

**CHINESE MARITIME TRANSPORT LTD.
AND SUBSIDIARIES**

**Consolidated Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017**

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Chinese Maritime Transport Ltd. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chinese Maritime Transport Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Chinese Maritime Transport Ltd.

Chairman: Jou M.H.

Date: March 28, 2019



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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of CHINESE MARITIME TRANSPORT LTD. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, Based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretation developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Other Matter

We did not audit the financial statements which represented investment in another entity accounted for using the equity method of the Group. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts is based solely on the report of other auditors. The investment in Taiwan Navigation Co., Ltd. and Taiwan Global Energy Maritime Co., Ltd. accounted for using the equity method constitute 8.41% of total consolidated assets at December 31, 2018. The investment in Taiwan Global Energy Maritime Co., Ltd. accounted for using the equity method constitute 3.04% of total consolidated assets at December 31, 2017. The related share of profit of associates accounted for using the equity method constitute 21.85% and 26.47% of total profit before tax for the years ended December 31, 2018 and 2017, respectively.

CHINESE MARITIME TRANSPORT LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion with Emphasis of Matter or Other Matter, for reference.

Key Audit Matters

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

1. Recognition of freight revenue—vessel chartering and container hauling

Refer to Note(4)(o) “Revenue” and to Note (6) (p) for income details.

Description of key audit matters:

The main activities of the Group are bulk carrier operation through overseas subsidiaries, domestic container hauling and storage, and related business. Freight revenue vessel chartering and container hauling is one of the significant items in the consolidated financial statements, and the amounts and changes may affect the users’ understanding on the entire financial statements. Therefore, the testing over freight revenue—vessel chartering and container hauling recognition is considered a key matter in our audit.

Audit Procedure:

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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



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

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

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2019

Notes to Readers

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

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

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (note (6)(a))	\$ 3,345,205	16	2,939,548	15
1110 Current financial assets at fair value through profit or loss (note (6)(b))	77,041	-	401	-
1150 Notes and accounts receivable, net (note (6)(c))	291,072	2	174,513	1
1160 Notes and accounts receivable due from related parties, net (note (6)(c) and (7))	11,821	-	94,568	1
1470 Other current assets	58,827	-	55,836	-
1476 Other current financial assets (notes (6)(f) and (8))	<u>323,080</u>	<u>2</u>	<u>260,504</u>	<u>1</u>
	<u>4,107,046</u>	<u>20</u>	<u>3,525,370</u>	<u>18</u>
Non-current assets:				
1510 Non-current financial assets at fair value through profit or loss (note (6)(b))	25,788	-	-	-
1515 Non-current financial assets held for trading (note (6)(b))	-	-	48,913	-
1517 Non-current financial assets at fair value through other comprehensive income (notes (6)(c))	24,973	-	-	-
1544 Non-current financial assets at cost (note (6)(d))	-	-	25,000	-
1550 Investments accounted for using equity method, net (notes (6)(f) and (8))	1,718,334	9	1,607,347	8
1600 Property, plant and equipment (notes (6)(g) and (8))	14,439,746	71	14,746,226	74
1760 Investment property, net (note (6)(h))	36,889	-	37,587	-
1780 Intangible assets	12,655	-	15,915	-
1840 Deferred tax assets (note (6)(m))	15,983	-	21,558	-
1900 Other non-current assets	19,973	-	29,488	-
1980 Other non-current financial assets (notes (6)(i) and (8))	<u>21,930</u>	<u>-</u>	<u>21,648</u>	<u>-</u>
	<u>16,316,271</u>	<u>80</u>	<u>16,533,682</u>	<u>82</u>
Total assets	\$ 20,423,317	100	20,079,052	100
Liabilities and Equity				
Current liabilities:				
Short-term borrowings (note (6)(j))	2100		2100	
Current contract liabilities (note (6)(p))	2130		2130	
Notes and accounts payable	2150		2150	
Other current liabilities	2300		2300	
Unearned revenue (note (6)(g))	2310		2310	
Long-term liabilities, current portion (note (6)(j))	2320		2320	
	<u>2,338,599</u>	<u>11</u>	<u>1,928,220</u>	<u>10</u>
Non-Current liabilities:				
Bonds payable (note (6)(j))	2530		2530	
Long-term borrowings (note (6)(j))	2540		2540	
Deferred tax liabilities (note (6)(m))	2570		2570	
Net defined benefit liability, non-current (note (6)(l))	2640		2640	
Other non-current liabilities, others	2670		2670	
	<u>608</u>	<u>-</u>	<u>605</u>	<u>-</u>
	<u>7,897,903</u>	<u>39</u>	<u>8,724,111</u>	<u>43</u>
	<u>10,236,502</u>	<u>50</u>	<u>10,652,331</u>	<u>53</u>
Total liabilities	1,974,846	10	1,974,846	10
Equity attributable to owners of parent: (note (6)(n))				
Common stock	3100		3100	
Capital surplus	3200		3200	
Retained earnings:				
Legal reserve	3310		3310	
Special reserve	3320		3320	
Unappropriated retained earnings	3350		3350	
	<u>1,664,166</u>	<u>8</u>	<u>1,654,360</u>	<u>8</u>
	<u>621,623</u>	<u>3</u>	<u>359,487</u>	<u>2</u>
	<u>6,151,652</u>	<u>30</u>	<u>6,006,231</u>	<u>30</u>
	<u>8,437,441</u>	<u>41</u>	<u>8,020,078</u>	<u>40</u>
	<u>(278,883)</u>	<u>(1)</u>	<u>(621,623)</u>	<u>(3)</u>
	<u>9</u>	<u>-</u>	<u>9</u>	<u>-</u>
Other equity interest	3400		3400	
Non-controlling interests	36XX		36XX	
Total equity	10,186,815	50	9,426,721	47
Total liabilities and equity	\$ 20,423,317	100	20,079,052	100

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except earnings per share)

	2018		2017	
	Amount	%	Amount	%
4000 Operating Revenues (notes (6)(p), (7) and (14))				
4621 Freight revenue-vessel chartering	\$ 1,974,716	52	1,447,280	45
4622 Freight revenue-container hauling, net and logistics revenue	1,775,469	46	1,693,110	53
4623 Freight revenue-airline agent and others	<u>70,039</u>	<u>2</u>	<u>77,976</u>	<u>2</u>
	<u>3,820,224</u>	<u>100</u>	<u>3,218,366</u>	<u>100</u>
5000 Operating costs (notes (6)(k), (l) and (12))				
5621 Freight cost-vessel chartering	1,329,829	35	1,266,827	39
5622 Freight cost-container hauling and logistics	1,466,202	38	1,331,488	42
5623 Freight cost-airline agent and others	<u>54,505</u>	<u>2</u>	<u>61,859</u>	<u>2</u>
	<u>2,850,536</u>	<u>75</u>	<u>2,660,174</u>	<u>83</u>
5900 Gross profit	<u>969,688</u>	<u>25</u>	<u>558,192</u>	<u>17</u>
Operating expenses:				
6000 Operating expenses (notes (6)(k), (l), (r), (7) and (12))	364,644	10	351,243	11
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (notes (6)(e))	<u>(1,815)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
	<u>362,829</u>	<u>9</u>	<u>351,243</u>	<u>11</u>
6900 Net operating income	<u>606,859</u>	<u>16</u>	<u>206,949</u>	<u>6</u>
Non-operating income and expenses:				
7010 Other income (note (6)(k))	13,645	-	14,562	-
7050 Finance costs-interest expense (note (6)(q))	(239,441)	(6)	(206,510)	(6)
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method (note (6)(f))	121,965	3	50,589	2
7100 Interest income	56,318	2	32,033	1
7210 Gains on disposals of property, plant and equipment (note (6)(g) and (7))	9,365	-	114,737	4
7230 Foreign exchange gains or losses	317	-	(390)	-
7235 Gains on financial assets (liabilities) at fair value through profit or loss (note (6)(b))	(9,794)	-	9,233	-
7590 Miscellaneous disbursements	(1)	-	(150)	-
7625 Losses on disposals of investments (note (6)(f))	<u>-</u>	<u>-</u>	<u>(97,384)</u>	<u>(3)</u>
	<u>(47,626)</u>	<u>(1)</u>	<u>(83,280)</u>	<u>(2)</u>
7900 Profit before tax	559,233	15	123,669	4
7950 Less: Tax expense (note (6)(m))	<u>45,522</u>	<u>2</u>	<u>25,617</u>	<u>1</u>
Profit	<u>513,711</u>	<u>13</u>	<u>98,052</u>	<u>3</u>
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans (note (6)(l))	1,344	-	(2,997)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	241	-	-	-
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	(12,495)	-	12	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(m))	<u>(987)</u>	<u>-</u>	<u>(509)</u>	<u>-</u>
	<u>(9,923)</u>	<u>-</u>	<u>(2,476)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation	307,783	8	(785,605)	(25)
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	40,113	1	(108,497)	(3)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(m))	<u>193</u>	<u>-</u>	<u>(519)</u>	<u>-</u>
	<u>347,703</u>	<u>9</u>	<u>(893,583)</u>	<u>(28)</u>
8300 Other comprehensive income, net	<u>337,780</u>	<u>9</u>	<u>(896,059)</u>	<u>(28)</u>
Comprehensive income (attributable to owners of parent)	<u>\$ 851,491</u>	<u>22</u>	<u>(798,007)</u>	<u>(25)</u>
Profit attributable to:				
Profit attributable to owners of parent	513,711	13	98,052	3
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 513,711</u>	<u>13</u>	<u>98,052</u>	<u>3</u>
Comprehensive income attributable to:				
Comprehensive income, attributable to owners of parent	851,491	22	(798,007)	(25)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 851,491</u>	<u>22</u>	<u>(798,007)</u>	<u>(25)</u>
Earnings per share (note (6)(o))				
9750 Basic net income per share (NT dollars)	\$	2.60	\$	0.50
9850 Diluted net income per share (NT dollars)	\$	2.60	\$	0.50

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity

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

Share capital	Equity attributable to owners of parent										Total other equity interest		
	Retained earnings					Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings								
\$ 1,974,846	53,411	1,649,566	359,487	6,014,191	8,023,244	283,802	-	(11,842)	271,960	10,323,461	-	10,323,461	
-	-	4,794	-	(4,794)	-	-	-	-	-	-	-	-	
-	-	4,794	-	(98,742)	(98,742)	-	-	-	-	(98,742)	-	(98,742)	
-	-	-	-	(103,536)	(98,742)	-	-	-	-	(98,742)	-	(98,742)	
-	-	-	-	98,052	98,052	-	-	-	-	98,052	-	98,052	
-	-	-	-	(2,476)	(2,476)	(895,001)	-	1,418	(893,583)	(896,059)	-	(896,059)	
-	-	-	-	95,576	95,576	(895,001)	-	1,418	(893,583)	(798,007)	-	(798,007)	
1,974,846	53,411	1,654,360	359,487	6,006,231	8,020,078	(611,199)	-	(10,424)	(621,623)	9,426,721	9	9,426,721	
1,974,846	53,411	1,654,360	359,487	1,118	1,118	-	-	(4,188)	6,236	7,354	-	7,354	
-	-	9,806	-	(9,806)	-	-	-	(4,188)	(615,387)	9,434,066	9	9,434,075	
-	-	-	262,136	(262,136)	-	-	-	-	-	-	-	-	
-	-	9,806	262,136	(370,684)	(98,742)	-	-	-	-	(98,742)	-	(98,742)	
-	-	-	-	513,711	513,711	-	-	-	-	513,711	-	513,711	
-	-	-	-	1,276	1,276	347,703	-	(11,199)	336,504	337,780	-	337,780	
-	-	-	-	514,987	514,987	347,703	-	(11,199)	336,504	851,491	-	851,491	
1,974,846	53,411	1,664,166	621,623	6,151,652	8,437,441	(263,496)	-	(15,387)	(278,883)	10,186,815	(9)	10,186,815	

Balance at January 1, 2017

Appropriation and distribution of retained earnings:

Legal reserve appropriated

Cash dividends of ordinary share

Net income for the year ended December 31, 2017

Other comprehensive income for the year ended December 31, 2017

Total comprehensive income for the year ended December 31, 2017

Changes in non-controlling interests

Balance at December 31, 2017

Effects of retrospective application

Balance at January 1, 2018 after adjustments

Appropriation and distribution of retained earnings:

Legal reserve appropriated

Special reserve appropriated

Cash dividends of ordinary share

Net income for the year ended December 31, 2018

Other comprehensive income for the year ended December 31, 2018

Total comprehensive income for the year ended December 31, 2018

Changes in non-controlling interests

Balance at December 31, 2018

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 559,233	123,669
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	885,143	842,161
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	(1,815)	143
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	9,794	(9,233)
Interest expense	239,441	206,510
Interest income	(56,318)	(32,033)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(121,965)	(50,589)
Loss (gain) on disposal of property, plant and equipment	(9,365)	(114,737)
Loss (gain) on disposal of investments	-	97,384
Total adjustments to reconcile profit (loss)	<u>944,915</u>	<u>939,606</u>
Changes in operating assets:		
Decrease (increase) in notes and accounts receivable (including related parties)	(31,997)	12,385
Decrease (increase) in other current assets	(37,647)	13,044
Decrease (increase) in other financial assets	(28,356)	3,311
	<u>(98,000)</u>	<u>28,740</u>
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	5,033	(7,120)
Increase (decrease) in current contract liabilities	(653)	-
Increase (decrease) in unearned revenue	-	(12,543)
Increase (decrease) in other current liabilities	38,816	(130)
Increase (decrease) in net defined benefit liability	(11,718)	(19,589)
	<u>31,478</u>	<u>(39,382)</u>
Total changes in operating assets and liabilities	<u>(66,522)</u>	<u>(10,642)</u>
Total adjustments	<u>878,393</u>	<u>928,964</u>
Cash inflow generated from operations	1,437,626	1,052,633
Interest received	52,001	30,436
Dividends received	44,830	138
Interest paid	(230,897)	(215,781)
Income taxes paid	(23,611)	(60,685)
Net cash flows from operating activities	<u>1,279,949</u>	<u>806,741</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(24,732)	-
Acquisition of financial assets at fair value through profit or loss	(37,538)	-
Proceeds from disposal of financial assets at fair value through profit or loss	193	-
Proceeds from disposal of investments accounted for using equity method	-	147,756
Acquisition of property, plant and equipment	(157,719)	(2,151,120)
Proceeds from disposal of property, plant and equipment	13,886	181,538
Decrease (increase) in other non-current assets	9,515	(38,144)
Decrease (increase) in other current financial assets	(29,741)	586,932
Decrease (increase) in other non-current financial assets	(282)	(2)
Net cash flows used in investing activities	<u>(226,418)</u>	<u>(1,273,040)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	90,131	729,673
Proceeds from issuing bonds	-	800,000
Repayments of bonds	-	(2,800,000)
Proceeds from long-term debt	-	1,889,272
Repayments of long-term debt	(730,190)	(632,295)
Cash dividends paid	(98,742)	(98,742)
Other financing activities	3	(2)
Net cash flows used in financing activities	<u>(738,798)</u>	<u>(112,094)</u>
Effect of exchange rate changes on cash and cash equivalents	90,924	(167,573)
Net increase (decrease) in cash and cash equivalents	405,657	(745,966)
Cash and cash equivalents at beginning of period	2,939,548	3,685,514
Cash and cash equivalents at end of period	<u>\$ 3,345,205</u>	<u>2,939,548</u>

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

CHINESE MARITIME TRANSPORT LTD. (the “Company”), previously named Associated Transport Inc., was incorporated as a company limited by shares on January 31, 1978, in the Republic of China. The Company’s common shares were listed on the Taiwan Stock Exchange (TWSE). The consolidated financial statements of the Company as of and for the year ended December 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 (c) (ii) for related information.

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

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

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

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

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

(Continued)

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

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; warehouse rent and hanging cabinet revenue is recognized when the service is provided; also, airline agent revenue is recognized when the service is provided. Revenue is recognized at the point that the revenue and costs can be measured reliably and the recovery of the consideration is probable. Under IFRS 15, revenue will be recognized when the service is provided and the right of service is obtained by customers.

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.

1) Impacts on financial statements

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

	December 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
Contract liabilities-current	\$ -	19,472	19,472	-	20,125	20,125
Unearned Revenue	19,472	(19,472)	-	20,125	(20,125)	-
Impact on liabilities		<u><u>-</u></u>			<u><u>-</u></u>	

(Continued)

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

<u>Impacted line items on the consolidated statement of cash flows</u>	<u>For the year ended December 31, 2018</u>		
	<u>Balances without adoption of IFRS 15</u>	<u>Impact of changes in accounting policies</u>	<u>Balances with adoption of IFRS 15</u>
Cash flows from (used in) operating activities:			
Adjustments:			
Contract liabilities-current	\$ -	653	653
Unearned Revenue	653	(653)	-

(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.

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) (g).

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

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

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) (g).

3) Transition

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

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

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

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

· If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the 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.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and cash equivalents	Loans and receivables	2,939,548	Amortized cost	2,939,548
Debt securities	Current financial assets held for trading (note 1)	401	FVTPL	401
Debt securities	Non-current financial assets held for trading (note 1)	48,913	FVTPL	48,913

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

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Debt securities	Financial assets measured at cost (note 2)	25,000	FVTPL	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
Guarantee 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: The corporate debt securities are categorized as financial assets measured at cost under IAS 39. The Group assesses that these securities are held within a business model whose objective is achieved both by collecting the contractual cash flows and selling securities. Consequently, as permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVTPL. An increase of \$1,118 thousand in those assets recognized, as well as an increase of 1,118 thousand in retained earnings was recognized on January 1, 2018.

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

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

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 available for sale– noncurrent	-	48,913	-		-	-
From financial assets measured at cost	-	25,000	1,118		1,118	-
Total	\$ 401	73,913	1,118	75,432	1,118	-

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

(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 in the said period.

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

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

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

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 16 “Leases”

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

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

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

1) Determining whether an arrangement contains a lease

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

-IFRS 16 definition of a lease to all its contracts; or

-a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

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

2) Transition

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

-retrospective approach; or

-modified retrospective approach with optional practical expedients.

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

- apply a single discount rate to a portfolio of leases with similar characteristics.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices and warehouses. The Group estimated that the right-of-use assets and the lease liabilities to increase by \$273,281 thousand, respectively on January 1, 2019.

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

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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

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

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

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

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

The 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

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 consolidated financial statements, the Chinese version shall prevail.

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

(a) Statement of compliance

These consolidated financial statement have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and International Financial Reporting Standards, International Accounting Standards, endorsed and issued into effect by IFRIC Interpretations and SIC Interpretations the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Financial instruments measured at fair value through other comprehensive income are measured at fair value;

(Continued)

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

- 3) The net defined benefit liability (asset) is recognized as fair value of the pension assets after deducting the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

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

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2018	December 31, 2017	
The Company	Chinese Maritime Transport(S) Pte. Ltd. (CMTS)	Investment holding of ship-owning companies	0.44	0.44	
"	Chinese Maritime Transport (Hong Kong), Limited (CMTHK)	"	100	100	
"	CMT Logistics Co., Ltd. (CMTL)	Warehouse management	100	100	
"	AGM Investment Ltd. (AGM)	Investment	100	100	
"	Hope Investment Ltd. (HIL)	"	100	100	
"	Mo Hsin Investment Ltd. (MHI)	"	100	100	
"	Associated Transport Inc. (ATI)	Container trucking	100	100	
"	CMT Travel Service Ltd. (CMTTSL)	Travel	100	100	
"	CMT AIR Ltd. (CMA)	Forwarder	-	-	Note 1
"	United Nan Hai Petroleum INC (UNH)	Gasoline international trade	100	100	

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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
			December 31, 2018	December 31, 2017	
The Company	United Nan Hai Development Inc. (NHD)	Investment management	100	100	
"	CMT Leasing Co., Ltd. (CMTLL)	Car rental	100	-	Note 2
CMTS	China Fortune Shipping Pte Ltd. (CFR)	Bulk-carrier transportation	100	100	
"	China Enterprise Shipping PTE. Ltd. (CEP)	"	100	100	
"	Orient Maritime Transport Logistics Ltd. (OMTLL)	Investment	-	71	Note 3
CMTHK	China Prosperity Shipping Ltd. (CPS)	Bulk-carrier transportation	100	100	
"	China Peace Shipping Ltd. (CPC)	"	100	100	
"	China Progress Shipping Ltd. (CPG)	"	100	100	
"	China Pioneer Shipping Ltd. (CPN)	"	100	100	
"	China Pride Shipping Ltd. (CPD)	"	100	100	
"	CMT Chartering Ltd. (CCL)	Bulk-chartering services	100	100	
"	China Triumph Shipping Ltd. (CTU)	Bulk-carrier transportation	100	100	
"	China Trade Shipping Ltd. (CTD)	"	100	100	
"	China Harmory Shipping Ltd. (CHM)	"	100	100	
"	China Honour shipping Ltd. (CHN)	"	100	100	
"	CMT Investment CO., Limited (CHI)	Investment	100	100	
"	Chinese Maritime Transport Ship Management (Hong Kong) Limited (CIM)	Investment management	100	100	
"	CMTS	Investment holding of ship-owning companies	99.56	99.56	
ATI	Chang-Shun Transport CO., Ltd. (CST)	Container trucking	100	100	
"	Huang-Yuen Transport CO., Ltd. (HYT)	"	100	100	
"	Mao-Hua Transport CO., Ltd. (MHT)	"	100	100	
"	AG Prosperity Transport CO., Ltd. (APT)	"	100	100	
"	Pioneer Transport Co., Ltd. (PTL)	"	100	100	

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

Note 1: Dissolution completed in December 2017.

Note 2: Subsidiary incorporated in August 2018.

Note 3: Subsidiary incorporated in December 2017; and was dissolved in August 2018.

(d) Foreign currencies

(i) Foreign currency transaction

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

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

Foreign currency differences arising from retranslation are recognized in profit or loss, except for fair value through other comprehensive income equity instruments which are recognized in other comprehensive income.

(ii) Foreign operations

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

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

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

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

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

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits Commercial paper, and reverse repurchase agreement which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

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

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.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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
- 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. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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 exdividend date.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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), and debt investments measured at FVOCI.

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:

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

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

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

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the 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.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 time deposits held by the Group were considered to have low credit risk because the Group's transaction counterparties and the contractually obligated counter parties are financial institutions with credit ratings beyond investment grade.

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.

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.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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.

(ii) Financial assets (policy applicable before January 1, 2018)

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

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term.

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

(Continued)

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

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

2) Available-for-sale financial assets

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

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

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

3) Held-to-maturity financial assets

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

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

4) Loans and receivables

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

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

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

5) Impairment of financial assets

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

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

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

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

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

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

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

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

6) Derecognition of financial assets

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

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

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

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

(Continued)

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

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

2) Other financial liabilities

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

3) Derecognition of financial liabilities

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

4) Offsetting of financial assets and liabilities

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

(h) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

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

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

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

(Continued)

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

(i) Investment property

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(Continued)

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

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

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

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

- 1) Buildings: 17 ~ 55 years
- 2) Building improvements: 3~16 years.
- 3) Container transportation equipment: 4 ~7 years
- 4) Shipping transportation equipment: 2~20 years
- 5) Container terminal facility: 4~60 years
- 6) Furniture, fixtures and other equipments: 1 ~12 years

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

(k) Lease

(i) The Group as lessor

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

(ii) The Group as lessee

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

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

(Continued)

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

(l) Intangible assets

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

(ii) Subsequent Expenditure

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

(iii) Amortization

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

The intangible asset that the Group possesses is software. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives of computer software is 3~7 years.

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

(m) Impairment of non-financial assets

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

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

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

(Continued)

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

(n) Provisions

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

(o) Revenue

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

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

1) Freight revenue

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

2) Rental income from investment property

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

3) Financing components

The 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
Notes to the Consolidated Financial Statements

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

1) Freight revenue

Cargo revenue is recognized during its lease terms; container hauling revenue is recognized when the goods are delivered to the customers' premises; warehoused rent and hanging cabinet revenue is recognized when the service is provided; also, airline agent revenue is recognized when the service is provided. Operating cost is recognized as incurred.

2) Rental income from investment property

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

(p) Contract costs (policy 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.

(Continued)

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

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.

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES
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(iii) Short-term employee benefits

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

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

(r) Income taxes

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

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

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

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

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

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

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

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

(s) Earnings per share

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

(t) Operating segments

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

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

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

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

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

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Petty cash, checking accounts and demand deposits	\$ 742,375	1,055,838
Time deposits	2,495,265	1,773,766
Cash equipment-commercial paper and reverse repurchase agreement	<u>107,565</u>	<u>109,944</u>
	<u>\$ 3,345,205</u>	<u>2,939,548</u>

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

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

(i) Information is as follow:

	December 31, 2018	December 31, 2017
Current financial assets mandatorily measured as at fair value through profit or loss:		
Non-derivative instruments not use for hedging		
Convertible bond	\$ 38,389	-
Domestic listed comon shares	38,652	-
Non-current financial assets mandatorily measured as at fair value through profit or loss:		
Non-derivative financial instrument		
Domestic unlisted common shares	25,788	-
Current financial assets held for trading:		
Fund	-	401
Non-current financial assets held for trading:		
Convertible bond	<u>-</u>	<u>48,913</u>
	<u>\$ 102,829</u>	<u>49,314</u>

The gain or loss on financial assets at fair value through profit or loss for the years ended December 31, 2018 and 2017 were a loss of \$9,794, and a profit of \$9,233, respectively.

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

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

(ii) Debt investment and fixed rate deposit

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

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

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

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

	<u>December 31, 2018</u>
Equity investments at fair value through other comprehensive income	
Domestic listed common shares	<u>\$ 24,973</u>

(i) Equity investments at fair value through other comprehensive income

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.

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

(ii) Please refer to note (6)(s) for credit risk and market risk.

(iii) As of December 31, 2018, the financial assets measured at other comprehensive income of the Group had been no pledge as collateral.

(Continued)

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

(d) Financial assets measured at cost

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

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

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

(e) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	\$ 16,263	13,623
Accounts receivable	286,931	257,574
Less: Loss allowance	<u>(301)</u>	<u>(2,116)</u>
	<u>\$ 302,893</u>	<u>269,081</u>
Notes and account receivable, net	<u>\$ 291,072</u>	<u>174,513</u>
Notes and accounts receivable due from related parties, net	<u>\$ 11,821</u>	<u>94,568</u>

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 December 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, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 288,642	-	-
1 to 30 days past due	13,792	-	-
30 to 180 days past due	596	22.99%	137
More than 180 days past due	<u>164</u>	100%	<u>164</u>
	<u>\$ 303,194</u>		<u>301</u>

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

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

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

	2018	2017 Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	\$ 2,116	1,973
Adjustment on initial application of IFRS 9	-	
Balance on January 1, 2018 per IFRS 9	2,116	
Impairment losses recognized	-	143
Impairment losses reversed	(1,815)	-
Balance on December 31, 2018 and 2017	<u>\$ 301</u>	<u>2,116</u>

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

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

(f) Investments accounted for using equity method

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

	December 31, 2018	December 31, 2017
Associates	<u>\$ 1,718,334</u>	<u>1,607,347</u>

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

	2018	2017
Associates	<u>\$ 121,965</u>	<u>50,589</u>

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

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

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

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

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

	December 31, 2018	December 31, 2017
TNCL	\$ 825,019	720,806

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

	December 31, 2018	December 31, 2017
Current assets	\$ 1,255,739	987,757
Non current assets	13,880,162	14,429,959
Current liabilities	(939,806)	(729,666)
Non current liabilities	(3,776,103)	(5,131,063)
Net assets (Belongs to the investee)	<u>\$ 10,419,992</u>	<u>9,556,987</u>
	<u>2018</u>	<u>2017</u>
Revenue	\$ 3,367,236	2,817,921
Profit (loss) from continuing operations	957,635	466,471
Other comprehensive income	137,550	(622,922)
Total comprehensive income (Belongs to the investee)	<u>\$ 1,095,185</u>	<u>(156,451)</u>

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

	<u>2018</u>	<u>2017</u>
Beginning balance of Group's share of net assets	\$ 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	113,964	(27,350)
Dividends received by associates	(30,396)	-
Disposals	<u>-</u>	<u>(245,268)</u>
Ending balance of Group's share of net assets	1,084,304	994,500
Add: Balance of unamortized investment premium	<u>-</u>	<u>2,548</u>
Carrying amounts in the consolidated balance sheets	<u>\$ 1,084,304</u>	<u>997,048</u>

2) Summarized financial information of TGEM

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

(iv) 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 December 31, 2017, the amount settled and received.

(v) In 2018 and 2017, the Group was allocated with cash dividends of \$44,830 and \$138, respectively, from the aforementioned investee companies.

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

(vi) Pledges

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

(g) Property, plant and equipment

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

	Land	Buildings and construction	Transportation Equipment	Other equipment	Under construction	Total
Cost or deemed cost:						
Balance on January 1, 2018	\$ 1,717,114	130,918	18,410,065	512,105	-	20,770,202
Additions	-	5,109	118,645	22,378	11,587	157,719
Disposals	-	(2,118)	(66,927)	(9,655)	-	(78,700)
Reclassifications	-	690	-	33,817	-	34,507
Effect of movements in exchange rates	-	1,086	566,140	-	208	567,434
Balance on December 31, 2018	<u>\$ 1,717,114</u>	<u>135,685</u>	<u>19,027,923</u>	<u>558,645</u>	<u>11,795</u>	<u>21,451,162</u>
Balance on January 1, 2017	\$ 1,758,525	141,948	16,683,205	493,311	1,070,209	20,147,198
Additions	534	3,231	1,029,964	27,651	1,089,740	2,151,120
Disposals	(41,945)	(11,464)	(58,868)	(15,430)	-	(127,707)
Reclassifications	-	-	2,096,567	6,573	(2,096,567)	6,573
Effect of movements in exchange rates	-	(2,797)	(1,340,803)	-	(63,382)	(1,406,982)
Balance on December 31, 2017	<u>\$ 1,717,114</u>	<u>130,918</u>	<u>18,410,065</u>	<u>512,105</u>	<u>-</u>	<u>20,770,202</u>
Depreciation and impairments loss:						
Balance on January 1, 2018	\$ -	79,786	5,675,146	269,044	-	6,023,976
Depreciation for the year	-	6,431	839,878	35,076	-	881,385
Disposals	-	(1,305)	(66,134)	(6,740)	-	(74,179)
Reclassifications	-	(43)	-	(180)	-	(223)
Effect of movements in exchange rates	-	182	180,275	-	-	180,457
Balance on December 31, 2018	<u>\$ -</u>	<u>85,051</u>	<u>6,629,165</u>	<u>297,200</u>	<u>-</u>	<u>7,011,416</u>
Balance on January 1, 2017	\$ -	79,554	5,309,419	246,195	-	5,635,168
Depreciation for the year	-	6,960	796,917	33,820	-	837,697
Disposals	-	(7,356)	(42,579)	(10,971)	-	(60,906)
Effect of movements in exchange rates	-	628	(388,611)	-	-	(387,983)
Balance on December 31, 2017	<u>\$ -</u>	<u>79,786</u>	<u>5,675,146</u>	<u>269,044</u>	<u>-</u>	<u>6,023,976</u>
Carrying amounts:						
Balance on December 31, 2018	<u>\$ 1,717,114</u>	<u>50,634</u>	<u>12,398,758</u>	<u>261,445</u>	<u>11,795</u>	<u>14,439,746</u>
Balance on December 31, 2017	<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 January 1, 2017	<u>\$ 1,758,525</u>	<u>62,394</u>	<u>11,373,786</u>	<u>247,116</u>	<u>1,070,209</u>	<u>14,512,030</u>

(i) The pledge information is summarized in note (8).

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES
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- (ii) The Group disposes of the property, plant and equipment in years ended December 31, 2018 and 2017 for \$13,886 and \$181,538, respectively. The cost of aforementioned property, plant and equipment amounted to \$4,521 and \$66,801, respectively, and the related gain of disposal amounted to \$9,365 and \$114,737, respectively. The registration procedures of the property transfer have been completed and related receivable have been collected.

The disposal of land and buildings in Zhongzheng District in Taipei to CMT DEVELOPMENT INC. (related party) for \$128,002 (excluding sales tax) and the related gain of disposal amounted to \$82,252 are included. Please refer to note(7).

- (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 (\$969,212 and \$939,078) as of December 31, 2018 and 2017, respectively.
- (iv) The Group recorded the carrying amount of significant repair under property, plant and equipment in 2018 and 2017 for \$92,888 and \$109,243, respectively.

(h) Investments property

	<u>Land</u>	<u>Building</u>	<u>Total</u>
Cost or deemed cost:			
Balance on January 1, 2018	\$ 19,094	25,674	44,768
Reclassifications	-	(690)	(690)
Effect of movements in exchange rates	-	692	692
Balance on December 31, 2018	<u>\$ 19,094</u>	<u>25,676</u>	<u>44,770</u>
Balance on January 1, 2017	\$ 19,094	27,507	46,601
Effect of movements in exchange rates	-	(1,833)	(1,833)
Balance on December 31, 2017	<u>\$ 19,094</u>	<u>25,674</u>	<u>44,768</u>
Depreciation and impairment losses:			
Balance on January 1, 2018	\$ -	7,181	7,181
Depreciation of the year	-	498	498
Reclassifications	-	43	43
Effect of movements in exchange rates	-	159	159
Balance on December 31, 2018	<u>\$ -</u>	<u>7,881</u>	<u>7,881</u>
Balance on January 1, 2017	\$ -	7,825	7,825
Depreciation of the year	-	749	749
Effect of movements for exchange rates	-	(1,393)	(1,393)
Balance on December 31, 2017	<u>\$ -</u>	<u>7,181</u>	<u>7,181</u>

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES
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	<u>Land</u>	<u>Building</u>	<u>Total</u>
Carrying amount:			
Balance on December 31, 2018	\$ <u>19,094</u>	<u>17,795</u>	<u>36,889</u>
Balance on December 31, 2017	\$ <u>19,094</u>	<u>18,493</u>	<u>37,587</u>
Balance on January 1, 2017	\$ <u>19,094</u>	<u>19,682</u>	<u>38,776</u>
Fair Value:			
Balance on December 31, 2018			\$ <u>92,445</u>
Balance on December 31, 2017			\$ <u>87,738</u>

The fair value of investment properties was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued.

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

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

(i) Other financial assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Time deposits (over three months)	\$ 42,180	23,275
Other receivables	41,731	8,897
Guarantee deposits	5,837	5,182
Pledged assets-time deposits	<u>255,262</u>	<u>244,798</u>
	<u>\$ 345,010</u>	<u>282,152</u>
Other current financial assets	\$ 323,080	260,504
Other non-current financial assets	<u>21,930</u>	<u>21,648</u>
	<u>\$ 345,010</u>	<u>282,152</u>

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

(j) Loans

The Group's detail of loans was as follows:

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

	December 31, 2018	December 31, 2017
Secured loans	\$ 610,000	500,000
Commercial paper payable	330,000	350,000
Less: discount on commercial paper payable	<u>(247)</u>	<u>(378)</u>
	<u>\$ 939,753</u>	<u>849,622</u>
Unused credit lines	<u>\$ 2,880,000</u>	<u>2,890,000</u>
Range of interest rate during the year	<u>0.938%~1.15%</u>	<u>0.938%~1.13%</u>

(ii) Long-term loans

Bank	Currency	Due Year	December 31, 2018	December 31, 2017
COMMERZ BANK	USD	2019	\$ 325,579	386,880
Mega International Commercial Bank	"	2022	414,653	535,680
Bank Sinopec	"	2022	767,463	841,816
Mega International Commercial Bank	"	2022	483,762	602,640
Bank Sinopec	"	2023	811,984	884,209
BNP PARIBAS	"	2026	600,528	632,052
CTBC Bank	"	2027	873,700	916,661
Mega Bank Central Branch	"	2027	<u>863,399</u>	<u>901,430</u>
			5,141,068	5,701,368
Current portion			<u>(995,120)</u>	<u>(720,148)</u>
			<u>\$ 4,145,948</u>	<u>4,981,220</u>
Range of interest rates during the year			<u>2.16%~4.31%</u>	<u>1.64%~3.08%</u>

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES
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(iii) Bonds Payable

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

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

(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, \$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

(i) Leases as lessee

1) Lease rentals that the Group signed the non-cancellable operating lease contracts for warehouse, office, and parking are payable as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Less than one year	\$ 70,919	74,487
Between one and five years	192,912	175,877
Above five years	<u>60,993</u>	<u>64,769</u>
	<u>\$ 324,824</u>	<u>315,133</u>

As of 2018 and 2017, the operating rental expenses were 76,130 and 73,041, respectively.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES
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(ii) Leases as lessor

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

	December 31, 2018	December 31, 2017
Less than one year	\$ 8,270	8,040
Between one and five years	4,455	2,614
	<u>\$ 12,725</u>	<u>10,654</u>

The rental income earned by lease investment property amounted 13,620 and 9,621 in 2018 and 2017, respectively.

(I) Employee benefits

(i) Defined benefit plans

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	\$ 180,682	200,562
Fair value of plan assets	(125,084)	(131,902)
Recognized liabilities for defined benefit obligations	<u>\$ 55,598</u>	<u>68,660</u>

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$125,084 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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

2) Movements in present value of the defined benefit obligations

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

	<u>2018</u>	<u>2017</u>
Defined benefit obligation at 1 January	\$ 200,562	220,146
Benefits paid from the plan	(28,149)	(28,497)
Benefits paid by the Group	-	(1,061)
Current service costs and interest	5,372	7,124
Remeasurement of the net defined benefit liability (asset)	<u>2,897</u>	<u>2,850</u>
Defined benefit obligation at 31 December	<u>\$ 180,682</u>	<u>200,562</u>

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

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

	<u>2018</u>	<u>2017</u>
Fair value of plan assets at 1 January	\$ 131,902	134,894
Contributions made	15,910	24,257
Benefits paid from the plan assets	(28,149)	(28,497)
Expected return on plan assets	1,180	1,395
Remeasurement of the net defined benefit liability (asset)	<u>4,241</u>	<u>(147)</u>
Fair value of plan assets at 31 December	<u>\$ 125,084</u>	<u>131,902</u>

4) Expenses recognized in profit or loss

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

	<u>2018</u>	<u>2017</u>
Service cost	\$ 3,544	4,820
Interest cost	1,828	2,304
Expected rate of return on plan assets	<u>(1,180)</u>	<u>(1,395)</u>
	<u>\$ 4,192</u>	<u>5,729</u>
Operating cost	\$ 2,257	2,751
Operating expense	<u>1,935</u>	<u>2,978</u>
	<u>\$ 4,192</u>	<u>5,729</u>

(Continued)

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

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

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

	<u>2018</u>	<u>2017</u>
Accumulated amount at January 1	\$ 31,699	28,702
Recognized during the period	<u>(1,344)</u>	<u>2,997</u>
Accumulated amount at December 31	<u>\$ 30,355</u>	<u>31,699</u>

- 6) Actuarial assumptions

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

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

In accordance with Paragraph 2 of Article 56 of the Labor Standards Act, before the end of each year, employers shall assess the balance in the designated labor pension reserve funds account. If the amount is inadequate to pay pensions for workers retiring in the same year according to Article 53 or subparagraph 1 of Paragraph 1 of Article 54, the employer is required to make up the difference. The difference as of December 31, 2018 and 2017 were \$7,787 and \$17,152, respectively.

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date was \$7,550.

The weighted-average duration of the defined benefit obligation between 9.83~10.40 years.

(Continued)

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

7) Sensitivity analysis

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

	Influences of defined benefit obligation	
	Increased 0.25%	Decreased 0.25%
December 31,2018		
Discount rate	\$ (3,018)	3,099
Future salary increasing rate	3,072	(2,896)
December 31,2017		
Discount rate	(9,535)	17,189
Future salary increasing rate	17,118	(9,725)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

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

The Group recognized pension costs under the defined contribution method amounting to \$9,088 and \$7,983 for the years ended December 31, 2018 and 2017, respectively. Payment was made to the Bureau of Labor Insurance.

The pension expenses recognized by the other subsidiaries included in consolidated financial statements for the years ended December 31, 2018 and 2017, were \$1,178 and \$1,120, respectively.

(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.

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

The amount of income tax was as follows:

	<u>2018</u>	<u>2017</u>
Current tax expense		
Current period	\$ 17,106	22,103
Land value increment tax	-	3,764
Adjustment for prior periods	<u>(76)</u>	<u>2,708</u>
	17,030	28,575
Deferred tax expense		
Adjustment in tax rate	21,396	-
Recognition and reversal of temporary differences	<u>7,096</u>	<u>(2,958)</u>
	<u>28,492</u>	<u>(2,958)</u>
	<u>\$ 45,522</u>	<u>25,617</u>

The amount of income tax recognized in other comprehensive income for the years ended December 31, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Items that may not be reclassified subsequently to profit or loss		
Remeasurement in defined benefit plans	<u>\$ (987)</u>	<u>(509)</u>
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign financial statements	<u>\$ 193</u>	<u>(519)</u>

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

	<u>2018</u>	<u>2017</u>
Profit excluding income tax	<u>\$ 559,233</u>	<u>123,669</u>
Income tax using the Company's domestic tax rate	111,847	21,024
Effect of tax rates in foreign jurisdiction	(80,640)	6,627
Adjustment in tax rate	21,396	-
Tax-exemption on disposal of land	-	(13,102)
Dividend revenue-overseas	9,240	-
Tax exemption for investment income under the equity method	(24,460)	(8,600)
Loss (gain) on stop taxation of capital gain tax for securities	-	16,588
Other	<u>8,139</u>	<u>3,080</u>
	<u>\$ 45,522</u>	<u>25,617</u>

(Continued)

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

(i) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The company entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2018 and 2017. Also, management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

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

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

	Defined benefit Plans	Investment income overseas recognized under the equity method	Land revaluation increment	Others	Total
Deferred tax liabilities:					
Balance on January 1, 2018	\$ -	129,335	438,368	5,923	573,626
Recognized in profit or loss	-	20,564	-	1,366	21,930
Recognized in other comprehensive income	-	-	-	193	193
Balance on December 31, 2018	<u>\$ -</u>	<u>149,899</u>	<u>438,368</u>	<u>7,482</u>	<u>595,749</u>
Balance on January 1, 2017	\$ -	131,835	438,368	5,296	575,499
Recognized in profit or loss	-	(2,500)	-	1,146	(1,354)
Recognized in other comprehensive income	-	-	-	(519)	(519)
Balance on December 31, 2017	<u>\$ -</u>	<u>129,335</u>	<u>438,368</u>	<u>5,923</u>	<u>573,626</u>

(Continued)

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

	Defined benefit Plans	Investment income overseas recognized under the equity method	Land revaluation increment	Others	Total
Deferred tax assets:					
Balance on January 1, 2018	\$ 11,106	-	-	10,452	21,558
Recognized in profit or loss	(1,641)	-	-	(4,921)	(6,562)
Recognized in other comprehensive income	<u>987</u>	-	-	-	<u>987</u>
Balance on December 31, 2018	<u>\$ 10,452</u>	<u>-</u>	<u>-</u>	<u>5,531</u>	<u>15,983</u>
Balance on January 1, 2017	13,844	-	-	5,601	19,445
Recognized in profit or loss	(3,247)	-	-	4,851	1,604
Recognized in other comprehensive income	<u>509</u>	-	-	-	<u>509</u>
Balance on December 31, 2017	<u>\$ 11,106</u>	<u>-</u>	<u>-</u>	<u>10,452</u>	<u>21,558</u>

3) Assessment of tax

The tax of the Company and its ROC Subsidiaries returns for the years through 2016 were assessed by the Taipei National Tax Administration.

(n) Capital and other equities

(i) Ordinary shares

As of December 31, 2018 and 2017, the authorized common stocks amounted to \$3,600,000 with a par value of 10 New Taiwan dollars per share. All the ordinary shares were common stocks, and of which 197,485 thousand shares. All issued shares were paid upon issuance.

(ii) Capital surplus

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

The balances of capital surplus were as follows:

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

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements****(iii) Retained Earning**

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

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

1) Legal reserve

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

2) Special reserve

By choosing to apply the exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards approved by the Financial Supervisory Commission (IFRSs), unrealized revaluation gains recognized under shareholders' equity. The increase in retained earnings occurring before the adoption date, due to the first-time adoption of IFRSs in accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on 6 April 2012, shall be reclassified as a special earnings reserve during earnings distribution. The carrying amount of special earnings reserve amounted to \$359,487 on December 31, 2018 and 2017.

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

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

3) Earnings distribution

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

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

(iv) Other Equity (After tax)

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

(o) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2018 and 2017 were based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	2018	2017
Profit (loss) attributable to ordinary shareholders of the Company	513,711	98,052

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

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

	2018	2017
Issued ordinary shares at January 1 (equal to December 31)	197,485	197,485

3) Basic earnings per share (TWD)

	2018	2017
Basic earnings per share	\$ 2.60	0.50

(ii) Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2018 and 2017 were based on profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

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

	2018	2017
Profit attributable to ordinary shareholder of the Company (basic and diluted)	\$ 513,711	98,052

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

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

3) Diluted earnings per share (TWD)

	2018	2017
Diluted earnings per share	\$ 2.60	0.50

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

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018			
	Inland trucking and terminal & logistics department	Shipping department	Others	Total
Primary geographical markets				
Asia	\$ 1,775,469	425,632	70,039	2,271,140
Europe	-	931,965	-	931,965
Oceania	-	617,119	-	617,119
	\$ 1,775,469	1,974,716	70,039	3,820,224

(ii) Contract balances

	December 31, 2018	January 1, 2018
Notes and accounts receivable (including related party)	\$ 303,194	271,197
Less: allowance for impairment	(301)	(2,116)
Total	\$ 302,893	269,081
Contract liabilities (unearned revenue)	\$ 19,472	20,125

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

The amount of revenue recognized for year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was \$20,125.

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 for the three months years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Secured bank loan	\$ 185,616	130,516
Bonds payable	53,825	75,994
	\$ 239,441	206,510

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

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

(s) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2018 and 2017, the maximum amount exposed to credit risk amounted to \$4,120,910 and \$3,565,095, respectively.

The aggregation of sales to the Group's major customers exceeding 10% of the Group's total sales accounted for 36% and 49% of the total net sales for the years ended December 31, 2018 and 2017, respectively. In order to reduce credit risk, the Group assesses the financial status of the customers and the possibility of collection of receivables in order to estimate an adequate allowance for doubtful accounts on a regular basis. The customers have had a good credit and profit record. The Group has never suffered any significant credit loss.

2) Receivables

For credit risk exposure of notes and accounts receivable, 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). (recorded as loans and receivables on December 31, 2017). The aforementioned loans and receivables are no impact on December 31, 2017.

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

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

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

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

(ii) Liquidity Risk

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

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2018					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 939,753	(940,000)	(940,000)	-	-
Secured bank loan	5,141,068	(5,141,068)	(995,120)	(669,542)	(3,476,406)
Notes and accounts payable	183,121	(183,121)	(183,121)	-	-
Bonds payable	3,100,000	(3,100,000)	-	(400,000)	(2,700,000)
Accrued expenses and other payables (recorded as other current liabilities)	114,093	(114,093)	(114,093)	-	-
	\$ 9,478,035	(9,478,282)	(2,232,334)	(1,069,542)	(6,176,406)
December 31, 2017					
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 (recorded as other current liabilities)	99,099	(99,099)	(99,099)	-	-
	\$ 9,928,177	(9,928,555)	(1,847,335)	(964,180)	(7,117,040)

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

(iii) Exchange rate risk

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

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

(iv) Interest Rate analysis

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decrease or increased for the years ended December 31, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Increased 0.25%	\$ (13,344)	(13,738)
Decreased 0.25%	13,344	13,738

(v) Fair value

1) The kinds of financial instruments and fair value

The Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are based on repeatability measured by fair value.

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

	<u>December 31, 2018</u>				
	<u>Book value</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 38,389	-	38,389	-	38,389
Non derivative current financial assets mandatorily at fair value through profit or loss	38,652	38,652	-	-	38,652
Non derivative non-current financial assets mandatorily at fair value through profit or loss	<u>25,788</u>	-	-	25,788	25,788
	<u>\$ 102,829</u>				

(Continued)

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

	December 31, 2017				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Loans and receivables					
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>	-	-	-	-
	<u>\$ 3,490,781</u>				
Financial liabilities measured at amortized cost					
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>				

2) Valuation techniques for financial instruments measured at fair value

A. Non-derivative financial instruments

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

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

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

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

B. Derivative financial instruments

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

3) Transfers between Level 1 and Level 2

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

4) Statement of changes in level 3

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

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

(t) Financial risk management

(i) Briefings

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

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

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

(ii) Structure of risk management

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

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

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

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

2) Investment

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

3) Guarantees

The Group is only permissible to provide financial guarantees to subsidiaries. Please refer to note (13)(a) for the information as of December 31, 2018 and 2017.

(iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to note (6)(j) for unused short-term bank facilities as of December 31, 2018 and 2017.

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

(v) Market risk

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

1) Currency risk

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

2) Interest rate risk

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

3) Other market price risk

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

(u) Capital management

The Group maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there is financial resource and operating plan to support working capital, capital expenditures, and debt redemption and dividend payment and so on. The management decides the optimized capital by using appropriate debt-to-asset ratio. To maintain a strong capital base, the Group enhances the return on equity by optimizing debt-to-assets ratio. As of December 31, 2018 and 2017, the Company's debt-to-assets ratio at the end of the reporting date was as follows:

	December 31, 2018	December 31, 2017
Total liabilities	\$ 10,236,502	10,652,331
Total assets	20,423,317	20,079,052
Debt-to-equity ratio	50 %	53 %

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

(Continued)

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 activities which did not affect the current cash flow in the years ended December 31, 2018 and 2017.

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2018	Cash flows	Non-cash changes Foreign exchange movement	December 31, 2018
Short-term borrowings	\$ 849,622	90,131	-	939,753
Long-term borrowings	5,701,368	(730,190)	169,890	5,141,068
Bonds payable	3,100,000	-	-	3,100,000
Guarantee deposits (recorded as other non-current liabilities-others)	605	3	-	608
Total liabilities from financial activities	<u>\$ 9,651,595</u>	<u>(640,056)</u>	<u>169,890</u>	<u>9,181,429</u>

(7) Related-Party Transactions:

(a) Parent company and ultimate controlling party

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

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Group
AGCMT GROUP LTD.	The parent company
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) (Note)	Substantial associates
OOCL LOGISTICS (TAIWAN) LIMITED (LOTWL) (Note)	Substantial associates
ASSOCIATED INTERNATIONAL (HONG KONG) LIMITED	Substantial associates

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

(Continued)

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

(c) Significant related party transactions

(i) Freight revenue

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

	<u>Revenue</u>		<u>Accounts Receivable- related-parties</u>	
	<u>2018</u>	<u>2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
OTWL(Note)	\$ 448,694	797,360	-	76,883
Others	22,087	49,194	-	6,538
The entities with significant influence over the Group	<u>206</u>	<u>582</u>	-	-
	<u>\$ 470,987</u>	<u>847,136</u>	<u>-</u>	<u>83,421</u>

Note: transactions as of August 2018

The collection periods of inland trucking transactions are within 30 to 60 days after consignment, which are similar to those of the ordinary customers. If the contracts have similar terms and conditions, the selling prices for related parties and ordinary customers shall not have any significant different. Amounts receivable from related parties were uncollateralized, and no expected credit loss (provisions for doubtful debt) were required after the assessment by the management.

(ii) Logistic and agent revenue

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

	<u>Revenue</u>		<u>Accounts Receivable- related-parties</u>	
	<u>2018</u>	<u>2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
The entities with significant influence over the Group	<u>\$ 58,917</u>	<u>58,276</u>	<u>11,934</u>	<u>11,147</u>

The Group's selling price for related parties is cost, plus, fixed percentage when the related parties receive cash from customers; the related parties pay the Group immediately. Amounts receivable from related parties were uncollateralized, and no expected credit loss (provisions for doubtful debt) were required after the assessment by the management.

(iii) Operating expense—Rental expense

	<u>Operating expense</u>	
	<u>2018</u>	<u>2017</u>
The entities with significant influence over the Group	<u>\$ 15,773</u>	<u>7,610</u>

(Continued)

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

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.

(iv) Disposal of financial assets

The disposals of financial assets to related parties were as follows:

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

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

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	\$ 56,225	43,746
Post-employment benefits	7,409	4,218
	<u>\$ 63,634</u>	<u>47,964</u>

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2018	December 31, 2017
Investments accounted for using equity method – stock	Commercial paper payable – and short-term loans and credit lines	\$ 100,020	-
Property, plant and equipment – land and buildings	Short-term loans and credit line	899,336	899,336
Transportation and other equipment (including prepayment equipment)	"	11,086,560	11,375,502
Other current financial assets (pledged assets time deposit)	Short-term loans	239,169	228,332
Other non-current financial assets (Guarantee deposits and pledged assets-time deposits)	Guarantee for construction payment, warehouse deposits, short-term loans and import duty	21,930	21,648
		<u>\$ 12,347,015</u>	<u>12,524,818</u>

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

(9) Significant Commitments and Contingencies

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

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By item	By function	2018			2017		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		400,465	203,565	604,030	378,426	180,549	558,975
Labor and health insurance		8,648	15,609	24,257	8,344	14,244	22,588
Pension		4,910	9,548	14,458	4,997	9,835	14,832
Others		25,385	8,649	34,034	23,801	6,621	30,422
Depreciation (Note)		872,093	9,650	881,743	828,067	9,929	837,996
Amortization		-	3,260	3,260	-	3,715	3,715

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

(13) Other Disclosures:

- (a) Information on significant transactions:

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

- (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 3)	Note
													Item	Value			
1	CMT HK	CPN	Other receivable due from related parties	Y	105,045	105,045	105,045		2	-	Operating	-		-	10,022,937	10,022,937	Transactions in the left column had been written off during the preparation of consolidated financial statements
1	CMT HK	CHN	"	Y	153,575	153,575	153,575		2	-	"	-		-	10,022,937	10,022,937	"

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

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 3)	Note
													Item	Value			
1	CMT HK	CPD	"	Y	230,630	230,630	230,630		2	-	"	-	-	-	10,022,937	10,022,937	"
1	CMT HK	CPC	"	Y	322,508	322,508	322,508		2	-	"	-	-	-	10,022,937	10,022,937	"
1	CMT HK	CHM	"	Y	342,779	342,779	342,779		2	-	"	-	-	-	10,022,937	10,022,937	"
1	CMT HK	CMTS	"	Y	552,870	368,580	368,580		2	-	"	-	-	-	10,022,937	10,022,937	"
1	CMT HK	CPG	"	Y	399,295	399,295	399,295		2	-	"	-	-	-	10,022,937	10,022,937	"
1	CMT HK	CTD	"	Y	539,048	539,048	539,048		2	-	"	-	-	-	10,022,937	10,022,937	"
1	CMT HK	CTU	"	Y	569,763	569,763	569,763		2	-	"	-	-	-	10,022,937	10,022,937	"
2	ATI	CST	"	Y	26,000	15,000	15,000	1.20%	1	131,882	"	-	-	-	131,882	240,386	"
2	ATI	MHT	"	Y	6,000	6,000	6,000	1.20%	1	78,437	"	-	-	-	78,437	240,386	"
2	ATI	APT	"	Y	75,000	60,000	61,000	1.20%	1	104,060	"	-	-	-	104,060	240,386	"
2	ATI	PTL	"	Y	40,000	31,000	31,000	1.20%	1	41,983	"	-	-	-	41,983	240,386	"

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

Note 2: For entities who have business with the Company, the amount of endorsements permitted for a single company shall not exceed the transaction amount in the last fiscal year and 40% of the lender's net worth. For entities who have short-term financing needs, amount shall not exceed 40% of the lender's net worth. The amount lendable to directly or indirectly wholly owned foreign subsidiaries is not limited by the restriction of 40% of the lender's net worth, only the total amount lending limit shall still be no more than the net worth of each subsidiary.

Note 3: The total amount available for financing purposes shall not exceed 40% of lender's net worth. Investee whose voting shares, directly or indirectly, owned by the Company is unrestricted by the limitation mentioned above; however, the amount available for financing shall not exceed 100% of net worth of the investee.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 2, note 3)	Highest balance for guarantees and endorsements during the period (note 4)	Balance of guarantees and endorsements as of reporting date (note 4)	Actual usage amount during the period (note 4)	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements / guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	THE COMPANY	ATI	Subsidiary	15,280,222	100,000	100,000	-	-	0.98 %	15,280,222	Y	-	-
0	"	CTU	Sub-subsidiary	15,280,222	691,088	691,088	414,653	-	6.78 %	15,280,222	Y	-	-
0	"	CTD	"	15,280,222	691,088	691,088	483,761	-	6.78 %	15,280,222	Y	-	-
0	"	CFR	"	15,280,222	1,365,282	1,365,282	811,983	-	13.40 %	15,280,222	Y	-	-
0	"	CPN	"	15,280,222	1,382,175	1,382,175	767,466	-	13.57 %	15,280,222	Y	-	-
1	CMT HK	CPD	Subsidiary	15,034,405	436,153	436,153	325,579	-	4.35 %	15,034,405	-	-	-
1	"	CHN	"	15,034,405	930,357	930,357	863,399	-	9.28 %	15,034,405	-	-	-
1	"	CEP	"	15,034,405	982,266	982,266	873,699	-	9.79 %	15,034,405	-	-	-
1	"	CHM	"	15,034,405	1,001,923	1,001,923	600,528	-	9.99 %	15,034,405	-	-	-
1	"	THE COMPANY	Parent company	15,034,405	3,993	3,993	3,993	-	0.04 %	15,034,405	-	Y	-

Note1: Represents the Company.

Note2: The total amount of external endorsements and/or guarantees shall worth no more than 150% of the Company's net worth. Among which the amount of endorsements/ guarantees for any single (1) whose voting shares are 100% owned by the Company shall not exceed 150% of the Company's net worth. (2) company whose more than 80% voting shares are owned by the Company shall not exceed 30% of the Company's net worth.

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

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

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CHINESE MARITIME TRANSPORT LTD. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

- (iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the period Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	percentage of ownership (%)	Fair value		
THE COMPANY	Yang Ming Marine Transport Corporation	-	Current financial assets at fair value through profit or loss	1,000	38,389	- %	38,389	-%	-
"	Asia Pacific Emerging Industry Venture Capital Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	2,500	25,788	2.78 %	25,788	2.78%	-
HIL	CHINA CONTAINER TERMINAL CORP.	-	Non-current financial assets at fair value through other income or loss	1,982	24,973	1.79 %	24,973	1.79%	-
"	DIMERCO EXPRESS CORPORATION	-	Current financial assets at fair value through profit or loss	682	13,333	0.55 %	13,333	0.55 %	-
"	SEA & LAND INTERATED CORP.	-	Current financial assets at fair value through profit or loss	2,281	25,319	2.91 %	25,319	2.91 %	-

- (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	(448,694)	(35) %	30 to 45 days after consignment date	-	-	-	-%	
"	ATI	Subsidiary	Freight cost	1,092,944	95 %	Depending on the demand for funding of subsidiaries	-	-	(100,294)	(94)%	Note 1
ATI	THE COMPANY	Subsidiary	Freight revenue	(1,092,944)	(85) %	"	-	-	100,294	66%	"
CST	ATI	Subsidiary	Freight revenue	(120,025)	(98) %	"	-	-	9,180	90%	"
ATI	CST	Subsidiary	Freight cost	120,025	10 %	"	-	-	(9,180)	(6)%	"
HYT	ATI	Subsidiary	Freight revenue	(131,492)	(100)%	"	-	-	16,802	100%	"
ATI	HYT	Subsidiary	Freight cost	131,492	11 %	"	-	-	(16,802)	(11)%	"

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
APT	ATI	Subsidiary	Freight revenue	(113,249)	(100)%	"	-		9,956	100%	
ATI	APT	Subsidiary	Freight cost	113,249	9 %	"	-		(9,956)	(6)%	"

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
CMT HK	CTD	Subsidiary	539,048	Note1	-		-	-	Note 2
"	CPD	Subsidiary	230,630	"	-		-	-	"
"	CTU	Subsidiary	569,763	"	-		-	-	"
"	CHM	Subsidiary	342,779	"	-		-	-	"
"	CPC	Subsidiary	322,508	"	-		-	-	"
"	CHN	Subsidiary	153,575	"	-		-	-	"
"	CPG	Subsidiary	399,295	"	-		-	-	"
"	CPN	Subsidiary	105,045	"	-		-	-	"
"	CMTS	Subsidiary	368,580	"	-		-	-	"
ATI	THE COMPANY	Subsidiary	100,294	10.01	-		100,294	-	"

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

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

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

- (x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
1	ATI	THE COMPANY	2	Operating revenues	1,092,944	Price depends on the market, and the receivables depend on funding demand in the credit period	28.61%
1	ATI	THE COMPANY	2	Accounts receivable	100,294	"	0.49%
2	CST	ATI	3	Operating revenues	120,025	"	3.14%
3	HYT	ATI	3	Operating revenues	131,492	"	3.44%

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CHINESE MARITIME TRANSPORT LTD. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

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
4	APT	ATI	3	Operating revenues	113,249	"	2.96%
5	CMT HK	CTD	3	Other receivables	539,048	-	2.64%
5	CMT HK	CPD	3	"	230,630	-	1.13%
5	CMT HK	CTU	3	"	569,763	-	2.79%
5	CMT HK	CHM	3	"	342,779	-	1.68%
5	CMT HK	CPC	3	"	322,508	-	1.58%
5	CMT HK	CHN	3	"	153,575	-	0.75%
5	CMT HK	CPG	3	"	399,295	-	1.96%
5	CMT HK	CPN	3	"	105,045	-	0.51%
5	CMT HK	CMTS	3	"	368,580	-	1.80%

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.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in Mainland China):

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

Name of investor	Name of investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			The highest holdings in the period Percentage of Ownership (%)	Net Income (Losses) of the Investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of Ownership	Carrying Value				
The Company	CMTS	Singapore	Investment holding of ship-owning companies	4,282	4,282	217	0.44 %	5,399	0.44 %	76,625	337	Note1 • Note4
"	CMT HK	Hong Kong	Investment holding of ship-owning companies	34,356	34,356	12,000	100 %	10,022,937	100 %	405,493	405,493	"
"	CMTL	Taiwan	Warehouse management	689,558	689,558	19,200	100 %	1,056,877	100 %	51,804	51,804	"
"	AGM	"	Investment	1,000	1,000	100	100 %	1,058	100 %	(46)	(46)	"
"	HIL	"	"	565,000	565,000	56,500	100 %	325,734	100 %	29,074	29,074	"
"	MHI	"	"	1,300	1,300	130	100 %	1,243	100 %	(45)	(45)	"
"	ATI	"	Container trucking	500,000	500,000	50,000	100 %	600,565	100 %	22,582	22,582	"
"	TNCL	"	Bulk-carrier transportation	1,007,412	1,007,412	31,125	7.459 %	777,227	7.459 %	957,635	68,882	Note2
"	CMTTSL	"	Travel	20,000	20,000	2,000	100 %	7,015	100 %	(2,007)	(2,007)	Note1 • Note4
"	TGEM	"	Bulk-carrier transportation	601,200	601,200	61,623	12 %	634,030	12 %	207,178	24,862	Note2
"	UNH	"	Gasoline international trade	1,000	1,000	100	100 %	983	100 %	1	1	Note1 • Note4
"	UHD	"	Investment management	1,000	1,000	100	100 %	977	100 %	1	1	"
"	CMTLL	"	Car rental	20,000	-	2,000	100 %	19,996	-	(4)	(4)	Note1 • Note4

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

Name of investor	Name of investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018				The highest holdings in the period		Net Income		Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of Ownership	Carrying Value	Percentage of Ownership (%)	(Losses) of the Investee	Share of profits/losses of investee			
CMTS	CFR	Singapore	Bulk-carrier transportation	706,445	706,445	29,900	100 %	734,950	100 %	44,050	Has been recognized as investment incomes(losses) by CMTS	Note1 - Note3 - Note4		
"	CEP	"	"	709,517	709,517	23,100	100 %	709,624	100 %	49,679	"	"		
"	OMTLL	"	"	-	21	-	- %	-	71 %	-	"	"		
CMT HK	CPS	Hong Kong	"	61,430	61,430	2,000	100 %	61,315	100 %	285	Has been recognized as investment incomes(losses) by CMT HK	"		
"	CPG	"	"	184,290	184,290	6,000	100 %	298,212	100 %	55,718	"	"		
"	CPC	"	"	168,933	168,933	5,500	100 %	241,061	100 %	55,036	"	"		
"	CHT	"	Bulk-chartering services	307	307	10	100 %	6,010	100 %	(245)	"	"		
"	CPN	"	Bulk-carrier transportation	737,160	737,160	240	100 %	725,326	100 %	1,953	"	"		
"	CPD	"	"	1,290,030	1,290,030	420	100 %	1,324,031	100 %	80,340	"	"		
"	CTD	"	"	399,295	399,295	13,000	100 %	433,049	100 %	39,437	"	"		
"	CTU	"	"	399,295	399,295	13,000	100 %	421,398	100 %	30,669	"	"		
"	CHM	"	"	460,725	460,725	150	100 %	423,854	100 %	25,282	"	"		
"	CHN	"	"	460,725	460,725	150	100 %	476,675	100 %	38,588	"	"		
"	CHI	"	Investment management	307	307	0.1	100 %	(293)	100 %	(106)	"	"		
"	Chinese Maritime Transport Ship Management (Hong Kong) Limited	"	"	30,715	30,715	10	100 %	30,518	100 %	251	"	"		
"	CMTS	Singapore	Investment holding of ship-owning companies	1,148,741	1,148,741	49,288	99.56 %	1,221,351	100 %	76,625	"	"		
HIL	TNCL	Taiwan	Bulk-carrier transportation	321,956	321,956	12,297	2.947 %	307,077	5.586 %	957,635	Has been recognized as investment incomes(losses) by HIL	Note2		
ATI	CST	"	Container trucking	86,642	86,642	8,200	100 %	92,122	100 %	(1,294)	Has been recognized as investment incomes(losses) by ATI	Note1 - Note4		
"	HYT	"	"	28,932	28,932	3,000	100 %	46,283	100 %	8,699	-	"		
"	MHT	"	"	30,568	30,568	3,000	100 %	49,355	100 %	7,800	-	"		
"	APT	"	"	30,719	30,719	3,000	100 %	39,153	100 %	3,630	-	"		
"	PTL	"	"	30,000	30,000	3,000	100 %	30,025	100 %	(204)	-	"		

Note1: Subsidiaries controlled by the parent company.

Note2: Investees affected by the comprehensive shareholdings of the Group.

Note3: The amount was translated to the NTD at the exchange rates at the reporting date.

Note4: The account had been written off during the preparation of consolidated financial statements.

(c) Information on investment in mainland China: None

(14) Segment Information:

(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.

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

(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.

	2018				
	Inland trucking and terminal & logistics department	Shipping department	Others	Adjustments and eliminations	Total
Revenue from external customers	\$ 1,775,469	1,974,716	70,039	-	3,820,224
Intersegment revenue	-	-	-	-	-
Total revenues	<u>\$ 1,775,469</u>	<u>1,974,716</u>	<u>70,039</u>	<u>-</u>	<u>3,820,224</u>
Segment income before tax	<u>\$ 74,561</u>	<u>529,042</u>	<u>3,256</u>	<u>-</u>	<u>606,859</u>
Reportable segment assets					<u>\$ 20,423,317</u>
	2017				
	Inland trucking and terminal & logistics department	Shipping department	Others	Adjustments and eliminations	Total
Revenue from external customers	\$ 1,693,110	1,447,280	77,976	-	3,218,366
Intersegment revenue	-	-	-	-	-
Total revenues	<u>\$ 1,693,110</u>	<u>1,447,280</u>	<u>77,976</u>	<u>-</u>	<u>3,218,366</u>
Segment income before tax	<u>\$ 146,769</u>	<u>60,747</u>	<u>(567)</u>	<u>-</u>	<u>206,949</u>
Reportable segment assets					<u>\$ 20,079,052</u>

(c) Entity-wide information

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

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

1) Revenue from external customers:

<u>Continent</u>	<u>2018</u>	<u>2017</u>
Asia	\$ 2,271,140	2,207,265
Europe	931,965	585,809
Oceania	617,119	425,292
	<u>\$ 3,820,224</u>	<u>3,218,366</u>

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

2) Non-current Assets:

<u>Country</u>	<u>2018</u>	<u>2017</u>
Taiwan	\$ 2,380,178	2,372,112
Hong Kong	9,192,836	9,473,644
Singapore	<u>2,936,249</u>	<u>2,983,460</u>
	<u>\$ 14,509,263</u>	<u>14,829,216</u>

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets, not including financial instruments, deferred tax assets (non-current).

(iii) Major customers

Sales to individual customers constituting over 10% of the total revenue in the consolidated statements of income of 2018 and 2017 are summarized as follows:

<u>Customer</u>	<u>Nature of services</u>	<u>2018</u>		<u>2017</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
A Company	Container transportation	\$ 753,826	20	797,360	25
F Company	Vessel transportation	617,119	16	425,292	13
S Company	Vessel transportation	<u>348,920</u>	<u>9</u>	<u>363,347</u>	<u>11</u>
		<u>\$ 1,719,865</u>	<u>45</u>	<u>1,585,999</u>	<u>49</u>