

SINCERE NAVIGATION CORPORATION
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2019 AND 2018

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Sincere Navigation Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Sincere Navigation Corporation (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for parent company only financial statements of the current period are as follows:

Reasonableness of investments accounted for using equity method — subsidiaries' V/C (voyage charterer) revenue recognition timing

Description

As of December 31, 2019, the Company's subsidiaries recorded as investments accounted for using equity method amounted to NT\$17,264,608 thousand, constituting 95% of the Company's total assets, while the share of profit of the investments constituted 200% of the Company's profit before tax for the year then ended. Given that the investments significantly affects the Company's financial performance, we consider the reasonableness of V/C revenue recognition timing as a key audit matter.

For accounting policy on revenue recognition and related details of revenue, please refer to Notes 4(21) and 6(10) in the financial statements.

Subsidiaries' V/C revenue are recognised as revenue based on the percentage of completion of services rendered. Many factors are involved in the progress of revenue recognition, such as the length of the negotiated period of contracts, conditions of vessels and equipment, the changes of port of discharge and loading and so on.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the procedures of management in recognising V/C revenue, and confirmed the evidence of revenue recognition and the appropriateness of approval procedures.
2. Checked the contracts for V/C around the period of balance sheet date, and based on our understanding of the client's operating conditions, assessed the reasonableness of voyage planning developed by management.

3. Obtained the location information reported by the crew of each vessel on balance sheet date, and compared it with management's voyage planning to verify whether revenue has been recognised properly in accordance with the completion of voyage.
4. Obtained the related settlement vouchers in subsequent period to evaluate the reasonableness of revenue recognition.

Impairment of vessels and equipment

Description

For accounting policy, accounting estimates and assumptions applied on impairment of property, plant and equipment and related impairment explanation, please refer to Notes 4(11), 5(2) and 6(3) of parent company only financial statements and Notes 4(13), 5(2) and 6(2) of consolidated financial statements..

The Group engages in bulk shipping service. Vessels are the Company's significant operating assets. Bulk shipping service is closely related with demand of bulk commodities, and significantly affected by global economy. Therefore, the impairment of vessels is the Company's material risk. The valuation of impairment is evaluated by the management by comparing the book value to the recoverable amounts based on the analysis of industry dynamics and the Company's operating plan. As of December 31, 2019, the Group's vessel equipment amounted to NT\$17,816,743 thousand, constituting 76% of total assets.

The main assumptions adopted in measuring the recoverable amount are subject to management's judgements, which includes the estimation of residual value, useful life, future freight rate and the rate used to discount projected future cash flows. The results of accounting estimates have a significant effect on evaluating the recoverable amount. Therefore, we consider the impairment of vessels and equipment as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained the information that management used to assess whether there was an indication that the assets were impaired. Inspected the accuracy of the information which was obtained from internal and external sources, and assessed the reasonableness of the assessment result.
2. Obtained the valuation information used by management in determining recoverable amount. Discussed the operating plan with management about the income and expenses that may occur in the future and reviewed performance conditions of previous operating plan to assess management's performance intention and ability. Obtained the subsequent information within certain period to

compare with the original plan.

3. Compared the discount rate used in the valuation model with the rate of return on assets of similar assets in the market, and checked the assumptions used in calculating weighted average cost of capital (WACC) with actual proportion of equity capital, industrial risk coefficient and market risk premium.
4. Checked the parameters and the formula used in the valuation model.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial

statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

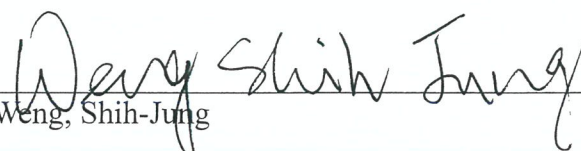
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

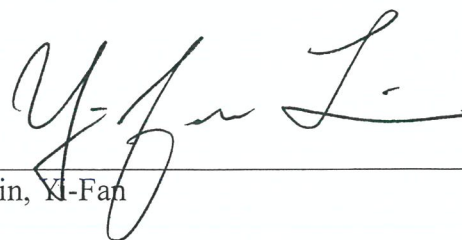


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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear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

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


Weng, Shih-Jung


Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 27, 2020

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

SINCERE NAVIGATION CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets		Notes	December 31, 2019 AMOUNT	December 31, 2018 AMOUNT
Current assets				
1100	Cash and cash equivalents	6(1)	\$ 232,583	\$ 206,510
1140	Current contract assets	6(9)	96,022	23,105
1170	Accounts receivable, net		29,951	20,676
1200	Other receivables		12,457	15,008
1210	Other receivables - related parties	7	6,974	6,184
1220	Current income tax assets		106	-
1410	Prepayments		33,412	3,263
11XX	Total current Assets		411,505	274,746
Non-current assets				
1550	Investments accounted for under equity method	6(2)	17,264,608	17,480,555
1600	Property, plant and equipment	6(3) and 8	519,323	579,463
1780	Intangible assets		204	306
1840	Deferred income tax assets	6(15)	11,087	21,561
1900	Other non-current assets	8	6,922	6,922
15XX	Total non-current assets		17,802,144	18,088,807
1XXX	Total assets		\$ 18,213,649	\$ 18,363,553

(Continued)

SINCERE NAVIGATION CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity		Notes	December 31, 2019 AMOUNT	December 31, 2018 AMOUNT
Current liabilities				
2100	Short-term borrowings	6(4) and 8	\$ 800,000	\$ 800,000
2130	Current contract liabilities	6(9)	24,131	167
2200	Other payables		31,145	28,851
2220	Other payables - related parties	7	1,761,353	1,606,075
2230	Current income tax liabilities		-	92,909
21XX	Total current Liabilities		<u>2,616,629</u>	<u>2,528,002</u>
Non-current liabilities				
2570	Deferred income tax liabilities	6(15)	66,617	44,237
2600	Other non-current liabilities	6(5)	<u>32,567</u>	<u>31,508</u>
25XX	Total non-current liabilities		<u>99,184</u>	<u>75,745</u>
2XXX	Total Liabilities		<u>2,715,813</u>	<u>2,603,747</u>
Equity				
Share capital				
3110	Share capital - common stock	6(6)	5,853,533	5,683,042
Capital surplus				
3200	Capital surplus	6(7)	241,989	52,247
Retained earnings				
3310	Legal reserve	6(8)	3,163,018	3,156,840
3320	Special reserve		924,270	1,479,609
3350	Unappropriated retained earnings		6,664,957	6,312,338
Other equity interest				
3400	Other equity interest		(1,349,931)	(924,270)
3XXX	Total equity		<u>15,497,836</u>	<u>15,759,806</u>
Significant contingent liabilities and unrecognised contractual commitments				
Significant events after balance sheet date				
3X2X	Total liabilities and equity		<u>\$ 18,213,649</u>	<u>\$ 18,363,553</u>

The accompanying notes are an integral part of these parent company only financial statements.

SINCERE NAVIGATION CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Year ended December 31	
		2019	2018
Items	Notes	AMOUNT	AMOUNT
4000 Operating revenue	6(9) and 7	\$ 78,976	\$ 97,242
5000 Operating costs	6(13)(14) and 7	(140,291)	(125,296)
5900 Net operating margin		(61,315)	(28,054)
Operating expenses	6(13)(14) and 7		
6200 General & administrative expenses		(93,010)	(89,685)
6450 Impairment loss determined in accordance with IFRS 9		(334)	-
6000 Total operating expenses		(93,344)	(89,685)
6900 Operating loss		(154,659)	(117,739)
Non-operating income and expenses			
7010 Other income	6(10) and 7	6,463	28,451
7020 Other gains and losses	6(11)	36,193	(45,586)
7050 Finance costs	6(12)	(10,106)	(10,520)
7070 Share of profit of associates and joint ventures accounted for using equity method, net	6(2)	244,357	243,142
7000 Total non-operating revenue and expenses		276,907	215,487
7900 Profit before income tax		122,248	97,748
7950 Income tax expense	6(15)	(33,932)	(35,971)
8200 Profit for the year		\$ 88,316	\$ 61,777
Other comprehensive income			
Components of other comprehensive income that will not be reclassified to profit or loss			
8311 Actuarial (loss) gain on defined benefit plan	6(5)	(\$ 882)	\$ 1,842
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(15)	176	(101)
Components of other comprehensive income that will be reclassified to profit or loss			
8361 Financial statements translation differences of foreign operations		(425,661)	555,339
8500 Total comprehensive (loss) income for the year		(\$ 338,051)	\$ 618,857
Earnings per share			
9750 Basic earnings per share (in dollars)	6(16)	\$ 0.15	\$ 0.11
9850 Diluted earnings per share (in dollars)	6(16)	\$ 0.15	\$ 0.11

The accompanying notes are an integral part of these parent company only financial statements.

SINCERE NAVIGATION CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			Retained Earnings			Financial statements translation differences of foreign operations	Total equity	
Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			
<u>For the year ended December 31, 2018</u>								
Balance at January 1, 2018		\$ 5,683,042	\$ 51,025	\$ 3,105,700	\$ 30,170	\$ 8,090,382	(\$ 1,479,609)	\$15,480,710
Profit for the year		-	-	-	-	61,777	-	61,777
Other comprehensive income for the year		-	-	-	-	1,741	555,339	557,080
Total comprehensive income		-	-	-	-	63,518	555,339	618,857
Appropriations of 2017 earnings:	6(8)							
Legal reserve		-	-	51,140	-	(51,140)	-	-
Special reserve		-	-	-	1,449,439	(1,449,439)	-	-
Cash dividends		-	-	-	-	(340,983)	-	(340,983)
Overdue unclaimed cash dividends	6(7)	-	1,222	-	-	-	-	1,222
Balance at December 31, 2018		\$ 5,683,042	\$ 52,247	\$ 3,156,840	\$ 1,479,609	\$ 6,312,338	(\$ 924,270)	\$15,759,806
<u>For the year ended December 31, 2019</u>								
Balance at January 1, 2019		\$ 5,683,042	\$ 52,247	\$ 3,156,840	\$ 1,479,609	\$ 6,312,338	(\$ 924,270)	\$15,759,806
Profit for the year		-	-	-	-	88,316	-	88,316
Other comprehensive loss for the year		-	-	-	-	(706)	(425,661)	(426,367)
Total comprehensive income (loss)		-	-	-	-	87,610	(425,661)	(338,051)
Appropriations of 2018 earnings:	6(8)							
Legal reserve		-	-	6,178	-	(6,178)	-	-
Special reserve		-	-	-	(555,339)	555,339	-	-
Cash dividends		-	-	-	-	(113,661)	-	(113,661)
Stock dividends		170,491	-	-	-	(170,491)	-	-
Overdue unclaimed cash dividends	6(7)	-	753	-	-	-	-	753
Difference between consideration and carrying amount of subsidiaries acquired	6(7)	-	188,989	-	-	-	-	188,989
Balance at December 31, 2019		\$ 5,853,533	\$ 241,989	\$ 3,163,018	\$ 924,270	\$ 6,664,957	(\$ 1,349,931)	\$15,497,836

The accompanying notes are an integral part of these parent company only financial statements.

SINCERE NAVIGATION CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		For the years ended December 31,	
	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 122,248	\$ 97,748
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(3)(13)	60,140	60,174
Amortisation	6(13)	102	102
Interest income	6(10)	(1,081)	(804)
Interest expense	6(12)	10,106	10,520
Investment income accounted for under the equity method	6(2)	(244,357)	(243,142)
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(72,917)	(18,657)
Accounts receivable		(9,275)	(20,676)
Other receivables		2,551	3,728
Other receivables - related party		(790)	(260)
Prepayment		(30,149)	514
Changes in operating liabilities			
Current contract liabilities		23,964	(14,297)
Other payables		2,323	(14,225)
Other payables - related party		42,378	37,247
Accrued pension liabilities		177	(30)
Cash outflow generated from operations		(94,580)	(102,058)
Interest received		1,081	804
Income tax paid		(93,917)	(136,909)
Dividends received	7	223,632	523,912
Net cash flows from operating activities		36,216	285,749
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(3)	-	(114)
Increase in intangible assets		-	(408)
Net cash flows used in investing activities		-	(522)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans		-	40,000
Increase in other payables - related party		149,900	-
Repayment of long-term borrowings		-	(75,997)
Interest paid		(10,135)	(11,207)
Cash dividends paid	6(8)	(113,661)	(340,983)
Overdue unclaimed cash dividends		753	1,222
Net cash flows from (used in) financing activities		26,857	(386,965)
Effect of change in foreign exchange rate		(37,000)	48,883
Net increase (decrease) in cash and cash equivalents		26,073	(52,855)
Cash and cash equivalents at beginning of year		206,510	259,365
Cash and cash equivalents at end of year		\$ 232,583	\$ 206,510

The accompanying notes are an integral part of these parent company only financial statements.

SINCERE NAVIGATION CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

1. HISTORY AND ORGANISATION

Sincere Navigation Corporation (the “Company”) was incorporated in 1968 with an original capital of \$1,000. On December 31, 1988, the Company was the surviving company in the merger with Karson and Tai Hsing Navigation Corporation to meet operating demands and further improve capital structure. The Company’s shares have been listed on the Taiwan Stock Exchange since December 1989. The Company is engaged in bulk shipping, tug and barge services, and operating a shipping agency.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by to the Board of Directors on March 27, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’.	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional and the Company’s presentation currency.

Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘other gains and losses’.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Accounts receivable

- A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(6) Impairment of financial assets

For debt instruments measured at financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(7) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(8) Inventories

Inventories are bunker inventories remaining on vessel at year end. The vessel of bunker inventory is determined using the first-in, first-out (FIFO) method.

(9) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise the losses in proportion to the ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- E. Pursuant to the "Rules Governing the Preparation of Financial Statements by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(10) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	42 years
Vessels and equipment	2.5 ~ 20 years
Office equipment	3 ~ 7 years

(11) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(12) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(13) Accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(14) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(15) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(16) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(17) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(18) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Board of Directors. Cash dividends are recorded as liabilities.

(19) Revenue recognition

A. Revenue recognition of services:

Revenue from providing services is recognised in the accounting period in which the services are rendered. For contract, revenue is recognised based on the percentage of completion of service rendered. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of tangible assets

The Company assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause material impairment on assets in the future.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Checking accounts and demand deposits	\$ <u>232,583</u>	\$ <u>206,510</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash pledged to others.

(2) Investments accounted for using equity method

A. The details of investments are as follows:

	December 31, 2019	December 31, 2018
Republic of Liberia-Norley Corporation Inc.	\$ 11,851,642	\$ 11,978,611
Marshall Islands-Heywood Limited	5,412,966	5,501,944
	\$ <u>17,264,608</u>	\$ <u>17,480,555</u>

B. The Company's share of profit of subsidiaries accounted for using equity method is listed below:

	For the years ended December 31,	
	2019	2018
Republic of Liberia-Norley Corporation Inc.	\$ 199,469	\$ 4,898
Marshall Islands-Heywood Limited	44,888	238,244
	\$ <u>244,357</u>	\$ <u>243,142</u>

Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements for the year ended December 31, 2019.

(3) Property, plant and equipment

	Land	Buildings and structures	Vessels and equipment	Office equipment	Total
<u>At January 1, 2019</u>					
Cost	\$ 90,215	\$ 28,191	\$ 931,500	\$ 2,358	\$ 1,052,264
Accumulated depreciation	-	(15,953)	(455,223)	(1,625)	(472,801)
	<u>\$ 90,215</u>	<u>\$ 12,238</u>	<u>\$ 476,277</u>	<u>\$ 733</u>	<u>\$ 579,463</u>
<u>2019</u>					
Opening net book amount	\$ 90,215	\$ 12,238	\$ 476,277	\$ 733	\$ 579,463
Retirement - cost	-	-	-	(750)	(750)
- accumulated depreciation	-	-	-	750	750
Depreciation	-	(656)	(59,309)	(175)	(60,140)
Closing net book amount	<u>\$ 90,215</u>	<u>\$ 11,582</u>	<u>\$ 416,968</u>	<u>\$ 558</u>	<u>\$ 519,323</u>
<u>At December 31, 2019</u>					
Cost	\$ 90,215	\$ 28,191	\$ 931,500	\$ 1,608	\$ 1,051,514
Accumulated depreciation	-	(16,609)	(514,532)	(1,050)	(532,191)
	<u>\$ 90,215</u>	<u>\$ 11,582</u>	<u>\$ 416,968</u>	<u>\$ 558</u>	<u>\$ 519,323</u>

	Land	Buildings and structures	Vessels and equipment	Office equipment	Total
<u>At January 1, 2018</u>					
Cost	\$ 90,215	\$ 28,191	\$ 931,500	\$ 2,244	\$ 1,052,150
Accumulated depreciation	-	(15,297)	(395,914)	(1,416)	(412,627)
	<u>\$ 90,215</u>	<u>\$ 12,894</u>	<u>\$ 535,586</u>	<u>\$ 828</u>	<u>\$ 639,523</u>
<u>2018</u>					
Opening net book amount	\$ 90,215	\$ 12,894	\$ 535,586	\$ 828	\$ 639,523
Additions	-	-	-	114	114
Depreciation	-	(656)	(59,309)	(209)	(60,174)
Closing net book amount	<u>\$ 90,215</u>	<u>\$ 12,238</u>	<u>\$ 476,277</u>	<u>\$ 733</u>	<u>\$ 579,463</u>
<u>At December 31, 2018</u>					
Cost	\$ 90,215	\$ 28,191	\$ 931,500	\$ 2,358	\$ 1,052,264
Accumulated depreciation	-	(15,953)	(455,223)	(1,625)	(472,801)
	<u>\$ 90,215</u>	<u>\$ 12,238</u>	<u>\$ 476,277</u>	<u>\$ 733</u>	<u>\$ 579,463</u>

A. The estimated useful lives of the Company's significant components of vessels and equipment are as follows:

(a) Vessel	20 years
(b) Repairs and dry-dock inspection of vessel	2.5 years

B. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation: None.

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(4) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 120,000	1.20%	Land, buildings and promissory notes
Unsecured borrowings	680,000	1.20%~1.30%	Promissory notes
	<u>\$ 800,000</u>		
Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 120,000	1.20%	Land, buildings and promissory notes
Unsecured borrowings	680,000	1.15%~1.30%	Promissory notes
	<u>\$ 800,000</u>		

The credit lines for the Company's short-term borrowings are as follows:

	December 31, 2019	December 31, 2018	Footnote
Fred Tsai	\$ -	\$ 500,000	Promissory notes
Jack Hsu	500,000	-	
The Company	174,000	-	Promissory notes
Jointly guaranteed by Fred Tsai and the Company	200,000	574,000	Promissory notes
Jointly guaranteed by Jack Hsu and the Company	200,000	-	Promissory notes
	<u>\$ 1,074,000</u>	<u>\$ 1,074,000</u>	

(5) Pensions

A. Defined benefit pension plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be

subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	(\$ 60,177)	(\$ 57,287)
Fair value of plan assets	<u>27,610</u>	<u>25,779</u>
Net defined benefit liability	<u>(\$ 32,567)</u>	<u>(\$ 31,508)</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2019			
Balance at January 1	(\$ 57,287)	\$ 25,779	(\$ 31,508)
Current service cost	(487)	-	(487)
Interest (expense) income	(516)	<u>232</u>	(284)
	<u>(58,290)</u>	<u>26,011</u>	<u>(32,279)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,005	1,005
Change in financial assumptions	(915)	-	(915)
Experience adjustments	(972)	-	(972)
	<u>(1,887)</u>	<u>1,005</u>	<u>(882)</u>
Pension fund contribution	-	594	594
Paid pension	-	-	-
Balance at December 31	<u>(\$ 60,177)</u>	<u>\$ 27,610</u>	<u>(\$ 32,567)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	(\$ 61,530)	\$ 28,052	(\$ 33,478)
Current service cost	(778)	-	(778)
Interest (expense) income	(554)	252	(302)
	<u>(62,862)</u>	<u>28,304</u>	<u>(34,558)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	934	934
Change in financial assumptions	-	-	-
Experience adjustments	908	-	908
	<u>908</u>	<u>934</u>	<u>1,842</u>
Pension fund contribution	-	1,027	1,027
Paid pension	4,667	(4,486)	181
Balance at December 31	<u>(\$ 57,287)</u>	<u>\$ 25,779</u>	<u>(\$ 31,508)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

- (e) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2019	2018
Discount rate	0.70%	0.90%
Future salary increases	3.25%	3.25%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 1,141)	\$ 1,177	\$ 996	(\$ 972)
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ 1,181)	\$ 1,219	\$ 1,047	(\$ 1,021)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2020 amount to \$537.

B. Defined contribution pension plan

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were \$2,539 and \$2,602, respectively.

(6) Share capital

- A. As of December 31, 2019, the Company’s authorised capital was \$7,000,000 and the paid-in capital was \$5,853,533, consisting of 585,353,297 common shares with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. The stockholders at their stockholders’ meeting on June 28, 2019 adopted a resolution to increase its capital for 17,049,126 shares through capitalization of unappropriated retained earnings of \$170,491. The capital increase was approved by the Financial Supervisory Commission, Securities and Futures Bureau on August 22, 2019. The effective date for the issuance of shares was set on September 28, 2019 and the registration was completed.

(7) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2019			
	<u>At January 1</u>	<u>Overdue unclaimed cash dividends</u>	<u>Difference between consideration and carrying amount of subsidiaries acquired</u>	<u>At December 31</u>
Treasury share transactions	\$ 39,243	\$ -	\$ -	\$ 39,243
Difference between consideration and carrying amount of subsidiaries acquired or disposed	10,350	-	188,989	199,339
Other	2,654	753	-	3,407
Total	<u>\$ 52,247</u>	<u>\$ 753</u>	<u>\$ 188,989</u>	<u>\$ 241,989</u>

	2018		
	<u>At January 1</u>	<u>Overdue unclaimed cash dividends</u>	<u>At December 31</u>
Treasury share transactions	\$ 39,243	\$ -	\$ 39,243
Difference between consideration and carrying amount of subsidiaries acquired or disposed	10,350	-	10,350
Others	1,432	1,222	2,654
Total	<u>\$ 51,025</u>	<u>\$ 1,222</u>	<u>\$ 52,247</u>

(8) Retained earnings

A. Based on the Company's Articles of Incorporation, the Company's net income (less income taxes and prior years' losses, if any) is appropriated in the following order:

- (a) 10% for legal reserve.
- (b) Special reserve.
- (c) Appropriation of remaining earnings according to the decision of the Board of Directors and stockholders.

Provided that full or part of the distributable dividends and bonus, capital surplus or legal reserve

are distributed in the form of cash, the regulation in relation to approval from the stockholders for the above is not applicable.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. Appropriation of earnings

- (a) The appropriation of 2018 and 2017 earnings had been resolved at the stockholders' meeting on June 28, 2019 and June 27, 2018, respectively. Details are summarised below:

	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 6,178		\$ 51,140	
Special reserve	-		1,449,439	
Cash dividends	113,661	\$ 0.20	340,983	\$ 0.60
Stock dividends	170,491	0.30	-	-
	<u>\$ 290,330</u>		<u>\$ 1,841,562</u>	
Reversal of special reserve	<u>(\$ 555,339)</u>		<u>\$ -</u>	

- (b) Subsequent events: the appropriation of 2019 earnings had been proposed by the Board of Directors on March 27, 2020. Details are summarised below:

	2019	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 8,761	
Special reserve	425,661	
Cash dividends	292,677	\$ 0.50
	<u>\$ 727,099</u>	

As of March 27, 2020, aforementioned appropriation of 2019 earnings has not yet been resolved at the stockholders' meeting, except for cash dividends which had already been decided by the Board of Directors and only need to be reported at the stockholders' meeting.

E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(14).

(9) Operating revenue

	For the years ended December 31,	
	2019	2018
Revenue from contracts with customers	\$ <u>78,976</u>	\$ <u>97,242</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of services over time in the following major categories:

For the year ended December 31, 2019	Bulk carrier	Management service	Total
Revenue from external customer contracts	\$ <u>76,327</u>	\$ <u>2,649</u>	\$ <u>78,976</u>
Timing of revenue recognition			
Over time	\$ <u>76,327</u>	\$ <u>2,649</u>	\$ <u>78,976</u>
For the year ended December 31, 2018	Bulk carrier	Management service	Total
Revenue from external customer contracts	\$ <u>94,674</u>	\$ <u>2,568</u>	\$ <u>97,242</u>
Timing of revenue recognition			
Over time	\$ <u>94,674</u>	\$ <u>2,568</u>	\$ <u>97,242</u>

B. Contract assets and liabilities

The Company has recognised the following revenue-related contract assets and liabilities:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract assets- bulk carrier	\$ <u>96,022</u>	\$ <u>23,105</u>	\$ <u>4,448</u>
Contract liabilities- bulk carrier	\$ <u>24,131</u>	\$ <u>167</u>	\$ <u>14,464</u>

C. For the years ended December 31, 2019 and 2018, contract liabilities at the beginning of the year amounted to \$167 and \$14,464, respectively, which were fully recognised as operating revenue in the same year.

(10) Other income

	For the years ended December 31,	
	2019	2018
Interest income	\$ 1,081	\$ 804
Fee income from endorsements and guarantees	4,205	26,124
Rent income	366	366
Other income - others	811	1,157
Total	<u>\$ 6,463</u>	<u>\$ 28,451</u>

(11) Other gains and losses

	For the years ended December 31,	
	2019	2018
Net currency exchange gains (losses)	<u>\$ 36,193</u>	<u>(\$ 45,586)</u>

(12) Finance costs

	For the years ended December 31,	
	2019	2018
Interest expense:		
Bank borrowings	\$ 10,106	\$ 10,520
Finance costs	<u>\$ 10,106</u>	<u>\$ 10,520</u>

(13) Expenses by nature

	For the years ended December 31,					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 41,495	\$ 59,051	\$ 100,546	\$ 40,269	\$ 52,946	\$ 93,215
Depreciation	59,309	831	60,140	59,309	865	60,174
Amortisation	-	102	102	-	102	102

(14) Employee benefit expense

	For the years ended December 31,					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Wages and salaries	\$ 34,938	\$ 46,193	\$ 81,131	\$ 33,934	\$ 41,122	\$ 75,056
Labor and health insurance fees	1,840	3,137	4,977	1,854	3,213	5,067
Pension costs	1,217	2,093	3,310	1,300	2,382	3,682
Directors' remuneration	-	5,675	5,675	-	4,230	4,230
Other personnel expenses	3,500	1,953	5,453	3,181	1,999	5,180
Total	<u>\$ 41,495</u>	<u>\$ 59,051</u>	<u>\$ 100,546</u>	<u>\$ 40,269</u>	<u>\$ 52,946</u>	<u>\$ 93,215</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$3,905 and \$3,120, respectively; while directors' and supervisors' remuneration was accrued at \$3,905 and \$3,120, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 3% of distributable profit of current year for the year ended December 31, 2019. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were both \$3,905, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2018 were \$3,120, as resolved by the Board of Directors and were in agreement with those amounts recognised in the 2018 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

- C. For 2019 and 2018, the average number of the Company's employees per month were 54 and 53 employees, of which 6 and 7 directors were not the Company's employees, respectively.

D. (a) For the years ended December 31, 2019 and 2018, the average employee benefit expense was \$1,976 and \$1,934, respectively.

(b) For the years ended December 31, 2019 and 2018, the average employee salary expense was \$1,690 and \$1,632, respectively.

(c) Changes in adjustments of the average employee salaries and wages was 3.55%.

(15) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ -	\$ 92,978
Prior year income tax underestimation	902	3,480
Total current tax	902	96,458
Deferred tax:		
Impact of change in tax rate	-	14,925
Origination and reversal of temporary differences	33,030	(75,412)
Total deferred tax	33,030	(60,487)
Income tax expense	\$ 33,932	\$ 35,971

(b) The income tax credit relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2019	2018
Remeasurement of defined benefit obligations	(\$ 176)	\$ 101
Impact of change in tax rate	-	(267)
	(\$ 176)	(\$ 166)

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 24,449	\$ 19,549
Prior year income tax underestimation	902	3,480
Effects from estimated backward remittance of earnings	8,581	(1,983)
Impact of change in tax rate	-	14,925
Income tax expense	<u>\$ 33,932</u>	<u>\$ 35,971</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Income tax loss	\$ -	\$ 4,187	\$ -	\$ 4,187
Unrealised exchange loss	14,917	(14,917)	-	-
Unfunded pension expense	6,302	35	176	6,513
Unused compensated absences	342	45	-	387
Subtotal	<u>21,561</u>	<u>(10,650)</u>	<u>176</u>	<u>11,087</u>
— Deferred tax liabilities:				
Unrealised investments income	(44,237)	(12,725)	-	(56,962)
Unrealised exchange gain	-	(9,655)	-	(9,655)
Subtotal	<u>(44,237)</u>	<u>(22,380)</u>	<u>-</u>	<u>(66,617)</u>
Total	<u>(\$ 22,676)</u>	<u>(\$ 33,030)</u>	<u>\$ 176</u>	<u>(\$ 55,530)</u>

2018				
			Recognised in other comprehensive income	
	January 1	Recognised in profit or loss		December 31
Temporary differences:				
— Deferred tax assets:				
Unrealised exchange loss	\$ -	\$ 14,917	\$ -	\$ 14,917
Unfunded pension expense	5,674	729	(101)	6,302
Unused compensated absences	322	20	-	342
Subtotal	5,996	15,666	(101)	21,561
— Deferred tax liabilities:				
Unrealised investments income	(87,019)	42,782	-	(44,237)
Unrealised exchange gain	(2,039)	2,039	-	-
Subtotal	(89,058)	44,821	-	(44,237)
Total	<u>(\$ 83,062)</u>	<u>\$ 60,487</u>	<u>(\$ 101)</u>	<u>(\$ 22,676)</u>

- D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2019 and 2018, the amounts of temporary differences unrecognised as deferred tax liabilities were \$16,715,294 and \$17,183,856, respectively.
- E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.
- F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(16) Earnings per share

For the year ended December 31, 2019			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 88,316	585,353	\$ 0.15
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 88,316	585,353	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	232	-
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 88,316	585,585	\$ 0.15

For the year ended December 31, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 61,777	585,353	\$ 0.11
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	61,777	585,353	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	196	-
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 61,777	585,549	\$ 0.11

(17) Changes in liabilities from financing activities

2019			
	Short-term borrowings	Other payables - related party	Liabilities from financing activities-gross
At January 1	\$ 800,000	\$ 1,536,000	\$ 2,336,000
Changes in cash flow from financing activities	-	149,900	149,900
Impact of changes in foreign exchange rate	-	(37,000)	(37,000)
At December 31	\$ 800,000	\$ 1,648,900	\$ 2,448,900

	2018			
	Short-term borrowings	Other payables - related party	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 760,000	\$ 1,488,000	\$ 75,114	\$ 2,323,114
Changes in cash flow from financing activities	40,000	-	(75,997)	(35,997)
Impact of changes in foreign exchange rate	-	48,000	883	48,883
At December 31	<u>\$ 800,000</u>	<u>\$ 1,536,000</u>	<u>\$ -</u>	<u>\$ 2,336,000</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Universal Mariners S.A. (U.M.S.A.)	Other related party (It became a non-related party since January 1, 2019)
Oak Maritime (Hong Kong) Inc. Limited (Oak HK)	Other related party
Oak Maritime (Agencies) Inc. (OMA)	Other related party
Oak Agencies Limited (OAL)	Other related party
Asia Century Navigation Co., Ltd.	Other related party
Diamonds Ocean Limited	Other related party
World Sea Navigation Limited	Other related party

Note: For related party transactions of subsidiaries, second-tier subsidiaries and third-tier subsidiaries and names and relationship of related parties, please refer to Note 4(3) in the consolidated financial statements.

(2) Significant related party transactions and balances

A. Operating revenue

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Management revenue:		
Other related parties	<u>\$ 2,649</u>	<u>\$ 2,568</u>

Management revenue is the agent revenue arising from vessel agent contract. Sales of services are based on the price lists in force and terms that would be available to the third parties.

B. Operating costs

	For the years ended December 31,	
	2019	2018
Commission expense:		
Other related party	\$ 985	\$ 1,238

C. Operating expense

	For the years ended December 31,	
	2019	2018
Agency fee:		
Other related party	\$ -	\$ 288

D. Other income

	For the years ended December 31,	
	2019	2018
Fee income from endorsements and guarantees:		
Pacifica Maritime Limited	\$ 1,299	\$ 1,508
Kenmore Shipping Inc.	-	4,177
Everwin Maritime Limited	566	3,638
Second-tier subsidiaries	2,340	16,801
	\$ 4,205	\$ 26,124

E. Other receivables / payables

Other receivables / payables arising from agent revenue, prepayments on behalf of other related parties or agents, advances and fee income from endorsements and guarantees, are as follows:

	December 31, 2019	December 31, 2018
Receivables:		
Norley Corporation Inc.	\$ 3,298	\$ 5,202
Heywood Limited	3,443	982
Other related parties	233	-
	\$ 6,974	\$ 6,184
Payables:		
Other related parties	\$ 883	\$ 925

F. On July 16, 2019 and July 3, 2018, the stockholders of subsidiaries during their meeting resolved to distribute dividends amounting to \$223,632 (US\$7,200 thousand) and \$523,912 (US\$17,200 thousand), respectively and the Company received the above dividends from subsidiaries in July 2019 and 2018, respectively.

G. Financing (shown as ‘other payables to related parties’)

For the year ended December 31, 2019				
	Maximum balance	Ending balance	Interest rate	Total interest expense
Norley Corporation Inc.	\$ 2,008,500	\$ 1,049,300	-	-
Heywood Limited	1,236,000	599,600	-	-
	<u>\$ 3,244,500</u>	<u>\$ 1,648,900</u>		
	(US\$ 105,000 thousand)	(US\$ 55,000 thousand)		

For the year ended December 31, 2018				
	Maximum balance	Ending balance	Interest rate	Total interest expense
Norley Corporation Inc.	\$ 1,892,150	\$ 921,600	-	-
Heywood Limited	1,164,400	614,400	-	-
	<u>\$ 3,056,550</u>	<u>\$ 1,536,000</u>		
	(US \$105,000 thousand)	(US \$50,000 thousand)		

H. The Company contracted to render transportation services for the year ended December 31, 2019 and 2018 and executed the contract by sub-contracting it to its second-tier subsidiary who provides chartered ship service with the same contractual terms. The revenue and costs arising from this transaction are expressed as a consolidated net amount in the financial statements. The details on transactions are as follows:

For the year ended December 31, 2019			
	Amount	Ending balance of payables	Ending balance of prepayments
Ocean Grace Limited	\$ 517,314	\$ 6,084	\$ -
Clifford Navigation Corporation	112,917	-	-
Brighton Shipping Inc.	305,199	43,239	-
Everprime Shipping Limited	112,088	6,990	-
Ocean Wise Limited	185,523	17,162	-
Poseidon Marine Ltd.	161,752	-	-
Maxson Shipping Inc.	333,624	38,095	-
Second-tier subsidiaries	229,389	-	10,831
	<u>\$ 1,957,806</u>	<u>\$ 111,570</u>	<u>\$ 10,831</u>

For the year ended December 31, 2018			
	Amount	Ending balance of payables	Ending balance of prepayments
Ocean Grace Limited	\$ 407,921	\$ 21,511	\$ -
Clifford Navigation Corporation	189,183	-	-
Everprime Shipping Limited	181,989	-	-
Ocean Wise Limited	179,048	-	-
Poseidon Marine Ltd.	142,027	3,932	-
Maxson Shipping Inc.	84,098	38,111	-
Second-tier subsidiaries	281,886	5,596	-
	<u>\$ 1,466,152</u>	<u>\$ 69,150</u>	<u>\$ -</u>

- I. The Company issued promissory notes to Mega Bank as collateral for the indirect investees as resolved by the Board of Directors. Details are as follows:

(In Thousands Of US Dollars)

Investees (Note)	Nature	Outstanding guaranteed balance	
		December 31, 2019	December 31, 2018
Second-tier subsidiary	Guarantee for financing	\$ 92,012	\$ 193,038
Third-tier subsidiary	Guarantee for financing	58,338	67,298
		<u>\$ 150,350</u>	<u>\$ 260,336</u>

Note: For the details on outstanding guarantee balance of second-tier subsidiary and third-tier subsidiary, please refer to Note 13(1)B.

(3) Key management compensation

	For the years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	\$ 22,847	\$ 21,871
Post-employment benefits	464	524
Total	<u>\$ 23,311</u>	<u>\$ 22,395</u>

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

	December 31, 2019	December 31, 2018	Purpose
Guarantee deposits paid (shown as other non-current assets)	\$ 6,922	\$ 6,922	Deposit of golf certificates
Land, building and structures	100,250	100,818	Credit lines of short-term borrowings
	<u>\$ 107,172</u>	<u>\$ 107,740</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. For the details on the endorsements and guarantees provided by the Company to the indirect investees, please refer to Note 7(2) I.

B. The Company issued notes payable as guarantee for credit lines. Please refer to Note 6(4) for details.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For the details of the appropriation of 2019 earnings as proposed by the Board of Directors, please refer to Note 6(8) D.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 232,583	\$ 206,510
Accounts receivable, net	29,951	20,676
Other receivables	12,457	15,008
Other receivables - related parties	6,974	6,184
Guarantee deposits paid (recorded as other non-current assets')	6,922	6,922
	<u>\$ 288,887</u>	<u>\$ 255,300</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 800,000	\$ 800,000
Other payables	31,145	28,851
Other payables - related parties	1,761,353	1,606,075
	<u>\$ 2,592,498</u>	<u>\$ 2,434,926</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and JPY. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD). The information on assets and liabilities denominated in foreign currencies

whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2019			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 12,400	29.98	\$ 372,538
<u>Long-term equity investments accounted for using the equity method</u>			
USD : NTD	575,871	29.98	17,264,608
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 59,265	29.98	\$ 1,777,065
December 31, 2018			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 8,701	30.72	\$ 267,298
<u>Long-term equity investments accounted for using the equity method</u>			
USD:NTD	569,028	30.72	17,480,555
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 52,691	30.72	\$ 1,618,634

iii. Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company.

For the year ended December 31, 2019			
Exchange gain (loss)			
Foreign currency	amount	Exchange rate	Book value
	(In thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	29.98	(\$ 7,844)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	29.98	\$ 130,707
For the year ended December 31, 2018			
Exchange gain (loss)			
Foreign currency	amount	Exchange rate	Book value
	(In thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	30.72	\$ 6,084
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	30.72	(\$ 92,672)

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the year ended December 31, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 3,725	\$ -
<u>Long-term equity investments accounted for using the quity mehtod</u>			
USD:NTD	1%	-	172,646
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 17,771	\$ -
For the year ended December 31, 2018			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,673	\$ -
<u>Long-term equity investments accounted for using the quity mehtod</u>			
USD:NTD	1%	-	174,806
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 16,186	\$ -

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the contract cash flows of the accounts receivable based on the agreed terms.

- ii. The Company manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms and obligation completed, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company classifies customers' accounts receivable in accordance with customer types. The Company applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2019 and 2018, the Company's written-off financial assets that are still under recourse procedures amounted to \$334 and \$0, respectively.
- viii. The Company used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default

possibility of accounts receivable and lease payments receivable. On December 31, 2019 and 2018, the provision matrix is as follows:

<u>December 31, 2019</u>	<u>Not past due</u>	<u>Total</u>
Expected loss rate	Approximately 0%	
Total book value	\$ 29,951	\$ 29,951
Loss allowance	\$ -	\$ -

<u>December 31, 2018</u>	<u>Not past due</u>	<u>Total</u>
Expected loss rate	Approximately 0%	
Total book value	\$ 20,676	\$ 20,676
Loss allowance	\$ -	\$ -

ix. The ageing analysis of accounts receivable is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due	\$ 29,951	\$ 20,676

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury.
- iii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>Non-derivative financial liabilities</u>			
December 31, 2019			
	<u>Up to 1 year</u>	<u>Between 1 year and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 800,000	\$ -	\$ -
Other payables	31,145	-	-
Other payables - related parties	1,761,353	-	-
<u>Non-derivative financial liabilities:</u>			
December 31, 2018			
	<u>Up to 1 year</u>	<u>Between 1 year and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 800,000	\$ -	\$ -
Other payables	28,851	-	-
Other payables - related parties	1,606,075	-	-

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

Not applicable.

SINCERE NAVIGATION CORPORATION
DETAILS OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(EXPRESSED IN THOUDSANDS OF NEW TAIWAN DOLLARS)

Items	Summary	Amount
Cash on hand and petty cash		\$ 10
Checking accounts		13
Demand deposits		
— NTD		\$ 10,767
— USD	USD \$ 7,396 thousand rate 29.98	221,742
— JPY	JPY \$ 183 thousand rate 0.2760	51
		<u>232,560</u>
		<u>\$ 232,583</u>

SINCERE NAVIGATION CORPORATION
DETAILS OF INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Name	Balance at January 1, 2019		Investment	Additions	Reductions	Cumulative	Balance at December 31, 2019				
	Number of	Amount	income	Amount	(Note)	translation	Number of	Ownership	Amount	Net assets	Collateral
	Shares		Amount	Amount	Amount	adjustment	Shares				
Norley Corporation Inc.	500	\$ 11,978,611	\$ 199,469	\$ 188,989	(\$ 223,632)	(\$ 291,795)	500	100%	\$ 11,851,642	\$ 11,851,642	None
Heywood Limited	500						500	100%			"
		5,501,944	44,888	-	-	(133,866)			5,412,966	5,412,966	
		<u>\$ 17,480,555</u>	<u>\$ 244,357</u>	<u>\$ 188,989</u>	<u>(\$ 223,632)</u>	<u>(\$ 425,661)</u>			<u>\$ 17,264,608</u>	<u>\$ 17,264,608</u>	

Note: The reduction amounts pertain to cash dividends distributed by subsidiaries, please refer to Note 7.(2)F.

SINCERE NAVIGATION CORPORATION
CLASS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	At January 1, 2019	Additions	Disposals	Retirement	At December 31, 2019
Cost					
Land	\$ 90,215	\$ -	\$ -	\$ -	\$ 90,215
Buildings	28,191	-	-	-	28,191
Office equipment	2,358	-	-	(750)	1,608
Vessels and equipment	931,500	-	-	-	931,500
	<u>\$ 1,052,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 750)</u>	<u>\$ 1,051,514</u>
Accumulated depreciation					
Buildings	(\$ 15,953)	(\$ 656)	\$ -	\$ -	(\$ 16,609)
Office equipment	(1,625)	(175)	-	750	(1,050)
Vessels and equipment	(455,223)	(59,309)	-	-	(514,532)
	<u>(\$ 472,801)</u>	<u>(\$ 60,140)</u>	<u>\$ -</u>	<u>\$ 750</u>	<u>(\$ 532,191)</u>
Book value	<u>\$ 579,463</u>	<u>(\$ 60,140)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519,323</u>

Note: Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

SINCERE NAVIGATION CORPORATION
SHORT-TERM LOANS
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Type	Bank	Balance at December 31, 2019	Term of contract	Interest rate (%)	Loan Commitments	Collateral	Note
Guaranteed borrowings	Mega Bank	\$ 120,000	within one year	1.20%	\$ 174,000	Land, buildings and promissory notes	
Unsecured borrowings	First Bank	320,000	within one year	1.27%	500,000	Guaranteed by the chairman	
"	Fubon Bank	120,000	within one year	1.20%	200,000	Promissory notes, guaranteed by the chairman	
"	Taiwan Bank	120,000	within one year	1.28%	200,000	Promissory notes, guaranteed by the director	
"	Chang Hwa	120,000	within one year	1.30%	200,000		
		<u>\$ 800,000</u>					

SINCERE NAVIGATION CORPORATION
DETAILS OF OPERATIONG REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUDSANDS OF NEW TAIWAN DOLLARS)

Items	Summary	Amount
Voyage Charter	Average rent per day × Total days	\$ 76,327
	\$ 231,952.77 329.06	
Management service		2,649
		\$ 78,976

SINCERE NAVIGATION CORPORATION
DETAILS OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUDSANDS OF NEW TAIWAN DOLLARS)

Items	Amount
Crew salaries	\$ 34,938
Pensions	1,217
Survey fees	1,942
Crew travel expenses	1,258
Commission	1,820
Repairs and maintenance expenses	1,479
Insurance	5,847
Depreciation	59,309
Fuel cost	8,939
Material fee	17,280
Agency fees	237
Crew meals expenses	1,807
Other cost	4,218
	\$ 140,291

SINCERE NAVIGATION CORPORATION
DETAILS OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUDSANDS OF NEW TAIWAN DOLLARS)

Items	Amount
Payroll expenses	\$ 46,193
Directors' remuneration	5,675
Pension	2,093
Office supplies expenses	223
Travelling expenses	5,098
Postage and phone/Fax expense	795
Repairs and maintenance expenses	174
Utility fee	233
Insurance	3,589
Entertainment	1,566
Taxes	438
Depreciation	831
Amortisation	102
Meals expenses	734
Employee benefits	1,187
Professional service fees	4,430
Other expenses	19,649
	<u>\$ 93,010</u>

SINCERE NAVIGATION CORPORATION
DETAILS OF LABOR, DEPRECIATION AND AMORTISATION BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUDSANDS OF NEW TAIWAN DOLLARS)

Please refer to Note 6.(13)(14) of the Financial Report.

Sincere Navigation Corporation
Loans to others
For the year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)	Footnote
													Item	Value			
0	Sincere Navigation Corporation	None													\$ 4,649,351	\$ 6,199,134	
1	Norley Corporation Inc.	Sincere Navigation Corporation	Other receivables - related parties	Y	\$ 2,008,500	\$ 1,049,300	\$ 1,049,300	-	2	-	Working capital	-	-	-	3,555,493	4,740,657	The maximum amount amounted to USD 65,000,000 for the current period, and the actual amount was USD 35,000,000 at the end of year.
2	Norley Corporation Inc.	Kenmore Shipping Inc.	Other receivables - related parties	Y	684,272	-	-	-	2	-	Repayment of loan	-	-	-	3,555,493	4,740,657	The maximum amount amounted to USD 22,260,000 for the current period, and the actual was USD 0 at the end of year.
3	Heywood Limited	Sincere Navigation Corporation	Other receivables - related parties	Y	1,236,000	599,600	599,600	-	2	-	Working capital	-	-	-	1,623,890	2,165,186	The maximum amount amounted to USD 40,000,000 for the current period, and the actual was USD 20,000,000 at the end of year.

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: In accordance with the finance procedures of the Company, for business transaction purposes, maximum financing to each subsidiary and total financing is limited to 30% and 40% of the Company's net value, respectively.

For short-term lending purpose, maximum financing to each subsidiary and total financing is limited 30% to 40% of the Company's net value, respectively. The maximum financing between the subsidiaries which are directly or indirectly 100% owned by the Company or between the subsidiaries which are directly or indirectly 100% owned by the Company and the Company is limited to 100% of the lender's net value.

Note 3: Nature of loans is filled as follows:

(1) Fill in 1 for business transactions.

(2) Fill in 2 for short-term financing.

Sincere Navigation Corporation
Provision of endorsements and guarantees to others
For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Sincere Navigation Corporation	Helmsman Navigation Co. Ltd.	3	\$ 15,497,836	\$ 447,930	\$ 424,967	\$ 283,311	\$ -	31.83%	\$ 38,744,590	Y	N	N	Guarantee balance is US\$ 14,175 thousand
0	"	Keystone Shipping Co. Ltd.	3	15,497,836	447,930	424,967	283,311	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US\$ 14,175 thousand
0	"	Ocean Wise Limited	3	15,497,836	599,231	126,336	63,168	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US\$ 4,214 thousand
0	"	Maxson Shipping Inc.	3	15,497,836	509,875	483,736	214,994	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US\$ 16,135 thousand
0	"	Poseidon Marine Ltd.	3	15,497,836	938,520	-	-	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US\$ 0 thousand
0	"	Everwin Maritime Limited	3	15,497,836	715,361	678,687	565,573	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US\$ 22,638 thousand
0	"	Kenmore Shipping Inc.	3	15,497,836	1,025,741	-	-	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US\$ 0 thousand
0	"	Pacifica Maritime Limited	3	15,497,836	2,101,400	1,298,509	1,298,509	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US\$ 43,313 thousand
0	"	Ocean Grace Limited	3	15,497,836	1,411,256	1,070,286	1,070,286	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US\$ 35,700 thousand
0	"	Brighton Shipping Inc.	3	15,497,836	308,384	218,149	218,149	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US\$ 7,277 thousand

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	“	Rockwell Shipping Limited	3	\$ 15,497,836	\$ 298,571	\$ 207,778	\$ 207,778	\$ -	31.83%	\$ 38,744,590	Y	N	N	Guarantee balance is US\$ 6,931 thousand
1	Norley Corporation Inc.	Kenmore Shipping Inc.	3	11,851,642	862,960	760,742	760,742	-	6.42%	29,629,105	Y	N	N	Guarantee balance is US\$ 25,375 thousand

Note 1: The numbers filled in for the endorsements/ guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: According to the Company’s “Procedures for Provision of Endorsements and Guarantees”:

[The Company]

(1) The limit on endorsements and guarantees provided for an individual party shall not exceed the Company's equity.

Those which are provided for an individual party due to business relationship, shall not exceed the total amount of transactions with the Company in the most recent year.

(2) The ceiling on total endorsements and guarantees shall not exceed 250% of the Company's equity.

[The Company and subsidiaries]

(1) The limit on endorsements and guarantees provided for an individual party shall not exceed the Company's equity.

(2) The ceiling on total endorsements and guarantees shall not exceed 300% of the Company's equity.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Sincere Navigation Corporation
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Sincere Navigation Corporation	None		-	-	\$ -	-	\$ -	-
Norley Corporation Inc. (Norley)	Sincere Navigation Corporation	Norley's parent company	\$ 1,049,300 (USD 35,000 thousand)	-	-	-	-	-
Heywood Limited (Heywood)	Sincere Navigation Corporation	Heywood's parent company	\$ 599,600 (USD 20,000 thousand)	-	-	-	-	-

Table 3

Sincere Navigation Corporation
Significant inter-company transactions during the reporting period
For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	Sincere Navigation Corporation	Helmsman Navigation Co. Ltd.	1	Guarantees	\$ 424,967	As per the Company's policy	1.82%
0	"	Keystone Shipping Co. Ltd.	1	"	424,967	"	1.82%
0	"	Everwin Maritime Limited	1	"	678,687	"	2.91%
0	"	Maxson Shipping Inc.	1	"	483,736	"	2.08%
0	"	Pacifica Maritime Limited	1	"	1,298,509	"	5.57%
0	"	Ocean Grace Limited	1	"	1,070,286	"	4.59%
1	Norley Corporation Inc.	Kenmore Shipping Inc.	1	"	760,742	"	3.26%
1	"	Sincere Navigation Corporation	2	Other receivables	1,049,300	"	4.50%
2	Heywood Limited	Sincere Navigation Corporation	2	"	599,600	"	2.57%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary is numbered '1'.

(2) Subsidiary to parent company is numbered '2'.

(3) Subsidiary to subsidiary is numbered '3'.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: The inter-company transactions below 1% of consolidated assets or revenue are not disclosed.

Sincere Navigation Corporation
Information on investees
For the year ended December 31, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as at December 31, 2019 (Note 2)			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Sincere Navigation Corporation	Norley Corporation Inc.	Republic of Liberia	Investment holdings	\$ 29,980 (USD 1,000 thousand)	\$ 30,720 (USD 1,000 thousand)	500	100%	\$ 11,851,642	\$ 199,469	\$ 199,469	Subsidiary
"	Heywood Limited	Marshall Islands	"	29,980 (USD 1,000 thousand)	30,720 (USD 1,000 thousand)	500	100%	5,412,966	44,888	44,888	Subsidiary
Norley Corporation Inc.	Kenmore Shipping Inc.	Marshall Islands	Oil tanker	1,382,378 (USD 46,110 thousand)	1,416,499 (USD 46,110 thousand)	500	100%	1,848,668	70,415	-	Indirectly owned subsidiary
"	Winnington Limited	"	Investment holdings	311,115 (USD 10,377 thousand)	318,794 (USD 10,377 thousand)	500	100%	583,129	19,652	-	Indirectly owned subsidiary
"	Jetwall Co. Ltd.	"	"	1,288,420 (USD 42,976 thousand)	1,320,223 (USD 42,976 thousand)	400	80%	1,494,903	58,316	-	Indirectly owned subsidiary
"	Victory Navigation Inc.	"	"	165 (USD 6 thousand)	169 (USD 6 thousand)	275	55%	424,815	9,205	-	Indirectly owned subsidiary
"	Kingswood Co., Ltd.	"	"	150 (USD 5 thousand)	154 (USD 5 thousand)	250	50%	11,817	92	-	Indirectly owned subsidiary
"	Poseidon Marine Ltd	"	Shipping	240,140 (USD 8,010 thousand)	61,747 (USD 2,010 thousand)	500	100%	1,737,191 (	118,898)	-	Indirectly owned subsidiary
"	Maxson Shipping Inc.	"	"	314,790 (USD 10,500 thousand)	322,560 (USD 10,500 thousand)	500	100%	1,180,524	14,693	-	Indirectly owned subsidiary
"	Ocean Wise Limited	Republic of Liberia	"	610,693 (USD 20,370 thousand)	205,397 (USD 6,686 thousand)	790,500	100%	1,087,526 (	26,124)	-	Indirectly owned subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019 (Note 2)			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				(Note 1)							
				Balance as at December 31, 2019	Balance as at December 31, 2018						
Norley Corporation Inc.	Pacifica Maritime Limited	Marshall Islands	Oil tanker	\$ 1,462,724 (USD 48,790 thousand)	\$ 1,498,829 (USD 48,790 thousand)	500	100%	\$ 1,596,979	\$ 122,102	\$ -	Indirectly owned subsidiary
"	Sky Sea Maritime Limited	"	Investment holdings	479,995 (USD 16,011 thousand)	559,427 (USD 18,211 thousand)	275	55%	576,574	120,537	-	Indirectly owned subsidiary
"	New Frontier Navigation Ltd.	"	Holding in shipbuilding	-	307 (USD 10 thousand)	-	0%	-	-	-	Indirectly owned subsidiary
"	Elroy Maritime Service Inc.	"	Maritime service	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	838	587	-	Indirectly owned subsidiary
Winnington Limited	Peg Shipping Company Limited	Republic of Liberia	Shipping	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	578,098	19,736	-	Indirectly owned subsidiary
Kingswood Co., Ltd.	Seven Seas Shipping Ltd.	Marshall Islands	Oil tanker	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	8,219	170	-	Indirectly owned subsidiary
Jetwall Co. Ltd.	Everwin Maritime Limited	"	"	1,610,526 (USD 53,720 thousand)	1,650,278 (USD 53,720 thousand)	500	100%	1,869,285	58,023	-	Indirectly owned subsidiary
Victory Navigation Inc.	Everprime Shipping Limited	"	Shipping	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	768,943	9,106	-	Indirectly owned subsidiary
Sky Sea Maritime Limited	Ocean Grace Limited	"	"	872,718 (USD 29,110 thousand)	1,017,139 (USD 33,110 thousand)	500	100%	1,048,525	120,472	-	Indirectly owned subsidiary
Elroy Maritime Service Inc.	Oak Maritime (Canada) Inc.	Canada	Martime serve	3,867 (USD 128 thousand)	-	1,000	100%	4,252	401	-	Indirectly owned subsidiary
Heywood Limited	Clifford Navigation Corporation	Marshall Islands	Shipping	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	742,679	20,888	-	Indirectly owned subsidiary
"	Newton Navigation Limited	"	"	-	307 (USD 10 thousand)	-	0%	-	3,955	-	Indirectly owned subsidiary
"	Brighton Shipping Inc.	"	"	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	472,795	21,892	-	Indirectly owned subsidiary

Table 5, Page 2

Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as at December 31, 2019 (Note 2)			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Heywood Limited	Rockwell Shipping Limited	Marshall Islands	Shipping	\$ 300 (USD 10 thousand)	\$ 307 (USD 10 thousand)	500	100%	\$ 339,706	\$ 48,639	\$ -	Indirectly owned subsidiary
"	Howells Shipping Inc.	"	"	360,060 (USD 12,010 thousand)	368,947 (USD 12,010 thousand)	500	100%	889,639	10,725	-	Indirectly owned subsidiary
"	Crimson Marine Company	"	"	1,001,272 (USD 33,398 thousand)	749,507 (USD 24,398 thousand)	500	100%	537,865 (	39,220)	-	Indirectly owned subsidiary
"	Century Shipping Limited	HongKong	Investment holdings	14,990 (USD 500 thousand)	15,360 (USD 500 thousand)	50,000	100%	874	4,688	-	Indirectly owned subsidiary
"	Helmsman Navigation Co. Ltd.	Marshall Islands	Shipping	512,958 (USD 17,110 thousand)	249,139 (USD 8,110 thousand)	500	100%	389,973 (	22,329)	-	Indirectly owned subsidiary
"	Keystone Shipping Co. Ltd.	"	"	467,988 (USD 15,610 thousand)	249,139 (USD 8,110 thousand)	500	100%	396,930 (	3,788)	-	Indirectly owned subsidiary

Note 1: The above balances of initial investments as at December 31, 2019 and 2018 were translated at the closing exchange rates at the balance sheet date.

Note 2: The above carrying amounts of shares held as at December 31, 2019 and net profit (loss) of the investee for the year ended December 31, 2019 were translated at the closing exchange rates at the balance sheet and the average exchange rates for the year ended December 31, 2018, respectively.

Note 3: The liquidation of New Frontier Navigation Ltd. was completed on May 27, 2019.

Note 4: The liquidation of Newton Navigation Limited was completed on July 30, 2019.

Sincere Navigation Corporation
Information on investments in Mainland China
For the year ended December 31, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Haihu Maritime Service (Shanghai) Co., Ltd.	Maritime service	\$ 15,855 (USD 500 thousand)	2	\$ 15,855 (USD 500 thousand)	\$ -	\$ -	\$ 15,855 (USD 500 thousand)	\$ 4,688 (RMB1,048 thousand)	100%	\$ 4,688 (RMB1,048 thousand)	\$ 874 (RMB203 thousand)	\$ -	

Note 1: Investment methods are classified into the following three categories.

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China. (The investee in the third area is Century Shipping Limited)

(3) Others.

Note 2: Investment income (loss) recognised during the year was based on financial statements audited by the Company's CPA.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Haihu Maritime Service (Shanghai) Co., Ltd.	\$ 15,855	\$ 95,130	\$ 9,298,702

Table 6