

**CHINESE MARITIME TRANSPORT LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2008 and 2007

(With Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Chinese Maritime Transport Ltd.:

We have audited the accompanying consolidated balance sheets of Chinese Maritime Transport Ltd. and Subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statements of certain subsidiaries and long-term investments accounted for under the equity method were audited by other auditors, whose reports were furnished to us. The total assets of those consolidated subsidiaries mentioned above constituted 6.53% and 13.29% of the consolidated totals as of December 31, 2008 and 2007, respectively, and the net revenue constituted 0.07% of the consolidated totals for the years then ended. The long-term equity investments mentioned above amounted to NT\$5,153,005,000 and NT\$3,993,976,000 as of December 31, 2008 and 2007, respectively, and related investment income was NT\$1,126,170,000 and NT\$418,139,000, respectively, for the years then ended.

We conducted our audits in accordance with Republic of China generally accepted auditing standards and the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the aforementioned reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Chinese Maritime Transport Ltd. and Subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and Republic of China generally accepted accounting principles.

As stated in note 3 to the consolidated financial statements, Chinese Maritime Transport Ltd. and Subsidiaries adopted ROC Statement of Financial Accounting Standards No. 39 “Share-based Payment” effective January 1, 2008, and the Interpretation (96) 052 issued by the Accounting Research and Development Foundation. Accordingly, the Company recognized the amount of employee bonuses and directors’ and supervisors’ remuneration for the year ended December 31, 2008, and the net income and basic earnings per share were decreased by NT\$117,210,000 and NT\$0.46, respectively.

Taipei, Taiwan (Republic of China)
February 27, 2009

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Consolidated Statements of Income

For the years ended December 31, 2008 and 2007
 (expressed in thousands of New Taiwan dollars, except earnings per share,
 which is expressed in New Taiwan dollars)

	2008	%	2007	%
	Amount		Amount	
Operating revenue (note 18):				
Freight revenue – container hauling, net	\$ 1,834,237	29	1,756,935	37
Freight revenue – vessel chartering	4,129,071	65	2,596,798	55
Logistics revenue	402,855	6	361,935	8
Freight revenue – airline agent and others	<u>29,938</u>	-	<u>21,598</u>	-
	<u>6,396,101</u>	<u>100</u>	<u>4,737,266</u>	<u>100</u>
Operating cost (note 21):				
Freight cost – container hauling	1,480,656	23	1,392,516	29
Freight cost – vessel chartering	744,369	12	647,797	14
Logistics cost	321,674	5	276,219	6
Freight cost – airline agent and others	<u>3,618</u>	-	<u>16,609</u>	-
	<u>2,550,317</u>	<u>40</u>	<u>2,333,141</u>	<u>49</u>
Gross profit	3,845,784	60	2,404,125	51
Operating expenses (notes 14, 18 and 21)	<u>465,594</u>	<u>7</u>	<u>356,880</u>	<u>8</u>
Operating income	<u>3,380,190</u>	<u>53</u>	<u>2,047,245</u>	<u>43</u>
Non-operating income and gains:				
Interest income	65,724	1	126,469	3
Investment income under equity method, net (note 7)	1,126,170	18	418,139	9
Foreign exchange gain, net	36,702	-	-	-
Rental income (note 8)	10,783	-	11,326	-
Others	<u>33,580</u>	<u>1</u>	<u>23,962</u>	<u>1</u>
	<u>1,272,959</u>	<u>20</u>	<u>579,896</u>	<u>13</u>
Non-operating expenses and losses:				
Interest expense	222,149	3	215,773	5
Impairment loss (note 9)	38,619	1	-	-
Loss on valuation of financial assets (note 5)	59,110	1	-	-
Others	<u>322</u>	-	<u>5,156</u>	-
	<u>320,200</u>	<u>5</u>	<u>220,929</u>	<u>5</u>
Income before tax	4,332,949	68	2,406,212	51
Income tax expense (note 15)	<u>84,620</u>	<u>1</u>	<u>94,679</u>	<u>2</u>
Consolidated net income	\$ <u>4,248,329</u>	<u>67</u>	<u>2,311,533</u>	<u>49</u>
	Before	After	Before	After
	income tax	income tax	income tax	income tax
Basic earnings per share (note 16)	\$ <u>16.89</u>	<u>16.56</u>	<u>9.38</u>	<u>9.01</u>
Diluted earnings per share (note 16)	\$ <u>16.79</u>	<u>16.46</u>		

See accompanying notes to consolidated financial statements.

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2008 and 2007

(expressed in thousands of New Taiwan dollars)

	2008	2007
Cash flows from operating activities:		
Consolidated net income	\$ 4,248,329	2,311,533
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	406,456	379,851
Impairment loss	38,619	-
Decrease (increase) in financial assets measured at fair value through profit or loss – current	(16,162)	22,338
Investment income under equity method, net	(1,126,170)	(418,139)
Cash dividends from investee companies accounted for under the equity method	475,980	281,675
Decrease (increase) in other current assets	22,849	(16,112)
Decrease (increase) in other current financial assets	12,014	(2,832)
Increase (decrease) in notes and accounts payable	(23,897)	11,926
Increase in accrued expenses and other current liabilities	44,396	10,182
Decrease in prepaid pension and deferred pension cost	29,927	28,221
Others	(18,898)	(46,867)
Net cash provided by operating activities	<u>4,093,443</u>	<u>2,561,776</u>
Cash flows from investing activities:		
Increase in long-term equity investments	(476,395)	(1,924,141)
Additions to rental assets, property and equipment	(1,770,826)	(1,182,495)
Additions to intangible assets	(67,417)	-
Proceeds from sale of property and equipment	5,561	9,710
Decrease (increase) in restricted assets	575,567	(536,544)
Decrease (increase) in refundable deposits and others	544,737	(601,338)
Net cash used in investing activities	<u>(1,188,773)</u>	<u>(4,234,808)</u>
Cash flows from financing activities:		
Decrease in short-term loans	(9,638)	(22,386)
Increase in long-term loans	1,613,668	2,994,829
Decrease in long-term loans	(1,103,434)	(1,062,723)
Increase in bonds payable	1,000,000	-
Payment of cash dividends	(1,538,841)	(466,315)
Employees' bonuses and directors' and supervisors' remuneration	(62,608)	(37,847)
Others	(5,000)	4,521
Net cash provided by (used in) financing activities	<u>(105,853)</u>	<u>1,410,079</u>
Foreign currency translation effects	<u>(14,551)</u>	<u>(9,004)</u>
Net increase (decrease) in cash and cash equivalents	2,784,266	(271,957)
Cash and cash equivalents at beginning of year	<u>1,905,555</u>	<u>2,177,512</u>
Cash and cash equivalents at end of year	\$ <u>4,689,821</u>	<u>1,905,555</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ <u>126,199</u>	<u>208,678</u>
Income tax	\$ <u>89,335</u>	<u>63,741</u>
Financing activities not affecting current cash flows:		
Current portion of long-term loans	\$ <u>1,841,984</u>	<u>570,806</u>

See accompanying notes to consolidated financial statements.

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

(expressed in thousands of New Taiwan dollars unless otherwise specified)

(1) Organization

The organization and business of Chinese Maritime Transport Ltd. and the significant subsidiaries of Chinese Maritime Transport Ltd. are as follows:

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 (ROC). The main activities of the Company are container hauling, vessel transportation, and related businesses and acting as the general sales agent for Saudi Arabian Airlines. Based on organization of the group and distribution of duties, the Company leads and invests in the businesses related to transportation in the group.

Chinese Maritime Transport (S) Pte. Ltd. (CMTS) was incorporated in March 1994 in Singapore. CMTS acts as a holding company for the Company's shipping investment activities in Singapore. Its subsidiaries, CMT Fortune Shipping Co., Pte. Ltd. and AG ACT Pte. Ltd., engage in bulk-carrier transportation. Those subsidiaries own and operate 2 cape-sized bulk carriers with 300 thousand DWT in total. As of December 31, 2008, the total issued common stock amounted to \$575,243, and the Company owned 100% of the shares of CMTS.

Chinese Maritime Transport (Hong Kong), Limited (CMT HK) was incorporated in June 2004 in Hong Kong. CMT HK acts as a holding company for the Company's shipping investment activities in Hong Kong. Its subsidiaries China Prosperity Shipping Ltd., China Peace Shipping Ltd., China Progress Shipping Ltd., China Pioneer Shipping Ltd., and China Pride Shipping Ltd. engage in bulk-carrier transportation, and the other one, CMT Chartering Ltd., engages in bulk-carrier chartering service. Those subsidiaries own and operate 3 cape-sized bulk carriers with 500 thousand DWT in total, and 2 other cape-sized bulk carriers are being built. As of December 31, 2008, the total issued common stock amounted to \$490,791, and the Company owned 100% of the shares of CMT HK.

Associated Transport Inc. (ATI) was incorporated in 2003 and engages in container trucking. As of December 31, 2008, the total issued common stock amounted to \$200,000, and the Company owned 100% of the shares of ATI. Chang Shun Transport Co. Ltd. (CST) and Huang Yuan Transport Co. Ltd. (HYT) were incorporated in 1997. Mao Hua Transport Ltd. (MHT) was incorporated in 2004. AG Prosperity Transport Ltd. (APT) was incorporated in 2005. These companies engage in container trucking. As of December 31, 2008, the total issued common stock of CST, HYT, MHT and APT amounted to \$40,000, \$30,000, \$30,000 and \$30,000 respectively. In order to integrate business resources, the Company indirectly owned 100% of the shares of these companies through ATI from 2008.

CMT Logistics Co., Ltd. (CMTL) was incorporated in February 1975 and engages in warehouse storage service. As of December 31, 2008, the total issued common stock amounted to \$192,000, and the Company owned 100% of the shares of CMTL.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

AGM Investment Ltd. (AGM) was incorporated in 2005. Hope Investment Ltd. (HIL) and Mo Hsin Investment Ltd. (MHI) were incorporated in 2006. Fortune King Investment Ltd. (FKI), Fortune Marine Investment Ltd. (FMI), and Hua Li Investment Co., Ltd. (HLI) were incorporated in 2007. These companies engage in investment activities. As of December 31, 2008, the total issued common stock amounted to \$300,000, \$600,000, \$400,000, \$2,200, \$2,200 and \$5,000, respectively, and the Company directly and indirectly owned 100% of the shares of AGM, HIL, MHI, FKI, FMI and HLI.

As of December 31, 2008 and 2007, the number of employees hired by the Company and the above subsidiaries was approximately 404.

(2) Summary of Significant Accounting Policies

The consolidated financial statements are prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles and practices generally accepted in the Republic of China (ROC). The significant accounting policies and measurement bases adopted in preparing the accompanying financial statements are summarized as follows:

(a) Reporting entities of the consolidated financial statements and basis of consolidation

Investees which the Company has the power to control are included in the Company's consolidated financial statements. The Company originally prepares consolidated financial statements for the first six months and annually each year, and prepares consolidated financial statements by quarter beginning in 2008.

As of December 31, 2008 and 2007, the details of the subsidiaries included in the consolidated financial statements and the Company's direct and indirect percentage of ownership were as follows:

Name of investor	Name of subsidiary	Core business	Percentage of ownership (%)	
			2008	2007
The Company	1. Chinese Maritime Transport (S) Pte. Ltd. (CMTS)	Investment holding of shipowning companies	100	100
"	2. Chinese Maritime Transport (Hong Kong), Limited (CMT HK)	Investment holding of shipowning companies	100	100
"	3. CMT Logistics Co., Ltd. (CMTL)	Warehouse management	100	100
"	4. AGM Investment Ltd. (AGM)	Investment	100	100
"	5. Hope Investment Ltd. (HIL)	"	100	100
"	6. Mo Hsin Investment Ltd. (MHI)	"	100	100
"	7. Fortune King Investment Ltd. (FKI)	"	100	100
"	8. Fortune Marine Investment Ltd. (FMI)	"	100	100
"	9. Hua Li Investment Co., Ltd. (HLI)	"	100	(note 1)
"	10. Associated Transport Inc. (ATI)	Container trucking	100	100

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of investor	Name of subsidiary	Core business	Percentage of ownership (%)	
			2008	2007
The Company	11. Chang Shun Transport Co., Ltd. (CST)	Container trucking	(note 2)	100
"	12. Huang Yuen Transport Co., Ltd. (HYT)	"	(note 2)	100
"	13. Mao Hua Transport Ltd. (MHT)	"	(note 2)	100
"	14. AG Prosperity Transport Ltd. (APT)	"	(note 2)	100
"	15. Kinmen Development Corp. (KDC)	Lease and sale of buildings	100	100
"	16. Associated Motor Co., Ltd. (AMC)	Vehicle repair	100	100
CMTS	17. CMT Fortune Shipping Co. Pte. Ltd. (CMTF)	Bulk-carrier transportation	100	100
"	18. AG ACT Pte. Ltd. (AG ACT)	"	100	100
CMT HK	19. China Prosperity Shipping Ltd. (CPS)	"	100	100
"	20. China Peace Shipping Ltd. (CPE)	"	100	100
"	21. China Progress Shipping Ltd. (CPG)	"	100	100
"	22. China Pioneer Shipping Ltd. (CPN)	"	100	100
"	23. China Pride Shipping Ltd. (CPD)	"	100	(note 3)
"	24. CMT Chartering Ltd. (CCL)	Bulk chartering services	100	100
ATI	25. CST	Container trucking	100	(note 2)
"	26. HYT	"	100	(note 2)
"	27. MHT	"	100	(note 2)
"	28. APT	"	100	(note 2)

(note 1) This company was acquired in the first quarter of 2008. The Company had the power to control HLI in 2007.

(note 2) In order to integrate business resources, on November 12, 2008, the Company adjusted the investment framework and sold the shares of CST, HYT, MHT and APT to ATI.

(note 3) The company was established in 2008.

The consolidated financial statements include the Company and all companies mentioned above (the Consolidated Company).

All significant inter-company transactions and unrealized gains or losses from such transactions have been eliminated in the consolidated financial statements.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**Notes to Consolidated Financial Statements****(b) Foreign currency transactions**

The Consolidated Company's reporting currency is the New Taiwan dollar. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates on that date. The resulting unrealized exchange gain (loss) from such translations is reflected in the accompanying consolidated statements of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange gain (loss) from such translations is reflected in the accompanying consolidated statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange gain (loss) from such translations is recorded as a separate component of stockholders' equity.

For long-term equity investments in foreign subsidiaries and investees, which are accounted for by the equity method, their foreign currency financial statements have to be translated into the Company's reporting currency. Translation adjustments resulting from the translation of foreign currency financial statements into the Company's reporting currency are accounted for as cumulative translation adjustment, which is a separate component of stockholders' equity.

(c) Accounting estimates

The preparation of consolidated financial statements in conformity with the aforementioned guidelines and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from management's estimates.

(d) Distinction between current and non-current assets and liabilities

Current assets are unrestricted cash and cash equivalents, assets held for trading purposes, and other assets to be realized in cash, sold, or consumed (prepaid items) within 12 months of the balance sheet date. Current liabilities include liabilities incurred for trading purposes, and obligations to be paid or settled within 12 months of the balance sheet date. All other assets or liabilities are classified as non-current.

(e) Impairment of assets

The Consolidated Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) other than goodwill may have been impaired. If any such indication exists, the Consolidated Company estimates the recoverable amount of the asset. The Consolidated Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

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

The Consolidated Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

The Consolidated Company assesses goodwill and intangible assets, which have indefinite useful lives or are not yet available for use, on an annual basis and recognizes an impairment loss on the excess of carrying value over the recoverable amount.

(f) Cash equivalents

Cash equivalents represent investments in commercial paper with a maturity of three months or less from the date of investment.

(g) Financial assets

The Consolidated Company adopts transaction-date accounting for financial instrument transactions. At the initial recognition, financial instruments are measured at fair value. Except for the trading-purpose financial instruments, the original cost of financial instruments should include the cost of acquisition or issuance.

The financial instruments the Consolidated Company held or issued are classified as financial assets measured at fair value through profit or loss. The main purposes of the financial instruments are selling or repurchasing in the short term.

(h) Allowance for doubtful accounts

Allowance for doubtful accounts is provided according to the collectibility of each account. The amount is determined by considering the past collection experience, customers' credit, an aging analysis, and the Consolidated Company's credit policy.

(i) Long-term investments under equity method

Long-term investments are accounted for under the equity method when the percentage of ownership held by the Company and its subsidiaries equals or exceeds 20% or if the Company and its subsidiaries own less than 20% of the investee's common stock ownership but have significant influence on the investee's operations.

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

The difference between the cost of the investment and the amount of underlying equity in net assets of an investee attributed to depreciable or amortizable assets is amortized over the estimated remaining economic years. The difference attributed to the carrying amount in excess of or lower than the fair value of assets is written off entirely when the difference disappears. The cost of investment in excess of the fair value of identifiable net assets is recognized as goodwill and is not amortized. The difference attributed to the fair value of identifiable net assets in excess of the cost of investment causes a proportional decrease in the carrying amount of non-current assets. When the carrying amount of non-current assets is decreased to zero, the remaining difference is recognized as extraordinary gain or loss.

Unrealized inter-company profits or losses resulting from transactions between the Company and its subsidiaries and investees accounted for under the equity method are deferred until realized, or are amortized based on the useful lives of the assets that give rise to such unrealized profits or losses.

When the equity adjustment accounts of investee companies accounted under the equity method, including revaluation increments, cumulative translation adjustments, and unrealized gain or loss on financial instruments, are changed, the change is reflected in those accounts and long-term equity investment under the equity method based on the percentage of ownership.

Real estate investments are recognized at cost and are depreciated over their useful lives using the straight-line method. The Company will recognize loss if there is any indication that impairment has incurred and is unlikely to be recovered.

(j) Property and equipment, rental assets, and depreciation

Property and equipment are stated at cost, and can be revalued at government-declared values or indexes. Repairs and maintenance are charged to expenses as incurred; major renewals and improvements are capitalized and depreciated accordingly.

Excluding land, depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the respective assets. When the property and equipment have reached the end of their estimated useful lives but are still in use, the remaining cost is depreciated using the same method over the estimated remaining useful lives of the assets. The useful lives of respective assets are summarized as follows:

- Buildings: 24~55 years.
- Building improvements: 3~25 years
- Container transportation equipment: 4~6 years.
- Shipping transportation equipment: 2~20 years.
- Container terminal facility: 2~60 years
- Furniture, fixtures and other equipment: 3~16 years.

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

Property and equipment leased to other parties under operating leases are classified as rental assets. The rental income is recorded as non-operating income after the related depreciation is accounted for as a deducted item.

(k) Deferred expenses

Dry-docking expenses incurred are capitalized and taken directly to deferred expenses and amortized over 30 to 36 months.

(l) Intangible assets

Other than an intangible asset acquired by way of a government grant, which should be measured at its fair value, an intangible asset shall be measured initially at cost. After initial recognition, an intangible asset shall be measured at its cost plus revaluation increment revalued in accordance with the regulations, less any accumulated amortization and any accumulated impairment losses.

The amortizable amounts of intangible assets are determined after deducting residual values from their original costs. Amortization is made on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. An intangible asset with an indefinite useful life shall not be amortized. The estimated useful lives for the computer software is 3 years.

The residual value, the amortization period, and the amortization method for an intangible asset with a definite useful life shall be reviewed at least at each financial year-end. The useful life of an intangible asset that is not being amortized shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. Such changes shall be accounted for as changes in accounting estimates.

(m) Employee retirement plan

In accordance with Labor Standards Law and related regulations, for entities of the Consolidated Company in the ROC, each employee will earn two months of salary for each of the first 15 years of service and one month of salary for each service year from the sixteenth year on. The maximum amount is 45 months of salary. Salary is the six-month average salary before retirement. Under the related regulations, the Consolidated Company is responsible for all pension payments. Under the Labor Pension Act, a defined contribution pension plan should be implemented for all new employees and for any employees employed before the enforcement date (July 1, 2005) of that Act who choose the new plan. For the employees who are covered under the defined contribution pension plan, the Company and its domestic subsidiaries have made a monthly cash contribution of 6% of salaries and wages to employees' individual pension fund accounts at the Bureau of Labor Insurance based on the Labor Pension Act, and the contribution was recorded as pension expenses in the accompanying statements of income.

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

For the above defined benefit pension plan, the Company and CMTL under the Labor Standards Law, previously made a monthly cash contribution of 9% and 9.5%, respectively, of salaries and wages to a pension fund maintained with Bank of Taiwan (previously the “Central Trust of China”) to meet the above obligation. Payment of employee retirement benefits will be paid by the pension fund first. The Consolidated Company has its pension plan actuarially valued on the balance sheet date and recognizes the net periodic pension costs. As a result, the excess of the accumulated benefit obligation over the fair value of plan assets is recognized as pension obligation. The Consolidated Company recognizes net periodic pension costs including expected returns on plan assets and amortization of net unrecognized transition obligations over the average remaining service period of the employees.

In accordance with local regulations, CMT HK and CMTF have made monthly cash contributions of 5%~20% of salaries to the pension fund designated by local government and recognized them as current expense. Other overseas subsidiaries do not recognize any pension cost or pension liabilities because of no full-time employees.

(n) Revenues and cost recognition

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

(o) Employees’ bonuses and directors’ and supervisors’ remuneration

Employees’ bonuses and directors’ and supervisors’ remuneration based on the ROC Company Act and the Company’s articles of incorporation and appropriated after January 1, 2008, are accounted for by Interpretation (96) 052 issued by the ARDF. The Company and its domestic subsidiaries estimate the amount of employees’ bonuses and directors’ and supervisors’ remuneration according to the Interpretation and recognize it as expenses. Differences between the amount approved in the shareholders’ meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the year of earnings distribution.

(p) Income tax

Income tax is calculated based on accounting income. The amount of deferred tax liabilities or assets is calculated by applying the provisions of enacted tax law to determine the amount of tax payable or refundable, currently or in future years. The tax effects of taxable temporary differences are recorded as deferred tax liabilities. The tax effects of deductible temporary differences are recognized as deferred tax assets. An allowance is provided for deferred tax assets that may not be realized in the future.

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

Deferred tax assets or liabilities are classified as current or noncurrent based on the classification of the asset or liability that resulted in the deferred item or, on certain transactions not directly related to an asset or liability, on the timing of the expected reversal date.

The 10% surtax on undistributed earnings of the Company and its domestic subsidiaries is recorded as current income tax expense after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

Investment tax credits of CMTL are accounted for using the flow-through method. Therefore, investment tax credits generated from acquisition of machinery and equipment are recognized as deferred income tax assets in the year in which the credit arises.

The income tax returns of the Consolidated Company are calculated and filed based on the Company's and each subsidiary's local tax law. The income tax expense of the Consolidated Company is the summation of the income tax expense of the Company and its subsidiaries.

(q) Earnings per share

Earnings per share of common stock are computed based on the weighted-average number of common shares outstanding during the period. Earnings per share for the prior period are retroactively adjusted to reflect the effects of new shares issued by transferring capital surplus, retained earnings, and employees' bonuses approved in the annual stockholders' meetings held before and in 2008.

Employee stock bonuses which have not yet been approved by the stockholders' meeting are potential common shares. Only basic earnings per share are disclosed if there is no dilution effect. Otherwise, both basic and diluted earnings per share are disclosed. For the purpose of calculating diluted net income per share, the potential common shares are deemed to have been converted into common stock at the beginning of the period, and the effect on net income of the additional common shares outstanding is considered accordingly.

(3) Changes in Accounting Policy

- (a) Effective from January 1, 2008, the Consolidated Company adopted Statement of Financial Accounting Standards No. 39 (SFAS No. 39) and Interpretation (96) 052 issued by the ARDF. In accordance with SFAS No. 39 and the above Interpretation, the Consolidated Company classified, measured, recognized and disclosed the share-based payment transactions, employees' bonuses, and directors' and supervisors' remuneration. Accordingly, net income decreased by \$117,210 (including \$361 for domestic subsidiaries) and earnings per share by 0.46 New Taiwan dollar. In accordance with the Interpretation issued by the ARDF, the new shares issued as employees' bonuses in 2008 and later years are no longer retroactively adjusted when calculating basic earnings per share and diluted earnings per share. If the employees' bonuses that may be distributed in the form of stock have a dilution effect, they should be considered in the current year when calculating diluted earnings per share.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (b) Effective from January 1, 2007, the Consolidated Company adopted the newly pronounced Statement of Financial Accounting Standards No. 37 (SFAS No. 37) "Intangible Assets". In accordance with SFAS No. 37, the Consolidated Company reevaluated the useful lives and the amortization method used for recognized intangible assets at the beginning of the financial year, and there was no need to change the useful lives or the amortization method.

(4) Cash and Cash Equivalents

	December 31, 2008	December 31, 2007
Petty cash, checking accounts, and demand deposits	\$ 2,274,857	550,033
Time deposits	2,089,135	1,149,844
Cash equivalent – commercial paper	<u>325,829</u>	<u>205,678</u>
	\$ <u>4,689,821</u>	<u>1,905,555</u>

(5) Financial Instruments

The Consolidated Company did not invest in any derivative financial instruments during 2008 and 2007. The non-derivative financial instruments held by the Consolidated Company as of December 31, 2008 and 2007, were as follows:

	December 31, 2008	December 31, 2007
Financial assets measured at fair value through profit or loss:		
Financial assets held for trading:		
Listed stocks	\$ 28,100	4,774
Open-end mutual funds	<u>2,212</u>	<u>9,376</u>
	\$ <u>30,312</u>	<u>14,150</u>

As of December 31, 2008 and 2007, the unrealized gain on financial assets measured at fair value through profit or loss from changes in fair value amounted to \$4,962 and \$0, respectively.

(6) Notes and Accounts Receivable – Third Parties

	December 31, 2008	December 31, 2007
Notes receivable	\$ 11,654	8,384
Accounts receivable	194,229	195,099
Less: allowance for doubtful accounts	<u>(3,709)</u>	<u>(3,709)</u>
	\$ <u>202,174</u>	<u>199,774</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(7) Long-term Investments

	December 31, 2008		December 31, 2007	
	%	Amount	%	Amount
Under the equity method:				
Taiwan Navigation Co., Ltd.	40.498	\$ 5,153,005	37.496	3,993,976
Real estate investment		<u>112,917</u>		<u>113,969</u>
		\$ <u>5,265,922</u>		<u>4,107,945</u>

- (a) Net investment income on long-term equity investments accounted for under the equity method for the years ended December 31, 2008 and 2007, amounted to \$1,126,170 and \$418,139, respectively, based on the investees' audited financial statements.
- (b) The market price of the shares of Taiwan Navigation Co., Ltd., a listed investee company accounted for under the equity method, based on the closing price of December 31, 2008 and 2007, amounted to \$6,818,914 and \$8,872,765, respectively. The pledge information is summarized in note 19.
- (c) CMTS bought five buildings and related land usage rights for \$116,887 (SGD 5,571,000) from a real estate company, Ho Bee (Sentosa) Pte Ltd., in February 2006 and recorded it under long-term investment – real estate investment. As of December 31, 2008, the above amount was fully paid. The pledge information is summarized in note 19.

(8) Property and Equipment / Rental Assets

- (a) The Company's and CMTL's land was revalued in 1993 and 1984, respectively, according to the government-declared land values. The revaluation was as follows:

	December 31, 2008	December 31, 2007
Revaluation:		
Property and equipment	\$ 357,800	348,776
Rental assets	<u>18,312</u>	<u>27,336</u>
Revaluation increment, gross	376,112	376,112
Less: provision for land value increment tax	<u>(87,224)</u>	<u>(87,224)</u>
Revaluation increment, net	\$ <u>288,888</u>	<u>288,888</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) The rental assets are summarized as follows:

	December 31, 2008	December 31, 2007
Land	\$ 46,479	69,879
Buildings and improvement	15,375	42,007
Revaluation increment – land	<u>18,312</u>	<u>27,336</u>
Cost and revaluation increment	80,166	139,222
Less: accumulated depreciation	<u>(5,236)</u>	<u>(12,876)</u>
Rental assets, net	\$ <u>74,930</u>	<u>126,346</u>

Rental income was received in accordance with the rental contracts, which were renewed periodically. The rental income (net of the depreciation expense) in 2008 and 2007 amounted to \$10,783 and \$11,326, respectively. According to the existing rental contracts, the expected rental income to be received in future years is as follows:

Period	Amount
2009.01.01~2009.12.31	\$ 12,257
2010.01.01~2010.12.31	8,383
2011.01.01~2011.10.31	<u>1,115</u>
	\$ <u>21,755</u>

(c) The information on pledged property and equipment and rental assets is summarized in note 19.

(9) Goodwill

During 2008, the goodwill of CMTL was impaired due to the economic downturn and the slowdown in operation caused by the newly opened Taipei Port. The Consolidated Company recognized impairment loss amounting to \$38,619.

(10) Short-term Loans and Commercial Paper Payable

	December 31, 2008	December 31, 2007
Secured loans	\$ 100,000	300,000
Unsecured loans	500,000	70,000
Commercial paper payable	760,000	1,000,000
Less: discount on commercial paper payable	<u>(1,351)</u>	<u>(1,713)</u>
	\$ <u>1,358,649</u>	<u>1,368,287</u>
Unused credit lines	\$ <u>1,200,000</u>	<u>1,871,890</u>
Range of interest rates	2.65%~2.85%	1.70%~3.30%

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The assets pledged as of December 31 in 2008 and 2007, to secure loans are summarized in note 19. The collateral which was provided by related party CMTS for loans as of December 31, 2007, was a guarantee in the form of a time deposit and is summarized in note 19.

(11) Long-term Loans

Debtor	Bank	Usage and redemption period	December 31, 2008	December 31, 2007
CMT	China Development Industrial Bank and seven other participating banks	Working capital (nine installments, quarterly, 2008.9~2010.9)(note)	\$ 445,000	730,000
"	China Development Industrial Bank and seven other participating banks	Working capital (seven installments, quarterly, 2009.3~2010.9)	650,000	500,000
"	China Development Industrial Bank and seven other participating banks	Working capital (repay principal in full in 2010.9)	349,736	199,350
"	China Development Industrial Bank	Working capital (repay principal in full in 2010.5)	300,000	300,000
"	China Development Industrial Bank	Working capital (repay principal in full in 2009.8)	200,000	200,000
"	Mega International Commercial Bank	Working capital (five installments, quarterly, 2010.6~2011.9)	400,000	-
"	Mega International Commercial Bank	Working capital (five installments, quarterly, 2009.11~2011.2) (note)	320,000	300,000
"	Standard Chartered Bank (formerly Hsinchu International Bank)	Working capital (repay principal in full in 2009.5)	150,000	150,000
"	Standard Chartered Bank (formerly Hsinchu International Bank)	Working capital (ten installments, quarterly, 2007.9~2009.12)	60,000	120,000
"	Industrial Bank of Taiwan	Working capital (seven installments, Semi-annually, 2008.11~2011.11) (note)	93,500	200,000
"	Industrial Bank of Taiwan	Working capital (seven installments, semi-annually, 2007.8~2010.8)	55,000	85,000
"	Industrial Bank of Taiwan	Working capital (seven installments, semi-annually, 2006.11~2009.11)	30,000	58,000
"	Shin Kong Bank	Working capital (repay principal in full in 2009.6)	199,223	199,974
"	Far Eastern International Bank	Working capital (four installments, quarterly, 2009.4~2010.1)	199,814	199,896
"	Taipei Fubon Bank	Working capital (eight installments, quarterly, 2008.5~2010.2) (note)	-	200,000
"	Cathay United Bank	Working capital (twelve installments, quarterly, 2007.8~2010.5) (note)	-	125,000
CPG	Deutsche Schiffs Bank	Acquisition of assets (twenty installments, semi-annually, 2006.06~2015.12)	638,288	694,195
CPE	Mega International Commercial Bank (formerly International Commercial Bank of China)	Acquisition of assets (twenty installments, semi-annually, 2005.12~2015.6)	561,899	620,920

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Debtor	Bank	Usage and redemption period	December 31, 2008	December31, 2007
CPD	Deutsche Schiffs Bank	Acquisition of assets (twenty installments, semi-annually, approximate start from 2011)	344,400	-
HIL	Far Eastern International Bank	Working capital (repay principal in full in 2009.12)	149,571	149,788
MHI	Far Eastern International Bank	Working capital (repay principal in full in 2010.3)	149,963	-
AGM	Far Eastern International Bank	Working capital (repay principal in full in 2010.3)	149,970	-
CMTS	United Overseas Bank	Acquisition of assets (180 installments, monthly, 2006.9~2021.9)	45,393	49,400
CMTL	Cathay United Bank	Working capital (ten installments, quarterly, 2010.5~2012.11, acquit the last phase is 70,000)	100,000	-
			5,591,757	5,081,523
	Less: current portion		(1,841,984)	(570,806)
			\$ 3,749,773	4,510,717
	Range of interest rates during the year		2.25%~3.13%	1.70%~5.61%

(note): The Company repaid part of loans in advance due to operating capital management in 2008.

- (a) During 2004 to 2008, the Company entered into long-term loan agreements with China Development Industrial Bank, Taipei Fubon Bank, Far Eastern International Bank and Hsinchu International Bank (now Standard Chartered Bank) to obtain credit lines amounting to \$910,000 in total. Based on the agreements, the Company committed to maintaining specific financial ratios and to providing audited financial statements at the end of each half and full fiscal year.
- (b) During 2007, the Company entered into a long-term loan agreement with China Development Industrial Bank (lead bank) and seven other participating banks to obtain a credit line amounting to \$1,445,000. Based on the agreement, the Company committed to maintaining specific financial ratios and to providing audited or reviewed financial statements quarterly. The Company also committed to holding all the shares of CMTS and CMT HK during the loan period, and the shares of Taiwan Navigation directly owned by the Company will not be provided as a pledge.
- (c) The Consolidated Company issued commercial promissory notes to Far Eastern International Bank, China Development Industrial Bank (lead bank), and Shin Kong Bank amounting to \$1,200,000. The commercial paper payable will expire within one year, but the underwriter's agreements were over one year. The Consolidated Company intended to refinance the commercial paper payable to extend to loan period to over one year in the future, and the Consolidated Company is also able to refinance according to the terms stated in the agreements and related documents. Therefore, the commercial paper payable was recorded under long-term loans.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (d) The assets pledged as of December 31, 2008 and 2007, to secure long-term loans are summarized in note 19.
- (e) As of December 31, 2008, the repayment schedule for the long-term loans (excluding discount on commercial paper payable) was as follows:

Period	Amount
2009.01.01~2009.12.31	\$ 1,842,946
2010.01.01~2010.12.31	2,069,089
2011.01.01~2011.12.31	413,018
2012.01.01~2012.12.31	145,518
2013.01.01~2013.12.31	200,518
After 2014.01.01	<u>922,389</u>
	\$ <u>5,593,478</u>

(12) Bonds Payable

The Company issued secured bonds with a face value of \$1,000,000 on September 19, 2008. The interest is calculated and paid annually from the date of issuance. The duration of the bonds is five years, and the principal is redeemable at the end of the five years after the date of issuance. The bonds payable on December 31, 2008, were as follows:

	<u>Guarantee bank</u>	<u>Interest rate</u>	<u>Issuance date</u>	<u>Duration</u>	<u>December 31, 2008</u>
The first secured bonds payable	Shanghai Commercial Bank	2.90%	September, 2008	Redeemable at end of five years after date of issuance	\$ <u>1,000,000</u>

(13) Pension

- (a) The Company made an actuarial valuation of its pension plan using December 31, 2008 and 2007, as the measurement dates. According to the actuarial reports, the reconciliation of the funded status and prepaid pension (accrued pension liability) was as follows:

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	December 31, 2008	December 31, 2007
Benefit obligations:		
Vested benefit obligation	\$ (80,829)	(117,442)
Non-vested benefit obligation	<u>(23,092)</u>	<u>(14,469)</u>
Accumulated benefit obligation	(103,921)	(131,911)
Additional benefits based on future salary increase	<u>(35,310)</u>	<u>(32,707)</u>
Projected benefit obligation	(139,231)	(164,618)
Fair value of plan assets	<u>109,016</u>	<u>130,930</u>
Funded status	(30,215)	(33,688)
Unrecognized pension loss	37,224	44,290
Net unrecognized transition obligation	9,460	14,192
Recognized liability of pension payable	<u>-</u>	<u>(25,775)</u>
Prepaid pension cost (accrued pension liability)	<u>\$ 16,469</u>	<u>(981)</u>

- (b) CMTL made an actuarial valuation of its pension plan using December 31, 2008 and 2007, as the measurement dates. According to the actuarial reports, the reconciliation of the funded status and accrued pension liability was as follows:

	December 31, 2008	December 31, 2007
Benefit obligations:		
Vested benefit obligation	\$ (55,477)	(59,495)
Non-vested benefit obligation	<u>(53,494)</u>	<u>(49,476)</u>
Accumulated benefit obligation	(108,971)	(108,971)
Additional benefits based on future salary increase	<u>12,766</u>	<u>(10,115)</u>
Projected benefit obligation	(96,205)	(119,086)
Fair value of plan assets	<u>13,521</u>	<u>11,371</u>
Funded status	(82,684)	(107,715)
Unrecognized pension loss	(13,197)	14,475
Net unrecognized transition obligation	5,420	16,261
Additional minimum pension liability	<u>-</u>	<u>(20,621)</u>
Accrued pension liability	<u>\$ (90,461)</u>	<u>(97,600)</u>

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) The net periodic pension costs of the Company and CMTL were as follows:

	2008	2007
Service cost	\$ 11,315	12,004
Interest cost	7,660	6,836
Actual return on plan assets	(5,199)	(3,954)
Amortization and deferral	<u>19,836</u>	<u>19,204</u>
Net pension costs of defined benefit pension plan	\$ <u>33,612</u>	<u>34,090</u>
Net pension costs of defined contribution pension plan	\$ <u>4,616</u>	<u>2,985</u>

(d) Actuarial assumptions of the Company and CMTL were as follows:

	2008	2007
Discount rate	2.50%	2.75%
Future salary increase rate	1.00%~3.00%	1.00%~3.00%
Expected long-term rate of return on plan assets	2.50%	2.75%

(e) As of December 31, 2008 and 2007, the pension expenses for the other consolidated subsidiaries were \$964 and \$950, respectively.

(f) As of December 31, 2008 and 2007, the vested benefit amounted to \$188,147 and \$223,595, respectively.

(14) Stockholders' Equity

(a) Common stock

Based on a resolution of the stockholders' meeting held on June 28, 2007, the Company increased its capital through the issuance of stock dividends by transferring retained earnings amounting to \$233,158, and also decreased its authorized capital to \$2,331,578 and then increased its authorized capital to \$3,600,000. The registration procedure related to this capital change was completed.

As of December 31, 2008 and 2007, the authorized capital was \$3,600,000, at par value of \$10 (New Taiwan dollars) per share.

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

(b) Reserve and appropriation of retained earnings

(i) Capital surplus

Pursuant to the ROC Company Act, capital surplus can only be used to offset a deficit or to increase common stock. Cash dividends cannot be declared out of capital surplus. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of total common stock outstanding. In addition, capital increases by transferring paid-in capital in excess of par value can only commence in the following year.

(ii) Appropriation of retained earnings and dividend policy

According to the Company's articles of incorporation, 10% of annual net income (less payment of corporate income tax and losses of prior years, if any) shall be appropriated as legal reserve, and if a net debit balance of stockholders' equity occurs, the Company should appropriate the same amount as special reserve from retained earnings. Not less than 30% of the remaining balance and the accumulated unappropriated earnings of prior years, if any, should be distributed as follows:

- 2% as employee bonuses.
- Remuneration to directors and supervisors not exceeding 2%.
- The remainder as dividends and bonuses for stockholders.

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. However, if the cash dividend per share is less than \$0.1 (New Taiwan dollar), a stock dividend will be paid instead.

Pursuant to the ROC Company Act, legal reserve may only be used to offset a deficit and cannot be used to pay cash dividends, except that one-half of the legal reserve can be capitalized when it equals at least 50% of the contributed capital.

According to SFB regulations, when the Company has a net debit balance of the stockholders' equity account, there must be an equal special reserve set aside from current net income or unappropriated earnings of prior years. When the debit balance of the stockholders' equity account is reversed, the reversal of the amount of special reserve for distribution is permitted in the following year.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Company estimates the amount of employees' bonuses and directors' and supervisors' remuneration according to the ROC Company Act and the Company's articles of incorporation for the interim financial statements. In 2008, the Company recognized employees' bonuses and directors' and supervisors' remuneration amounting to \$118,835, which were 2% and 1%, respectively, of net income after deducting the legal reserve. The number of shares of the dividend distribution will be based on the closing price of the day before the shareholders' meeting and considering the ex-rights and ex-dividend effects. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in 2009.

- (iii) Based on a resolution of the stockholders' meetings held in 2008 and 2007, the earnings distribution for fiscal years 2007 and 2006 was as follows:

	2007	2006
Employees' bonuses – cash	\$ 41,608	25,247
Directors' and supervisors' remuneration	<u>21,000</u>	<u>12,600</u>
	\$ <u>62,608</u>	<u>37,847</u>

The above earnings distribution had no difference from the resolution by the meeting of the board of directors. Earnings distribution of fiscal year 2008 is still subject to being determined by a meeting of the board of directors and approved in a stockholders' meeting. The related information about earnings distribution can be queried in the Market Observation Post System after the above meetings are held by the Company.

(15) Income Tax

- (a) The Company was certified to meet the definition of "Business Operation Headquarters" as defined by the "Statute for Upgrading Industries". According to the statute, the Company can obtain an income tax exemption on dividends declared by the stockholders' meeting of the investee. For years 2008 and 2007, the certification has been obtained.
- (b) The income tax rate of the Company and its subsidiaries in the ROC is 25%. The Company and its ROC subsidiaries are also subject to the "Income Basic Tax Act" and have to compute basic income tax. In accordance with the tax statutes of Singapore, except for income from shipping, which is tax free, CMTS and its subsidiaries' income is subject to a 26% income tax in Singapore. CMT HK and its subsidiaries' ownership were all held by a foreign investor, and their freight revenue was earned from outside of Hong Kong. There is an income tax exemption on freight income earned out of Hong Kong. The Consolidated Company's income tax expenses in 2008 and 2007 were as follows:

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	2008	2007
Current income tax expense	\$ 37,403	46,078
10% surtax on unappropriated earnings	47,893	52,900
Deferred tax expense (benefit)		
Increase in accrued pension	-	(3,352)
Decrease in deferred pension cost and prepaid pension and others	<u>(676)</u>	<u>(947)</u>
Income tax expense	<u>\$ 84,620</u>	<u>94,679</u>

- (c) The differences between "expected" income tax computed by applying the statutory income tax rates and income tax expense are summarized as follows:

	2008	2007
"Expected" income tax	\$ 842,462	473,408
10% surtax on unappropriated earnings	47,893	52,900
Tax effect of tax exemption for overseas income	(562,318)	(310,819)
Tax effect of tax exemption for long-term investment income under equity method	(281,543)	(104,535)
Non-deductible securities trading loss (securities trading gain)	21,678	(240)
Unrealized loss (gain) on financial instruments and others	<u>16,448</u>	<u>(16,035)</u>
Income tax expense	<u>\$ 84,620</u>	<u>94,679</u>

- (d) As of December 31, 2008 and 2007, deferred income tax assets (liabilities) were as follows:

	December 31, 2008	December 31, 2007
Deferred income tax assets:		
Accrued pension liability	\$ 22,615	18,925
Loss carryforward and others	2,272	2,965
Less: provision for deferred income tax assets	<u>(1,450)</u>	<u>(1,213)</u>
	<u>23,437</u>	<u>20,677</u>
Deferred income tax liabilities:		
Reserve for loss on outward investment	(19,525)	(24,539)
Foreign currency translation adjustments	(64,174)	(41,358)
Prepaid pension and deferred pension cost and others	<u>(5,713)</u>	<u>(6,166)</u>
	<u>(89,412)</u>	<u>(72,063)</u>
Deferred tax liabilities, net	<u>\$ (65,975)</u>	<u>(51,386)</u>
Deferred tax assets – noncurrent	\$ 23,437	20,677
Deferred tax liabilities – noncurrent	<u>(89,412)</u>	<u>(72,063)</u>
	<u>\$ (65,975)</u>	<u>(51,386)</u>

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(e) The income tax returns of the Company have been examined by the tax authorities through 2005, and of the rest of the consolidated companies have been examined through 2006.

(f) Information on imputation credit account (ICA)

	December 31, 2008	December 31, 2007
Unappropriated earnings retained after January 1, 1998	\$ <u>5,347,735</u>	<u>2,932,008</u>
ICA balance	\$ <u>102,972</u>	<u>30,046</u>
	2008	2007
Creditable ratio for earnings distribution to resident shareholders in the ROC	<u>2.93%</u> (estimated)	<u>6.95%</u> (actual)

(16) Earnings Per Share

	2008		2007	
	Before income tax	After income tax	Before income tax	After income tax
Basic earnings per share:				
Consolidated net income	\$ <u>4,332,949</u>	<u>4,248,329</u>	<u>2,406,212</u>	<u>2,311,533</u>
Weighted-average number of shares outstanding (thousands)	<u>256,474</u>	<u>256,474</u>	<u>256,474</u>	<u>256,474</u>
Basic earnings per share	\$ <u>16.89</u>	<u>16.56</u>	<u>9.38</u>	<u>9.01</u>
Diluted earnings per share:				
Consolidated net income	\$ <u>4,332,949</u>	<u>4,248,329</u>		
Weighted-average number of shares outstanding (thousands)	256,474	256,474		
Effects of dilutive potential common stock:				
Employees' stock bonuses	<u>1,566</u>	<u>1,566</u>		
	<u>258,040</u>	<u>258,040</u>		
Diluted earnings per share	\$ <u>16.79</u>	<u>16.46</u>		

(17) Information about Financial Instruments

(a) The Consolidated Company did not invest in derivative financial instruments during 2008 and 2007. The book values of non-derivative financial instruments with a short maturity approximate their fair values. As of December 31, 2008 and 2007, the fair values of other non-derivative financial instruments were as follows:

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Non-derivative financial instruments	December 31, 2008		December 31, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at fair value through profit or loss — current	\$ 30,312	30,312	14,150	14,150
Financial liabilities:				
Long-term loans	5,591,757	5,591,757	5,081,523	5,081,523
Bonds payable	1,000,000	999,916	-	-
Off-balance-sheet financial instruments:				
Guarantee for bank loans	-	4,742,585	-	1,880,371

(b) The following methods and assumptions were used in estimating fair values:

- (i) The book value of short-term financial instruments is considered to be the fair value because of the short-term nature of these instruments, and the book value method is considered to be a reasonable basis to assess the fair value. Such method is applicable to cash and cash equivalents, notes and accounts receivable or payable, other current financial assets, short-term loans, accrued expenses and other payable.
- (ii) If public quoting of financial assets and liabilities is available, then the quoted price will be the fair value. If market value is not available, an assessment method will be used. The assumptions used by the financial market traders for similar financial instruments when quoting their prices are used as a reference. The terms of similarity include the credit rating of the debt, the method of computing interest expense for the remaining period of contracts, the remaining period for payment of principal, and the currency.
- (iii) The fair values of the long-term loans were based on the present value of future cash flow, and the discount rates were the interest rate of similar loan agreements which the Consolidated Company could obtain. The fair values approximate their book values on the balance sheet date.
- (iv) The fair values of bonds payable are based on quoted market prices. However, the fair values are not expected to equal future cash outflow.
- (v) The fair values of bank loan guarantees are based on the loan contracts.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (c) The fair value of the financial instruments evaluated by the Consolidated Company under public quoting or an assessment method is summarized as follows:

	December 31, 2008		December 31, 2007	
	Public	Assessment	Public	Assessment
	quote value	value	quote value	value
Financial assets:				
Cash and cash equivalents	\$ 4,689,821	-	1,905,555	-
Financial assets measured at fair value through profit or loss – current	30,312	-	14,150	-
Notes and accounts receivable (including related parties)	-	280,136	-	280,064
Other current financial assets	-	12,402	-	24,416
Financial liabilities:				
Short-term loans and commercial paper payable	-	1,358,649	-	1,368,287
Notes and accounts payable	-	128,257	-	152,154
Accrued expenses and other payable	-	385,451	-	341,055
Long-term loans	-	5,591,757	-	5,081,523
Bonds payable	999,916	-	-	-

There were no net gains resulting from an assessment method in 2008 and 2007.

- (d) Information about significant financial risk

- (i) Market risk

The equity securities held by the Consolidated Company, other than those accounted for under equity method, are classified as financial assets measured at fair value through gain or loss. As these assets are measured at fair value, the Consolidated Company has risk exposure related to changes in fair value in an equity securities market.

- (ii) Credit risk

The Group evaluates the financial condition of their customers when taking sales orders to reduce credit risk of related accounts receivable. The maximum amounts of loss are the book value.

(Continued)

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

The primary potential credit risk is from financial instruments like cash, cash equivalents, equity securities accounted for other than under the equity method, and accounts receivable. The Consolidated Company's cash deposits are maintained with different financial institutions. Cash equivalents represent investments in commercial paper with a maturity of three months or less from the date of investment. Equity securities accounted for other than equity method were funds and listed stock issued by companies with a good credit rating. The Consolidated Company manages credit risk exposure related to each financial institution and believes that there is no significant concentration of credit risk of cash and cash equivalents. The aggregation of sales to the Consolidated Company's major customers exceeding 10% of the Consolidated Company's total sales accounted for 44% and 70% of the total net sales for the years ended December 31, 2008 and 2007, respectively. In order to reduce credit risk, the Consolidated Company assesses the financial status of the customers and the possibility of collection of receivables in order to estimate an adequate allowance for doubtful accounts on a regular basis. The customers have had a good credit and profit record. The Consolidated Company has never suffered a significant credit loss.

(iii) Liquidity risk

As the capital and working capital of the Consolidated Company are sufficient to fulfill all contract obligations, there is no liquidity risk related to unfulfilled contract obligations. The fund and securities investment by the Consolidated Company have quoted prices and could be publicly sold at the approximate market price.

(iv) Cash flow risk from changes in interest rates

The bonds payable are fixed-rate debts. Changes in market interest rates have no effect on future cash flow.

The Consolidated Company's short-term and long-term loans are both based on floating interest rates. Changes in the prevailing market rate will affect the interest on short-term and long-term loans and cause future cash flows to fluctuate. The Consolidated Company will increase its cash outflow by \$17,376 in the following year for every 0.25% increase in the market rate, based on the outstanding loan balances.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(18) Related-party Transactions

- (a) Names of related parties and their relationship

Related Party	Relationship
Orient Overseas Container Line (Taiwan) Limited (OTWL)	Related party in essence
Associated International Inc. (AII)	AII's chairman of the board of directors is the same as the Company's, and AII is a director of the Company
CMT Land Development Inc. (CMD)	Subsidiary company of AII
The directors, supervisors, chief executive officer, and executive vice president	The Group's main management

- (b) Summary of significant transactions with related parties

1. Freight revenue

	2008		2007	
	Amount	% of operating revenue	Amount	% of operating revenue
OTWL	\$ <u>818,689</u>	<u>13</u>	<u>690,943</u>	<u>15</u>

The collection periods for related parties are similar to those for ordinary customers: within 30 to 45 days. There are several different conditions in the service contracts with different parties. If the contracts have similar conditions, the selling prices for related parties and ordinary customers are not significantly different.

Accounts receivable resulting from the above transactions were as follows:

	December 31, 2008		December 31, 2007	
	Amount	%	Amount	%
OTWL	\$ <u>64,201</u>	<u>23</u>	<u>69,808</u>	<u>25</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Logistics revenue

	2008		2007	
	Amount	% of operating revenue	Amount	% of operating revenue
AII	\$ <u>89,918</u>	<u>1</u>	<u>30,103</u>	<u>1</u>

CMTL's selling price for related parties is cost plus 25%. When AII receives cash from customers, AII will pay CMTL immediately. The accounts receivable resulting from the above transactions are summarized below:

	December 31, 2008		December 31, 2007	
	Amount	%	Amount	%
AII	\$ <u>13,761</u>	<u>5</u>	<u>10,482</u>	<u>4</u>

3. Operating expenses

The Consolidated Company's rental payments to related parties for parking spaces are summarized below:

	2008		2007	
	Amount	% of operating expenses	Amount	% of operating expenses
CMD	\$ 4,576	1	5,803	2
AII	<u>3,724</u>	<u>1</u>	<u>3,724</u>	<u>1</u>
	\$ <u>8,300</u>	<u>2</u>	<u>9,527</u>	<u>3</u>

4. Purchase of property and equipment

The Company purchased land and buildings for business use from CMD. The purchase price was \$3,534, based on the appraisal report issued by China Credit Information Service, Ltd. and negotiation by the two parties. The ownership was transferred in January 2008, and the total price has been paid.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

5. Salaries and remuneration of main management

The Group paid salaries and remuneration to the directors, supervisors, chief executive officer, and executive vice president in 2008 and 2007 as follows:

	2008	2007
Salaries	\$ 73,376	37,506
Incentives	11,498	9,108
Special compensation	180	150
Employees' bonus	7,922	4,322

(note) The employees' bonus for 2008 was an estimate.

(19) Pledged Assets

Assets	Subject	December 31, 2008	December 31, 2007
Restricted assets – restricted cash in bank	Short-term loans	\$ 36,854	612,421
Long-term investments under equity method – stock	Short-term and long-term loans and credit lines	1,964,285	2,307,489
Real estate investment	Long-term loans	112,917	113,969
Property and equipment – land and buildings	Short-term and long-term loans	336,593	205,711
Property and equipment – transportation equipment and warehouse storage equipment	Short-term and long-term loans	3,726,320	2,096,748
Rental assets – land and buildings	Short-term and long-term loans	5,451	53,565
Refundable deposits and pledged time deposits	Guarantee for letters of credit, guarantee for letters of credit to ETC, import duty and provisional injunction against Taiwan Navigation	17,159	558,914
		<u>\$ 6,199,579</u>	<u>5,948,817</u>

(note) The deposit for provisional injunction against Taiwan Navigation was collected back on October 2, 2008. Please see note 21.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(20) Commitments and Contingent Liabilities

- (a) According to CMTL's contracts for leasing warehouses, offices, and parking spaces, the payment schedule for rental was as follows:

Period	Amount
2009.01.01~2009.12.31	\$ 28,208
2010.01.01~2010.12.31	27,781
2011.01.01~2011.12.31	25,780
2012.01.01~2012.12.31	3,769
2013.01.01~2013.12.31	3,769
After 2014.01.01	<u>3,274</u>
	\$ <u>92,581</u>

The present value of the total amount to be paid after January 1, 2014, was based on the present value of future cash flows, and the discount rate, 2.855%, was based on CMTL's average interest rate on loans. The amount was as follows:

	Amount	Present value
2014.01.01~2014.12.31	\$ <u>3,769</u>	<u>3,274</u>

- (b) In order to extend business scale, subsidiaries of CMT HK took over two bulk-carrier construction contracts from third parties on September 28, 2007, and May 8, 2008. The related information as of December 31, 2008, was as follows:

<u>Purchaser</u>	<u>Date of contract</u>	<u>Total price</u>	<u>Estimated delivery</u>	<u>Price paid</u>
CPN	September 28, 2007	2,624,000 (US\$80,000,000)	June 2011	1,047,993 (US\$31,951,000)
CPD	May 8, 2008	3,444,000 (US\$105,000,000)	October 2009	1,697,302 (US\$51,747,000)

- (c) The Company issued guarantee paper amounting to \$1,029,000 as of December 31, 2008, for bonds payable.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(21) Others

(a) Reserve for loss on outward investment

The Company has provided a reserve for loss on outward investment, in accordance with the “Statute for Upgrading Industries”. The amount was computed at 20% of the total amount of outward investment, which is the limit stipulated by the “Statute for Upgrading Industries”. The statute also stipulates that if there are no actual losses in the five years after the initial provision for the reserve, the loss reserve should be reversed and recognized as income in the fifth year. However, as provision of such reserve is not in accordance with generally accepted accounting principles, the loss reserve is reversed during the preparation of the financial statements, but in accordance with tax regulations, the Company does not adjust the books. Accordingly, the net income and retained earnings on the Company’s books are increased (decreased) by the following amounts:

	2008	2007
Increase in net income	\$ 20,058	-
Decrease in retained earnings	(78,100)	(98,158)

(b) Employee expenses, depreciation expenses, and amortization expenses for the years ended December 31, 2008 and 2007, were as follows:

	Operating cost	2008 Operating expenses	Total
Employee expenses			
Salaries and wages	\$ 267,085	268,984	536,069
Labor and health insurance	7,132	8,870	16,002
Pension expense	17,213	21,979	39,192
Other	13,709	4,569	18,278
Depreciation expenses (note)	317,951	10,826	328,777
Amortization expenses	72,171	1,625	73,796

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	Operating cost	2007 Operating expenses	Total
Employee expenses			
Salaries and wages	\$ 219,129	168,113	387,242
Labor and health insurance	4,230	8,473	12,703
Pension expense	17,271	20,754	38,025
Other	8,028	4,353	12,381
Depreciation expenses (note)	313,617	12,607	326,224
Amortization expenses	48,013	1,554	49,567

(note) excluding the deduction of rental income of \$3,883 in 2008 and \$4,060 in 2007.

(c) Status of lawsuits with Taiwan Navigation

In order to defend the Company's rights regarding the investee company Taiwan Navigation, the Company initiated lawsuits related to Taiwan Navigation, and the status of the lawsuits was as follows:

Lawsuit	The Status of the Lawsuit
(i) Resolution of Taiwan Navigation's directors' meeting about exchanging shares with Yang Ming Marine Transport Corp.	Taiwan Navigation withdrew the application to exchange shares with Yang Ming Marine Transport Corp. from the Securities and Futures Bureau on December 12, 2007. Therefore, the Company canceled its appeal regarding the exchange of shares resolution approved by Taiwan Navigation's board meeting on December 20, 2007. During January 2008, the Company withdrew the provisional injunction against Taiwan Navigation's directors, and also applied for the returning of a negotiable time deposit of \$543,700 as a guarantee for provisional injunction. The refundable deposit was received on October 2, 2008.
(ii) Petition about Taiwan Navigation's delay in holding a stockholders' meeting	The Appeal Committee of the Executive Yuan dismissed the case on December 4, 2007.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Lawsuit	The Status of the Lawsuit
(iii) Application for termination of the Ministry of Economic Affairs' approval of Taiwan Navigation's delay in holding a stockholders' meeting	The Taiwan Supreme Administrative Court dismissed the Company's appeal on August 16, 2007.
(iv) Civil action regarding Taiwan Navigation's 2007 stockholders' meeting resolution	The Company had initiated a civil action on December 13, 2007, demanding that the resolution of Taiwan Navigation's stockholders' meeting in 2007 be declared null and void. The Company withdrew the action on August 4, 2008, as conditions had changed.

(22) Segment Information

(a) Industrial information

The Consolidated Company's industrial information is summarized as follows:

	2008					Consolidated
	Inland trucking department	Shipping department	Terminal & logistics department	Others	Eliminations	
Revenue from third parties	\$ 1,834,237	4,129,071	402,855	29,938	-	6,396,101
Revenue from the parent company and consolidated subsidiaries	<u>503,420</u>	<u>293,082</u>	-	-	<u>(796,502)</u>	-
Total revenues	<u>\$ 2,337,657</u>	<u>4,422,153</u>	<u>402,855</u>	<u>29,938</u>	<u>(796,502)</u>	<u>6,396,101</u>
Segment income	<u>\$ 101,678</u>	<u>3,247,659</u>	<u>31,333</u>	<u>(572)</u>	<u>92</u>	3,380,190
Investment income						1,126,170
Non-operating income of the Consolidated Company, net						48,738
Interest expense						<u>(222,149)</u>
Consolidated income before tax						<u>\$ 4,332,949</u>
Identifiable assets	<u>\$ 2,856,810</u>	<u>9,078,452</u>	<u>731,116</u>	<u>78,305</u>	<u>(577,609)</u>	12,167,074
Rental assets						74,930
Long-term investment						<u>5,265,922</u>
Total assets						<u>\$ 17,507,926</u>
Depreciation and amortization	<u>\$ 83,767</u>	<u>281,491</u>	<u>37,260</u>	<u>55</u>	-	<u>402,573</u>
Capital expenditure	<u>\$ 118,447</u>	<u>1,626,094</u>	<u>26,285</u>	-	-	<u>1,770,826</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	2007					
	Inland trucking department	Shipping department	Terminal & logistics department	Others	Eliminations	Consolidated
Revenue from third parties	\$ 1,756,935	2,596,798	361,935	21,598	-	4,737,266
Revenue from the parent company and consolidated subsidiaries	<u>386,858</u>	<u>296,905</u>	-	-	<u>(683,763)</u>	-
Total revenues	<u>\$ 2,143,793</u>	<u>2,893,703</u>	<u>361,935</u>	<u>21,598</u>	<u>(683,763)</u>	<u>4,737,266</u>
Segment income	<u>\$ 191,520</u>	<u>1,822,482</u>	<u>35,688</u>	<u>(2,631)</u>	<u>186</u>	2,047,245
Investment income						418,139
Non-operating income of the Consolidated Company, net						156,601
Interest expense						<u>(215,773)</u>
Consolidated income before tax						<u>\$ 2,406,212</u>
Identifiable assets	<u>\$ 2,696,634</u>	<u>6,237,241</u>	<u>645,751</u>	<u>80,448</u>	<u>(672,662)</u>	8,987,412
Rental assets						126,346
Long-term investment						<u>4,107,945</u>
Total assets						<u>\$ 13,221,703</u>
Depreciation and amortization	<u>\$ 75,877</u>	<u>263,384</u>	<u>36,393</u>	<u>137</u>	-	<u>375,791</u>
Capital expenditure	<u>\$ 107,647</u>	<u>1,054,479</u>	<u>20,369</u>	-	-	<u>1,182,495</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Export sales

The Company's main activities are land transportation and air transportation. The operating revenues of CMTS and CMT HK are from chartering bulk-carrier to customers. CMTL engages in warehouse storage service in Taiwan. The following export revenue of the Consolidated Company in 2008 and 2007 was all generated from Europe:

	2008		2007	
	Amount	%	Amount	%
Europe	\$ <u>2,135,666</u>	<u>33</u>	<u>2,107,982</u>	<u>44</u>

(d) Major customers

Sales to individual customers constituting over 10% of the total revenue in the consolidated statements of income of 2008 and 2007 are summarized as follows:

		2008		2007	
	Nature of services	Amount	%	Amount	%
Customer:					
G Company	Vessel transportation	\$ 149,402	2	821,065	17
D Company	Vessel transportation	1,309,771	20	728,762	16
A Company	Container transportation	818,689	13	690,943	15
E Company	Vessel transportation	676,493	11	558,155	12
F Company	Vessel transportation	<u>574,283</u>	<u>9</u>	<u>488,816</u>	<u>10</u>
		\$ <u>3,528,638</u>	<u>55</u>	<u>3,287,741</u>	<u>70</u>

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2008 and 2007
(expressed in thousands of New Taiwan dollars)

Assets	2008		2007		Liabilities and Stockholders' Equity	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents (note 4)	\$ 4,689,821	27	1,905,555	14	Short-term loans and commercial paper payable (note 10)	\$ 1,358,649	7	1,368,287	10
Financial assets measured at fair value through profit or loss – current (notes 5 and 18)	30,312	-	14,150	-	Notes and accounts payable	128,257	1	152,154	1
Notes and accounts receivable (note 6)	202,174	1	199,774	2	Accrued expenses and other current liabilities (note 14)	385,451	2	341,055	3
Notes and accounts receivable – related parties (note 18)	77,962	1	80,290	1	Current portion of long-term loans (note 11)	<u>1,841,984</u>	<u>11</u>	<u>570,806</u>	<u>4</u>
Other current financial assets	12,402	-	24,416	-		<u>3,714,341</u>	<u>21</u>	<u>2,432,302</u>	<u>18</u>
Restricted assets (note 19)	36,854	-	612,421	5	Long-term liabilities:				
Other current assets	<u>41,570</u>	<u>-</u>	<u>64,419</u>	<u>-</u>	Bonds payable (note 12)	1,000,000	6	-	-
	<u>5,091,095</u>	<u>29</u>	<u>2,901,025</u>	<u>22</u>	Long-term loans (note 11)	3,749,773	21	4,510,717	34
Investments (notes 7 and 19):					Provision for land value increment tax (note 8)	<u>87,224</u>	<u>-</u>	<u>87,224</u>	<u>1</u>
Long-term investments under equity method	5,153,005	29	3,993,976	30		<u>4,836,997</u>	<u>27</u>	<u>4,597,941</u>	<u>35</u>
Real estate investment – noncurrent	<u>112,917</u>	<u>1</u>	<u>113,969</u>	<u>1</u>	Other liabilities:				
	<u>5,265,922</u>	<u>30</u>	<u>4,107,945</u>	<u>31</u>	Accrued pension liabilities (note 13)	90,461	1	98,581	1
Property and equipment (notes 8, 18, 19 and 20):					Deferred tax liabilities and others (note 15)	<u>91,435</u>	<u>1</u>	<u>72,543</u>	<u>1</u>
Land	512,568	3	473,790	4		<u>181,896</u>	<u>2</u>	<u>171,124</u>	<u>2</u>
Buildings	211,361	1	46,874	-	Total liabilities	<u>8,733,234</u>	<u>50</u>	<u>7,201,367</u>	<u>55</u>
Transportation equipment	4,546,851	26	4,452,395	34	Stockholders' equity:				
Container terminal facility	410,715	2	564,181	4	Common stock (note 14)	<u>2,564,736</u>	<u>15</u>	<u>2,564,736</u>	<u>19</u>
Furniture, fixtures and other equipment	146,253	1	120,442	1	Capital surplus	<u>42,503</u>	<u>-</u>	<u>42,503</u>	<u>-</u>
Land revaluation increment	<u>357,800</u>	<u>2</u>	<u>348,776</u>	<u>3</u>	Retained earnings (note 14):				
	6,185,548	35	6,006,458	46	Legal reserve	480,427	3	249,274	2
Less: accumulated depreciation	(2,009,760)	(11)	(1,715,644)	(13)	Unappropriated earnings	<u>5,347,735</u>	<u>30</u>	<u>2,932,008</u>	<u>22</u>
Prepayment for purchase of equipment	<u>2,745,395</u>	<u>16</u>	<u>1,041,538</u>	<u>8</u>		<u>5,828,162</u>	<u>33</u>	<u>3,181,282</u>	<u>24</u>
	<u>6,921,183</u>	<u>40</u>	<u>5,332,352</u>	<u>41</u>	Equity adjustments:				
Intangible assets:					Cumulative translation adjustments	219,376	1	92,666	1
Computer software	5,248	-	3,668	-	Net loss not recognized as pension cost	-	-	(11,583)	-
Deferred pension cost	-	-	34,813	-	Unrealized gains on financial instruments	18,424	-	44,241	-
Goodwill (note 9)	<u>-</u>	<u>-</u>	<u>38,619</u>	<u>-</u>	Unrealized land revaluation increment (note 8)	<u>101,491</u>	<u>1</u>	<u>101,491</u>	<u>1</u>
	<u>5,248</u>	<u>-</u>	<u>77,100</u>	<u>-</u>		<u>339,291</u>	<u>2</u>	<u>226,815</u>	<u>2</u>
Other assets:					Minority interest	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Rental assets (notes 8 and 19)	74,930	-	126,346	1	Total stockholders' equity	<u>8,774,692</u>	<u>50</u>	<u>6,020,336</u>	<u>45</u>
Refundable deposits and others (notes 15 and 19)	45,326	-	585,278	4	Commitments and contingencies (note 20)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred expenses	87,753	1	91,657	1					
Prepaid pension (note 13)	<u>16,469</u>	<u>-</u>	<u>-</u>	<u>-</u>					
	<u>224,478</u>	<u>1</u>	<u>803,281</u>	<u>6</u>					
Total assets	\$ <u>17,507,926</u>	<u>100</u>	<u>13,221,703</u>	<u>100</u>	Total liabilities and stockholders' equity	\$ <u>17,507,926</u>	<u>100</u>	<u>13,221,703</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2008 and 2007
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings Legal reserve	Unappropriated earnings	Cumulative translation adjustments	Net loss not recognized as pension cost	Unrealized gain on financial instruments	Unrealized land revaluation increment	Minority interest	Total
Balance as of December 31, 2006	\$ 2,331,578	42,503	109,012	1,498,057	150,820	-	328	101,491	-	4,233,789
Appropriations:										
Legal reserve	-	-	140,262	(140,262)	-	-	-	-	-	-
Employees' bonuses and directors' and supervisors' remuneration	-	-	-	(37,847)	-	-	-	-	-	(37,847)
Dividends (cash and stock)	233,158	-	-	(699,473)	-	-	-	-	-	(466,315)
Consolidated net income for 2007	-	-	-	2,311,533	-	-	-	-	-	2,311,533
Unrealized gain on financial instruments – long-term investment under the equity method	-	-	-	-	-	-	43,913	-	-	43,913
Net loss not recognized as pension cost	-	-	-	-	-	(11,583)	-	-	-	(11,583)
Foreign currency translation adjustments	-	-	-	-	(58,154)	-	-	-	-	(58,154)
Change in minority interest	-	-	-	-	-	-	-	-	5,000	5,000
Balance as of December 31, 2007	2,564,736	42,503	249,274	2,932,008	92,666	(11,583)	44,241	101,491	5,000	6,020,336
Appropriations:										
Legal reserve	-	-	231,153	(231,153)	-	-	-	-	-	-
Employees' bonuses and directors' and supervisors' remuneration	-	-	-	(62,608)	-	-	-	-	-	(62,608)
Cash dividends	-	-	-	(1,538,841)	-	-	-	-	-	(1,538,841)
Consolidated net income for 2008	-	-	-	4,248,329	-	-	-	-	-	4,248,329
Unrealized loss on financial instruments – long-term investment under the equity method	-	-	-	-	-	-	(25,817)	-	-	(25,817)
Reversal of net loss not recognized as pension cost	-	-	-	-	-	11,583	-	-	-	11,583
Foreign currency translation adjustments	-	-	-	-	126,710	-	-	-	-	126,710
Change in minority interest	-	-	-	-	-	-	-	-	(5,000)	(5,000)
Balance as of December 31, 2008	\$ 2,564,736	42,503	480,427	5,347,735	219,376	-	18,424	101,491	-	8,774,692

See accompanying notes to consolidated financial statements.