

**CHINESE MARITIME TRANSPORT LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

June 30, 2008 and 2007

(With Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Chinese Maritime Transport Ltd.:

We have reviewed the accompanying consolidated balance sheets of Chinese Maritime Transport Ltd. and Subsidiaries as of June 30, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report on these consolidated financial statements based on our review. 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 7.00% and 46.37% of the consolidated totals as of June 30, 2008 and 2007, respectively, and the net revenue constituted 0% of the consolidated totals for the six-month periods then ended. The long-term equity investments mentioned above amounted to NT\$3,904,357,000 and NT\$4,067,549,000 as of June 30, 2008 and 2007, respectively, and related investment income was NT\$428,436,000 and NT\$218,892,000, respectively, for the six-month periods then ended.

Except as mentioned in the following paragraph, we conducted our review in accordance with the guidelines of ROC Statement on Auditing Standards No. 36 (ROC SAS No. 36), "Reviewing Financial Statements". Those guidelines require that we plan and perform the review, which consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The financial statements of some consolidated subsidiaries are based on those subsidiaries' unreviewed financial statements. As of June 30, 2008 and 2007, the total assets of those consolidated subsidiaries amounted to NT\$919,723,000 and NT\$949,625,000, respectively, constituting 6.22% and 7.53% of the consolidated totals, and the total liabilities of those consolidated subsidiaries amounted to NT\$242,424,000 and NT\$367,310,000, respectively, constituting 2.73% and 4.78% of the consolidated totals; for the six-month periods then ended, the net revenue amounted to NT\$205,325,000 and NT\$166,132,000, respectively, constituting 6.65% and 7.21% of the consolidated totals, and the net income amounted to NT\$15,994,000 and NT\$15,080,000, respectively, constituting 0.83% and 1.29% of the consolidated totals.

Based on our reviews and the aforementioned reports of other auditors, we are not aware of any modifications that should be made, in any material respects, to the financial statements referred to in the third paragraph in order for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the related financial accounting standards of the Business Entity Accounting Act and of the Regulation on Business Entity Accounting Handling, and accounting principles generally accepted in the Republic of China, except for the effect of such adjustments, if any, as might have been determined to be necessary had the subsidiaries' financial statements as stated in the third paragraph been reviewed.

As stated in note 3 to the financial statements, Chinese Maritime Transport Ltd. adopted ROC Statement of Financial Accounting Standards No. 39 "Share-based Payment" effective January 1, 2008, and the Interpretation issued by the Accounting Research and Development Foundation. Accordingly, Chinese Maritime Transport Ltd. recognized the amount of employees' bonuses and directors' and supervisors' remuneration for the six-month period ended June 30, 2008, and the net income and basic net income per share were decreased by \$51,180,000 and \$0.20, respectively.

August 15, 2008

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 (unaudited)

For the six-month periods ended June 30, 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 17):				
Freight revenue – container hauling, net	\$ 963,861	31	809,251	35
Freight revenue – vessel chartering	1,905,036	62	1,320,487	57
Logistics revenue	204,529	7	164,996	7
Freight revenue – airline agent and others	<u>14,926</u>	<u>-</u>	<u>8,727</u>	<u>1</u>
	<u>3,088,352</u>	<u>100</u>	<u>2,303,461</u>	<u>100</u>
Operating cost (note 20):				
Freight cost – container hauling	772,715	25	634,100	28
Freight cost – vessel chartering	373,420	13	322,747	15
Logistics cost	158,265	5	122,464	5
Freight cost – airline agent and others	<u>10,739</u>	<u>-</u>	<u>8,448</u>	<u>-</u>
	<u>1,315,139</u>	<u>43</u>	<u>1,087,759</u>	<u>48</u>
Gross profit	1,773,213	57	1,215,702	52
Operating expenses (notes 17 and 20)	<u>224,719</u>	<u>7</u>	<u>161,612</u>	<u>7</u>
Operating income	<u>1,548,494</u>	<u>50</u>	<u>1,054,090</u>	<u>45</u>
Non-operating income and gain:				
Interest income	37,843	1	58,788	3
Investment income under equity method, net (note 7)	428,436	14	218,892	10
Gain on disposal of investments	37,099	1	251	-
Foreign exchange gain, net	39,021	1	55	-
Gain on valuation of financial assets (note 5)	19,545	1	2,613	-
Others (note 8)	<u>23,179</u>	<u>1</u>	<u>10,036</u>	<u>1</u>
	<u>585,123</u>	<u>19</u>	<u>290,635</u>	<u>14</u>
Non-operating expenses and losses:				
Interest expense	110,614	4	99,823	4
Impairment loss (note 9)	38,619	1	-	-
Others	<u>59</u>	<u>-</u>	<u>73</u>	<u>-</u>
	<u>149,292</u>	<u>5</u>	<u>99,896</u>	<u>4</u>
Income before tax	1,984,325	64	1,244,829	55
Income tax expense (note 14)	<u>65,727</u>	<u>2</u>	<u>72,196</u>	<u>3</u>
Consolidated net income	\$ <u>1,918,598</u>	<u>62</u>	<u>1,172,633</u>	<u>52</u>
			Before	After
			income tax	income tax
Basic earnings per share (note 15)	\$ <u>7.74</u>	<u>7.48</u>	<u>4.85</u>	<u>4.57</u>
Diluted earnings per share	\$ <u>7.72</u>	<u>7.47</u>		

See accompanying notes to consolidated financial statements.

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (unaudited)

For the six-month periods ended June 30, 2008 and 2007
(expressed in thousands of New Taiwan dollars)

	2008	2007
Cash flows from operating activities:		
Consolidated net income	\$ 1,918,598	1,172,633
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	196,866	189,013
Impairment loss	38,619	-
Increase in financial assets measured at fair value through profit or loss – current	(165,688)	(6,609)
Investment income under equity method, net	(428,436)	(218,892)
Decrease (increase) in other current assets	9,111	(21,969)
Increase in notes and accounts payable	1,847	18,993
Increase (decrease) in accrued expenses and other current liabilities	50,846	(71,200)
Others	<u>13,158</u>	<u>(21,402)</u>
Net cash provided by operating activities	<u>1,634,921</u>	<u>1,040,567</u>
Cash flows from investing activities:		
Increase in long-term equity investments	(91,851)	(1,924,141)
Additions to rental assets, property and equipment	(1,350,013)	(33,085)
Decrease (increase) in restricted assets	564,343	(537,292)
Increase in refundable deposits and others	<u>(45,784)</u>	<u>(536,720)</u>
Net cash used in investing activities	<u>(923,305)</u>	<u>(3,031,238)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term loans	(419,196)	1,532,293
Increase in long-term loans	708,864	1,086,999
Decrease in long-term loans	(187,049)	(669,777)
Change in minority interest	(5,000)	-
Directors' and supervisors' remuneration	<u>(21,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>76,619</u>	<u>1,949,515</u>
Foreign currency translation effects	<u>(103,769)</u>	<u>(6,089)</u>
Net increase (decrease) in cash and cash equivalents	684,466	(47,245)
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>\$ 2,590,021</u>	<u>2,130,267</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 95,988</u>	<u>116,615</u>
Income tax	<u>\$ 60,129</u>	<u>37,716</u>
Financing activities not affecting current cash flows:		
Current portion of long-term loans	<u>\$ 1,446,286</u>	<u>729,863</u>
Cash dividend payable	<u>\$ 1,538,841</u>	<u>466,315</u>
Employees' bonuses and remuneration to directors and supervisors payable	<u>\$ 41,608</u>	<u>37,847</u>
Cash dividends receivable from investee companies accounted for under equity method	<u>\$ 475,980</u>	<u>-</u>

See accompanying notes to consolidated financial statements.

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited)

June 30, 2008 and 2007

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

(1) Organization

The organization 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 June 30, 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. 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 June 30, 2008, the total issued common stock amounted to \$490,791, and the Company owned 100% of the shares of CMT HK.

CMT Logistics Co., Ltd. (CMTL) was incorporated in February 1975 and engages in warehouse storage service. As of June 30, 2008, the total issued common stock amounted to \$192,000, and the Company owned 100% of the shares of CMTL.

AGM Investment Ltd. (AGM) was incorporated in 2005. Hope Investment Ltd. (HIL) and Mo Hsin Investment Ltd. (MHI) were incorporated in 2006. These companies engage in investment activities. As of June 30, 2008, the total issued common stock amounted to \$300,000, \$600,000 and \$400,000, respectively, and the Company owned 100% of the shares of AGM, HIL and MHI.

As of June 30, 2008 and 2007, the number of employees hired by the Company and the above subsidiaries was approximately 401 and 399, respectively.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, 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 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 June 30, 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 (CMTHK)	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. (FIL)	"	100	100
"	8. Fortune Marine Investment Ltd. (FML)	"	100	100
"	9. Hua Li Investment Co., Ltd. (HLI)	"	100	(note 1)
"	10. Chang Shun Transport Co., Ltd. (CST)	Container trucking	100	100
"	11. Huang Yuen Transport Co., Ltd. (HYT)	"	100	100
"	12. Associated Transport Inc. (ATI)	"	100	100
"	13. Mao Hua Transport Ltd. (MHT)	"	100	100
"	14. AG Prosperity Transport Ltd. (APT)	"	100	100
"	15. Kinmen Development Corp. (KDC)	Lease and sale of buildings	100	100
"	16. Associated Motor Co., Ltd. (AMC)	Vehicle repair	100	100

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of investor	Name of subsidiary	Core business	Percentage of ownership (%)	
			2008	2007
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)	Bulk shipping	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	(note 2)
"	23. China Pride Shipping Ltd. (CPD)	"	100	(note 3)
"	24. CMT Chartering Ltd. (CCL)	Bulk chartering services	100	100

(note 1) This company was acquired in the first quarter of 2008.

(note 2) The company was established in the second half year of 2007.

(note 3) The company was established in the first half of 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.

(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. In accordance with amended Statement of Financial Accounting Standards (SFAS) No. 14 "The Effects of Changes in Foreign Exchange Rates", 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.

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

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 and other assets to be realized in cash, sold, or consumed (prepaid items) within 12 months of the balance sheet date. Current liabilities are 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.

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 and are not 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.

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

Long-term investments are accounted for under the equity method when the percentage of ownership held by the Company and its subsidiaries 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.

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.

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

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 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.

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 laws, 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.

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

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

The Company, CMTL and AMC have established an employee noncontributory defined benefit retirement plan covering all regular employees under the Labor Standards Law. According to this plan, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. The retirement benefits are lump-sum payments and are based on the years of service and average salary for the six months before the employee's retirement. 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. Furthermore, according to CMTL's employee retirement plan, employees who have worked over 5 years will be entitled to lump-sum compensation from CMTL when they resign.

The Company, CMTL and AMC previously made a monthly cash contribution of 9%, 9.5% and 2%, 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 and then by the Company, CMTL or AMC if the fund is insufficient.

For the above defined benefit pension plan the 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, and the excess of plan assets over net periodic pension cost is recognized as prepaid pension on the balance sheet. The net periodic pension costs include the service costs and amortization of net unrecognized transition obligations over 15 years. CMTL's net periodic pension costs include expected returns on plan assets and amortization of net unrecognized transition obligations over 5 years.

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 and 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**

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 it 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 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.

(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.

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.

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

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 \$51,180 and earnings per share by 0.20 New Taiwan dollars. In accordance with the Interpretation issued by 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 in the form of stock have a dilution effect, it should be considered when calculating diluted earnings per share.
- (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.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Cash and Cash Equivalents

	June 30, 2008	June 30, 2007
Petty cash, checking accounts, and demand deposits	\$ 1,611,047	291,745
Time deposits	816,070	1,631,610
Cash equivalent – commercial paper	<u>162,904</u>	<u>206,912</u>
	\$ <u>2,590,021</u>	<u>2,130,267</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 June 30, 2008 and 2007, were as follows:

	June 30, 2008	June 30, 2007
Financial assets measured at fair value through profit or loss:		
Financial assets held for trading:		
Listed stocks	\$ 170,523	5,758
Open-end mutual funds	<u>9,315</u>	<u>37,339</u>
	\$ <u>179,838</u>	<u>43,097</u>

As of June 30, 2008 and 2007, the unrealized gain on financial assets measured at fair value through profit and loss from changes in fair value amounted to \$19,545 and \$2,613, respectively.

(6) Notes and Accounts Receivable – Third Parties

	June 30, 2008	June 30, 2007
Notes receivable	\$ 9,702	11,884
Accounts receivable	191,515	170,241
Less: allowance for doubtful accounts	<u>(3,710)</u>	<u>(4,150)</u>
	\$ <u>197,507</u>	<u>177,975</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(7) Long-term Investments

	June 30, 2008		June 30, 2007	
	%	Amount	%	Amount
Under the equity method:				
Taiwan Navigation Co., Ltd.	38.021	\$ 3,904,357	37.496	4,067,549
Real estate investment		<u>105,536</u>		<u>116,658</u>
		\$ <u>4,009,893</u>		<u>4,184,207</u>

- (a) Net investment income on long-term equity investments accounted for under the equity method for the six-month periods ended June 30, 2008 and 2007, amounted to \$428,436 and \$218,892, 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 June 30, 2008 and 2007, amounted to \$8,568,742 and \$5,555,253, respectively. The pledge information is summarized in note 18.
- (c) Cash dividend receivable as of June 30, 2008, amounted to \$475,980 and was recorded as other current financial assets.
- (d) 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 June 30, 2008, the above amount was fully paid. The pledge information is summarized in note 18.

(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:

	June 30, 2008	June 30, 2007
Revaluation:		
Property and equipment	\$ 348,776	348,776
Rental assets	<u>27,336</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:

	June 30, 2008	June 30, 2007
Land	\$ 69,879	69,879
Buildings and improvement	42,007	42,007
Revaluation increment – land	<u>27,336</u>	<u>27,336</u>
Cost and revaluation increment	139,222	139,222
Less: accumulated depreciation	<u>(13,637)</u>	<u>(12,088)</u>
Rental assets, net	\$ <u>125,585</u>	<u>127,134</u>

Rental income was received in accordance with the rental contracts, which were renewed periodically. The rental income (net of the depreciation expense) for the six-month periods ended June 30, 2008 and 2007, amounted to \$5,498 and \$6,200, respectively. According to the existing rental contracts, the expected rental income to be received in future years is as follows:

Period	Amount
2008.07.01~2009.06.30	\$ 11,646
2009.07.01~2010.06.30	<u>4,571</u>
	\$ <u>16,217</u>

(c) The information on pledged property and equipment and rental assets is summarized in note 18.

(9) Goodwill

During the six-month period ended June 30, 2008, the Consolidated Company recognized a goodwill impairment loss amounting to \$38,619.

(10) Short-term Loans and Commercial Paper Payable

	June 30, 2008	June 30, 2007
Secured loans	\$ 250,000	1,943,630
Unsecured loans	140,000	530,000
Commercial paper payable	560,000	450,000
Less: discount on commercial paper payable	<u>(909)</u>	<u>(664)</u>
	\$ <u>949,091</u>	<u>2,922,966</u>
Unused credit lines	\$ <u>1,680,000</u>	<u>1,736,370</u>
Range of interest rates	2.60%~2.955%	1.78%~3.30%

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Consolidated Company's collateral for loans was land, buildings and stocks as of June 30, 2007, and stocks as of June 30, 2008, as summarized in note 18. The collateral provided by related party CMTS as of June 30, 2007, for loans was a guarantee in the form of a time deposit, as summarized in note 16.

(11) Long-term Loans

Debtor	Bank	Usage and redemption period	June 30, 2008	June 30, 2007
CMT	China Development Industrial Bank	Working capital (repay principal in full in 2009.8)	\$ 200,000	200,000
	China Development Industrial Bank	Working capital (repay principal in full in 2010.5)	300,000	300,000
	Taipei Fubon Bank	Working capital (eight installments, quarterly, 2008.5~2010.2)	175,000	200,000
	Far Eastern International Bank	Working capital (four installments, quarterly, 2009.4~2010.1)	199,908	199,896
	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)	90,000	150,000
	China Development Industrial Bank and seven other participating banks	Working capital (nine installments, quarterly, 2008.9~2010.9)	800,000	-
	China Development Industrial Bank and seven other participating banks	Working capital (seven installments, quarterly, 2009.3~2010.9)	650,000	-
	China Development Industrial Bank and seven other participating banks	Working capital (repay principal in full in 2010.9)	349,167	-
	Mega International Commercial Bank	Working capital (five installments, quarterly, 2007.11~2008.11)	400,000	400,000
	Industrial Bank of Taiwan	Working capital (seven installments, semi-annually, 2008.11~2011.11)	200,000	-
	Shin Kong Bank	Working capital (repay principal in full in 2009.6)	199,776	-
	Cathay United Bank	Working capital (twelve installments, quarterly, 2007.8~2010.5)	100,000	150,000
	Industrial Bank of Taiwan	Working capital (seven installments, semi-annually, 2007.8~2010.8)	70,000	100,000
	Industrial Bank of Taiwan	Working capital (seven installments, semi-annually, 2006.11~2009.11)	44,000	72,000
	The Shanghai Commercial & Savings Bank, Ltd.	Working capital (repay principal in full in 2009.12)	-	200,000
CPG	Deutsche Schiffs Bank	Acquisition of assets (twenty installments, semi-annually, 2006.06~2015.12)	619,937	735,374
CPE	Mega International Commercial Bank (formerly International Commercial Bank of China)	Acquisition of assets (twenty installments, semi-annually, 2005.12~2015.6)	550,330	662,266

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Debtor	Bank	Usage and redemption period	June 30, 2008	June 30, 2007
HIL	Far Eastern International Bank	Working capital (repay principal in full in 2009.12)	149,907	-
AGM	Far Eastern International Bank	Working capital (repay principal in full in 2010.3)	149,852	-
MHI	Far Eastern International Bank	Working capital (repay principal in full in 2010.3)	149,852	-
CMTS	United Overseas Bank	Acquisition of assets (180 installments, monthly, 2006.9~2021.9)	45,609	47,103
CMTL	Cathay United Bank	Working capital (Four installments, quarterly, 2010.5~2011.2)	10,000	-
			5,603,338	3,566,639
	Less: current portion		(1,446,286)	(729,863)
			\$ 4,157,052	2,836,776
	Range of interest rates during the year		2.58%~3.38%	1.70%~6.08%

- (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 \$1,115,000 in total. Based on the agreements, the Company committed to maintain 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 \$1,800,000. Based on the agreement, the Company committed to maintain 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.
- (d) The assets pledged as of June 30, 2008 and 2007 to secure long-term loans were land, buildings, time deposits and transportation equipment, as summarized in note 18.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(e) As of June 30, 2008, the repayment schedule for the long-term loans (excluding discount on commercial paper payable) was as follows:

Period	Amount
2008.07.01~2009.06.30	\$ 1,446,510
2009.07.01~2010.06.30	2,407,724
2010.07.01~2011.06.30	896,486
2011.07.01~2012.06.30	147,240
2012.07.01~2013.06.30	127,240
After 2013.07.01	<u>579,676</u>
	\$ <u>5,604,876</u>

(12) Pension

The related pension information for the Consolidated Company as of and for the six-month periods ended June 30, 2008 and 2007, was as follows:

1. The Company

	Six-month period ended June 30, 2008	Six-month period ended June 30, 2007
Net pension cost		
Defined benefit pension plan	\$ 6,636	6,936
Defined contribution pension plan	<u>744</u>	<u>580</u>
	\$ <u>7,380</u>	<u>7,516</u>
	June 30, 2008	June 30, 2007
Pension fund deposits in Bank of Taiwan	\$ <u>131,279</u>	<u>132,205</u>
Prepaid pension	<u>-</u>	<u>24,574</u>
Deferred pension cost	<u>9,124</u>	<u>-</u>
Vested benefit	\$ <u>147,401</u>	<u>137,651</u>

2. CMTL

	Six-month period ended June 30, 2008	Six-month period ended June 30, 2007
Net pension cost		
Defined benefit pension plan	\$ 10,170	10,100
Defined contribution pension plan	<u>2,868</u>	<u>1,105</u>
	\$ <u>13,038</u>	<u>11,205</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	June 30, 2008	June 30, 2007
Pension fund deposits in Bank of Taiwan	\$ <u>12,434</u>	<u>7,330</u>
Accrued pension liability	\$ <u>103,972</u>	<u>100,886</u>
Deferred pension cost	\$ <u>20,621</u>	<u>30,716</u>
Vested benefit	\$ <u>81,042</u>	<u>73,261</u>

3. For the six-month periods ended June 30, 2008 and 2007, the pension expenses for the other consolidated subsidiaries were \$790 and \$459, respectively.

(13) Stockholders' Equity

(a) Common stock

Based on a resolution of the stockholders' meeting held on June 28, 2007, the Company declared cash dividends amounting to \$466,315 and increased its capital through the issuance of stock dividends by transferring retained earnings amounting to \$233,158. The registration procedure related to this capital change was completed.

Based on a resolution of the stockholders' meeting held on June 28, 2007, the Company 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 June 30, 2008 and 2007, the authorized capital was \$3,600,000, at par value of \$10 (New Taiwan dollars) per share.

(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.

(Continued)

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

(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.

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 in preparing the interim financial statements. The Company recognized employees' bonuses and directors' and supervisors' remuneration of \$35,130 and \$17,565, respectively, in the six-month period ended June 30, 2008, 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 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.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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.

(14) 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 starting from January 1, 2006. 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 out of Hong Kong. There is an income tax exemption on freight income out of Hong Kong. The Consolidated Company's income tax expenses as of and for the six-month periods ended June 30, 2008 and 2007, were as follows:

	Six-month period ended June 30, 2008	Six-month period ended June 30, 2007
Current income tax expense	\$ 24,433	20,636
10% surtax on unappropriated earnings	47,893	52,609
Deferred tax expense (benefit)		
Decrease in deferred pension cost and prepaid pension and others	<u>(6,599)</u>	<u>(1,049)</u>
Income tax expense	\$ <u>65,727</u>	<u>72,196</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	Six-month period ended June 30, 2008	Six-month period ended June 30, 2007
"Expected" income tax	\$ 395,343	243,968
10% surtax on unappropriated earnings	47,893	52,609
Tax effect of tax exemption for overseas income	(255,617)	(159,470)
Tax effect of tax exemption for long-term investment income under equity method	(107,109)	(54,723)
Other adjustments	<u>(14,783)</u>	<u>(10,188)</u>
Income tax expense	\$ <u>65,727</u>	<u>72,196</u>

- (d) As of June 30, 2008 and 2007, deferred income tax assets (liabilities) were as follows:

	June 30, 2008	June 30, 2007
Deferred income tax assets:		
Foreign currency translation adjustments	\$ 53,794	-
Accrued pension liability	18,925	15,573
Loss carryforward and others	2,208	3,947
Less: provision for deferred income tax assets	<u>(713)</u>	<u>(2,105)</u>
	<u>74,214</u>	<u>17,415</u>
Deferred income tax liabilities:		
Reserve for loss on outward investment	(19,525)	(24,540)
Foreign currency translation adjustments	-	(56,082)
Unrealized gain on financial instruments	(2,041)	-
Prepaid pension and deferred pension cost and others	<u>(2,283)</u>	<u>(6,153)</u>
	<u>(23,849)</u>	<u>(86,775)</u>
Deferred tax assets (liabilities), net	\$ <u>50,365</u>	<u>(69,360)</u>
Deferred tax liabilities – current	\$ (2,041)	(9)
Deferred tax assets – noncurrent	52,406	-
Deferred tax liabilities – noncurrent	-	<u>(69,351)</u>
Deferred tax assets (liabilities), net	\$ <u>50,365</u>	<u>(69,360)</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(e) The income tax returns of CST, HYT, MHT, ATI, KDC and AMC have been examined by the tax authorities through 2006, and of the rest of the consolidated companies have been examined through 2005.

(f) Information on imputation credit account (ICA)

	June 30, 2008	June 30, 2007
Unappropriated earnings retained after January 1, 1998	\$ <u>3,018,004</u>	<u>1,793,108</u>
ICA balance	\$ <u>202,736</u>	<u>72,203</u>
	2007	2006
Creditable ratio for earnings distribution to resident shareholders in the ROC	<u>6.91%</u> (estimated)	<u>4.82%</u> (actual)

(15) Basic Earnings Per Share

	Six-month period ended June 30, 2008		Six-month period ended June 30, 2007	
	Before income tax	After income tax	Before income tax	After income tax
Consolidated net income	\$ <u>1,984,325</u>	<u>1,918,598</u>	<u>1,244,829</u>	<u>1,172,633</u>
Weighted-average number of shares outstanding, before retroactive adjustments (thousands)	<u>256,474</u>	<u>256,474</u>	<u>256,474</u>	<u>256,474</u>
Basic earnings per share	\$ <u>7.74</u>	<u>7.48</u>	<u>4.85</u>	<u>4.57</u>
Diluted earnings per share:				
Net income	\$ <u>1,984,325</u>	<u>1,918,598</u>		
Weighted-average number of shares outstanding (thousands)	256,474	256,474		
Effects of dilutive potential common stock:				
Employee stock bonuses	<u>475</u>	<u>475</u>		
	<u>256,949</u>	<u>256,949</u>		
Diluted earnings per share	\$ <u>7.72</u>	<u>7.47</u>		

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(16) Information about Financial Instruments

- (a) The Consolidated Company did not invest in derivative financial instruments during the six-month periods ended June 30, 2008 and 2007. The book values of non-derivative financial instruments with a short maturity approximate their fair values. As of June 30, 2008 and 2007, the fair values of other non-derivative financial instruments were as follows:

Non-derivative financial instruments	June 30, 2008		June 30, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at fair value through profit or loss — current	\$ 179,838	179,838	43,097	43,097
Financial liabilities:				
Long-term loans	5,603,338	5,603,338	3,566,639	3,566,639
Guarantee for bank loans	-	2,854,137	-	1,970,384

- (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 receivable-related parties, other current financial assets, short-term loans, and accrued expenses.
 - (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 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 bank loan guarantees are based on the loan contracts.

(Continued)

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:

	<u>June 30, 2008</u>		<u>June 30, 2007</u>	
	<u>Public quote value</u>	<u>Assessment value</u>	<u>Public quote value</u>	<u>Assessment value</u>
Financial assets:				
Cash and cash equivalents	\$ 2,590,021	-	2,130,267	-
Financial assets measured at fair value through profit or loss – current	179,838	-	43,097	-
Notes and accounts receivable (including related parties)	-	283,504	-	263,011
Other current financial assets	-	487,876	-	38,280
Restricted deposit	-	48,078	-	613,169
Financial liabilities:				
Short-term loans and commercial paper payable	-	949,091	-	2,922,966
Notes and accounts payable	-	154,001	-	159,221
Accrued expenses and other payable	-	433,509	-	297,530
Cash dividend payable	-	1,538,841	-	466,315
Long-term loans	-	5,603,338	-	3,566,639

There were no net gains resulting from an assessment method for the six-month periods ended June 30, 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.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**Notes to Consolidated Financial Statements****(ii) Credit risk**

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 bonds purchased under resale agreements 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 a company 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 69% and 63% of the total net sales for the six-month periods ended June 30, 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 sold back or sold in public at the approximate market price.

(iv) Cash flow risk from changes in interest rates

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 \$16,387 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

(17) 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

- (b) Summary of significant transactions with related parties

1. Freight revenue

	Six-month period ended June 30, 2008		Six-month period ended June 30, 2007	
	Amount	% of operating revenue	Amount	% of operating revenue
OTWL	\$ <u>384,820</u>	<u>12</u>	<u>317,080</u>	<u>14</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:

	June 30, 2008		June 30, 2007	
	Amount	%	Amount	%
OTWL	\$ <u>79,075</u>	<u>28</u>	<u>85,036</u>	<u>32</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Logistics revenue

	Six-month period ended June 30, 2008		Six-month period ended June 30, 2007	
	Amount	% of operating revenue	Amount	% of operating revenue
AII	\$ <u>43,167</u>	<u>1</u>	<u>-</u>	<u>-</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:

	June 30, 2008		June 30, 2007	
	Amount	%	Amount	%
AII	\$ <u>6,922</u>	<u>2</u>	<u>-</u>	<u>-</u>

3. Operating expenses

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

	Six-month period ended June 30, 2008		Six-month period ended June 30, 2007	
	Amount	% of operating expenses	Amount	% of operating expenses
CMD	\$ 2,006	1	3,141	2
AII	<u>1,862</u>	<u>1</u>	<u>1,862</u>	<u>1</u>
	\$ <u>3,868</u>	<u>2</u>	<u>5,003</u>	<u>3</u>

4. 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

(18) Pledged Assets

Assets	Subject	June 30, 2008	June 30, 2007
Restricted assets – restricted cash in bank	Current portion of long-term loans	\$ 48,078	613,169
Long-term investments under equity method – stock	Short-term and long-term loans	2,483,293	2,377,900
Real estate investment	Long-term loans	105,536	116,658
Property and equipment – land and buildings	Short-term and long-term loans	205,693	205,729
Property and equipment – transportation equipment and warehouse storage equipment	Short-term and long-term loans	2,010,962	2,391,194
Rental assets – land and buildings	Short-term and long-term loans	53,448	53,953
Refundable deposits and pledged time deposits	Guarantee for letters of credit, import duty, provisional injunction against Taiwan Navigation and long-term loans	552,854	558,485
		<u>\$ 5,459,864</u>	<u>6,317,088</u>

(19) Commitments and Contingent Liabilities

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

Period	Amount
2008.07.01~2009.06.30	\$ 27,512
2009.07.01~2010.06.30	14,683
2010.07.01~2011.06.30	14,209
2011.07.01~2012.06.30	13,339
2012.07.01~2013.06.30	3,769
After 2013.07.01	<u>7,538</u>
	<u>\$ 81,050</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The present value of the total amount to be paid after July 1, 2013, was based on the present value of future cash flows, and the discount rate, 3.00%, was based on CMTL's interest rate on long-term loans. The amount was as follows:

	Amount	Present value
2013.07.01~2013.12.31	\$ <u>7,764</u>	<u>7,538</u>

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

<u>The date of contract</u>	<u>Total price</u>	<u>Estimated delivery</u>	<u>Price paid</u>
September 28, 2007	2,427,200 (USD 80,000)	June 2011	968,969 (USD 31,937)
May 8, 2008	3,185,700 (USD 105,000)	September 2009	1,256,197 (USD 41,404)

(20) 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 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:

	<u>Six-month period ended June 30, 2008</u>	<u>Six-month period ended June 30, 2007</u>
Increase in net income	\$ 20,058	-
Decrease in retained earnings	(78,100)	(98,158)

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (b) Employee expenses, depreciation expenses, and amortization expenses for the six-month periods ended June 30, 2008 and 2007, were as follows:

	<u>Six-month period ended June 30, 2008</u>		
	Cost of sales	Operating expenses	Total
Employee expenses			
Salaries and wages	\$ 123,271	133,218	256,489
Labor and health insurance	5,849	4,566	10,415
Pension expense	10,509	10,699	21,208
Other	7,120	2,429	9,549
Depreciation expenses (note)	156,377	6,061	162,438
Amortization expenses	31,691	777	32,468

	<u>Six-month period ended June 30, 2007</u>		
	Cost of sales	Operating expenses	Total
Employee expenses			
Salaries and wages	\$ 92,098	82,615	174,713
Labor and health insurance	4,192	4,032	8,224
Pension expense	8,836	10,344	19,180
Other	2,793	1,985	4,778
Depreciation expenses (note)	157,153	6,153	163,306
Amortization expenses	23,931	777	24,708

(note) excluding the deduction of rental income of \$1,960 and \$999 for the six-month periods ended June 30, 2008 and 2007, respectively.

- (c) Status of lawsuits related to 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:

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 application for returning the refundable deposit of \$543,700 is still being reviewed by the Taipei District Court.
(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.
(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 as conditions changed.
(d) Reclassification	

Certain accounts in the consolidated financial statements for the six-month period ended June 30, 2007, have been reclassified to conform to the 2008 presentation. Such reclassification does not have a significant impact on the accompanying consolidated financial statements.

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Consolidated Balance Sheets (unaudited)

June 30, 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)	\$ 2,590,021	18	2,130,267	17	Short-term loans and commercial paper payable (note 10)	\$ 949,091	7	2,922,966	23
Financial assets measured at fair value through profit or loss – current (note 5)	179,838	1	43,097	-	Notes and accounts payable	154,001	1	159,221	1
Notes and accounts receivable (note 6)	197,507	1	177,975	1	Accrued expenses and other payable (note 14)	433,509	3	297,530	2
Notes and accounts receivable – related parties (note 16)	85,997	1	85,036	1	Cash dividend payable	1,538,841	10	466,315	4
Other current financial assets (note 7)	487,876	3	38,280	-	Current portion of long-term loans (note 11)	<u>1,446,286</u>	<u>10</u>	<u>729,863</u>	<u>6</u>
Restricted assets (note 18)	48,078	-	613,169	5		<u>4,521,728</u>	<u>31</u>	<u>4,575,895</u>	<u>36</u>
Refundable deposits – current (note 18)	543,700	4	-	-	Long-term liabilities:				
Other current assets (note 18)	<u>55,308</u>	<u>1</u>	<u>70,276</u>	<u>2</u>	Long-term loans (note 11)	4,157,052	28	2,836,776	22
	<u>4,188,325</u>	<u>29</u>	<u>3,158,100</u>	<u>26</u>	Provision for land value increment tax (note 8)	<u>87,224</u>	<u>1</u>	<u>87,224</u>	<u>1</u>
						<u>4,244,276</u>	<u>29</u>	<u>2,924,000</u>	<u>23</u>
Investments (notes 7 and 18):					Other liabilities:				
Long-term investments under equity method	3,904,357	26	4,067,549	32	Accrued pension liabilities (note 12)	103,972	1	100,886	1
Real estate investment – noncurrent	<u>105,536</u>	<u>1</u>	<u>116,658</u>	<u>1</u>	Deferred tax liabilities and others (note 14)	<u>2,520</u>	<u>-</u>	<u>87,468</u>	<u>1</u>
	<u>4,009,893</u>	<u>27</u>	<u>4,184,207</u>	<u>33</u>	Total liabilities	<u>8,872,496</u>	<u>61</u>	<u>7,688,249</u>	<u>61</u>
Property and equipment (notes 8, 17, 18 and 19):					Stockholders' equity:				
Land	482,386	3	473,612	4	Common stock (note 13)	<u>2,564,736</u>	<u>17</u>	<u>2,331,578</u>	<u>19</u>
Buildings	48,835	-	44,055	-	Stock dividends to be distributed (note 13)	<u>-</u>	<u>-</u>	<u>233,158</u>	<u>2</u>
Container terminal facility	540,299	4	683,324	5	Capital surplus (note 13)	<u>42,503</u>	<u>-</u>	<u>42,503</u>	<u>-</u>
Transportation equipment	4,204,059	28	4,278,132	34	Retained earnings (note 13):				
Furniture, fixtures and other equipment	138,734	1	110,916	1	Legal reserve	480,427	3	249,274	2
Land revaluation increment	<u>348,776</u>	<u>2</u>	<u>348,776</u>	<u>3</u>	Unappropriated earnings	<u>3,018,004</u>	<u>20</u>	<u>1,793,108</u>	<u>14</u>
	5,763,089	38	5,938,815	47		<u>3,498,431</u>	<u>23</u>	<u>2,042,382</u>	<u>16</u>
Less: accumulated depreciation	(1,777,245)	(12)	(1,543,361)	(12)	Equity adjustments:				
Prepayment for purchase of equipment	<u>2,249,132</u>	<u>16</u>	<u>8,813</u>	<u>-</u>	Cumulative translation adjustments	(324,738)	(2)	170,385	1
	<u>6,234,976</u>	<u>42</u>	<u>4,404,267</u>	<u>35</u>	Net loss not recognized as pension cost	(11,583)	-	-	-
Intangible assets:					Unrealized gains on financial instruments	42,261	-	1,840	-
Computer software	4,572	-	4,445	-	Unrealized land revaluation increment (note 8)	<u>101,491</u>	<u>1</u>	<u>101,491</u>	<u>1</u>
Goodwill (note 9)	-	-	38,619	-		<u>(192,569)</u>	<u>(1)</u>	<u>273,716</u>	<u>2</u>
Deferred pension cost (note 12)	<u>29,745</u>	<u>-</u>	<u>30,716</u>	<u>-</u>	Total stockholders' equity	<u>5,913,101</u>	<u>39</u>	<u>4,923,337</u>	<u>39</u>
	<u>34,317</u>	<u>-</u>	<u>73,780</u>	<u>-</u>	Commitments and contingencies (note 19)				
Other assets:									
Rental assets (notes 8 and 18)	125,585	1	127,134	1					
Refundable deposits and other (notes 14 and 18)	192,501	1	639,524	5					
Prepaid pension (note 12)	<u>-</u>	<u>-</u>	<u>24,574</u>	<u>-</u>					
	<u>318,086</u>	<u>2</u>	<u>791,232</u>	<u>6</u>					
Total assets	\$ <u>14,785,597</u>	<u>100</u>	<u>12,611,586</u>	<u>100</u>	Total liabilities and stockholders' equity	\$ <u>14,785,597</u>	<u>100</u>	<u>12,611,586</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (unaudited)

For the six-month periods ended June 30, 2008 and 2007
(expressed in thousands of New Taiwan dollars)

	Common stock	Stock dividends to be distributed	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 the six-month period ended June 30, 2007	-	-	-	-	1,172,633	-	-	-	-	-	1,172,633
Unrealized gain on financial instruments – long-term investment under equity method	-	-	-	-	-	-	-	1,512	-	-	1,512
Foreign currency translation adjustments	-	-	-	-	-	19,565	-	-	-	-	19,565
Balance as of June 30, 2007	<u>\$ 2,331,578</u>	<u>233,158</u>	<u>42,503</u>	<u>249,274</u>	<u>1,793,108</u>	<u>170,385</u>	<u>-</u>	<u>1,840</u>	<u>101,491</u>	<u>-</u>	<u>4,923,337</u>
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)
Dividends (cash and stock)	-	-	-	-	(1,538,841)	-	-	-	-	-	(1,538,841)
Consolidated net income for the six-month period ended June 30, 2008	-	-	-	-	1,918,598	-	-	-	-	-	1,918,598
Unrealized gain on financial instruments – long-term investment under equity method	-	-	-	-	-	-	-	(1,980)	-	-	(1,980)
Foreign currency translation adjustments	-	-	-	-	-	(417,404)	-	-	-	-	(417,404)
Change in minority interest	-	-	-	-	-	-	-	-	-	(5,000)	(5,000)
Balance as of June 30, 2008	<u>\$ 2,564,736</u>	<u>-</u>	<u>42,503</u>	<u>480,427</u>	<u>3,018,004</u>	<u>(324,738)</u>	<u>(11,583)</u>	<u>42,261</u>	<u>101,491</u>	<u>-</u>	<u>5,913,101</u>

See accompanying notes to consolidated financial statements.