

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

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Three Months Ended March 31, 2018 and 2017**

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

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## Independent Auditors' Review Report

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

### Introduction

We have reviewed the accompanying consolidated balance sheets of the Chinese Maritime Transport Ltd. and its subsidiaries of March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As stated in Note (4)(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$1,618,065 thousand and \$1,628,903 thousand, constituting 8.25% and 7.72% of consolidated total assets at March 31, 2018 and 2017, respectively, total liabilities amounting to \$538,054 thousand and \$552,585 thousand, constituting 5.20% and 4.79% of consolidated total liabilities at March 31, 2018 and 2017, respectively, and total comprehensive income(loss) amounting to \$12,264 thousand and \$11,742 thousand, constituting 7.65% and 1.55% of consolidated total comprehensive income (loss) for the three months ended March 31, 2018 and 2017, respectively.



Furthermore, as stated in Note (6)(f), the other equity accounted investments of the Chinese Maritime Transport Ltd. and its subsidiaries in its investee companies of \$1,599,759 thousand and \$1,588,237 thousand at March 31, 2018 and 2017, respectively, and its equity in net earnings on these investee companies of \$19,591 thousand and \$3,031 thousand for the three months months ended March 31, 2018 and 2017, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Chinese Maritime Transport Ltd. and its subsidiaries as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the review resulting in this independent auditors’ review report are I-Wen Wang and Jui-Lan Lo.

KPMG

Taipei, Taiwan (Republic of China)  
May 9, 2018

### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
 Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2018 and 2017

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2018, December 31, 2017, and March 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
Cash and cash equivalents (note 6)(a))	\$ 2,946,482	15	2,939,548	15	3,976,339	19
Current financial assets at fair value through profit or loss (note 6)(b))	400	-	401	-	569	-
Notes and accounts receivable, net (note 6)(c))	153,471	1	174,513	1	152,880	1
Accounts receivable due from related parties, net (note 7))	85,814	-	94,568	1	98,778	-
Other current assets	101,563	1	55,836	-	107,426	1
Other current financial assets (notes 6)(f) and (g))	204,849	1	260,504	1	296,436	1
	3,492,579	18	3,525,370	18	4,632,428	22
<b>Non-current assets:</b>						
Non-current financial assets at fair value through profit or loss (note 6)(b))	47,871	-	-	-	-	-
Non-current financial assets held for trading (note 6)(b))	-	-	48,913	-	53,604	-
Non-current financial assets at fair value through other comprehensive income (notes 6)(c))	26,966	-	-	-	-	-
Non-current financial assets at cost (note 6)(d))	-	-	25,000	-	25,000	-
Investments accounted for using equity method (notes 6)(f) and (g))	1,599,759	8	1,607,347	8	1,588,237	8
Property, plant and equipment (notes 6)(g) and (h))	14,319,982	74	14,746,226	74	14,691,387	70
Investment property, net (note 6)(b))	36,378	-	37,587	-	37,555	-
Intangible assets	14,816	-	15,915	-	5,861	-
Deferred tax assets	21,697	-	21,558	-	18,714	-
Other non-current assets	22,142	-	29,488	-	15,945	-
Other non-current financial assets (notes 6)(i) and (j))	21,646	-	21,648	-	21,640	-
	16,111,257	82	16,553,682	82	16,457,943	78
<b>Total assets</b>	\$ 19,603,836	100	20,079,052	100	21,090,371	100
<b>Liabilities and Equity</b>						
<b>Current liabilities:</b>						
Short-term borrowings (note 6)(j))	\$ 917,637	5	849,622	4	89,934	-
Current contract liabilities (note 6)(b))	22,384	-	-	-	-	-
Notes and accounts payable	182,601	1	178,088	1	166,116	1
Other current liabilities	144,260	1	160,237	1	160,380	1
Unearned revenue	-	-	20,125	-	21,344	-
Long-term liabilities, current portion (note 6)(j))	704,298	3	720,148	4	3,467,821	17
	1,971,180	10	1,928,220	10	3,905,595	19
<b>Non-Current liabilities:</b>						
Bonds payable (note 6)(j))	3,100,000	16	3,100,000	15	2,300,000	11
Long-term borrowings (note 6)(j))	4,632,587	24	4,981,220	25	4,675,873	22
Deferred tax liabilities	573,552	3	573,626	3	576,557	3
Net defined benefit liability, non-current	59,425	-	68,660	-	67,332	-
Other non-current liabilities, others	603	-	605	-	602	-
	8,366,167	43	8,724,111	43	7,620,364	36
	10,337,347	53	10,652,331	53	11,523,959	55
<b>Total liabilities</b>	1,974,846	10	1,974,846	10	1,974,846	9
<b>Equity attributable to owners of parent: (note 6)(n))</b>	53,411	-	53,411	-	53,411	-
Common stock						
Capital surplus						
Retained earnings:						
Legal reserve	1,654,360	8	1,654,360	8	1,649,566	8
Special reserve	359,487	2	359,487	2	359,487	2
Unappropriated retained earnings	6,077,522	31	6,006,231	30	5,941,640	28
	8,091,369	41	8,020,078	40	7,950,693	38
	(853,145)	(4)	(621,623)	(3)	(414,538)	(2)
Other equity interest	8	-	9	-	-	-
Non-controlling interests:						
Total equity	9,266,489	47	9,426,721	47	9,564,412	45
<b>Total liabilities and equity</b>	\$ 19,603,836	100	20,079,052	100	21,090,371	100

See accompanying notes to financial statements.

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

**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS****CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income**

For the three months ended March 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		For the three months ended March 31			
		2018		2017	
		Amount	%	Amount	%
4000	<b>Operating Revenues (notes (6)(p) and (7))</b>				
4621	Freight revenue-vessel chartering	\$ 424,332	50	345,907	45
4622	Freight revenue-container hauling,net and logistics revenue	402,178	47	418,639	54
4623	Freight revenue-airline agent and others	26,101	3	10,704	1
		<u>852,611</u>	<u>100</u>	<u>775,250</u>	<u>100</u>
5000	<b>Operating costs (notes (6)(l) and (12))</b>				
5621	Freight cost-vessel chartering	315,807	37	292,779	38
5622	Freight cost-container hauling and logistics	327,751	39	331,001	43
5623	Freight cost-airline agent and others	20,702	2	8,433	1
		<u>664,260</u>	<u>78</u>	<u>632,213</u>	<u>82</u>
5900	<b>Gross profit</b>	188,351	22	143,037	18
6000	<b>Operating expenses (notes (6)(l), (r), (7) and (12))</b>	87,706	10	88,866	11
6900	<b>Net operating income</b>	<u>100,645</u>	<u>12</u>	<u>54,171</u>	<u>7</u>
	<b>Non-operating income and expenses:</b>				
7010	Other income	3,323	-	3,226	-
7050	Finance costs-interest expense (note (6)(q))	(53,244)	(6)	(52,458)	(7)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (note (6)(f))	19,591	2	3,031	-
7100	Interest income	9,255	1	6,651	1
7210	Gains (losses) on disposal of property, plant and equipment (note (6)(g))	(270)	-	5,746	1
7230	Foreign exchange gains or losses	(91)	-	(506)	-
7235	Gains (losses) on financial assets at fair value through profit or loss (note (6)(b))	(1,034)	-	14,082	2
7590	Miscellaneous disbursements	-	-	(149)	-
7625	Losses on disposals of investments (note (6)(f))	-	-	(97,384)	(13)
		<u>(22,470)</u>	<u>(3)</u>	<u>(117,761)</u>	<u>(16)</u>
7900	<b>Profit (loss) before tax</b>	78,175	9	(63,590)	(9)
7950	Less: Tax expense (note (6)(m))	7,023	1	8,961	1
	<b>Profit (loss)</b>	<u>71,152</u>	<u>8</u>	<u>(72,551)</u>	<u>(10)</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	848	-	-	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(6,334)	(1)	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(m))	(139)	-	-	-
		<u>(5,347)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
8360	<b>Other components of other comprehensive income that will not be reclassified to profit or loss</b>				
8361	Exchange differences on translation	(206,383)	(24)	(606,321)	(78)
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(27,082)	(3)	(80,177)	(10)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(m))	(74)	-	-	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	<u>(233,391)</u>	<u>(27)</u>	<u>(686,498)</u>	<u>(88)</u>
8300	<b>Other comprehensive income, net</b>	<u>(238,738)</u>	<u>(28)</u>	<u>(686,498)</u>	<u>(88)</u>
	<b>Comprehensive income (attributable to owners of parent)</b>	<u>\$ (167,586)</u>	<u>(20)</u>	<u>(759,049)</u>	<u>(98)</u>
	<b>Profit (loss), attributable to:</b>				
	Profit (loss), attributable to owners of parent	\$ 71,152	8	(72,551)	(10)
	Non-controlling interests	-	-	-	-
		<u>\$ 71,152</u>	<u>8</u>	<u>(72,551)</u>	<u>(10)</u>
	<b>Comprehensive income attributable to:</b>				
	Comprehensive income, attributable to owners of parent	\$ (167,585)	(20)	(759,049)	(98)
	Non-controlling interests	(1)	-	-	-
		<u>\$ (167,586)</u>	<u>(20)</u>	<u>(759,049)</u>	<u>(98)</u>
	<b>Earnings per share (note (6)(o))</b>				
9750	Basic net income per share (NT dollars)	\$ 0.36		(0.37)	
9850	Diluted net income per share (NT dollars)	\$ 0.36		(0.37)	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
 Reviewed only, not audited in accordance with generally accepted auditing standards

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Retained earnings			Total other equity interest							Total equity	
Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated 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 attributable to owners of parent		Non-controlling interests
Balance at January 1, 2017	-	53,411	1,649,566	359,487	6,014,191	8,023,244	283,802	-	(11,842)	271,960	-	10,323,461
Net income for the three months ended March 31, 2017	-	-	-	-	(72,551)	(72,551)	-	-	-	-	-	(72,551)
Other comprehensive income for the three months ended March 31, 2017	-	-	-	-	(72,551)	(72,551)	(691,950)	-	5,452	(686,498)	-	(686,498)
Total comprehensive income for the three months ended March 31, 2017	-	-	-	-	(72,551)	(72,551)	(691,950)	-	5,452	(686,498)	-	(759,049)
Balance at March 31, 2017	\$ 1,974,846	\$ 53,411	\$ 1,649,566	\$ 359,487	\$ 5,941,640	\$ 7,950,693	\$ (408,148)	\$ -	\$ (6,390)	\$ (414,538)	\$ -	\$ 9,564,412
Balance at January 1, 2018	\$ 1,974,846	\$ 53,411	\$ 1,654,360	\$ 359,487	\$ 6,006,231	\$ 8,020,078	\$ (611,199)	\$ -	\$ (10,424)	\$ (621,623)	\$ 9	\$ 9,426,721
Effects of retrospective application	-	-	-	-	-	-	-	(3,070)	10,424	7,354	-	7,354
Balance at January 1, 2018 after adjustments	\$ 1,974,846	\$ 53,411	\$ 1,654,360	\$ 359,487	\$ 6,006,231	\$ 8,020,078	\$ (611,199)	\$ (3,070)	\$ -	\$ (614,269)	\$ 9	\$ 9,434,075
Net income for the three months ended March 31, 2018	-	-	-	-	71,152	71,152	-	-	-	-	-	71,152
Other comprehensive income for the three months ended March 31, 2018	-	-	-	-	139	139	(233,390)	(5,486)	-	(238,876)	(1)	(238,738)
Total comprehensive income for the three months ended March 31, 2018	-	-	-	-	139	139	(233,390)	(5,486)	-	(238,876)	(1)	(167,586)
Balance at March 31, 2018	\$ 1,974,846	\$ 53,411	\$ 1,654,360	\$ 359,487	\$ 6,077,522	\$ 8,091,369	\$ (844,589)	\$ (8,556)	\$ -	\$ (853,145)	\$ 8	\$ 9,266,489

See accompanying notes to financial statements.

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**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED  
 AUDITING STANDARDS**

**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the three months ended March 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31	
	2018	2017
<b>Cash flows from (used in) operating activities:</b>		
Profit (loss) before tax	\$ 78,175	(63,590)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	212,741	204,398
Expected credit loss (gain)	(51)	-
Provision (reversal of provision) for bad debt expense	-	(2)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	1,034	(14,082)
Interest expense	53,244	52,458
Interest income	(9,255)	(6,651)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(19,591)	(3,031)
Loss (gain) on disposal of property, plant and equipment	270	(5,746)
Loss (gain) on disposal of investments accounted for using equity method	-	97,384
<b>Total adjustments to reconcile profit (loss)</b>	<b>238,392</b>	<b>324,728</b>
<b>Changes in operating assets:</b>		
Decrease (increase) in notes and accounts receivable (including related parties)	29,847	29,953
Decrease (increase) in other current assets	(47,550)	(39,446)
Decrease (increase) in other financial assets	936	3,425
	<u>(16,767)</u>	<u>(6,068)</u>
<b>Changes in operating liabilities:</b>		
Increase (decrease) in notes payable	4,513	(19,092)
Increase (decrease) in contract liabilities	2,720	-
Increase (decrease) in unearned revenue	-	(11,879)
Increase (decrease) in other current liabilities	(11,721)	(40,342)
Increase (decrease) in net defined benefit liability	(9,235)	(17,920)
	<u>(13,723)</u>	<u>(89,233)</u>
<b>Total changes in operating assets and liabilities</b>	<b>(30,490)</b>	<b>(95,301)</b>
<b>Total adjustments</b>	<b>207,902</b>	<b>229,427</b>
Cash inflow generated from operations	286,077	165,837
Interest received	8,700	7,459
Interest paid	(63,273)	(60,232)
Income taxes paid	(168)	(125)
<b>Net cash flows from operating activities</b>	<b>231,336</b>	<b>112,939</b>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of investments accounted for using equity method	-	147,756
Acquisition of property, plant and equipment	(31,949)	(1,126,139)
Proceeds from disposal of property, plant and equipment	-	12,648
Decrease (increase) in other non-current assets	(16,286)	(4,169)
Decrease in other financial assets-current	54,576	548,015
Decrease in other financial assets-non current	2	6
<b>Net cash flows from (used in) investing activities</b>	<b>6,343</b>	<b>(421,883)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	68,015	(30,015)
Proceeds from long-term debt	-	984,344
Repayments of long-term debt	(240,609)	(182,938)
Other	(2)	(5)
<b>Net cash flows from (used in) financing activities</b>	<b>(172,596)</b>	<b>771,386</b>
Effect of exchange rate changes on cash and cash equivalents	(58,149)	(171,617)
Net increase in cash and cash equivalents	6,934	290,825
Cash and cash equivalents at beginning of period	2,939,548	3,685,514
Cash and cash equivalents at end of period	<b>\$ 2,946,482</b>	<b>3,976,339</b>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**March 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 consolidated financial statements of the Company as of and for the three months ended March 31, 2018 comprise the Company and its subsidiaries (together refined to as the “Group”). The main activities of the Group 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 Group also owns investment companies to engage in the business of investment. Based on the organization of the Group and distribution of duties, the Company leads and invests in the business in the Group related to transportation. Please refer to note 4 (b) for related information.

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

The consolidated financial statements were authorized for issuance by the board of directors on May 9, 2018.

**(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

(Continued)

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated 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 Group 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 Group 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 Group 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:

Cargo revenue is currently recognized during its lease terms ; container hauling revenue is recognized when the goods are delivered to the customers’ premises ; also, warehouse rent and hanging cabinet revenue is recognized when the service is provided. Revenue is recognized at this point provided 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.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(Continued)

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

1) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Group's consolidated financial statements:

Impacted line items on the consolidated balance sheet	March 31, 2018			January 1, 2018		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balances upon adoption of IFRS 15	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balances upon adoption of IFRS 15
Current contract liabilities	\$ -	22,384	22,384	-	20,125	20,125
Unearned Revenue	22,384	(22,384)	-	20,125	(20,125)	-
Impact on assets		-			-	

Impacted line items on the consolidated statement of cash flows	For the three months ended March 31, 2018		
	Balances without adoption of IFRS 15	Impact of changes in accounting policies	Balances with adoption of IFRS 15
Cash flows from (used in) operating activities:			
Adjustments:			
Current contract liabilities	\$ -	2,720	2,720
Unearned Revenue	2,720	(2,720)	-

(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 Group 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 Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group 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.

(Continued)

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

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 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 Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note (4) (c).

The adoption of IFRS 9 did not have any a 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) (c).

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.

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**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**  
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- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group 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 Group's financial assets as of January 1, 2018. There is no difference as comparing the original and the new measurement categories of financial liabilities.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
<b>Financial Assets</b>				
Cash and cash equivalents	Loans and receivable	2,939,548	Amortized cost	2,939,548
Debt securities	Current financial assets held for trading (note 1)	401	FVTPL— current	401
	Non-current financial assets held for trading (note 1)	48,913	FVTPL— non current	48,913
Equity instruments	Financial assets measured at cost (note 2)	26,118	FVOCI	26,118
Time deposits(over three months)	Loans and receivables	23,275	Amortized cost	23,275
Notes and accounts receivable,net(including related parties)	Loans and receivables (note 3)	269,081	Amortized cost	269,081
Other receivables	Loans and receivables (note 3)	8,897	Amortized cost	8,897
Gurentee deposits	Loans and receivables	5,182	Amortized cost	5,182
Pledged assets-time deposits	Loans and receivables	244,798	Amortized cost	244,798

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: These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Accordingly, an increase of \$1,118 thousand in those assets recognized, as well as an increase of 1,118 thousand in other equity interests was recognized on January 1, 2018.

Note3: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. There was no significant impact on its opening retained earnings.

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**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**  
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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)	\$ 401	-	-	-	-	-
Additions – debt instruments:						
From held for trade	-	48,913	-	-	-	-
Total	\$ 401	48,913	-	49,314	-	-
Fair value through other comprehensive income						
Addition – equity instruments:						
From measured at cost	\$ -	25,000	1,118	-	-	1,118
Total	\$ -	25,000	1,118	26,118	-	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 Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(v).

(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 consolidated financial statements.

(b) 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 IASB, but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
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 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019

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

Those which may be relevant to The Group are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 “Leases”	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>• For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>
June 7, 2017	IFRIC 23 “Uncertainty over Income Tax Treatments”	<ul style="list-style-type: none"> <li>• 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 and 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.</li> <li>• 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 or 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.</li> </ul>

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

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
February 7, 2018	Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	<p>The amendments clarify that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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 recognised in other comprehensive income.</li> </ul>

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

**(4) Summary of significant accounting policies:**

**(a) Statement of compliance**

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

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statement are the same as those in the consolidated financial statement for the year ended December 31, 2017. For related information, please refer to note (4) of the consolidated financial statement for the year ended December 31, 2017.

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**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**  
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(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2018	December 31, 2017	March 31, 2017	
The Company	Chinese Maritime Transport(S) Pte. Ltd. (CMTS)	Investment holding of ship-owning companies	0.44	0.44	0.51	
"	Chinese Maritime Transport (Hong Kong), Limited (CMTHK)	"	100	100	100	
"	CMT Logistics Co., Ltd. (CMTL)	Warehouse management	100	100	100	Note 3
"	AGM Investment Ltd. (AGM)	Investment	100	100	100	Note 3
"	Hope Investment Ltd. (HIL)	"	100	100	100	
"	Mo Hsin Investment Ltd. (MHI)	"	100	100	100	Note 3
"	Associated Transport Inc. (ATI)	Container trucking	100	100	100	
"	CMT Travel Service Ltd. (CMTTSL)	Travel	100	100	100	Note 3
"	CMT AIR LTD. (CMA)	Forwarder	-	-	100	Note 1
"	United Nan Hai Petroleum INC (UNH)	Gasoline international trade	100	100	100	Note 3
"	United Nan Hai Development Inc. (NHD)	Investment management	100	100	100	Note 3
CMTS	China Fortune Shipping Pte Ltd. (CFR)	Bulk-carrier transportation	100	100	100	
"	China Enterprise Shipping PTE. Ltd. (CEP)	"	100	100	100	
"	Orient Maritime Transport Logistics Ltd. (OMTLL)	Investment	71	71	-	Note 2
CMTHK	China Prosperity Shipping Ltd. (CPS)	Bulk-carrier transportation	100	100	100	
"	China Peace Shipping Ltd. (CPC)	"	100	100	100	
"	China Progress Shipping Ltd. (CPG)	"	100	100	100	
"	China Pioneer Shipping Ltd. (CPN)	"	100	100	100	
"	China Pride Shipping Ltd. (CPD)	"	100	100	100	
"	CMT Chartering Ltd. (CCL)	Bulk-chartering services	100	100	100	
"	China Triumph Shipping Ltd. (CTU)	Bulk-carrier transportation	100	100	100	
"	China Trade Shipping Ltd. (CTD)	"	100	100	100	
"	China Harmory Shipping LTD. (CHM)	"	100	100	100	
"	China Honour shipping Ltd. (CHN)	"	100	100	100	
"	CMT Investment CO., Limited (CHI)	Investment	100	100	100	
"	CMT International Management Co. Limited (CIM)	Investment management	100	100	100	
"	CMTS	Investment holding of ship-owning companies	99.56	99.56	99.49	

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2018	December 31, 2017	March 31, 2017	
ATI	Chang-Shun Transport CO., LTD. (CST)	Container trucking	100	100	100	
"	Huang-Yuen Transport CO., LTD. (HYT)	"	100	100	100	
"	Mao-Hua Transport CO., LTD. (MHT)	"	100	100	100	
"	AG Prosperity Transport CO., LTD. (APT)	"	100	100	100	
"	Pioneer Transport Co., LTD (PTL)	"	100	100	100	

Note 1: Dissolution completed in December 2017.

Note 2: Subsidiary incorporated in December 2017.

Note 3: Non-significant subsidiary, its financial statements have not been reviewed.

(c) Financial instruments (applicable from January 1, 2018)

(i) Financial assets

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

The Group 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 on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; and

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**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**  
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- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized 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.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, 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.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI, accounts receivable and contract assets.

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

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**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**  
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- 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 trade receivables and contract assets 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 Group 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 Group 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 Group's historical experience and informed credit assessment as well as forward-looking information.

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

The Group 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 Group in full.

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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**  
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At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI 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. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group 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 Group 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 Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Group 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.

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**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**  
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On derecognition of a part of debt instrument in which the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of 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 presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

(d) Revenue from contracts with customers (applicable from January 1, 2018)

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

(i) Cargo and container hauling revenue

Cargo revenue is recognized during its lease terms ; container hauling revenue is recognized when the goods are delivered to the customers' premises ; also, warehouse rent and hanging cabinet revenue is recognized when the service is provided.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(ii) Rental income from investment property

Rental income from investment property is recognized as 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.

(iii) Financing components

The group 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 group does not adjust any of the transaction prices for the time value of money.

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**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**  
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(e) Contract costs (applicable from January 1, 2018)

(i) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(ii) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(f) Employee benefits

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

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(g) **Income taxes**

The income tax expenses have been prepared and disclosed according to paragraph B12 of International Financial Reporting Standards 34 “Interim Financial Reporting”.

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

For a change in tax rate that is substantively enacted in an interim period, the effect of the change immediately should be recognized in the interim period in which the change occurs.

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

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

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

The preparation of the consolidated interim financial statements, the major sources of accounting assumptions, judgments and estimation uncertainty are consistent with note 5 of the annual consolidated financial statements for the year ended December 31, 2017.

(6) **Explanation of significant accounts**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2017. Please refer to note (6) of the 2017 annual consolidated financial statements.

(a) **Cash and cash equivalents**

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>March 31,</u> <u>2017</u>
Petty cash, checking accounts and demand deposits \$	803,784	1,055,838	1,337,437
Time deposits	1,984,060	1,773,766	2,247,942
Cash equipment-commercial paper and reverse repurchase agreement	<u>158,638</u>	<u>109,944</u>	<u>390,960</u>
	<u>\$ 2,946,482</u>	<u>2,939,548</u>	<u>3,976,339</u>

(Continued)

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

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

(i) Information are as follow:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
<b>Current financial assets at fair value through profit or loss</b>			
Fund	400	-	-
<b>Non-current financial assets at fair value through profit or loss</b>			
Convertible bond	47,871	-	-
<b>Current financial assets held for trading</b>			
Fund	-	401	569
<b>Non-current financial assets held for trading</b>			
Convertible bond	-	48,913	53,604
	<u>\$ 48,271</u>	<u>49,314</u>	<u>54,173</u>

The gain or loss on financial assets at fair value through profit or loss for the three months ended March 31, 2018 and 2017 were a loss of \$1,034 and a profit of \$14,082, respectively.

The Group did not provide any aforementioned financial assets as collateral for its loans as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

(ii) Debt investment and fixed rate deposit

The carrying amounts of debt and fixed rate deposit as of March 31, 2018, December 31, 2017 and March 31, 2017, were \$47,871, \$48,913 and \$53,604, respectively. Other related information are as follows: (The investments were classified as non-current financial assets designated as at fair value through profit or loss on March 31, 2018 and as non-current financial assets held-for-trading on December 31 and March 31, 2017.)

	<u>For the three months ended March 31</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Interest rates</u>	<u>Maturity dates</u>	<u>Interest rates</u>	<u>Maturity dates</u>
Non-current financial assets designated as at fair value through profit or loss	3%	2019	-	-
Non-current financial assets held-for-trading	-	-	3%	2019

(Continued)

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

- (c) Financial assets at fair value through other comprehensive income

	<b>March 31, 2018</b>
<b>Equity investments at fair value through other comprehensive income</b>	
Unlisted common shares- Domestic Company A	<b>26,966</b>

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes instead of hold for trading. These investments were previously classified as non-current financial assets measured at cost on December 31, 2017 and March 31, 2017.

No strategic investments were disposed as of March 31, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

As of March 31, 2018, the financial assets at fair value through other comprehensive income of the Group had been no pledged as collateral for its loans.

- (d) Financial assets measured at cost

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

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

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

- (e) Notes and accounts receivable-third parties

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Notes receivable	\$ 11,497	13,623	7,223
Accounts receivable	144,039	163,006	147,628
Less: Loss allowance	(2,065)	(2,116)	(1,971)
	<b>\$ 153,471</b>	<b>174,513</b>	<b>152,880</b>

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

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

	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 144,250	-	-
Less than 30 days past due	10,979	16.01%	1,758
30 to 180 days past due	144	100%	144
More than 180 days past due	<u>163</u>	100%	<u>163</u>
	<u>\$ 155,536</u>		<u>2,065</u>

As of December 31 and March 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable. There are no past due but not impaired notes and accounts receivable as of December 31 and March 31, 2017.

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

	<u>March 31, 2018</u>	<u>March 31, 2017 Collectively assessed impairment</u>
Balance on January 1, 2018 and 2017 per IAS 39	2,116	1,973
Adjustment on initial application of IFRS 9	<u>-</u>	
Balance on January 1, 2018 per IFRS 9	2,116	
Impairment losses reversed	<u>(51)</u>	<u>(2)</u>
Balance on March 31, 2018 and 2017	<u>\$ 2,065</u>	<u>1,971</u>

The Group did not provide any aforementioned notes and accounts receivable as collaterals for its loans as of March 31, 2018, December 31, 2017 and March 31, 2017

Please refer to note 6(s) for the exposure to credit risk of the other receivables of the Group.

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

(f) Investments accounted for using equity method

- (i) The components of investments accounted for using the equity method at the reporting date were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Associates	<u>\$ 1,599,759</u>	<u>1,607,347</u>	<u>1,588,237</u>

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
Associates	<u>\$ 19,591</u>	<u>3,031</u>

The losses on investment in associate recognized for the three months ended March 31, 2018 and 2017 including the amortization of investment premium are \$849 and \$7,786, respectively. As of March 31, 2018 and 2017, the balance of unamortized investment premium amounted to \$1,699 and \$25,905, respectively.

- (iii) Details of the material associates are as follows:

Name	Nature of the relationship	Principal place of business/ Country of incorporation	Effective ownership interest and voting right		
			March 31, 2018	December 31, 2017	March 31, 2017
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	10.406 %	10.406 %	10.406 %
Taiwan Global Energy Maritime Co., Ltd (TGEM)	A significant investee company of Group, in which its main activities are shipping transportation	Taiwan	12 %	12 %	12 %

The fair value of the shares of the listed material associate of the Group are as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
TNCL	<u>\$ 681,726</u>	<u>720,806</u>	<u>586,198</u>

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

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

1) Summarized financial information of TNCL

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Current assets	\$ 850,455	987,757	938,615
Non current assets	13,993,380	14,429,959	12,377,247
Current liabilities	(731,955)	(729,666)	(583,588)
Non current liabilities	<u>(4,580,220)</u>	<u>(5,131,063)</u>	<u>(3,438,290)</u>
Net assets (Belongs to the investee)	<u>\$ 9,531,660</u>	<u>9,556,987</u>	<u>9,293,984</u>
	<u>Three months ended March 31, 2018</u>	<u>Three months ended March 31, 2017</u>	
Revenue	\$ 797,254	647,445	
Profit (loss) from continuing operations	144,491	17,184	
Other comprehensive income	<u>(229,744)</u>	<u>(436,638)</u>	
Total comprehensive income (Belongs to the investee)	<u>\$ (85,253)</u>	<u>(419,454)</u>	
	<u>Three months ended March 31, 2018</u>	<u>Three months ended March 31, 2017</u>	
Beginning balance of Group's share of net assets before adjustment	\$ 994,500	1,267,118	
Adjustment on initial application of IFRS 9	<u>6,236</u>	<u>-</u>	
Beginning balance of Group's share of net assets after adjustment	1,000,736	1,267,118	
Group's share of total comprehensive income	(8,872)	(54,718)	
Disposals	<u>-</u>	<u>(245,268)</u>	
Ending balance of Group's share of net assets	991,864	967,132	
Add: Balance of unamortized investment premium	<u>1,699</u>	<u>25,905</u>	
Carrying amounts in the consolidated balance sheets	<u>\$ 993,563</u>	<u>993,037</u>	

(Continued)

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

2) Summarized financial information of TGEM

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Current assets	\$ 2,371,192	1,914,688	1,832,128
Non current assets	9,363,614	9,686,372	7,702,798
Current liabilities	(625,628)	(318,464)	(725,745)
Non current liabilities	<u>(6,057,548)</u>	<u>(6,196,771)</u>	<u>(3,849,182)</u>
Net assets (Belongs to the investee)	<u>\$ 5,051,630</u>	<u>5,085,825</u>	<u>4,959,999</u>
	<b>Three months ended March 31, 2018</b>	<b>Three months ended March 31, 2017</b>	
Revenue	\$ <u>314,479</u>	<u>209,297</u>	
Profit (loss) from continuing operations	45,040	71,480	
Other comprehensive income	<u>(79,235)</u>	<u>(192,403)</u>	
Total comprehensive income (Belongs to the investee)	<u>\$ (34,195)</u>	<u>(120,923)</u>	
	<b>Three months ended March 31, 2018</b>	<b>Three months ended March 31, 2017</b>	
Beginning balance of Group's share of net assets	\$ 610,299	609,713	
Group's share of total comprehensive income	<u>(4,103)</u>	<u>(14,513)</u>	
Ending balance of Group's share of net assets	<u>\$ 606,196</u>	<u>595,200</u>	

- (iv) The unreviewed financial statements of investments accounted for using equity method Investments were accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.
- (v) The Group disposed 11,011 thousand shares of its investments accounted for using equity method for \$147,756 in 2017. The related losses amounted to 97,384, which was recorded as non-operating income and expense. As of March 31, 2018, the amount settled and received.
- (vi) Pledges

As of March 31, 2018, December 31, 2017 and March 31, 2017, the Group provided investment accounted for using equity method as collateral for its loans. Please refer to note 8.

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

(g) Property, plant and equipment

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

	Land	Buildings and construction	Transportation Equipment	Other equipment	Under construction	Total
<b>Cost or deemed cost:</b>						
Balance on January 1, 2018	\$ 1,717,114	130,918	18,410,065	512,105	-	20,770,202
Additions	-	340	28,300	3,309	-	31,949
Disposals	-	-	-	(438)	-	(438)
Reclassifications	-	670	-	25,275	-	25,945
Effect of movements in exchange rates	-	(741)	(387,420)	-	-	(388,161)
Balance on March 31, 2018	<u>\$ 1,717,114</u>	<u>131,187</u>	<u>18,050,945</u>	<u>540,251</u>	<u>-</u>	<u>20,439,497</u>
Balance on January 1, 2017	\$ 1,758,525	141,948	16,683,205	493,311	1,070,209	20,147,198
Additions	-	493	983,072	284	142,290	1,126,139
Disposals	-	(1,196)	(17,063)	(2,424)	-	(20,683)
Reclassifications	-	-	583,814	-	(583,814)	-
Effect of movements in exchange rates	-	(2,158)	(968,768)	-	(57,260)	(1,028,186)
Balance on March 31, 2017	<u>\$ 1,758,525</u>	<u>139,087</u>	<u>17,264,260</u>	<u>491,171</u>	<u>571,425</u>	<u>20,224,468</u>
<b>Depreciation and impairments loss:</b>						
Balance on January 1, 2018	\$ -	79,786	5,675,146	269,044	-	6,023,976
Depreciation for the year	-	1,741	201,545	8,235	-	211,521
Disposals	-	-	-	(168)	-	(168)
Reclassifications	-	(42)	-	(180)	-	(222)
Effect of movements in exchange rates	-	(119)	(115,473)	-	-	(115,592)
Balance on March 31, 2018	<u>\$ -</u>	<u>81,366</u>	<u>5,761,218</u>	<u>276,931</u>	<u>-</u>	<u>6,119,515</u>
Balance on January 1, 2017	\$ -	79,554	5,309,419	246,195	-	5,635,168
Depreciation for the year	-	1,643	193,105	8,714	-	203,462
Disposals	-	(1,196)	(10,234)	(2,351)	-	(13,781)
Effect of movements in exchange rates	-	(258)	(291,510)	-	-	(291,768)
Balance on March 31, 2017	<u>\$ -</u>	<u>79,743</u>	<u>5,200,780</u>	<u>252,558</u>	<u>-</u>	<u>5,533,081</u>
<b>Carrying amounts:</b>						
Balance on January 1, 2018	<u>\$ 1,717,114</u>	<u>51,132</u>	<u>12,734,919</u>	<u>243,061</u>	<u>-</u>	<u>14,746,226</u>
Balance on March 31, 2018	<u>\$ 1,717,114</u>	<u>49,821</u>	<u>12,289,727</u>	<u>263,320</u>	<u>-</u>	<u>14,319,982</u>
Balance on March 31, 2017	<u>\$ 1,758,525</u>	<u>59,344</u>	<u>12,063,480</u>	<u>238,613</u>	<u>571,425</u>	<u>14,691,387</u>

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

- (i) The pledge information is summarized in note 8.
- (ii) The Group disposes of the property, plant and equipment in three months ended March 31, 2018 and 2017 for \$0 and \$12,648, respectively. The cost of aforementioned property, plant and equipment amounted to \$270 and \$6,902, respectively, and the related gain of disposal amounted to \$270 and \$5,746, respectively. The registration procedures of the property transfer have been completed and related receivable have been collected.
- (iii) The Group evaluated its transportation equipment for impairment and recognized no impairment loss according to IFRS 36 "Recoverable Amount Disclosures for Non-Financial Asset". The accumulated impairment amount were USD\$31,555 (\$918,408, 939,078 and \$957,063) as of March 31, 2018 and December 31 and March 31, 2017, respectively.

(h) Investments property

	<u>Land</u>	<u>Building</u>	<u>Total</u>
<b>Cost or deemed cost:</b>			
Balance on January 1, 2018	\$ 19,094	25,674	44,768
Reclassifications	-	(670)	(670)
Effect of movements in exchange rates	-	(478)	(478)
Balance on March 31, 2018	<u>\$ 19,094</u>	<u>24,526</u>	<u>43,620</u>
Balance on January 1, 2017	\$ 19,094	27,507	46,601
Effect of movements in exchange rates	-	(1,413)	(1,413)
Balance on March 31, 2017	<u>\$ 19,094</u>	<u>26,094</u>	<u>45,188</u>
<b>Depreciation and impairment losses:</b>			
Balance on January 1, 2018	\$ -	7,181	7,181
Depreciation of the year	-	121	121
Reclassifications	-	42	42
Effect of movements in exchange rates	-	(102)	(102)
Balance on March 31, 2018	<u>\$ -</u>	<u>7,242</u>	<u>7,242</u>
Balance on January 1, 2017	\$ -	7,825	7,825
Depreciation of the year	-	127	127
Effect of movements for exchange rates	-	(319)	(319)
Balance on March 31, 2017	<u>\$ -</u>	<u>7,633</u>	<u>7,633</u>
<b>Carrying amount:</b>			
Balance on January 1, 2018	<u>\$ 19,094</u>	<u>18,493</u>	<u>37,587</u>
Balance on March 31, 2018	<u>\$ 19,094</u>	<u>17,284</u>	<u>36,378</u>
Balance on March 31, 2017	<u>\$ 19,094</u>	<u>18,461</u>	<u>37,555</u>

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

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(k) for further information.

There were no significant change in the fair value of investment property during the three months ended March 31, 2018 and 2017 as disclosed in note 6(f) of the consolidated financial statements for the year ended December 31, 2017.

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

(i) Other financial assets

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Time deposits (over three months)	\$ 22,437	23,275	113,407
Other receivables	7,818	8,897	5,912
Guarantee deposits	5,204	5,182	5,176
Pledged assets-time deposits	<u>191,036</u>	<u>244,798</u>	<u>193,581</u>
	<b><u>\$ 226,495</u></b>	<b><u>282,152</u></b>	<b><u>318,076</u></b>
Other current financial assets	\$ 204,849	260,504	296,436
Other non-current financial assets	<u>21,646</u>	<u>21,648</u>	<u>21,640</u>
	<b><u>\$ 226,495</u></b>	<b><u>282,152</u></b>	<b><u>318,076</u></b>

(j) Loans

The Group's detail of loans was as follows:

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Secured loans	\$ 400,000	500,000	-
Commercial paper payable	518,000	350,000	90,000
Less: discount on commercial paper payable	<u>(363)</u>	<u>(378)</u>	<u>(66)</u>
	<b><u>\$ 917,637</u></b>	<b><u>849,622</u></b>	<b><u>89,934</u></b>
Unused credit lines	<b><u>\$ 2,822,000</u></b>	<b><u>2,890,000</u></b>	<b><u>3,649,606</u></b>
Range of interest rate during the year	<b><u>0.938%~1.095%</u></b>	<b><u>0.938%~1.13%</u></b>	<b><u>1%~1.13%</u></b>

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**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**  
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## (ii) Long-term loans

Bank	Currency	Due Year	March 31, 2018	December 31, 2017	March 31, 2017
COMMERZ BANK	USD	2019	\$ 343,438	386,880	430,686
Mega International Commercial Bank	"	2022	523,890	535,680	682,425
Bank Sinopec	"	2022	775,262	841,816	907,986
Mega International Commercial Bank	"	2022	523,890	602,640	682,425
Bank Sinopec	"	2023	864,749	884,209	1,025,691
BNP PARIBAS	"	2026	593,595	632,052	669,736
CTBC Bank		2027	862,195	916,661	944,745
Mega Bank Central Branch		2027	849,866	901,430	-
			5,336,885	5,701,368	5,343,694
Current portion			(704,298)	(720,148)	(667,821)
			<u>\$ 4,632,587</u>	<u>4,981,220</u>	<u>4,675,873</u>
Range of interest rates during the year			<u>2.16%~3.54%</u>	<u>1.64%~3.08%</u>	<u>1.64%~2.65%</u>

## (iii) Bonds Payable

The Company issued secured bonds at face value. The interest is calculated and paid annually from the date of issuance. The bonds payable on March 31, 2018 and 2017 and December 31, 2017, were as follows:

	Guarantee bank	Interest rate	Due	March 31, 2018	December 31, 2017	March 31, 2017
The third secured bonds payable	Shanghai Commercial Bank	1.40 %	June 2017	\$ -	-	1,000,000
"	Cathay United Bank	1.40 %	June 2017	-	-	500,000
"	Chinatrust Commercial Bank	1.40 %	June 2017	-	-	500,000
"	Bank SinoPac	1.40 %	June 2017	-	-	500,000
"	Industrial Bank of Taiwan	1.40 %	June 2017	-	-	300,000
Balance on December 31, 2016						
The first secured bonds payable	Bank of Taiwan	0.88 %	March 2021	900,000	900,000	900,000
The second secured bonds payable	Mega Bank	1.00 %	March 2021	1,400,000	1,400,000	1,400,000
Balance on December 31, 2017						
The first secured bonds payable	Shanghai Commercial Bank	1.13 %	April 2020	400,000	400,000	-
"	"	1.13 %	April 2022	400,000	400,000	-
				3,100,000	3,100,000	5,100,000
Current portion				-	-	(2,800,000)
				<u>\$ 3,100,000</u>	<u>3,100,000</u>	<u>2,300,000</u>

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

- (iv) In order to repay its bank loans and bonds payable which were issued previously, as well as to increase its working capital for the requirement of business development, the Group issued 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 and \$400,000, respectively.
- (v) Refer to note 6(s) for the information of exposure to liquidity risk. The Group provided assets as collaterals for credit line of short-term and long-term borrowing, please refer to note 8.

(k) Operating lease

There were no significant new lease contracts during the three months ended March 31, 2018 and 2017. Please refer to note (6)(i) of the consolidated financial statements for the year ended December 31, 2017.

(l) Employee benefits

(i) Defined benefit plans

Given there was no significant volatility of the market or any significant reimbursement, settlement or other one-time event in the prior fiscal year, pension cost in the interim financial statements is measured and disclosed in accordance with the actuarial report measured on December 31, 2017 and 2016.

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

	<b>Three months ended March 31, 2018</b>	<b>Three months ended March 31, 2017</b>
Cost of sales and operating expense	<u>1,048</u>	<u>1,274</u>

In accordance with Paragraph 2 of Article 56 of the Labor Standards Act, before the end of each year, employers shall assess the balance in the designated labor pension reserve funds account. If the amount is inadequate to pay pensions for workers retiring in the same year according to Article 53 or subparagraph 1 of Paragraph 1 of Article 54, the employer is required to make up the difference. The difference as of March 2017 and 2016 was \$7,787 and \$16,348.

(ii) Defined contribution plans

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

	<b>Three months ended March 31, 2018</b>	<b>Three months ended March 31, 2017</b>
Cost of sales and operating expense	<u>2,375</u>	<u>2,200</u>

(Continued)

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

(m) 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. The Group recognized the effect of the change in the tax rate by adjusting the estimated annual effective income tax rate during the interim reporting period.

The amount of income tax was as follows:

	Three months ended March 31, 2018	Three months ended March 31, 2017
Current tax expense	<u>7,023</u>	<u>8,961</u>
Deferred tax expense		
Change in tax rate	21,370	-
Origination and reversal of temporary differences	<u>(21,370)</u>	<u>-</u>
	<u><u>7,023</u></u>	<u><u>8,961</u></u>

The amount of income tax recognized in other comprehensive income for three months ended March 31, 2018 and 2017 was as follows:

	Three months ended March 31, 2018	Three months ended March 31, 2017
Items that may not be reclassified subsequently to profit or loss		
Re-measurement from defined benefit plans	\$ <u>(139)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign financial statements	\$ <u>(74)</u>	<u>-</u>

The Company's tax returns for the years through 2015 were examined and approved by the tax authorities.

(n) Capital and other equities

There was no significant change for capital and other equity for the periods from January 1 to March 31, 2018 and 2017. For the related information, please refer to note (6)(l) of the consolidated financial statements for the year ended December 31, 2017.

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

(i) Retained Earning

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

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

1) Legal reserve

Following the 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 March 31, 2018.

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

(Continued)

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

3) Earnings distribution

On March 31 2018 the company board of directors resolved to appropriated the 2017 earnings. On June 14, 2017, the stockholder's meeting resolved to distribute the 2016 earnings. These earnings were appropriated as follows.

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

(ii) 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	-	(3,070)	10,424	7,354
January 1, 2018 after adjustments	(611,199)	(3,070)	-	(614,269)
The subsidiary	(206,308)	848	-	(205,460)
Associates	(27,082)	(6,334)	-	(33,416)
March 31, 2018	\$ (844,589)	(8,556)	-	(853,145)
January 1, 2017	\$ 283,802	-	(11,842)	271,960
The subsidiary	(606,321)	-	-	(606,321)
Associates	(85,629)	-	5,452	(80,177)
March 31, 2017	\$ (408,148)	-	(6,390)	(414,538)

(o) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at March 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:

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

1) Profit attributable to ordinary shareholders of the Company

	<u>Three months ended</u> <u>March 31, 2018</u>	<u>Three months ended</u> <u>March 31, 2017</u>
Profit (loss) attributable to ordinary shareholders of the Company	\$ <u>71,152</u>	<u>(72,551)</u>

2) Weighted-average number of ordinary shares

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

3) Basic earnings per share (TWD)

	<u>Three months ended</u> <u>March 31, 2018</u>	<u>Three months ended</u> <u>March 31, 2017</u>
Basic earnings per share	\$ <u>0.36</u>	<u>(0.37)</u>

(ii) Diluted earnings per share

The calculation of diluted earnings per share at March 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>Three months ended</u> <u>March 31, 2018</u>	<u>Three months ended</u> <u>March 31, 2017</u>
Profit attributable to ordinary shareholder of the Company (basic and diluted)	\$ <u>71,152</u>	<u>(72,551)</u>

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

	<u>Three months ended</u> <u>March 31, 2018</u>	<u>Three months ended</u> <u>March 31, 2017</u>
Issued ordinary shares at January 1	197,485	197,485
Effect on the employee stock bounces	<u>38</u>	<u>-</u>
Weighted-average number of ordinary shares (diluted) at December 31	<u>197,523</u>	<u>197,485</u>

3) Diluted earnings per share (TWD)

	<u>Three months ended</u> <u>March 31, 2018</u>	<u>Three months ended</u> <u>March 31, 2017</u>
Diluted earnings per share	\$ <u>0.36</u>	<u>(0.37)</u>

(Continued)

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

## (p) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<b>For the three months ended March 31, 2018</b>			
	<b>Inland trucking and terminal &amp; logistics department</b>	<b>Shipping department</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets				
Asia	\$ 402,178	99,848	26,101	528,127
Europe	-	201,190	-	201,190
Oceania	-	123,294	-	123,294
	<b>\$ 402,178</b>	<b>424,332</b>	<b>26,101</b>	<b>852,611</b>

## (ii) Contract balances

	<b>March 31, 2018</b>	<b>January 1, 2018</b>
Accounts and notes receivable	\$ 155,536	176,629
Less: allowance for impairment	(2,065)	(2,116)
Total	<b>\$ 153,471</b>	<b>174,513</b>
Contract liabilities (unearned revenue)	<b>\$ 22,384</b>	<b>20,125</b>

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

The amount of revenue recognized for the three months ended March 31, 2018 that was included in the contract liability balance at the beginning of the period was 20,125 thousand.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

## (q) Financial cost-Interest expense

The financial cost interest expense in the years ended March 31, 2018 and 2017 were as follows:

	<b>Three months ended March 31, 2018</b>	<b>Three months ended March 31, 2017</b>
Secured bank loan	\$ 39,798	27,615
Bonds payable	13,446	24,843
	<b>\$ 53,244</b>	<b>52,458</b>

(Continued)

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

(r) 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 remuneration, and a maximum of 2% will be allocated as director's and supervisors' remuneration.

The remunerations to employees and directors amounted to \$753 and \$753, respectively, for the three-months period ended March 31, 2018. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the three months ended March 31, 2017, due to the net loss, the Company did not accrue any employee remuneration and directors' and supervisors' remuneration.

As of December 31, 2017 and 2016, the Company recognized its employee bonuses of 952 and 941, respectively, and its directors' and supervisors' remuneration of \$952 and \$941, respectively. The information is available on the Market Observation Post System website. There was no difference between the actual remuneration amount after the annual shareholders' meeting and the recognized amount in the 2017 and 2016 consolidated financial statements.

(s) Financial Instruments

Except for the contention mentioned below, there were no significant changes in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(p) of the 2017 annual consolidated financial statements.

(i) Credit risk

1) Receivables

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

Other financial assets at amortized cost includes other receivables, guarantee deposits, pledged assets-time deposits, time deposits (over three months) (previously classified as loans and receivables on January 1 to December 31, 2017). The aforementioned loans and receivables were no impairment on January 1 to 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)(c).

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

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

	<u>Other receivables</u>
Balance on January 1 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	-
Balance on January 1 per IFRS 9	-
Balance on March 31	<u>\$ -</u>

(ii) Liquidity Risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>March 31, 2018</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 917,637	(918,000)	(918,000)	-	-
Secured bank loan	5,336,885	(5,336,885)	(704,298)	(908,032)	(3,724,555)
Notes and accounts payable	182,601	(182,601)	(182,601)	-	-
Bonds payable	3,100,000	(3,100,000)	-	-	(3,100,000)
Accrued expenses and other payables	<u>92,652</u>	<u>(92,652)</u>	<u>(92,652)</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,629,775</u>	<u>(9,630,138)</u>	<u>(1,897,551)</u>	<u>(908,032)</u>	<u>(6,824,555)</u>
<b>December 31, 2017</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 849,622	(850,000)	(850,000)	-	-
Secured bank loan	5,701,368	(5,701,368)	(720,148)	(964,180)	(4,017,040)
Notes and accounts payable	178,088	(178,088)	(178,088)	-	-
Bonds payable	3,100,000	(3,100,000)	-	-	(3,100,000)
Accrued expenses and other payables	<u>99,099</u>	<u>(99,099)</u>	<u>(99,099)</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,928,177</u>	<u>(9,928,555)</u>	<u>(1,847,335)</u>	<u>(964,180)</u>	<u>(7,117,040)</u>
<b>March 31, 2017</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 89,934	(89,934)	(89,934)	-	-
Secured bank loan	5,343,694	(5,343,694)	(667,821)	(667,821)	(4,008,052)
Notes and accounts payable	166,116	(166,116)	(166,116)	-	-
Bonds payable	5,100,000	(5,100,000)	(2,800,000)	-	(2,300,000)
Accrued expenses and other payables	<u>87,199</u>	<u>(87,199)</u>	<u>(87,199)</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,786,943</u>	<u>(10,786,943)</u>	<u>(3,811,070)</u>	<u>(667,821)</u>	<u>(6,308,052)</u>

(Continued)

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

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

(iii) Fair value

1) Fair Value hierarchy

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	March 31, 2018				
	Book value	Fair Value			Total
Level 1		Level 2	Level 3		
<b>Financial assets at fair value through profit or loss</b>					
Current financial assets mandatorily measured at fair value through profit or loss	\$ 400	400	-	-	400
Non-current financial assets mandatorily measured at fair value through profit or loss	<u>47,871</u>	-	47,871	-	47,871
<b>Total</b>	<b>\$ <u>48,271</u></b>				
<b>Financial assets at fair value through other comprehensive income</b>	<b>\$ <u>26,966</u></b>	-	-	26,966	26,966
<b>Financial assets at amortized cost through profit or loss</b>					
Cash and cash equivalents	2,946,482	-	-	-	-
Time deposits (over three months)	22,437	-	-	-	-
Notes and accounts receivable (including related party)	239,285	-	-	-	-
Other receivables	7,818	-	-	-	-
Guarantee deposits	5,204	-	-	-	-
Pledged assets-time deposits	<u>191,036</u>	-	-	-	-
<b>Total</b>	<b><u>3,412,262</u></b>				
<b>Total</b>	<b>\$ <u>3,487,499</u></b>				

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

	March 31, 2018				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities at amortized cost through profit or loss</b>					
Short-term borrowings	\$ 917,637	-	-	-	-
Long-term borrowings	5,336,885	-	-	-	-
Notes and accounts payable	182,601	-	-	-	-
Bonds payable	3,100,000	-	3,100,000	-	3,100,000
Accrued expenses and other payables (recorded as other current liabilities)	<u>92,652</u>	-	-	-	-
合 計	<u>\$ 9,629,775</u>				
	December 31, 2017				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Current financial assets held for trading	\$ 401	401	-	-	401
Non-current financial assets held for trading	<u>48,913</u>	-	48,913	-	48,913
Total	<u>\$ 49,314</u>				
<b>Non-current financial assets at cost</b>	<u>\$ 25,000</u>				
<b>Loans and receivables</b>					
Cash and cash equivalents	\$ 2,939,548	-	-	-	-
Time deposits (over three months)	23,275	-	-	-	-
Notes and accounts receivable (including related party)	269,081	-	-	-	-
Other receivables	8,897	-	-	-	-
Guarantee deposits	5,182	-	-	-	-
Pledged assets-time deposits	<u>244,798</u>	-	-	-	-
Total	<u>\$ 3,490,781</u>				
<b>Financial liabilities at amortized cost through profit or loss</b>					
Short-term borrowings	\$ 849,622	-	-	-	-
Long-term borrowings	5,701,368	-	-	-	-
Notes and accounts payable	178,088	-	-	-	-
Bonds payable	3,100,000	-	3,100,000	-	3,100,000
Accrued expenses and other payables (recorded as other current liabilities)	<u>99,099</u>	-	-	-	-
Total	<u>\$ 9,928,177</u>				

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

	March 31, 2017				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Current financial assets held for trading	\$ 569	569	-	-	569
Non-current financial assets held for trading	<u>53,604</u>	-	53,604	-	53,604
Total	<u>\$ 54,173</u>				
<b>Non-current financial assets at cost</b>	<u>\$ 25,000</u>				
<b>Loans and receivables</b>					
Cash and cash equivalents	\$ 3,976,339	-	-	-	-
Time deposits (over three months)	113,407	-	-	-	-
Notes and accounts receivable (including related party)	251,658	-	-	-	-
Other receivables	5,912	-	-	-	-
Guarantee deposits	5,176	-	-	-	-
Pledged assets-time deposits	<u>193,581</u>	-	-	-	-
Total	<u>\$ 4,546,073</u>				
<b>Financial liabilities at amortized cost through profit or loss</b>					
Short-term borrowings	\$ 89,934	-	-	-	-
Long-term borrowings	5,343,694	-	-	-	-
Notes and accounts payable	166,116	-	-	-	-
Bonds payable	5,100,000	-	5,100,000	-	5,100,000
Accrued expenses and other payables (recorded as other current liabilities)	<u>87,199</u>	-	-	-	-
Total	<u>\$ 10,786,943</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.

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

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.

Statement of changes in level 3

	Measured of fair value through other comprehensive income
	Non-quoted in an active market
Balance on January 1, 2018	26,118
Gains or losses:	
Recognized in other comprehensive income	848
Balance on March 31, 2018	<b>26,966</b>

The aforementioned total gains and losses were recorded as Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income.

3) Transfers between Level 1 and Level 2

There was no transfer of fair value of the asset in the three months ended March 31, 2018 and 2017.

(t) Financial risk management

There was no significant changes in the Group's financial risk management and policies as disclosed in the note 6(q) of the consolidated financial statements for the year ended December 31, 2017.

(u) Capital management

The Group's objectives, policies and processes of capital management are the same as those in the consolidated financial statements for the year ended December 31, 2017. There were no significant changes of quantitative data of capital management compared with the consolidated financial statements for the year ended December 31, 2017. Please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2017.

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

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

The Group's investing and financing activities which did not affect the current cash flow in the three months ended March 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	March 31, 2018
Short-term borrowings	\$ 849,622	68,015	-	917,637
Long-term borrowings	5,701,368	(240,609)	(123,874)	5,336,885
Bonds payable	3,100,000	-	-	3,100,000
Guarantee deposits (recorded as other non-current liabilities-others)	605	(2)	-	603
	<u>\$ 9,651,595</u>	<u>(172,596)</u>	<u>(123,874)</u>	<u>9,355,125</u>

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

CMT investment is the ultimate controlling party of the Company and owns 53.20 and 50.50 percent of all shares outstanding of the Company on March 31, 2018 and 2017, respectively. The Company has issued the Consolidated financial statements available for public use.

(b) Key management personnel compensation

Key management personnel compensation comprised:

	Three months ended March 31, 2018	Three months ended March 31, 2017
Short-term employee benefits	11,715	10,616
Post-employment benefits	290	337
	<u>12,005</u>	<u>10,953</u>

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

(c) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Associated International INC. (AII)	The entity with significant influence over the Group
Associated Development INC. (ADI)	A subsidiary of AII
CMT Development INC. (CMD)	A subsidiary of AII
OOCL (TAIWAN) CO., LTD. (OTWL)	Substantial associates
OOCL LOGISTICS (TAIWAN) LIMITED (LOTWL)	Substantial associates

(d) Significant related party transactions

(i) Freight revenue

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

	<u>Revenue</u>		<u>Account Receivable-related-parties</u>		
	<u>Three months ended March 31, 2018</u>	<u>Three months ended March 31, 2017</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Other relates parties					
OTWL	182,427	197,242	72,510	76,883	80,966
Others	9,534	15,542	6,966	6,538	11,956
The entities with significant influence over the Group	<u>54</u>	<u>40</u>	<u>39</u>	<u>-</u>	<u>40</u>
	<u>\$ 192,015</u>	<u>212,824</u>	<u>79,515</u>	<u>83,421</u>	<u>92,962</u>

The collection periods of inland trucking transactions are within 30 to 60 days after consignment, which are similar to those of the ordinary customers. If the contracts have similar terms and conditions, the selling prices for related parties and ordinary customers shall not have any significant different.

(ii) Logistic and agent revenue

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

	<u>Revenue</u>		<u>Account Receivable-related-parties</u>		
	<u>Three months ended March 31, 2018</u>	<u>Three months ended March 31, 2017</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
The entities with significant influence over the Group	<u>14,295</u>	<u>14,951</u>	<u>6,299</u>	<u>11,147</u>	<u>5,816</u>

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**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**  
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The Group's selling price for related parties is cost, plus, fixed percentage when the related parties receive cash from customers; the related parties pay the Group immediately.

(iii) Operating expense

	Operating expense	
	Three months ended March 31, 2018	Three months ended March 31, 2017
The entities with significant influence over the Group	\$ 1,999	1,884

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

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

Assets	Subject	March 31, 2018	December 31, 2017	March 31, 2017
Investments accounted for using equity match – stock	Commercial paper payable – and long-term loans and credit lines	\$ -	-	273,894
Property, plant and equipment – land and buildings	Short-term and long-term loans and credit line	907,689	899,336	899,336
Transportation and other equipment (including prepayment equipment)	"	10,958,970	11,375,502	11,758,445
Other current financial assets (pledged assets time deposit)	Long-term loans	174,594	228,332	177,117
Other non-current financial assets (Guarantee deposits and pledged assets-time deposits)	Guarantee for construction payment, warehouse deposits, long-term loans and import duty	21,646	21,648	21,640
		<b>\$ 12,062,899</b>	<b>12,524,818</b>	<b>13,130,432</b>

**(9) Commitments and contingencies:**

- (a) The Group had issued guarantee promissory notes amounting to \$3,130,960, 3,130,960 and \$5,205,920 as of March 31, 2018, December 31 and March 31, 2017, respectively, as guarantee for bonds payable.

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- (b) As of March 31, 2018, the Group still had several long-term leases of its ships with customers in effect. The ending periods of the contracts are from April 2018 to March 2020.

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:None**

**(12) Other:**

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

By function	For the three months ended March 31, 2018			For the three months ended March 31, 2017		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
<b>By item</b>						
Employee benefits						
Salary	80,989	47,650	128,639	74,182	42,637	116,819
Labor and health insurance	2,337	4,342	6,679	2,366	3,750	6,116
Pension	1,179	2,244	3,423	1,243	2,231	3,474
Others	6,222	1,906	8,128	5,706	1,582	7,288
Depreciation (Note)	209,514	2,094	211,608	200,851	2,623	203,474
Amortization	-	1,099	1,099	-	809	809

Note: excluding the deduction of rental income of \$34 and \$115 for the three months ended March 31, 2018 and 2017, respectively.

- (b) Seasonality of interim operation

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

**(13) Other disclosures:**

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2018:

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## (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)	
													Item	Value			
1	CMT HK	CPN	Other receivable due from related parties	Y	99,539	99,539	99,539		2	-	Operating	-	-	-	9,202,596	9,202,596	Transactions in the left column had been written off during the preparation of consolidated financial statements
1	CMT HK	CPD	"	Y	218,541	218,541	218,541		2	-	"	-	-	-	9,202,596	9,202,596	"
1	CMT HK	CTU	"	Y	510,793	510,793	510,793		2	-	"	-	-	-	9,202,596	9,202,596	"
1	CMT HK	CTD	"	Y	510,793	510,793	510,793		2	-	"	-	-	-	9,202,596	9,202,596	"
1	CMT HK	CPC	"	Y	305,603	305,603	305,603		2	-	"	-	-	-	9,202,596	9,202,596	"
1	CMT HK	CHM	"	Y	324,812	324,812	324,812		2	-	"	-	-	-	9,202,596	9,202,596	"
1	CMT HK	CHN	"	Y	145,525	145,525	145,525		2	-	"	-	-	-	9,202,596	9,202,596	"
1	CMT HK	CPG	"	Y	378,365	378,365	378,365		2	-	"	-	-	-	9,202,596	9,202,596	"
1	CMT HK	CMTS	"	Y	523,890	523,890	523,890		2	-	"	-	-	-	9,202,596	9,202,596	"
2	ATI	CST	"	Y	18,000	18,000	18,000		1	131,882	"	-	-	-	131,882	257,637	"
2	ATI	APT	"	Y	60,000	53,000	53,000		1	104,060	"	-	-	-	104,060	257,637	"
2	ATI	PTL	"	Y	31,000	30,000	30,000		1	41,983	"	-	-	-	41,983	257,637	"

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

Note 2: For entities who have business transactions with the Company, the amount of endorsements permitted for a single company shall not exceed the transaction amount in the previous fiscal year and 40% of the lender's net worth. For entities who have short-term financing needs, the amount shall not exceed 40 percent of the 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.

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	CPN	Sub-subsidiary	13,899,721	1,309,725	1,309,725	775,263	-	14.13 %	13,899,721	Y	-	-
0	"	CTU	"	"	654,863	654,863	523,890	-	7.07 %	"	Y	-	-
0	"	CTD	"	"	654,863	654,863	523,890	-	7.07 %	"	Y	-	-
0	"	ATI	Subsidiary	"	100,000	100,000	-	-	1.08 %	"	Y	-	-
0	"	CFR	Sub-subsidiary	"	1,293,717	1,293,717	864,748	-	13.96 %	"	Y	-	-
1	CMT HK	CHN	Subsidiary	13,803,895	881,590	881,590	849,866	-	9.58 %	13,803,895	-	-	-
1	"	CPD	Subsidiary	"	431,291	431,291	343,439	-	4.69 %	"	-	-	-
1	"	THE COMPANY	Parent company	"	3,784	3,784	3,784	-	0.04 %	"	-	Y	-
1	"	CHM	Subsidiary	"	949,405	949,405	593,595	-	10.32 %	"	-	-	-
1	"	CEP	Subsidiary	"	930,778	930,778	862,194	-	10.11 %	"	-	-	-

Note1: Represents the Company.

Note2: The total amount of external endorsements and/or guarantees shall worth no more than 150 percent 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 percent of the Company's net worth. (2) company whose more than 80 percent voting shares are owned by the Company shall not exceed 30 percent of the Company's net worth.

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Note3: CMT HK's total amount of external endorsements/ guarantees shall not exceed 150 percent 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 percent of the Company's net worth. (2) an entity who has more than 80 percent voting shares and is owned directly by the Company shall not exceed 30 percent of the Company's net worth. (3) an entity who has less than 80 percent voting shares and is owned directly by the Company shall not exceed 10 percent 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 March 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 (%)	Fair value	
THE COMPANY	Yang Ming Marine Transport Corporation	-	Non-current financial assets through profit or loss	1,000	47,871	- %	47,871	-
"	Asia Pacific Emerging Industry Venture Capital Co., LTd.	-	Non-current financial asset at fair value through other comprehensive income	2,500	26,966	- %	26,966	-
CMTS	FIRST SHIP fund	-	Current financial assets at fair value through profit or loss	200	400	- %	400	-

- (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
- (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	(182,427)	(61) %	30 to 45 days after consignment date	-	-	72,510	51%	
"	ATI	Subsidiary	Freight cost	242,486	92 %	Depending on the demand for funding of subsidiaries	-	-	(128,401)	94%	Note 1
ATI	THE COMPANY	Subsidiary	Freight revenue	(242,486)	(85) %	"	-	-	128,401	77%	"

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

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(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	510,793	Note1	-		-	-	Note 2
"	CPD	Subsidiary	218,541	"	-		-	-	"
"	CTU	Subsidiary	510,793	"	-		-	-	"
"	CHM	Subsidiary	324,812	"	-		-	-	"
"	CPC	Subsidiary	305,603	"	-		-	-	"
"	CHN	Subsidiary	145,525	"	-		-	-	"
"	CPG	Subsidiary	378,365	"	-		-	-	"
"	CMTS	Subsidiary	523,890	"	-		-	-	"
AYI	THE COMPANY	Subsidiary	128,401	7.87	-		128,401	-	"

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.

(ix) Trading in derivative instruments:None

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	ATI	THE COMPANY	2	Operating revenues	242,486	"	28.44%
1	ATI	THE COMPANY	2	Accounts receivable	128,401	"	0.65%
2	CMT HK	CPD	3	Other receivables	218,541	-	1.11%
2	CMT HK	CTU	3	"	510,793	-	2.61%
2	CMT HK	CTD	3	"	510,793	-	2.61%
2	CMT HK	CHM	3	"	324,812	-	1.66%
2	CMT HK	CMTS	3	"	523,890	-	2.67%
2	CMT HK	CPC	3	"	305,603	-	1.56%
2	CMT HK	CPG	3	"	378,365	-	1.93%

Note 1: The companies are coded as follows:

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

Note 2: The relationships with transactions are as follows:

1. Transactions from the parent company to its subsidiaries.
2. Transactions from the subsidiaries to the parent company.
3. Transaction between subsidiaries.

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**CHINESE MARITIME TRANSPORT LTD. AND ITS SUBSIDIARIES**  
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## (b) Information on investees:

The following is the information on investees for the three months ended March 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 (Note 1)		Balance as of March 31, 2018			Net Income		Note
				March 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 %	4,749	(9,378)	(11)	Note1 - Note4
"	CMT HK	Hong Kong	Investment holding of ship-owning companies	34,356	34,356	12,000	100 %	9,202,597	52,846	52,846	"
"	CMTL	Taiwan	Warehouse management	689,558	689,558	19,200	100 %	1,067,147	12,773	12,773	"
"	AGM	"	Investment	1,000	1,000	100	100 %	1,104	-	-	"
"	HIL	"	"	565,000	565,000	56,500	100 %	289,859	4,264	4,264	"
"	MHI	"	"	1,300	1,300	130	100 %	1,288	-	-	"
"	ATI	"	Container trucking	500,000	500,000	50,000	100 %	644,093	1,554	1,554	"
"	TNCL	"	Bulk-carrier transportation	1,007,412	1,007,412	31,125	7.459 %	712,665	144,491	9,928	Note2
"	CMTTSL	"	Travel	20,000	20,000	2,000	100 %	8,514	(509)	(509)	Note1 - Note4
"	TGEM	"	Bulk-carrier transportation	601,200	601,200	60,120	12 %	606,196	45,040	5,405	Note2
"	UNH	"	Gasoline international trade	1,000	1,000	100	100 %	982	-	-	Note1 - Note4
"	UHD	"	Investment management	1,000	1,000	100	100 %	976	-	-	"
CMTS	CFR	Singapore	Bulk-carrier transportation	669,415	669,415	29,900	100 %	613,567	6,173	Has been recognized as investment incomes(losses) by CMTS	Note3 - Note4
"	CEP	"	"	672,326	672,326	23,100	100 %	660,070	(11,016)	"	"
"	OMTLL	"	"	21	21	0.71	71 %	21	-	"	Note1 - Note3 - Note4
CMT HK	CPS	Hong Kong	"	58,210	58,210	2,000	100 %	57,863	37	Has been recognized as investment incomes(losses) by CMT HK	"
"	CPG	"	"	174,630	174,630	6,000	100 %	239,753	10,988	"	"
"	CPC	"	"	160,078	160,078	5,500	100 %	255,026	15,761	"	"
"	CCL	"	Bulk-chartering services	291	291	10	100 %	5,881	(51)	"	"
"	CPN	"	Bulk-carrier transportation	698,520	698,520	240	100 %	682,277	(3,167)	"	"
"	CPD	"	"	1,222,410	1,222,410	420	100 %	1,226,773	20,668	"	"
"	CTD	"	"	378,365	378,365	13,000	100 %	369,867	(2,460)	"	"
"	CTU	"	"	378,365	378,365	13,000	100 %	374,348	4,651	"	"
"	CHM	"	"	436,575	436,575	150	100 %	384,051	6,846	"	"
"	CHN	"	"	436,575	436,575	150	100 %	448,358	10,677	"	"
"	CHI	"	Investment management	291	291	0.1	100 %	(190)	(14)	"	"
"	CIM	"	"	29,105	29,105	10	100 %	28,673	(4)	"	"
"	CMTS	Singapore	Investment holding of ship-owning companies	1,088,527	1,088,527	49,288	99.56 %	1,074,474	(9,337)	"	"
HIL	TNCL	Taiwan	Bulk-carrier transportation	321,956	321,956	12,297	2.947 %	280,898	144,491	Has been recognized as investment incomes(losses) by HIL	Note2
ATI	CST	"	Container trucking	86,642	86,642	8,200	100 %	98,610	(615)	Has been recognized as investment incomes(losses) by ATI	Note1 - Note4
"	HYT	"	"	28,932	28,932	3,000	100 %	47,078	(140)	-	"
"	MHT	"	"	30,568	30,568	3,000	100 %	57,068	1,146	-	"
"	APT	"	"	30,719	30,719	3,000	100 %	39,783	780	-	"
"	FTL	"	"	30,000	30,000	3,000	100 %	30,618	90	-	"

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

(Continued)

**CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**  
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**(14) Segment information:**

(a) General information

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

(b) Reportable segment information

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

	Three months ended March 31, 2018				
	Inland trucking and terminal & logistics department	Shipping department	Others	Adjustments and eliminations	Total
Revenue from external customers	\$ 402,178	424,332	26,101	-	852,611
Intersegment revenue	-	-	-	-	-
Total revenues	<u>\$ 402,178</u>	<u>424,332</u>	<u>26,101</u>	<u>-</u>	<u>852,611</u>
Segment income before tax	<u>\$ 18,564</u>	<u>81,168</u>	<u>913</u>	<u>-</u>	<u>100,645</u>
Reportable segment assets					<u>\$ 19,603,836</u>
	Three months ended March 31, 2017				
	Inland trucking and terminal & logistics department	Shipping department	Others	Adjustments and eliminations	Total
Revenue from external customers	\$ 418,639	345,907	10,704	-	775,250
Intersegment revenue	-	-	-	-	-
Total revenues	<u>\$ 418,639</u>	<u>345,907</u>	<u>10,704</u>	<u>-</u>	<u>775,250</u>
Segment income before tax	<u>\$ 33,364</u>	<u>21,957</u>	<u>(1,150)</u>	<u>-</u>	<u>54,171</u>
Reportable segment assets					<u>\$ 21,090,371</u>

