax expense		
Adjustment in tax rate	-	-
Recognition and reversal of temporary differences	5,006	(8,649)
Adjustment in tax rate	<u>21,370</u>	<u>-</u>
	<u>26,376</u>	<u>(8,649)</u>
	<u>\$ 26,190</u>	<u>(4,707)</u>

The amounts of income tax recognized in other comprehensive income for 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Items that may not be reclassified subsequently to profit or loss		
Remeasurement in defined benefit plans	<u>\$ 12</u>	<u>594</u>
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign financial statements	<u>\$ 193</u>	<u>(519)</u>

Reconciliation of income tax and profit before tax for 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Profit excluding income tax	\$ 539,901	93,345
Income tax using the Company's domestic tax rate	107,980	15,869
Tax exemption for investment income under the equity method	(120,187)	(7,417)
Adjustment in tax rate	21,370	-
Tax-exemption on disposal of land	-	(13,102)
Dividend revenue — overseas	9,240	-
Underestimation (Overestimation) in prior periods	(186)	-
Movements of unrecognized temporary differences and other	<u>7,973</u>	<u>(57)</u>
	<u>\$ 26,190</u>	<u>(4,707)</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(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, 2018 and 2017. 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:

	December 31, 2018	December 31, 2017
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 9,241,525</u>	<u>8,564,012</u>
Unrecognized deferred tax liabilities	<u>\$ 1,848,305</u>	<u>1,455,882</u>

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 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, 2018	\$ -	129,335	70,792	(422)	199,705
Recognized in profit or loss	-	20,562	-	10	20,572
Recognized in other comprehensive income	-	-	-	193	193
Balance on December 31, 2018	<u>\$ -</u>	<u>149,897</u>	<u>70,792</u>	<u>(219)</u>	<u>220,470</u>
Balance on January 1, 2017	\$ -	131,835	70,792	110	202,737
Recognized in profit or loss	-	(2,500)	-	(13)	(2,513)
Recognized in other comprehensive income	-	-	-	(519)	(519)
Balance on December 31, 2017	<u>\$ -</u>	<u>129,335</u>	<u>70,792</u>	<u>(422)</u>	<u>199,705</u>
Deferred tax assets:					
Balance on January 1, 2018	\$ 2,476	-	-	6,555	9,031
Recognized in profit or loss	213	-	-	(6,017)	(5,804)
Recognized in other comprehensive income	(12)	-	-	-	(12)
Balance on December 31, 2018	<u>\$ 2,677</u>	<u>-</u>	<u>-</u>	<u>538</u>	<u>3,215</u>
Balance on January 1, 2017	3,091	-	-	398	3,489
Recognized in profit or loss	(21)	-	-	6,157	6,136
Recognized in other comprehensive income	(594)	-	-	-	(594)
Balance on December 31, 2017	<u>\$ 2,476</u>	<u>-</u>	<u>-</u>	<u>6,555</u>	<u>9,031</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

3) Assessment of tax

The Company's tax returns for the years through 2016 were assessed by the Taipei National Tax Administration.

(m) Capital and other equities

(i) Ordinary shares

As of December 31, 2018 and 2017, the authorized common stocks amounted to \$360,000,000 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. All issued shares were paid upon issuance.

(ii) Capital surplus

In accordance with the ROC Company Act, 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:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Gain or loss on disposal of subsidiary	42,503	42,503
Changes in equity of associates for using equity method	\$ <u>10,908</u>	<u>10,908</u>
	<u>\$ 53,411</u>	<u>53,411</u>

(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.

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

1) Legal reserve

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

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 December 31, 2018 and 2017.

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.

3) Earnings distribution

Based on the resolutions of the annual stockholders' meetings held on May 30, 2018 and June 14, 2017 the earning distribution to ordinary shareholders for the fiscal years 2017 and 2016 were as follows:

	2017	2016
Dividends distributed to ordinary shareholders		
Cash	\$ 98,742	98,742

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(iv) Other Equity (After tax)

	Exchange differences on translation of foreign financial Statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total
January 1, 2018	\$ (611,199)	-	(10,424)	(621,623)
Effects of retrospective application	-	(4,188)	10,424	6,236
January 1, 2018 after adjustments	(611,199)	(4,188)	-	(615,387)
Subsidiaries	307,590	241	-	307,831
Associates	40,113	(11,440)	-	28,673
December 31, 2018	<u>\$ (263,496)</u>	<u>(15,387)</u>	<u>-</u>	<u>(278,883)</u>
January 1, 2017	\$ 283,802	-	(11,842)	271,960
Subsidiaries	(785,086)	-	-	(785,086)
Associates	(109,915)	-	1,418	(108,497)
December 31, 2017	<u>\$ (611,199)</u>	<u>-</u>	<u>(10,424)</u>	<u>(621,623)</u>

(n) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2018 and 2017 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

	2018	2017
Profit attributable to ordinary shareholders of the Company	\$ <u>513,711</u>	<u>98,052</u>

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

	2018	2017
Issued ordinary shares at January 1 (equal to December 31)	\$ <u>197,485</u>	<u>197,485</u>

3) Basic earnings per share (TWD)

	2018	2017
Basic earnings per share	\$ <u>2.60</u>	<u>0.50</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(ii) Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2018 and 2017 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>2018</u>	<u>2017</u>
Weighted-average number of ordinary shares at December 31	\$ <u>513,711</u>	<u>98,052</u>

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

	<u>2018</u>	<u>2017</u>
Issued ordinary shares (basic) at January 1	197,485	197,485
Effect on the employee stock bonuses	<u>184</u>	<u>40</u>
Weighted-average number of ordinary shares (diluted) at December 31	<u>197,669</u>	<u>197,525</u>

3) Diluted earnings per share (TWD)

	<u>2018</u>	<u>2017</u>
Diluted earnings per share	\$ <u>2.60</u>	<u>0.50</u>

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2018</u>
Freight revenue-vessel chartering	\$ 60,990
Freight revenue-container hauling and logistics revenue	1,170,487
Freight revenue-airline agent and others	<u>68,673</u>
	<u>\$ 1,300,150</u>

(ii) Contract balances

	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes and accounts receivable (including related parties)	\$ 174,579	160,860
Less: allowance for impairment	<u>-</u>	<u>1,790</u>
Total	<u>\$ 174,579</u>	<u>159,070</u>

For details on notes and accounts receivable and allowance for impairment, please refer to note (6)(d).

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(p) Financial cost-Interest expense

The financial cost-interest expense in 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Secured bank loan	8,122	5,209
Bonds payable	<u>53,825</u>	<u>75,994</u>
	<u>\$ 61,947</u>	<u>81,203</u>

(q) Employee compensation and directors' and supervisors' remuneration

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

As of December 31, 2018 and 2017, the Company recognized its employee compensation of \$5,509 and \$952, respectively, and its directors' and supervisors' remuneration of \$5,509 and \$952, respectively. The employee compensation and directors' and supervisors' remuneration were recorded as operation expenses for the years ended December 31, 2018 and 2017, and were estimated based on a percentage of the pre-tax net profit for each period after deducting the employee compensation, and director's and supervisors' remuneration. Relative information is available on the MOPS. There was no difference between the aforementioned distribution approved in the shareholders' meeting and the estimation in the 2018 and 2017 financial statements.

(r) 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, 2018 and 2017, the maximum amount exposed to credit risk amounted to \$481,484 and \$477,853, respectively.

The aggregation of sales to the Company's major customers exceeding 10% of the Company's total sales accounted for 76% and 83% of the total net sales for the years ended December 31, 2018 and 2017, respectively. In order to reduce credit risk, the Company 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 Company has never suffered any significant credit loss.

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

2) Receivables

For credit risk exposure of notes and accounts receivable, please refer to note (6)(d).

Other financial assets at amortized cost includes other receivables, other receivables-related parties, guarantee deposits, pledged assets-time deposit.(recorded as loans and receivables on December 31, 2017). The aforementioned loans and receivables were no impact on December 31, 2017.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(f).

The loss allowance provision as of December 31, 2018 was determined as follows:

	Other receivables
Balance on January 1 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	-
Balance on January 1 per IFRS 9	-
Balance on December 31	\$ -

(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, 2018					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 799,837	(800,000)	(800,000)	-	-
Notes and accounts payable (including related parties)	106,261	(106,261)	(106,261)	-	-
Bonds payable	3,100,000	(3,100,000)	-	(400,000)	(2,700,000)
Accrued expenses and other payables (recorded as other current liabilities)	29,995	(29,995)	(29,995)	-	-
	\$ 4,036,093	(4,036,256)	(936,256)	(400,000)	(2,700,000)
December 31, 2017					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 799,649	(800,000)	(800,000)	-	-
Notes and accounts payable (including related parties)	128,254	(128,254)	(128,254)	-	-
Bonds payable	3,100,000	(3,100,000)	-	-	(3,100,000)
Accrued expenses and other payables (recorded as other current liabilities)	29,918	(29,918)	(29,918)	-	-
	\$ 4,057,821	(4,058,172)	(958,172)	-	(3,100,000)

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

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(iii) Exchange rate risk

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

(iv) Interest Rate analysis

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 Company'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, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Increased 0.25%	\$ (1,426)	(1,403)
Decreased 0.25%	1,426	1,403

(v) Fair value

1) The kinds of financial instruments and fair value

The Company's financial assets at fair value through profit or loss are based on repeatability measured by 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.

	<u>December 31, 2018</u>				
	<u>Book value</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through profit and loss					
Derivative financial assets	\$ 38,389	-	38,389	-	38,389
Non derivative current financial assets mandatorily at fair value through profit or loss	<u>25,788</u>	-	-	25,788	25,788
Total	<u>\$ 64,177</u>				

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

		December 31, 2018			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 229,607	-	-	-	-
Notes and accounts receivables(including related parties)	174,579	-	-	-	-
Other receivables(including related party)	7,450	-	-	-	-
Guarantee deposits	621	-	-	-	-
Pledged assets-time deposits	<u>5,050</u>	-	-	-	-
Total	<u>\$ 417,307</u>				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 799,837	-	-	-	-
Notes and accounts payable	5,967	-	-	-	-
Accounts payable-related party	100,294	-	-	-	-
Bonds payable	3,100,000	-	3,100,000	-	3,100,000
Accrued expenses and other payables(recorded as other current liabilities)	<u>29,995</u>	-	-	-	-
Total	<u>\$ 4,036,093</u>				
		December 31, 2017			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non derivative non-current financial assets held for trading	<u>\$ 48,913</u>	-	48,913	-	48,913
Non-current financial assets measured at cost					
Loans and receivables					
Cash and cash equivalents	\$ 238,861	-	-	-	-
Notes and accounts receivable (including related parties)	159,070	-	-	-	-
Other receivables	482	-	-	-	-
Guarantee deposits	477	-	-	-	-
Pledged assets-time deposits	<u>5,050</u>	-	-	-	-
Total	<u>\$ 403,940</u>				

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

	December 31, 2017				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 799,649	-	-	-	-
Notes and accounts payable	10,227	-	-	-	-
Accounts payable to related parties	118,027	-	-	-	-
Bonds payable	3,100,000	-	3,100,000	-	3,100,000
Accrued expenses and other payables (recorded as other current liabilities)	<u>29,918</u>	-	-	-	-
Total	<u>\$ 4,057,821</u>				

2) Valuation techniques for financial instruments measured at fair value

A. Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting date.

B. Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Transfers between Level 1 and Level 2

There was no transfer from Level 1 to Level 2 of fair value of the asset in the years ended December 31, 2018 and 2017.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

4) Statement of changes in level 3

	Measured of fair value through profit or loss
	Non derivative mandatorily measured at fair value through profit or loss
Balance on January 1, 2018	\$ 26,118
Gains or losses:	
Recognized in profit or loss	(330)
Balance on December 31, 2018	25,788

The aforementioned total gains and losses were recorded as gains (losses) on financial assets at fair value through profit or loss.

(s) Financial risk management

(i) Briefings

The Company 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 Company'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 Company minimizes the risk exposure through financial instruments. The Board of Directors regulated the use of financial instruments in accordance with the Company'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 Company continue with the review of the amount of the risk exposure in accordance with the Company's policy and the risk management policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(iii) Credit risk

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

1) Accounts receivable and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company'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 Company has established a credit policy. Credit limits are established for each customer. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's management. Since the Company'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 Company is only permissible to provide financial guarantees to subsidiaries. Please refer to note (7) and (13)(a) for the information as of December 31, 2018 and 2017.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company'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 Company. Please refer to note (6)(i) for unused short-term bank facilities as of December 31, 2018 and 2017.

(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 Company'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.

Notes to the Financial Statements

1) Currency risk

The Company is exposed to currency risk on its investments that are denominated in US Dollars (USD). The Company 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 Company 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 Company is exposed to equity price risk due to the investments in non-listing equity securities, corporate bonds, listing equity securities that measure the fair value of the publicly quoted price, and quoted open-ended fund at fair value.

(t) Capital management

The Company 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 Company enhances the return on equity by optimizing debt-to-assets ratio. As of December 31, 2018 and 2017, the Company's debt-to-assets ratio at the end of the reporting date was as follows:

	December 31, 2018	December 31, 2017
Total liabilities	\$ 4,307,060	4,305,158
Total assets	14,493,875	13,731,870
Debt-to-equity ratio	30 %	31 %

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(u) Investing and financing activities not affecting current cash flow

The Company's investing activities which did not affect the current cash flow in the years ended December 31, 2018 and 2017.

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2018	Cash flows	Non-cash changes Foreign exchange movement	December 31, 2018
Short-term borrowings	\$ 799,649	188	-	799,837
Bonds payable	3,100,000	-	-	3,100,000
Guarantee deposits (recorded as other non-current liabilities-others)	516	-	-	516
Total liabilities from financial activities	<u>\$ 3,900,165</u>	<u>188</u>	<u>-</u>	<u>3,900,353</u>

(7) Related-Party Transactions

(a) Parent company and ultimate controlling party

CMT investment is the ultimate controlling party of the Company and owns 58.49% percent and 50.50% percent of all shares outstanding of the Company on December 31, 2018 and 2017, respectively. The Company has issued the consolidated financial statements available for public use.

(b) Names and relationship with related parties

The followings are subsidiaries and entities that have had transactions with related parties during the periods covered in the financial statements:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Chinese Maritime Transport (S) Pte. Ltd. (CMTS)	Subsidiary
Chinese Maritime Transport (Hong Kong), Limited (CMT HK)	Subsidiary
CMT Logistics Co., Ltd. (CMTL)	Subsidiary
AGM Investment Ltd. (AGM)	Subsidiary
Hope Investment Ltd. (HIL)	Subsidiary
Mo Hsin Investment Ltd. (MHI)	Subsidiary
Associated Transport Inc. (ATI)	Subsidiary
CMT Travel Service Ltd. (CMTTSL)	Subsidiary
CMT AIR Ltd. (CMA) (Note 1)	Subsidiary
United Nan Hai Petroleum Inc. (UNH)	Subsidiary
United Nan Hai Development Inc. (NHD)	Subsidiary

(Continued)

CHINESE MARITIME TRANSPORT LTD.

Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Group</u>
CMT Leasing Co., Ltd. (CMTLL)	Subsidiary
China Fortune Shipping Ptd Ltd. (CFR)	Sub-subsidiary
China Enterprise Shipping PTE.Ltd. (CEP)	Sub-subsidiary
China Prosperity Shipping Ltd.(CPS)	Sub-subsidiary
China Peace Shipping Ltd. (CPC)	Sub-subsidiary
China Progress Shipping Ltd. (CPG)	Sub-subsidiary
China Pioneer Shipping Ltd. (CPN)	Sub-subsidiary
China Pride Shipping Ltd. (CPD)	Sub-subsidiary
CMT Chartering Ltd. (CHT)	Sub-subsidiary
China Triumph Shipping Ltd. (CTU)	Sub-subsidiary
China Trade Shipping Ltd. (CTD)	Sub-subsidiary
China Harmony Shipping LTD. (CHM)	Sub-subsidiary
China Honour Shipping Ltd. (CHN)	Sub-subsidiary
CMT Investment Co., Limited (CHI)	Sub-subsidiary
Chinese Maritime Transport Ship Management(Hong Kong) Limited (CIM)	Sub-subsidiary
Chang-Shun Transport Co., Ltd. (CST)	Sub-subsidiary
Huang-Yuen Transport Co., Ltd. (HYT)	Sub-subsidiary
Mao-Hwa Transport Co., Ltd. (MHT)	Sub-subsidiary
AG Prosperity Transport Co., Ltd. (APT)	Sub-subsidiary
Pioneer Transport Co., Ltd. (PTL)	Sub-subsidiary
Associated International INC. (AII)	The entity with significant influence over the Company
Associated Development INC. (ADI)	A subsidiary of AII
CMT Development INC. (CMD)	A subsidiary of AII
OOCL (TAIWAN) Co., LTD (OTWL) (Note 2)	Substantial associate
OOCL LOGISTICS (TAIWAN) LIMITED (LOTWL) (Note 2)	Substantial associate

Note 1: Dissolution completed in December, 2017.

Note 2: The COSCO SHIPPING (HK) Co., Ltd.'s subsidiary company in Taiwan has accomplished the merger of OTWL since August 2018. OTWL and LOTWL are no longer the Company's substantial associates.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(c) Significant related party transactions

(i) Freight revenue

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

	Revenue		Accounts Receivable- related-parties	
	2018	2017	December 31, 2018	December 31, 2017
Other relates parties				
OTWL(Note)	\$ 448,694	797,360	-	76,883
Others	22,087	49,194	-	6,538
	<u>\$ 470,781</u>	<u>846,554</u>	<u>-</u>	<u>83,421</u>

Note: transactions as of August 2018

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. Amounts receivable from related parties were uncollateralized, and no expected credit loss (provisions for doubtful debt) were required after the assessment by the management.

(ii) Freight cost

	2018		2017	
	Amount	%	Amount	%
Subsidiary—ATI	<u>\$ 1,092,944</u>	<u>95</u>	<u>1,036,421</u>	<u>94</u>

The Company entrusts its subsidiaries to engage in container hauling business. The selling price is based on the market conditions and is paid according to the financial needs of the subsidiaries. Accounts payable to related parties due to the above transactions were as follows:

	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Subsidiary—ATI	<u>\$ 100,294</u>	<u>94</u>	<u>118,027</u>	<u>92</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(iii) Vessel management and related collection and payment

The Company collects vessel management income from its subsidiaries (USD 10 thousand per vessel per month) and receives a commission of 1.25% on their monthly vessel chartering.

1) Vessel management revenue and unclear balances were as follows:

	Revenue		Accounts Receivable- related-parties	
	2018	2017	December 31, 2018	December 31, 2017
Subsidiaries	\$ <u>36,051</u>	<u>36,590</u>	<u>6,642</u>	<u>-</u>

Amounts receivable from related parties were uncollateralized, and no expected credit loss (provisions for doubtful debt) were required after the assessment by the management.

2) Commission

	2018	2017
Subsidiaries	\$ <u>24,386</u>	<u>17,743</u>

Due to the above-mentioned business, the Company collected and paid the miscellaneous expenses in ROC, and received income of vessel management from subsidiaries in advance. The amounts were as follows:

	2018	2017
Other current liabilities		
Subsidiaries	\$ <u>4,866</u>	<u>10,581</u>
Other current assets		
Subsidiaries	\$ <u>1,621</u>	<u>-</u>

(iv) Operating expense-rental expense

	Operating expense	
	2018	2017
The entities with significant influence over the Company	\$ <u>3,234</u>	<u>3,535</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(v) Guarantees and endorsements

The information of the Company as guarantors was as follows:

<u>Guarantees</u>	<u>Guaranteed subjects</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries	Bank loans	\$ <u>4,229,633</u>	<u>4,101,232</u>

The subsidiaries provided insurance contracts with collaterals to banks with the Company as guarantors.

The information of the Company as guarantees was as follows:

<u>Guarantors</u>	<u>Guaranteed subjects</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries	Bank loans	\$ <u>3,993</u>	<u>3,869</u>

(vi) Disposal of property, plant and equipment

The disposals of property, plant and equipment to related parties were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Disposal price</u>	<u>Gain (loss) on disposal</u>	<u>Disposal price</u>	<u>Gain (loss) on disposal</u>
The entities with significant influence over the Company	\$ <u>-</u>	<u>-</u>	<u>128,002</u>	<u>82,252</u>

The disposal of land and buildings in Zhongzheng District in Taipei to the entity with significant influence over the Company for \$128,002 and the related gain of disposal amounted to 82,252. The registration procedures of the property transfer have been completed and related receivable have been collected. Please refer to note (6)(f).

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 42,854	32,209
Post-employment benefits	<u>7,076</u>	<u>843</u>
	\$ <u>49,930</u>	<u>33,052</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to the Financial Statements

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2018	December 31, 2017
Other non-current financial assets (guarantee deposits and pledged assets-time deposits)	Guarantee for construction payment and import duty	\$ 5,671	5,527
Transportation and other equipment	Short-term loans and credit line	<u>277,293</u>	<u>277,293</u>
		<u>\$ 282,964</u>	<u>282,820</u>

(9) Significant Commitments and Contingencies

- (a) The Company had issued guarantee promissory notes amounting to \$3,130,960 as of December 31, 2018 and 2017, respectively, as guarantee for bonds payable.
- (b) As of December 31, 2018 and 2017, the subsidiaries of the Company still had several long-term leases of its ships with customers in effect. The ending periods of the contracts are from January 2019 to March 2020.

(10) Losses Due to Major Disasters: None**(11) Subsequent Events: None****(12) Other**

- (a) A summary of current-period employee benefits, depreciation and amortization, by function, is as follows:

By item	By function	2018			2017		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		-	74,804	74,804	-	68,893	68,893
Labor and health insurance		-	5,157	5,157	-	4,594	4,594
Pension		-	3,883	3,883	-	3,918	3,918
Remuneration of directors		-	17,142	17,142	-	3,720	3,720
Others		-	4,403	4,403	-	3,447	3,447
Depreciation (Note 2)		-	5,928	5,928	75	6,105	6,180
Amortization		-	3,260	3,260	-	3,716	3,716

Note 1: The number of employees of the Company were 58 and 56, respectively, as of December 31, 2018 and 2017, of which the number of directors who did not work as employee were both 3.

Note 2: excluding the deduction of rental income of \$140 and \$450 for the years ended December 31, 2018 and 2017, respectively.

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to Consolidated Financial Statements

(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 Company:

(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	105,045	105,045	105,045		2	-	Operating	-	-	-	10,022,937	10,022,937	Transactions in the left column had been written off during the preparation of consolidated financial statements
1	CMT HK	CHN	"	Y	153,575	153,575	153,575		2	-	"	-	-	-	10,022,937	10,022,937	"
1	CMT HK	CPD	"	Y	230,630	230,630	230,630		2	-	"	-	-	-	10,022,937	10,022,937	"
1	CMT HK	CPC	"	Y	322,508	322,508	322,508		2	-	"	-	-	-	10,022,937	10,022,937	"
1	CMT HK	CHM	"	Y	342,779	342,779	342,779		2	-	"	-	-	-	10,022,937	10,022,937	"
1	CMT HK	CMTS	"	Y	552,870	368,580	368,580		2	-	"	-	-	-	10,022,937	10,022,937	"
1	CMT HK	CPG	"	Y	399,295	399,295	399,295		2	-	"	-	-	-	10,022,937	10,022,937	"
1	CMT HK	CTD	"	Y	539,048	539,048	539,048		2	-	"	-	-	-	-	-	"
1	CMT HK	CTU	"	Y	569,763	569,763	569,763		2	-	"	-	-	-	-	-	"
2	ATI	CST	"	Y	26,000	15,000	15,000	1.20%	1	131,882	"	-	-	-	131,882	240,386	"
2	ATI	MHT	"	Y	6,000	6,000	6,000	1.20%	1	78,437	"	-	-	-	78,437	240,386	"
2	ATI	APT	"	Y	75,000	61,000	61,000	1.20%	1	104,060	"	-	-	-	104,060	240,386	"
2	ATI	PTL	"	Y	40,000	31,000	31,000	1.20%	1	41,983	"	-	-	-	41,983	240,386	"

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: For entities who have business with the Company, the amount of endorsements permitted for a single company shall not exceed the transaction amount in the last fiscal year and 40% of the lender's net worth. For entities who have short-term financing needs, amount shall not exceed 40% 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% 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 available for financing purposes shall not exceed 40% of lender's net worth. Investee whose voting shares, directly or indirectly, owned by the Company is unrestricted by the limitation mentioned above; however, the amount available for financing shall not exceed 100% of net worth of the investee.

(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 (note 2, note 3)	Highest balance for guarantees and endorsements during the period (note 4)	Balance of guarantees and endorsements as of reporting date (note 4)	Actual usage amount during the period (note 4)	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	ATI	Subsidiary	15,280,222	100,000	100,000	-	-	0.98 %	15,280,222	Y	-	-
0	"	CTU	Sub-subsidiary	15,280,222	691,088	691,088	414,653	-	6.78 %	15,280,222	Y	-	-
0	"	CTD	"	15,280,222	691,088	691,088	483,761	-	6.78 %	15,280,222	Y	-	-
0	"	CFR	"	15,280,222	1,365,282	1,365,282	811,983	-	13.40 %	15,280,222	Y	-	-
0	"	CPN	"	15,280,222	1,382,175	1,382,175	767,466	-	13.57 %	15,280,222	Y	-	-

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to Consolidated Financial Statements

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note2, note3)	Highest balance for guarantees and endorsements during the period (note 4)	Balance of guarantees and endorsements as of reporting date (note 4)	Actual usage amount during the period (note 4)	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										
1	CMT HK	CPD	Subsidiary	15,034,405	436,153	436,153	325,579	-	4.35 %	15,034,405	-	-	-
1	"	CHN	"	15,034,405	930,357	930,357	863,399	-	9.28 %	15,034,405	-	-	-
1	"	CEP	"	15,034,405	982,266	982,266	873,699	-	9.79 %	15,034,405	-	-	-
1	"	CHM	"	15,034,405	1,001,923	1,001,923	600,528	-	9.99 %	15,034,405	-	-	-
1	"	THE COMPANY	Parent company	15,034,405	3,993	3,993	3,993	-	0.04 %	15,034,405	-	Y	-

Note1: Represents the Company.

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

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

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

- (iii) Securities held as of December 31, 2018 (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			Note	
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)		
THE COMPANY	Yang Ming Marine Transport Corporation	-	Current financial assets at fair value through profit or loss	1,000	38,389	- %	38,389	-
"	Asia Pacific Emerging Industry Venture Capital Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	2,500	25,788	2.78 %	25,788	-
HIL	CHINA CONTAINER TERMINAL CORP.	-	Non-current financial assets at fair value through other income or loss					
"	DIMERCO EXPRESS CORPORATION	-	Current financial assets at fair value through profit or loss	1,982	24,973	1.79 %	24,973	-
"	SEA & LAND INTERATED CORP.	-	Current financial assets at fair value through profit or loss	682	13,333	0.55 %	13,333	-
"	SEA & LAND INTERATED CORP.	-	Current financial assets at fair value through profit or loss	2,281	25,319	2.91 %	25,319	-

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to Consolidated Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 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	(448,694)	(35) %	30 to 45 days after consignment date	-	-	-	-%	
"	ATI	Subsidiary	Freight cost	1,092,944	95 %	Depending on the demand for funding of subsidiaries	-	(100,294)	(94)%	Note 1	
ATI	THE COMPANY	Subsidiary	Freight revenue	(1,092,944)	(85) %	"	-	100,294	66%	"	
CST	ATI	Subsidiary	Freight revenue	(120,025)	(98) %	"	-	9,180	90%	"	
ATI	CST	Subsidiary	Freight cost	120,025	10 %	"	-	(9,180)	(6)%	"	
HYT	ATI	Subsidiary	Freight revenue	(131,492)	(100)%	"	-	16,802	100%	"	
ATI	HYT	Subsidiary	Freight cost	131,492	11 %	"	-	(16,802)	(11)%	"	
APT	ATI	Subsidiary	Freight revenue	(113,249)	(100)%	"	-	9,956	100%		
ATI	APT	Subsidiary	Freight cost	113,249	9 %	"	-	(9,956)	(6)%	"	

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	539,048	Note1	-	-	-	-	Note 2
"	CPD	Subsidiary	230,630	"	-	-	-	-	"
"	CTU	Subsidiary	569,763	"	-	-	-	-	"
"	CHM	Subsidiary	342,779	"	-	-	-	-	"
"	CPC	Subsidiary	322,508	"	-	-	-	-	"
"	CHN	Subsidiary	153,575	"	-	-	-	-	"
"	CPG	Subsidiary	399,295	"	-	-	-	-	"
"	CPN	Subsidiary	105,045	"	-	-	-	-	"
"	CMTS	Subsidiary	368,580	"	-	-	-	-	"
ATI	THE COMPANY	Subsidiary	100,294	10.01	-	-	100,294	-	"

Note1: Since they are accounts receivable from related parties, there is no turnover rate.

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

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to Consolidated Financial Statements

(ix) Trading in derivative instruments: Please refer to note (6)(b).

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding 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		Balance as of December 31, 2018			The highest holdings in the period	The highest holdings in the period	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of Ownership	Carrying Value	(Losses) of the Investee	Share of profits/losses of investee	
The Company	CMTS	Singapore	Investment holding of ship-owning companies	4,282	4,282	217	0.44 %	5,399	76,625	337	Note1、Note4
"	CMT HK	Hong Kong	Investment holding of ship-owning companies	34,356	34,356	12,000	100 %	10,022,937	405,493	405,493	"
"	CMTL	Taiwan	Warehouse management	689,558	689,558	19,200	100 %	1,056,877	51,804	51,804	"
"	AGM	"	Investment	1,000	1,000	100	100 %	1,058	(46)	(46)	"
"	HIL	"	"	565,000	565,000	56,500	100 %	325,734	29,074	29,074	"
"	MHI	"	"	1,300	1,300	130	100 %	1,243	(45)	(45)	"
"	ATI	"	Container trucking	500,000	500,000	50,000	100 %	600,965	22,582	22,582	"
"	TNCL	"	Bulk-carrier transportation	1,007,412	1,007,412	31,125	7.459 %	777,227	957,635	68,882	Note2
"	CMTTSL	"	Travel	20,000	20,000	2,000	100 %	7,015	(2,007)	(2,007)	Note1、Note4
"	TGEM	"	Bulk-carrier transportation	601,200	601,200	61,623	12 %	634,030	207,178	24,862	Note2
"	UNH	"	Gasoline international trade	1,000	1,000	100	100 %	983	1	1	Note1、Note4
"	UHD	"	Investment management	1,000	1,000	100	100 %	977	1	1	"
"	CMTLL	"	Car rental	20,000	-	2,000	100 %	19,996	(4)	(4)	Note1、Note4
CMTS	CFR	Singapore	Bulk-carrier transportation	706,445	706,445	23,100	100 %	734,950	44,050	Has been recognized as investment incomes (losses) by CMTS	Note1、Note3、Note4
"	CEP	"	"	709,517	709,517	29,900	100 %	709,624	49,679	"	"
"	OMTLL	"	"	-	21	-	- %	-	-	"	"
CMT HK	CPS	Hong Kong	"	61,430	61,430	2,000	100 %	61,315	285	Has been recognized as investment incomes (losses) by CMT HK	"
"	CPG	"	"	184,290	184,290	6,000	100 %	298,212	55,718	"	"
"	CPC	"	"	168,933	168,933	5,500	100 %	241,061	55,036	"	"
"	CHT	"	Bulk-chartering services	307	307	10	100 %	6,010	(245)	"	"
"	CPN	"	Bulk-carrier transportation	737,160	737,160	240	100 %	725,326	1,953	"	"
"	CPD	"	"	1,290,030	1,290,030	420	100 %	1,324,031	80,340	"	"
"	CTD	"	"	399,295	399,295	13,000	100 %	433,049	39,437	"	"
"	CTU	"	"	399,295	399,295	13,000	100 %	421,398	30,669	"	"
"	CHM	"	"	460,725	460,725	150	100 %	423,854	25,282	"	"
"	CHN	"	"	460,725	460,725	150	100 %	476,675	38,588	"	"

(Continued)

CHINESE MARITIME TRANSPORT LTD.
Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			The highest holdings in the period (Losses) of the Investee	The highest holdings in the period Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of Ownership	Carrying Value			
CMT HK	CHI	Hong Kong	Investment management	307	307	0.1	100 %	(293)	(106.0)	Has been recognized as investment incomes (losses) by CMT HK	Note1、Note3、Note4
"	Chinese Maritime Transport Ship Management (Hong Kong) Limited	"	"	30,715	30,715	10	100 %	30,518	251	"	"
"	CMTS	Singapore	Investment holding of ship-owning companies	1,148,741	1,148,741	49,288	99.56 %	1,221,351	76,625	"	"
HIL	TNCL	Taiwan	Bulk-carrier transportation	321,956	321,956	12,297	2.947 %	307,077	957,635	Has been recognized as investment incomes (losses) by HIL	Note2
ATI	CST	"	Container trucking	86,642	86,642	8,200	100 %	92,122	(1,294)	Has been recognized as investment incomes (losses) by ATI	Note1、Note4
"	HYT	"	"	28,932	28,932	3,000	100 %	46,283	8,699	"	"
"	MHT	"	"	30,568	30,568	3,000	100 %	49,355	7,800	"	"
"	APT	"	"	30,719	30,719	3,000	100 %	39,153	3,630	"	"
"	PTL	"	"	30,000	30,000	3,000	100 %	30,025	(194)	"	"

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

Please refer to the 2018 consolidated financial statements.

Chinese Maritime Transport Ltd.
Statement of Cash and Cash Equivalents
December 31, 2018
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Petty cash		\$ 264
Demand deposits	New Taiwan Dollars	64,519
	Foregin currency(USD192thousand dollars, Exchange rate 30.715)	5,898
	Foregin currency(CNY23thousand dollars, Exchange rate 4.497)	103
Checking accounts		<u>158,823</u>
Total		<u>\$ 229,607</u>

Statement of Notes and Accounts Receivable-Non related Parties

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
Notes receivable:		
Others(Note)	Operating revenue from non-related parties	\$ <u>1,568</u>
Accouts receivable:		
APL	Operating revenue from non-related parties	34,497
OTWL	"	21,695
Maersk	"	13,737
ONE	"	13,070
Others(Note)	"	<u>90,012</u>
		<u>173,011</u>
Total		<u>\$ 174,579</u>

Notes: The balance of each client does not exceed 5% of the amount of the account, and will not be separately listed.

Chinese Maritime Transport Ltd.
Statement of Changes in Investments Accounted for Using the Equity Method
For the year ended December 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Name	Beginning balance		Increase during period (Note1)		Decrease during period (Note2)		Profit (loss) of associates accounted for using equity method		Other changes (Note3)		Ending balance		2018.12.31 fair value or net worth	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Amount	Amount	Amount	Amount	Shareholding ratio	Amount		
CMTS	217	\$ 3,601	-	-	-	-	337	-	-	217	0.44 %	3,938	5,398	None
CMT HK	12,000	9,916,359	-	-	-	46,200	405,493	-	-	12,000	100 %	10,275,652	10,022,939	None
HIL	56,500	384,355	-	-	-	-	29,074	(1,532)	(1,532)	56,500	100 %	411,897	325,734	None
CMTL	19,200	1,054,374	-	-	-	50,887	51,804	1,586	-	19,200	100 %	1,056,877	1,056,877	None
MHI	130	1,288	-	-	-	-	(45)	-	-	130	100 %	1,243	1,243	None
AGM	100	1,104	-	-	-	-	(46)	-	-	100	100 %	1,058	1,058	None
TNCL	31,125	755,607	-	-	-	21,788	68,882	(4,487)	-	31,125	7.459 %	798,214	777,227	None
ATI	50,000	642,538	-	-	-	64,155	22,582	-	-	50,000	100 %	600,965	600,965	None
UHN	100	982	-	-	-	-	1	-	-	100	100 %	983	983	None
NHD	100	976	-	-	-	-	1	-	-	100	100 %	977	977	None
CMTSL	2,000	9,022	-	-	-	-	(2,007)	-	-	2,000	100 %	7,015	7,015	None
TGEM	60,120	633,958	1,503	-	-	14,434	24,862	-	-	61,623	12 %	644,386	634,030	None
CMTLL	-	-	2,000	20,000	-	-	(4)	-	-	2,000	100 %	19,996	19,996	None
Subtotal		13,404,164		20,000		197,464	600,934	(4,433)				13,823,201		
Exchange differences on translation of foreign financial statements		(716,655)		-		-	-	347,896				(358,759)		
Total		\$ 12,687,509		20,000		197,464	600,934	343,463				13,454,442		

Note 1: The investment of the newly established subsidiary amounted to \$20,000 thousand in August, 2018.

Note 2: Acquired cash dividend of \$197,464 thousand from the investee company.

Note 3: The effects of retrospective application accounted for using equity method amounted to \$6,236 thousand; unrealized gains (losses) from financial assets measured at fair value through other comprehensive income amounted to (\$11,199) thousand; exchange differences on translation of foreign financial statements amounted to \$347,896 thousand; and actuarial gains and losses amounted to \$530 thousand.

Chinese Maritime Transport Ltd.
Statement of Changes in Property, Plant and Equipment
For the year ended December 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Please refer to note(6)(f).

Statement of Changes in Investment Property

Please refer to note(6)(g).

Chinese Maritime Transport Ltd.

Statement of Other Payables

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Interest payable	Short-term borrowings and bonds interest payable	\$ 24,033
Employee compensation and directors' and supervisors' remuneration and year-end bonuses payable	Estimated employee compensation and directors' and supervisors' remuneration and year-end bonuses	24,788
Others(Note)	Labor and health insurance and labor expense	<u>5,962</u>
Total		<u>\$ 54,783</u>

Notes: The balance of each item does not exceed 5% of the amount of the account, and will not be separately listed.

Statement of Bonds Payable

Please refer to note(6)(i).

Chinese Maritime Transport Ltd.
Statement of Operating Revenue
For the year ended December 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Please refer to note(6)(o).

Statement of Operating Costs

<u>Item</u>	<u>Amount</u>
Freight and repair cost	\$ 1,093,146
Airline agent cost	<u>54,505</u>
Total	<u>\$ 1,147,651</u>

Chinese Maritime Transport Ltd.**Statement of Operating expense****For the year ended December 31, 2018****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Payroll expense	\$ 95,604
Depreciation and amortization expense	9,188
Labor expense	7,718
Insurance expense	6,416
Others(Note)	<u>36,888</u>
Total	<u>\$ 155,814</u>

Note: The balance of each item does not exceed 5% of the amount or five million dollars of the account, and will not be separately listed.