

**CHINESE MARITIME TRANSPORT LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2009 and 2008

(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, 2009 and 2008, 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 5.81% and 6.53% of the consolidated totals as of December 31, 2009 and 2008, respectively, and the net revenue constituted 0.03% and 0.07%, respectively, of the consolidated totals for the years then ended. The long-term equity investments mentioned above amounted to NT\$2,940,951,000 and NT\$5,153,005,000 as of December 31, 2009 and 2008, respectively, and related investment income was NT\$480,772,000 and NT\$1,126,170,000, 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 and regulations 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, 2009 and 2008, 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 Republic of China 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. and Subsidiaries recognized the amount of employees’ 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)
January 29, 2010

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.

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

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Consolidated Statements of Income

For the years ended December 31, 2009 and 2008
 (expressed in thousands of New Taiwan dollars, except earnings per share,
 which are expressed in New Taiwan dollars)

	2009		2008	
	Amount	%	Amount	%
Operating revenue (note 18):				
Freight revenue – container hauling, net	\$ 1,370,153	29	1,834,237	29
Freight revenue – vessel chartering	3,093,848	64	4,129,071	65
Logistics revenue	357,215	7	402,855	6
Freight revenue – airline agent and others	<u>8,727</u>	<u>-</u>	<u>29,938</u>	<u>-</u>
	<u>4,829,943</u>	<u>100</u>	<u>6,396,101</u>	<u>100</u>
Operating cost (note 21):				
Freight cost – container hauling	1,165,934	24	1,480,656	23
Freight cost – vessel chartering	859,171	18	744,369	12
Logistics cost	281,463	6	321,674	5
Freight cost – airline agent and others	<u>1,284</u>	<u>-</u>	<u>3,618</u>	<u>-</u>
	<u>2,307,852</u>	<u>48</u>	<u>2,550,317</u>	<u>40</u>
Gross profit	2,522,091	52	3,845,784	60
Operating expenses (notes 14, 18 and 21)	<u>364,499</u>	<u>7</u>	<u>465,594</u>	<u>7</u>
Operating income	<u>2,157,592</u>	<u>45</u>	<u>3,380,190</u>	<u>53</u>
Non-operating income and gains:				
Interest income	15,736	-	65,724	1
Investment income under equity method, net (note 7)	480,772	10	1,126,170	18
Gain on disposal of investment (note 7)	1,726,955	36	-	-
Foreign exchange gain, net	1,957	-	36,702	-
Gain on valuation of financial assets (note 5)	12,880	-	-	-
Rental income (note 8)	7,949	-	10,783	-
Others	<u>112,195</u>	<u>2</u>	<u>33,580</u>	<u>1</u>
	<u>2,358,444</u>	<u>48</u>	<u>1,272,959</u>	<u>20</u>
Non-operating expenses and losses:				
Interest expense	160,527	3	222,149	3
Impairment loss (note 9)	1,009,447	21	38,619	1
Loss on valuation of financial assets (note 5)	-	-	59,110	1
Others	<u>2,451</u>	<u>-</u>	<u>322</u>	<u>-</u>
	<u>1,172,425</u>	<u>24</u>	<u>320,200</u>	<u>5</u>
Income before tax	3,343,611	69	4,332,949	68
Income tax expense (note 15)	<u>471,755</u>	<u>10</u>	<u>84,620</u>	<u>1</u>
Consolidated net income	<u>\$ 2,871,856</u>	<u>59</u>	<u>4,248,329</u>	<u>67</u>
	Before	After	Before	After
	income tax	income tax	income tax	income tax
Basic earnings per share (note 16)	<u>\$ 13.04</u>	<u>11.20</u>	<u>16.89</u>	<u>16.56</u>
Diluted earnings per share (note 16)	<u>\$ 13.01</u>	<u>11.17</u>	<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, 2009 and 2008

(expressed in thousands of New Taiwan dollars)

	2009	2008
Cash flows from operating activities:		
Consolidated net income	\$ 2,871,856	4,248,329
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	473,369	406,456
Impairment loss	1,009,447	38,619
Decrease (increase) in financial assets measured at fair value through profit or loss – current	17,392	(16,162)
Investment income under equity method, net	(480,772)	(1,126,170)
Cash dividends from investee companies accounted for under the equity method	632,545	475,980
Gain on disposal of long-term equity investments	(1,726,955)	-
Increase in advance receipts	1,315,564	-
Decrease (increase) in notes and accounts receivable	21,700	(72)
Decrease (increase) in other current assets	(1,192)	22,849
Decrease (increase) in other current financial assets	(4,522)	12,014
Increase (decrease) in notes and accounts payable	33,964	(23,897)
Increase in accrued expenses and other current liabilities	406,408	44,396
Decrease in prepaid pension	4,746	29,927
Others	<u>9,281</u>	<u>(18,826)</u>
Net cash provided by operating activities	<u>4,582,831</u>	<u>4,093,443</u>
Cash flows from investing activities:		
Increase in long-term equity investments	-	(476,395)
Proceeds from sales of long-term equity investments	3,729,724	-
Additions to rental assets, property and equipment	(1,167,511)	(1,770,826)
Additions to intangible assets	-	(67,417)
Proceeds from sale of property and equipment	10,317	5,561
Decrease (increase) in restricted assets	(401,643)	575,567
Others	<u>(79,691)</u>	<u>544,737</u>
Net cash provided by (used in) investing activities	<u>2,091,196</u>	<u>(1,188,773)</u>
Cash flows from financing activities:		
Decrease in short-term loans	(918,870)	(9,638)
Increase in long-term loans	1,108,586	1,613,668
Decrease in long-term loans	(3,121,807)	(1,103,434)
Increase in bonds payable	2,000,000	1,000,000
Payment of cash dividends	(1,744,019)	(1,538,841)
Employees' bonuses and directors' and supervisors' remuneration	-	(62,608)
Others	<u>(393)</u>	<u>(5,000)</u>
Net cash used in financing activities	<u>(2,676,503)</u>	<u>(105,853)</u>
Foreign currency translation effects	<u>(108,569)</u>	<u>(14,551)</u>
Net increase in cash and cash equivalents	3,888,955	2,784,266
Cash and cash equivalents at beginning of year	<u>4,689,821</u>	<u>1,905,555</u>
Cash and cash equivalents at end of year	<u>\$ 8,578,776</u>	<u>4,689,821</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest (excluding capitalized interest of \$9,506 and \$0, respectively)	\$ <u>142,889</u>	<u>225,998</u>
Income tax	\$ <u>194,149</u>	<u>103,135</u>
Financing activities not affecting current cash flows:		
Current portion of long-term loans	\$ <u>1,012,088</u>	<u>1,841,984</u>

See accompanying notes to consolidated financial statements.

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

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

(1) Organization

Chinese Maritime Transport Ltd. (the Company), previously named Associated Transport Inc., was incorporated as a company limited by shares on January 31, 1978, in the Republic of China. The Company's common shares were listed on the Taiwan Stock Exchange (TSE). The main activities of the Company are bulk-carrier transportation through its 100%-owned overseas subsidiaries and domestic container hauling, vessel transportation, warehousing, and related business, and acting as the general sales agent for Saudi Arabian Airlines. The Company also owns investment companies to engage in the business of investment. Based on the organization of the group and distribution of duties, the Company leads and invests in the businesses in the group related to transportation.

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

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, 2009, the total issued common stock amounted to \$575,243.

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 4 cape-sized bulk carriers with 680 thousand DWT in total, and another cape-sized bulk carrier is being built. As of December 31, 2009, the total issued common stock amounted to \$490,791.

Associated Transport Inc. (ATI) was incorporated in 2003 and engages in container trucking. As of December 31, 2009, the total issued common stock amounted to \$200,000. 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, 2009, 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 these companies through ATI from 2008.

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

CMT Logistics Co., Ltd. (CMTL) was incorporated in February 1975 and engages in warehousing, logistics and operating distribution centers. As of December 31, 2009, the total issued common stock amounted to \$192,000.

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. HLI, FMI and FKI were liquidated in the fourth quarter of year 2009. As of December 31, 2009, the total issued common stock of AGM, MHI and HIL amounted to \$50,000, \$100,000 and \$1,000,000, respectively.

As of December 31, 2009 and 2008, the number of employees hired by the Company and the above subsidiaries was approximately 421 and 404, respectively.

(2) Summary of Significant Accounting Policies

The consolidated financial statements of Chinese Maritime Transport Ltd. and subsidiaries have been prepared in the local currency and in Chinese. These consolidated financial statements are the English translation of the Chinese version prepared and used in Taiwan, the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

The 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 consolidated 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 by quarter.

As of December 31, 2009 and 2008, the details of the subsidiaries included in the consolidated financial statements and the Company's direct and indirect percentage of ownership were as follows:

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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 (%)	
			2009	2008
The Company	1. CMTS	Investment holding of ship-owning companies	100	100
"	2. CMT HK	Investment holding of ship-owning companies	100	100
"	3. CMTL	Warehouse management	100	100
"	4. AGM	Investment	100	100
"	5. HIL	"	100	100
"	6. MHI	"	100	100
"	7. FKI	"	- (note 1)	100
"	8. FMI	"	- (note 1)	100
"	9. HLI	"	- (note 1)	100
"	10. ATI	Container trucking	100	100
"	11. Kinmen Development Corp. (KDC)	Lease and sale of buildings	100	100
"	12. Associated Motor Co., Ltd. (AMC)	Vehicle repair services	100	100
CMTS	13. CMT Fortune Shipping Co. Pte. Ltd. (CMTF)	Bulk-carrier transportation	100	100
"	14. AG ACT Pte. Ltd. (AG ACT)	"	100	100
CMT HK	15. China Prosperity Shipping Ltd. (CPS)	"	100	100
"	16. China Peace Shipping Ltd. (CPE)	"	100	100
"	17. China Progress Shipping Ltd. (CPG)	"	100	100
"	18. China Pioneer Shipping Ltd. (CPN)	"	100	100
"	19. China Pride Shipping Ltd. (CPD)	"	100	100
"	20. CMT Chartering Ltd. (CCL)	Bulk chartering services	100	100
ATI	21. CST	Container trucking	100	100
"	22. HYT	"	100	100
"	23. MHT	"	100	100
"	24. APT	"	100	100

Note 1: Liquidation completed in the fourth quarter of year 2009.

The Company and all companies mentioned above consolidated in the accompanying financial statements are jointly called "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 foreign subsidiaries and investees, 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 translation adjustment, which is a separate component of stockholders' equity. The assets and liabilities accounts of foreign subsidiaries reported in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing on the balance sheet date. Shareholders' equity is translated at historical rates, with the exception of the beginning balance of retained earnings which is carried over from the previous year. Dividends are translated at the rate prevailing on the date of declaration. Revenues, costs and expenses, are translated at the weighted-average exchange rates during the reporting period.

(c) Accounting estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

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

Cash or cash equivalents, and assets that will be held primarily for the purpose of being traded or are expected to be realized within 12 months after the balance sheet date are classified as current assets; all other assets shall be classified as non-current.

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

Liabilities that will be held primarily for the purpose of being traded or are expected to be settled within 12 months after the balance sheet date are classified as current liabilities; all other liabilities shall be 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 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 collectability 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.

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

(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.

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.

(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:

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

- Buildings: 24~60 years.
- Building improvements: 3~25 years.
- Container transportation equipment: 4~6 years.
- Shipping transportation equipment: 2~20 years.
- Container terminal facility: 2~15 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.

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.

(k) 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 are 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. Any changes shall be accounted for as changes in accounting estimates.

(l) Deferred expenses

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

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**Notes to Consolidated Financial Statements****(m) Employee retirement plan**

In accordance with the 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 defined as the average salary for the six-month period 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.

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.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES**Notes to Consolidated Financial Statements****(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 Accounting Research and Development Foundation (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.

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.

Investment tax credits 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 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.

The income tax returns of the Consolidated Company are 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.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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 for 2008 decreased by \$117,210 (including \$361 for domestic subsidiaries) and earnings per share by 0.46 New Taiwan dollars. 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.

(4) Cash and Cash Equivalents

	December 31, 2009	December 31, 2008
Petty cash, checking accounts, and demand deposits	\$ 4,923,995	2,274,857
Time deposits	1,855,443	2,089,135
Cash equivalent – commercial paper	<u>1,799,338</u>	<u>325,829</u>
	\$ <u>8,578,776</u>	<u>4,689,821</u>

(5) Financial Instruments

The Consolidated Company did not invest in any derivative financial instruments during 2009 and 2008. The non-derivative financial instruments held by the Consolidated Company as of December 31, 2009 and 2008, were as follows:

	December 31, 2009	December 31, 2008
Financial assets measured at fair value through profit or loss:		
Financial assets held for trading:		
Listed stocks	\$ 10,185	28,100
Open-end mutual funds	<u>2,735</u>	<u>2,212</u>
	\$ <u>12,920</u>	<u>30,312</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of December 31, 2009 and 2008, the unrealized gain on financial assets measured at fair value through profit or loss from changes in fair value amounted to \$1,492 and \$4,962, respectively.

(6) Notes and Accounts Receivable – Third Parties

	December 31, 2009		December 31, 2008	
Notes receivable	\$	12,963		11,654
Accounts receivable		113,230		194,229
Less: allowance for doubtful accounts		<u>(4,458)</u>		<u>(3,709)</u>
	\$	<u>121,735</u>		<u>202,174</u>

(7) Long-term Investments

	December 31, 2009		December 31, 2008	
	%	Amount	%	Amount
Under the equity method:				
Taiwan Navigation Co., Ltd.	23.000	\$ 2,940,951	40.498	5,153,005
Real estate investment		<u>107,834</u>		<u>112,917</u>
		\$ <u>3,048,785</u>		\$ <u>5,265,922</u>

- (a) Net investment income on long-term equity investments accounted for under the equity method for the years ended December 31, 2009 and 2008, amounted to \$480,772 and \$1,126,170, respectively, based on the investees' audited financial statements.
- (b) For the year ended December 31, 2009, the Consolidated Company disposed of shares of Taiwan Navigation Co., Ltd. for \$3,729,724, and the related gain was \$1,726,955. As of December 31, 2009, the above receivable had been collected.
- (c) 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, 2009 and 2008, amounted to \$4,472,562 and \$6,818,914, respectively. The pledge information is summarized in note 19.
- (d) Cash dividend received during 2009 and 2008 amounted to \$632,545 and \$475,980, respectively, recorded as reduction of long-term investments under the equity method.
- (e) 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. The pledge information is summarized in note 19.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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, 2009	December 31, 2008
Revaluation:		
Property and equipment	\$ 357,800	357,800
Rental assets	<u>18,312</u>	<u>18,312</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>

- (b) The rental assets are summarized as follows:

	December 31, 2009	December 31, 2008
Land	\$ 46,479	46,479
Buildings and improvement	15,275	15,375
Revaluation increment – land	<u>18,312</u>	<u>18,312</u>
Cost and revaluation increment	80,066	80,166
Less: accumulated depreciation	<u>(5,701)</u>	<u>(5,236)</u>
Rental assets, net	\$ <u>74,365</u>	<u>74,930</u>

Rental income was received in accordance with the rental contracts, which were renewed periodically. The rental income (net of the depreciation expense) in 2009 and 2008 amounted to \$7,949 and \$10,783, respectively. According to the existing rental contracts, the expected rental income to be received in future years is as follows:

Period	Amount
2010.01.01~2010.12.31	\$ 11,464
2011.01.01~2011.12.31	10,793
2012.01.01~2012.12.31	9,558
2013.01.01~2013.12.31	9,558
2014.01.01~2014.12.31	<u>16,150</u>
	\$ <u>57,523</u>

- (c) There was no capitalized interest for the year ended December 31, 2008. For the year ended December 31, 2009, the capitalized interest resulting from constructing bulk-carriers was \$9,506. The capitalization interest rate was 1.5%.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(d) CMT HK's subsidiary China Pride Shipping Ltd. (CPD) estimated the recoverable amount of its latest cape-sized bulk-carrier, and recognized an impairment loss for the bulk-carrier, whose recoverable amount was lower than its carrying value. The Company recognized impairment loss of \$1,009,447 (US\$31,555,000) in 2009.

(e) 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, 2009	December 31, 2008
Secured loans	\$ 40,000	100,000
Unsecured loans	-	500,000
Commercial paper payable	400,000	760,000
Less: discount on commercial paper payable	<u>(221)</u>	<u>(1,351)</u>
	<u>\$ 439,779</u>	<u>1,358,649</u>
Unused credit lines	<u>\$ 2,540,000</u>	<u>1,200,000</u>
Range of interest rates	<u>0.74%~2.85%</u>	<u>2.65%~2.85%</u>

The assets pledged as of December 31, 2009 and 2008, to secure loans are summarized in note 19.

(11) Long-term Loans

Debtor	Bank	Usage and redemption period	December 31, 2009	December 31, 2008
CMT	China Development Industrial Bank and seven other participating banks	Working capital (nine installments, quarterly, 2008.9~2010.9) (note)	\$ -	445,000
"	China Development Industrial Bank and seven other participating banks	Working capital (seven installments, quarterly, 2009.3~2010.9) (note)	-	650,000
"	China Development Industrial Bank and seven other participating banks	Working capital (repay principal in full in 2010.9) (note)	-	349,736
"	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
"	Mega International Commercial Bank	Working capital (five installments, quarterly, 2009.11~2010.11) (note)	240,000	320,000

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Debtor	Bank	Usage and redemption period	December 31, 2009	December 31, 2008
CMT	Mega International Commercial Bank	Working capital (five installments, quarterly, 2010.8~2011.8)	400,000	400,000
"	Standard Chartered Bank (formerly Hsinchu International Bank)	Working capital (repay principal in full in 2009.5) (note)	-	150,000
"	Standard Chartered Bank (formerly Hsinchu International Bank)	Working capital (ten installments, quarterly, 2007.9~2009.12)	-	60,000
"	Industrial Bank of Taiwan	Working capital (seven installments, semi-annually, 2008.11~2011.11) (note)	60,500	93,500
"	Industrial Bank of Taiwan	Working capital (seven installments, semi-annually, 2007.8~2010.8)	25,000	55,000
"	Industrial Bank of Taiwan	Working capital (seven installments, semi-annually, 2006.11~2009.11)	-	30,000
"	Shin Kong Bank	Working capital (repay principal in full in 2009.6)	-	199,223
"	Far Eastern International Bank	Working capital (four installments, quarterly, 2009.4~2010.1) (note)	-	199,814
CPG	Deutsche Schiffs Bank	Acquisition of assets (twenty installments, semi-annually, 2006.06~2015.12)	560,273	638,288
CPE	Mega International Commercial Bank (formerly International Commercial Bank of China)	Acquisition of assets (twenty installments, semi-annually, 2005.12~2015.6)	483,548	561,899
CPD	Deutsche Schiffs Bank	Acquisition of assets (twenty installments, semi-annually, starting approximately from 2011)	1,409,215	344,400
HIL	Far Eastern International Bank	Working capital (repay principal in full in 2009.12)	-	149,571
MHI	Far Eastern International Bank	Working capital (repay principal in full in 2010.3) (note)	-	149,963
AGM	Far Eastern International Bank	Working capital (repay principal in full in 2010.3) (note)	-	149,970
CMTS	United Overseas Bank	Acquisition of assets (180 installments, monthly, 2006.9~2021.9) (note)	-	45,393
CMTL	Cathay United Bank	Working capital (ten installments, quarterly, 2010.5~2012.11, plus 70,000 for last payment)	100,000	100,000
			3,578,536	5,591,757
	Less: current portion		(1,012,088)	(1,841,984)
			\$ 2,566,448	3,749,773
	Range of interest rates during the year		0.93%~2.73%	2.25%~3.13%

Note: The Company repaid part of loans in advance due to operating capital management in 2009 and 2008.

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (a) The assets pledged as of December 31, 2009 and 2008, to secure long-term loans are summarized in note 19.
- (b) As of December 31, 2009, the repayment schedule for the long-term loans (excluding discount on commercial paper payable) was as follows:

Period	Amount
2010.01.01~2010.12.31	\$ 1,012,088
2011.01.01~2011.12.31	524,589
2012.01.01~2012.12.31	257,089
2013.01.01~2013.12.31	312,089
2014.01.01~2014.12.31	245,089
After 2015.01.01	<u>1,227,592</u>
	\$ <u>3,578,536</u>

(12) Bonds Payable

The Company issued secured bonds at face value. The interest is calculated and paid annually from the date of issuance. The bonds payable on December 31, 2009 and 2008, were as follows:

	Guarantee bank	Interest rate	Issuance date	Duration	December 31, 2009	December 31, 2008
The first secured bonds payable	Shanghai Commercial Bank	2.90%	September 2008	Redeemable five years after date of issuance	\$ 1,000,000	1,000,000
The second secured bonds payable	Maga International Commercial Bank	2.21%	May 2009	Redeemable five and a half years after date of issuance	1,000,000	-
"	Cathay United Bank	2.21%	May 2009	Redeemable five and a half years after date of issuance	500,000	-
"	Shanghai Commercial Bank	2.21%	May 2009	Redeemable five and a half years after date of issuance	500,000	-
					\$ <u>3,000,000</u>	<u>1,000,000</u>

The interest expense for the above bonds payable was \$58,789 and \$8,250 for 2009 and 2008, respectively.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Pension

- (a) The Company made an actuarial valuation of its pension plan using December 31, 2009 and 2008, as the measurement dates. According to the actuarial reports, the reconciliation of the funded status and prepaid pension was as follows:

	December 31, 2009	December 31, 2008
Benefit obligations:		
Vested benefit obligation	\$ (78,711)	(80,829)
Non-vested benefit obligation	<u>(13,501)</u>	<u>(23,092)</u>
Accumulated benefit obligation	(92,212)	(103,921)
Additional benefits based on future salary increase	<u>(12,771)</u>	<u>(35,310)</u>
Projected benefit obligation	(104,983)	(139,231)
Fair value of plan assets	<u>96,963</u>	<u>109,016</u>
Funded status	(8,020)	(30,215)
Unrecognized pension loss	15,015	37,224
Net unrecognized transition obligation	<u>4,728</u>	<u>9,460</u>
Prepaid pension cost	<u>\$ 11,723</u>	<u>16,469</u>

- (b) CMTL made an actuarial valuation of its pension plan using December 31, 2009 and 2008, as the measurement dates. According to the actuarial reports, the reconciliation of the funded status and accrued pension liability was as follows:

	December 31, 2009	December 31, 2008
Benefit obligations:		
Vested benefit obligation	\$ (61,033)	(55,477)
Non-vested benefit obligation	<u>(35,735)</u>	<u>(33,547)</u>
Accumulated benefit obligation	(96,768)	(89,024)
Additional benefits based on future salary increase	<u>(10,277)</u>	<u>(7,181)</u>
Projected benefit obligation	(107,045)	(96,205)
Fair value of plan assets	<u>17,579</u>	<u>13,521</u>
Funded status	(89,466)	(82,684)
Unrecognized pension loss	(5,360)	(13,197)
Net unrecognized transition obligation	<u>-</u>	<u>5,420</u>
Accrued pension liability	<u>\$ (94,826)</u>	<u>(90,461)</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:

	2009	2008
Service cost	\$ 9,830	11,315
Interest cost	5,773	7,660
Actual return on plan assets	(770)	(5,199)
Amortization and deferral	<u>7,867</u>	<u>19,836</u>
Net pension costs of defined benefit pension plan	\$ <u>22,700</u>	<u>33,612</u>
Net pension costs of defined contribution pension plan	\$ <u>3,487</u>	<u>4,616</u>

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

	2009	2008
Discount rate	2.25%	2.50%
Future salary increase rate	For 2010 0%~1% After 2010 1%~3%	1.00%~3.00%
Expected long-term rate of return on plan assets	2.25%	2.50%

(e) As of December 31, 2009 and 2008, the pension expenses for the other consolidated subsidiaries were \$1,434 and \$964, respectively.

(f) As of December 31, 2009 and 2008, the vested benefit amounted to \$191,306 and \$188,147, respectively.

(14) Stockholders' Equity

(a) Common stock

As of December 31, 2009 and 2008, 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.

As of December 31, 2009 and 2008, the Company had recognized an increase in its capital surplus to reflect the change in percentage of ownership of investees amounting to \$42,503. The capital surplus mentioned above, which is not that mentioned in Article 241 of the ROC Company Act, cannot be used to increase common stock.

(ii) Appropriation of retained earnings and dividend policy

According to the Company's articles of incorporation amended on May 27, 2009, 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 when there is a reduction in stockholders' equity at the end of the year, the Company should appropriate the same amount as special reserve from retained earnings. The remaining balance, if any, should be distributed as follows:

- 0.5% ~2% as employees' bonuses.
- Remuneration to directors and supervisors not exceeding 2%.
- The remainder and the accumulated unappropriated earnings of prior years are distributable as dividends to stockholders. The distribution rate is based on the proposal of the Company's board of directors and approved in the stockholders' meeting.

According to the Company's articles of incorporation before the amendment made on May 27, 2009, 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 when there is a reduction in stockholders' equity at the end of the year, the Company should appropriate the same amount as special reserve from retained earnings. 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 employees' bonuses.
- Remuneration to directors and supervisors not exceeding 2%.
- The remainder as dividends and bonuses for stockholders.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 financial statements. In 2009, the appropriated percentages of employees' bonuses and directors' and supervisors' remuneration were 0.5% and 1%, respectively, of net income after deducting the legal reserve. In 2008, the appropriated percentages of employees' bonuses and directors' and supervisors' remuneration were 2% and 1%, respectively, of net income after deducting the legal reserve. The Company recognized employees' bonuses and directors' and supervisors' remuneration in total amounting to \$38,770 and \$118,835 for the years ended December 31, 2009 and 2008, respectively. If shares of stock are to be distributed as employees' bonuses, the number of shares 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 the following year.

- (iii) Based on a resolution of the stockholders' meetings held in 2009 and 2008, the earnings distribution for fiscal years 2008 and 2007 was as follows:

	2008	2007
Employees' bonuses – cash	\$ 76,541	41,608
Directors' and supervisors' remuneration	<u>42,294</u>	<u>21,000</u>
	\$ <u>118,835</u>	<u>62,608</u>

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The above earnings distribution had no difference from the resolution by the meeting of the board of directors. The related information about earnings distribution for 2009 can be queried in the Market Observation Post System after the stockholders' meetings.

(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 2009 and 2008, 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 was 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. According to the amended Income Tax Act announced on May 27, 2009, the income tax rate of the Company and its subsidiaries in the ROC will be reduced to 20% beginning in 2010. The Consolidated Company's income tax expenses in 2009 and 2008 were as follows:

	2009	2008
Current income tax expense	\$ 309,411	37,403
10% surtax on unappropriated earnings	207,948	47,893
Deferred tax expense (benefit)		
Decrease in reserve for loss on outward investment	(19,525)	-
Deferred tax effect resulting from change in income tax rate	(20,648)	-
Decrease in prepaid pension and deferred pension cost and others	<u>(5,431)</u>	<u>(676)</u>
Income tax expense	\$ <u>471,755</u>	<u>84,620</u>

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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 expense are summarized as follows:

	2009	2008
"Expected" income tax	\$ 748,822	842,462
10% surtax on unappropriated earnings	207,948	47,893
Tax effect of tax exemption for overseas income	(213,441)	(562,318)
Tax effect of tax exemption for long-term investment income under equity method	(120,193)	(281,543)
Non-deductible securities trading loss (securities trading gain)	(434,376)	21,678
Tax effect resulting from change in income tax rate	(20,648)	-
The amount of basic income tax in excess of the regular income tax	298,792	-
Unrealized loss (gain) on financial instruments and others	<u>4,851</u>	<u>16,448</u>
Income tax expense	<u>\$ 471,755</u>	<u>84,620</u>

- (d) As of December 31, 2009 and 2008, deferred income tax assets (liabilities) were as follows:

	December 31, 2009	December 31, 2008
Deferred tax assets:		
Accrued pension liability	\$ 18,965	22,615
Unrealized freight discounts	1,533	-
Loss carryforward and others	474	2,272
Less: provision for deferred tax assets	<u>-</u>	<u>(1,450)</u>
	<u>20,972</u>	<u>23,437</u>
Deferred tax liabilities:		
Reserve for loss on outward investment	-	(19,525)
Foreign currency translation adjustments	(5,461)	(64,174)
Prepaid pension and deferred pension cost and others	<u>(2,544)</u>	<u>(5,713)</u>
	<u>(8,005)</u>	<u>(89,412)</u>
Deferred tax assets (liabilities), net	<u>\$ 12,967</u>	<u>(65,975)</u>

Net deferred tax assets or liabilities were presented in the balance sheets as follows:

Deferred tax assets – current	\$ 1,533	-
Deferred tax assets – noncurrent	19,439	23,437
Deferred tax liabilities – noncurrent	<u>(8,005)</u>	<u>(89,412)</u>
	<u>\$ 12,967</u>	<u>(65,975)</u>

- (e) The income tax returns of the Company and its ROC subsidiaries have been examined by the tax authorities through 2007.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(f) Information on imputation credit account (ICA)

	December 31, 2009	December 31, 2008
Unappropriated earnings retained after January 1, 1998	\$ <u>6,050,739</u>	<u>5,347,735</u>
ICA balance	\$ <u>144,177</u>	<u>102,972</u>
	2009	2008
Creditable ratio for earnings distribution to resident shareholders in the ROC	<u>7.35%</u> (estimated)	<u>4.05%</u> (actual)

(16) Earnings per Share

	2009		2008	
	Before income tax	After income tax	Before income tax	After income tax
Basic earnings per share:				
Consolidated net income	\$ <u>3,343,611</u>	<u>2,871,856</u>	<u>4,332,949</u>	<u>4,248,329</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>13.04</u>	<u>11.20</u>	<u>16.89</u>	<u>16.56</u>
Diluted earnings per share:				
Consolidated net income	\$ <u>3,343,611</u>	<u>2,871,856</u>	<u>4,332,949</u>	<u>4,248,329</u>
Weighted-average number of shares outstanding (thousands)	256,474	256,474	256,474	256,474
Effects of dilutive potential common stock:				
Employees' bonuses	<u>529</u>	<u>529</u>	<u>1,566</u>	<u>1,566</u>
	<u>257,003</u>	<u>257,003</u>	<u>258,040</u>	<u>258,040</u>
Diluted earnings per share	\$ <u>13.01</u>	<u>11.17</u>	<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 2009 and 2008. The book values of non-derivative financial instruments with a short maturity approximate their fair values. As of December 31, 2009 and 2008, 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, 2009		December 31, 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at fair value through profit or loss — current	\$ 12,920	12,920	30,312	30,312
Financial liabilities:				
Long-term loans	3,578,536	3,578,536	5,591,757	5,591,757
Bonds payable	3,000,000	3,000,000	1,000,000	999,916
Off-balance-sheet financial instruments:				
Guarantee for bank loans	-	4,178,842	-	4,742,585

(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.

(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:

	December 31, 2009		December 31, 2008	
	Public quote value	Assessment value	Public quote value	Assessment value
Financial assets:				
Cash and cash equivalents	\$ 8,578,776	-	4,689,821	-
Financial assets measured at fair value through profit or loss – current	12,920	-	30,312	-
Notes and accounts receivable (including related parties)	-	258,436	-	280,136
Other current financial assets	-	16,924	-	12,402
Financial liabilities:				
Short-term loans and commercial paper payable	-	439,779	-	1,358,649
Notes and accounts payable	-	162,271	-	128,257
Accrued expenses and other payable	-	791,859	-	385,451
Long-term loans	-	3,578,536	-	5,591,757
Bonds payable	-	3,000,000	999,916	-

For the years ended December 31, 2009 and 2008, the net gain or loss resulting from change in fair values determined by public quoting or an assessment method amounted to a gain of \$12,880 and a loss of \$59,110, respectively.

- (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 contract value.

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

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 39% and 44% of the total net sales for the years ended December 31, 2009 and 2008, 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 \$10,046 in the following year for every 0.25% increase in the market rate, based on the outstanding loan balances.

(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
Orient Overseas Container Line Logistic (Taiwan) Ltd. (OLTWL)	"
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

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Summary of significant transactions with related parties

(i) Freight revenue

	2009		2008	
	Amount	% of operating revenue	Amount	% of operating revenue
OTWL	\$ 653,946	14	818,689	13
OLTWL	<u>121,805</u>	<u>2</u>	<u>-</u>	<u>-</u>
	<u>\$ 775,751</u>	<u>16</u>	<u>818,689</u>	<u>13</u>

The collection periods for related parties are similar to those for ordinary customers: within 30 to 45 days. There are different terms and conditions in the service contracts with different parties. If the contracts have similar terms and 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, 2009		December 31, 2008	
	Amount	%	Amount	%
OTWL	\$ 67,653	26	64,201	23
OLTWL	<u>52,960</u>	<u>21</u>	<u>-</u>	<u>-</u>
	<u>\$ 120,613</u>	<u>47</u>	<u>64,201</u>	<u>23</u>

(ii) Logistics revenue

	2009		2008	
	Amount	% of operating revenue	Amount	% of operating revenue
AII	<u>\$ 76,806</u>	<u>2</u>	<u>89,918</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, 2009		December 31, 2008	
	Amount	%	Amount	%
AII	<u>\$ 16,088</u>	<u>6</u>	<u>13,761</u>	<u>5</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(iii) Operating expenses

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

	2009		2008	
	Amount	% of operating expenses	Amount	% of operating expenses
CMD	\$ 4,797	1	4,576	1
AII	<u>3,724</u>	<u>1</u>	<u>3,724</u>	<u>1</u>
	<u><u>\$ 8,521</u></u>	<u><u>2</u></u>	<u><u>8,300</u></u>	<u><u>2</u></u>

The Company entered into rental agreements with related parties from November 2008 to December 2014. The prices were similar to market prices and paid monthly.

(iv) 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.

(v) Salaries and remuneration of main management

The Group paid salaries and remuneration to the directors, supervisors, chief executive officer, and executive vice president in 2009 and 2008 as follows:

	2009	2008
Salaries	\$ 50,162	73,376
Incentives	23,676	11,498
Transportation allowance	128	180
Employees' bonus	2,545	7,922

Note: The employees' bonus for 2009 was an estimate. Please see note 14.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(19) Pledged Assets

Assets	Subject	December 31, 2009	December 31, 2008
Restricted assets – restricted cash in bank	Short-term loans and commercial paper payable	\$ 100,000	36,854
Long-term investments under equity method – stock	Short-term and long-term loans and credit lines	1,271,182	1,964,285
Real estate investment	Long-term loans	-	112,917
Property and equipment – land and buildings	Short-term and long-term loans	338,366	336,593
Property and equipment – transportation equipment and warehouse storage equipment	Short-term and long-term loans	4,171,577	3,726,320
Rental assets – land and buildings	Short-term and long-term loans	2,875	5,451
Refundable deposits and pledged time deposits	Guarantee for construction payments, letters of credit, and warehouse deposits	<u>347,181</u>	<u>17,159</u>
		<u>\$ 6,231,181</u>	<u>6,199,579</u>

(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
2010.01.01~2010.12.31	\$ 26,076
2011.01.01~2011.12.31	24,555
2012.01.01~2012.12.31	5,194
2013.01.01~2013.12.31	4,194
2014.01.01~2014.12.31	<u>4,194</u>
	<u>\$ 64,213</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (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, 2009, was as follows:

Purchaser	Date of contract	Total price	Date of delivery	Price paid
CPN	September 28, 2007	2,559,200 (US\$80,000,000)	June 2011 (estimated)	415,134 (US\$12,977,000)
CPD	May 8, 2008	3,358,950 (US\$105,000,000)	August 2009	3,358,950 (US\$105,000,000)

In order to use the whole business group's operating capital more efficiently, CMT HK, CPN, CPD and the third party reached an agreement to transfer bulk-carrier construction payment amounting to US\$19,000,000 from CPN to CPD during the third quarter of 2009.

- (c) The Company had issued promissory notes amounting to \$3,102,100 as of December 31, 2009, as guarantee for bonds payable.
- (d) As of December 31, 2009, the Consolidated Company still had several long-term leases of its ships with customers in effect. The ending periods of the contracts are from May 2010 to July 2014.
- (e) The Consolidated Company provided guarantees to related parties as follows (expressed in thousands of New Taiwan or U.S. dollars):

Guarantor	Guarantee	Subject	December 31, 2009	December 31, 2008
The Company	CPD	Guarantee for ship construction payments	\$ -	688,800 (USD 21,000)
The Company	CPE	Bank loans	483,549 (USD 15,116)	561,898 (USD 17,131)
The Company	CPN	Guarantee for ship construction payments	863,730 (USD 27,000)	524,800 (USD 16,000)
CMT HK	CPG	Bank loans	560,273 (USD 17,514)	638,287 (USD 19,460)
CMT HK	CPN	Guarantee for ship construction payments	255,920 (USD 8,000)	262,400 (USD 8,000)
CMT HK	CPD	Guarantee for ship construction payments, and bank loans	2,015,370 (USD 63,000)	2,066,400 (USD 63,000)
			\$ <u>4,178,842</u>	<u>4,742,585</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (f) In 2009, the Group signed an addendum to the original long-term chartering contract. In accordance with the agreement, the customer paid part of rental fees in advance. Additionally, the customer has to pay the rental periodically from January 2010 to June 2014.

(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:

	2009	2008
Increase in net income	\$ 78,100	20,058
Decrease in retained earnings	-	(78,100)

- (b) Employee expenses, depreciation expenses, and amortization expenses for the years ended December 31, 2009 and 2008, were as follows:

	Operating cost	2009 Operating expenses	Total
Employee expenses			
Salaries and wages	\$ 272,176	195,577	467,753
Labor and health insurance	7,382	9,552	16,934
Pension expense	10,653	16,968	27,621
Other	14,644	3,960	18,604
Depreciation expenses (note)	366,481	11,748	378,229
Amortization expenses	90,463	1,577	92,040

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	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

Note: Excluding the amount treated as reduction of rental income of \$3,100 in 2009 and \$3,883 in 2008.

(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) 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.

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CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(22) Segment Information

(a) Industrial information

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

	2009					
	Inland trucking department	Shipping department	Terminal & logistics department	Others	Eliminations	Consolidated
Revenue from third parties	\$ 1,370,153	3,093,848	357,215	8,727	-	4,829,943
Revenue from the parent company and consolidated subsidiaries	<u>922,374</u>	<u>320,482</u>	-	-	<u>(1,242,856)</u>	-
Total revenues	<u>\$ 2,292,527</u>	<u>3,414,330</u>	<u>357,215</u>	<u>8,727</u>	<u>(1,242,856)</u>	<u>4,829,943</u>
Segment income	<u>\$ 9,520</u>	<u>2,125,177</u>	<u>32,329</u>	<u>(9,511)</u>	<u>77</u>	2,157,592
Investment income						480,772
Non-operating income of the Consolidated Company, net						865,774
Interest expense						<u>(160,527)</u>
Consolidated income before tax						<u>\$ 3,343,611</u>
Identifiable assets	<u>\$ 2,311,240</u>	<u>11,200,385</u>	<u>638,969</u>	<u>2,265,023</u>	<u>(409,974)</u>	16,005,643
Rental assets						74,365
Long-term investment						<u>3,048,785</u>
Total assets						<u>\$ 19,128,793</u>
Depreciation and amortization	<u>\$ 84,746</u>	<u>352,297</u>	<u>33,194</u>	<u>32</u>	<u>-</u>	<u>470,269</u>
Capital expenditure	<u>\$ 17,703</u>	<u>1,134,447</u>	<u>15,361</u>	<u>-</u>	<u>-</u>	<u>1,167,511</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	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>-</u>	<u>-</u>	<u>(796,502)</u>	<u>-</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>-</u>	<u>402,573</u>
Capital expenditure	\$ <u>118,447</u>	<u>1,626,094</u>	<u>26,285</u>	<u>-</u>	<u>-</u>	<u>1,770,826</u>

(b) Geographic information

	2009			Consolidated
	Domestic (Taiwan)	Asia	Eliminations	
Revenue from third parties	\$ 1,736,095	3,093,848	-	4,829,943
Revenue from the parent company and consolidated subsidiaries	<u>922,374</u>	<u>320,482</u>	<u>(1,242,856)</u>	<u>-</u>
Total revenues	\$ <u>2,658,469</u>	<u>3,414,330</u>	<u>(1,242,856)</u>	<u>4,829,943</u>
Segment income	\$ <u>32,338</u>	<u>2,125,177</u>	<u>77</u>	2,157,592
Investment income				480,772
Non-operating income of the Consolidated Company, net				865,774
Interest expense				<u>(160,527)</u>
Consolidated income before tax				\$ <u>3,343,611</u>
Identifiable assets	\$ <u>5,215,232</u>	<u>11,200,385</u>	<u>(409,974)</u>	16,005,643
Rental assets				74,365
Long-term investment				<u>3,048,785</u>
Total assets				\$ <u>19,128,793</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	2008			
	Domestic (Taiwan)	Asia	Eliminations	Consolidated
Revenue from third parties	\$ 2,267,030	4,129,071	-	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>\$ 2,770,450</u>	<u>4,422,153</u>	<u>(796,502)</u>	<u>6,396,101</u>
Segment income	<u>\$ 132,439</u>	<u>3,247,659</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>\$ 3,666,231</u>	<u>9,078,452</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>

(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 export revenue of the Consolidated Company in 2009 and 2008 was generated from Asia and Europe as follows:

	2009		2008	
	Amount	%	Amount	%
Europe	\$ 320,482	7	2,135,666	33
Asia	<u>1,534,729</u>	<u>32</u>	<u>574,283</u>	<u>7</u>
	<u>\$ 1,855,211</u>	<u>39</u>	<u>2,709,949</u>	<u>40</u>

(Continued)

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(d) Major customers

Sales to individual customers constituting over 10% of the total revenue in the consolidated statements of income of 2009 and 2008 are summarized as follows:

		2009		2008	
Nature of services		Amount	%	Amount	%
Customer:					
E Company	Vessel transportation	\$ 655,458	14	676,493	11
A Company	Container transportation	653,946	14	818,689	13
F Company	Vessel transportation	569,998	12	574,283	9
D Company	Vessel transportation	<u>183,401</u>	<u>4</u>	<u>1,309,771</u>	<u>20</u>
		\$ <u>2,062,803</u>	<u>44</u>	<u>3,379,236</u>	<u>53</u>

CHINESE MARITIME TRANSPORT LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2009 and 2008
(expressed in thousands of New Taiwan dollars)

Assets	2009	%	2008	%	Liabilities and Stockholders' Equity	2009	%	2008	%
	Amount		Amount			Amount		Amount	
Current assets:					Current liabilities:				
Cash and cash equivalents (note 4)	\$ 8,578,776	44	4,689,821	27	Short-term loans and commercial paper payable (note 10)	\$ 439,779	2	1,358,649	7
Financial assets measured at fair value through profit or loss – current (notes 5 and 18)	12,920	-	30,312	-	Notes and accounts payable	162,221	1	128,257	1
Notes and accounts receivable (note 6)	121,735	1	202,174	1	Accrued expenses and other current liabilities (note 14)	791,859	5	385,451	2
Notes and accounts receivable – related parties (note 18)	136,701	1	77,962	1	Advance receipts (note 20)	368,720	2	-	-
Other current financial assets	16,924	-	12,402	-	Current portion of long-term loans (note 11)	<u>1,012,088</u>	<u>5</u>	<u>1,841,984</u>	<u>11</u>
Restricted assets (note 19)	100,000	1	36,854	-		<u>2,774,667</u>	<u>15</u>	<u>3,714,341</u>	<u>21</u>
Other current assets	<u>44,295</u>	<u>-</u>	<u>41,570</u>	<u>-</u>	Long-term liabilities:				
	<u>9,011,351</u>	<u>47</u>	<u>5,091,095</u>	<u>29</u>	Bonds payable (note 12)	3,000,000	16	1,000,000	6
Investments (notes 7 and 19):					Long-term loans (note 11)	2,566,448	14	3,749,773	21
Long-term investments under equity method	2,940,951	15	5,153,005	29	Provision for land value increment tax (note 8)	<u>87,224</u>	<u>-</u>	<u>87,224</u>	<u>-</u>
Real estate investment – noncurrent	<u>107,834</u>	<u>1</u>	<u>112,917</u>	<u>1</u>		<u>5,653,672</u>	<u>30</u>	<u>4,836,997</u>	<u>27</u>
	<u>3,048,785</u>	<u>16</u>	<u>5,265,922</u>	<u>30</u>	Other liabilities:				
Property and equipment (notes 8, 18, 19 and 20):					Accrued pension liabilities (note 13)	94,826	-	90,461	1
Land	512,568	3	512,568	3	Long-term advance receipts (note 20)	946,844	5	-	-
Buildings	206,402	1	211,361	1	Deferred tax liabilities and others (note 15)	<u>9,634</u>	<u>-</u>	<u>91,435</u>	<u>1</u>
Transportation equipment	7,713,467	40	4,546,851	26		<u>1,051,304</u>	<u>5</u>	<u>181,896</u>	<u>2</u>
Container terminal facility	425,132	2	410,715	2	Total liabilities	<u>9,479,643</u>	<u>50</u>	<u>8,733,234</u>	<u>50</u>
Furniture, fixtures and other equipment	141,746	1	146,253	1	Stockholders' equity:				
Land revaluation increment	<u>357,800</u>	<u>2</u>	<u>357,800</u>	<u>2</u>	Common stock (note 14)	<u>2,564,736</u>	<u>13</u>	<u>2,564,736</u>	<u>15</u>
	9,357,115	49	6,185,548	35	Capital surplus – long-term investment	<u>42,503</u>	<u>-</u>	<u>42,503</u>	<u>-</u>
Less: Accumulated depreciation	(2,238,771)	(12)	(2,009,760)	(11)	Retained earnings (note 14):				
Accumulated impairment	(1,009,447)	(5)	-	-	Legal reserve	905,260	5	480,427	3
Prepayment for purchase of equipment	<u>415,517</u>	<u>2</u>	<u>2,745,395</u>	<u>16</u>	Unappropriated earnings	<u>6,050,739</u>	<u>31</u>	<u>5,347,735</u>	<u>30</u>
	<u>6,524,414</u>	<u>34</u>	<u>6,921,183</u>	<u>40</u>		<u>6,955,999</u>	<u>36</u>	<u>5,828,162</u>	<u>33</u>
Intangible assets:					Equity adjustments:				
Computer software	<u>3,585</u>	<u>-</u>	<u>5,248</u>	<u>-</u>	Cumulative translation adjustments	(31,874)	-	219,376	1
Other assets:					Unrealized gains on financial instruments	16,295	-	18,424	-
Rental assets (notes 8 and 19)	74,365	-	74,930	-	Unrealized land revaluation increment (note 8)	<u>101,491</u>	<u>1</u>	<u>101,491</u>	<u>1</u>
Refundable deposits and others (notes 15 and 19)	366,905	2	45,326	-		<u>85,912</u>	<u>1</u>	<u>339,291</u>	<u>2</u>
Deferred expenses	87,665	1	87,753	1	Total stockholders' equity	9,649,150	50	8,774,692	50
Prepaid pension (note 13)	<u>11,723</u>	<u>-</u>	<u>16,469</u>	<u>-</u>	Commitments and contingencies (note 20)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	540,658	3	224,478	1					
Total assets	\$ <u>19,128,793</u>	<u>100</u>	<u>17,507,926</u>	<u>100</u>	Total liabilities and stockholders' equity	\$ <u>19,128,793</u>	<u>100</u>	<u>17,507,926</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, 2009 and 2008

(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings		Cumulative translation adjustments	Net loss not recognized as pension cost	Unrealized gain on financial instruments	Unrealized land revaluation increment	Minority interest	Total
			Legal reserve	Unappropriated earnings						
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 equity method	-	-	-	-	-	-	(25,817)	-	-	(25,817)
Reversal of net loss not recognized as pension cost	-	-	-	-	-	11,583	-	-	-	11,583
Foreign currency financial statement translation adjustments	-	-	-	-	126,710	-	-	-	-	126,710
Change in minority interest	-	-	-	-	-	-	-	-	(5,000)	(5,000)
Balance as of December 31, 2008	<u>2,564,736</u>	<u>42,503</u>	<u>480,427</u>	<u>5,347,735</u>	<u>219,376</u>	<u>-</u>	<u>18,424</u>	<u>101,491</u>	<u>-</u>	<u>8,774,692</u>
Appropriations:										
Legal reserve	-	-	424,833	(424,833)	-	-	-	-	-	-
Cash dividends	-	-	-	(1,744,019)	-	-	-	-	-	(1,744,019)
Consolidated net income for 2009	-	-	-	2,871,856	-	-	-	-	-	2,871,856
Unrealized loss on financial instruments – long-term investment under equity method	-	-	-	-	-	-	(2,129)	-	-	(2,129)
Foreign currency financial statement translation adjustments	-	-	-	-	(251,250)	-	-	-	-	(251,250)
Balance as of December 31, 2009	<u>\$ 2,564,736</u>	<u>42,503</u>	<u>905,260</u>	<u>6,050,739</u>	<u>(31,874)</u>	<u>-</u>	<u>16,295</u>	<u>101,491</u>	<u>-</u>	<u>(9,649,150)</u>

See accompanying notes to consolidated financial statements.