

SINCERE NAVIGATION CORPORATION
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2021 AND 2020

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.

INDEPENDENT AUDITORS' REPORT 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, 2021 and 2020, 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, financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its 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. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with those requirements. 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 Company's 2021 parent company only financial statements. 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 the Company's 2021 parent company only financial statements are as follows:

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

Description

As of December 31, 2021, the Company's subsidiaries recorded as investments accounted for using equity method amounted to NT\$16,224,007 thousand, constituting 93% of the Company's total assets, while the share of profit of the investments constituted 91% of the Company's profit before tax for the year then ended. Given that the investments significantly affect the Company's financial performance, we considered the reasonableness of V/C revenue recognition timing as a key audit matter.

For accounting policy on revenue recognition and related details of revenue, refer to Notes 4(22) and 6(14) in the financial statements.

Subsidiaries' V/C revenue is recognised as revenue based on the percentage of completion of service 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 the 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 the 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, refer to Notes 4(11) and 5(2) of parent company only financial statements and Notes 4(14), 5(2) and 6(5) 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 the demand for bulk commodities, and is 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 at December 31, 2021, the Group's vessel equipment amounted to NT\$13,286,890 thousand, constituting 62% 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 considered 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 subsequent information within a certain period and compared 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.

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

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

1. Identify and assess the risks of material misstatement of the 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 auditors' 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 auditors' 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 group to express an opinion on the 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.

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.



資誠

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Yi-Fan

Liao, Fu-Ming

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2022

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
DECEMBER 31, 2021 AND 2020

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

Assets		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 217,931	1	\$ 63,943	1
1140	Current contract assets	6(10)	133,402	1	26,106	-
1170	Accounts receivable, net		63,021	1	726	-
1200	Other receivables		25,201	-	13,473	-
1210	Other receivables - related parties	7	3,675	-	2,776	-
1220	Current income tax assets		-	-	106	-
1410	Prepayments	7	16,869	-	3,378	-
11XX	Total current assets		460,099	3	110,508	1
Non-current assets						
1550	Investments accounted for under equity method	6(2)	16,224,007	93	16,485,718	96
1600	Property, plant and equipment	6(3)(4) and 8	659,873	4	484,460	3
1755	Right-of-use assets		508	-	-	-
1780	Intangible assets		249	-	102	-
1840	Deferred income tax assets	6(17)	5,028	-	6,858	-
1900	Other non-current assets	8	6,922	-	6,922	-
15XX	Total non-current assets		16,896,587	97	16,984,060	99
1XXX	Total assets		\$ 17,356,686	100	\$ 17,094,568	100
Liabilities and Equity						
Current liabilities						
2100	Short-term borrowings	6(5) and 8	\$ 850,000	5	\$ 840,000	5
2130	Current contract liabilities	6(10)	49,455	-	1,077	-
2200	Other payables		29,863	-	27,222	-
2220	Other payables - related parties	7	190,070	1	27,424	-
2230	Current income tax liabilities		92,040	1	541	-
2280	Current lease liabilities		470	-	-	-
21XX	Total current liabilities		1,211,898	7	896,264	5
Non-current liabilities						
2570	Deferred income tax liabilities	6(17)	35,658	-	118,233	1
2620	Long-term notes and accounts payable - related parties	7	1,660,800	10	1,566,400	9
2640	Net defined benefit liability, non-current	6(6)	23,598	-	32,853	-
25XX	Total non-current liabilities		1,720,056	10	1,717,486	10
2XXX	Total liabilities		2,931,954	17	2,613,750	15
Equity						
	Share capital	6(7)				
3110	Common stock		5,853,533	34	5,853,533	34
	Capital surplus	6(8)				
3200	Capital surplus		243,203	1	242,611	1
	Retained earnings	6(9)				
3310	Legal reserve		3,185,897	18	3,171,779	19
3320	Special reserve		2,216,073	13	1,349,931	8
3350	Unappropriated retained earnings		5,610,398	32	6,079,037	36
	Other equity interest					
3400	Other equity interest		(2,684,372)	(15)	(2,216,073)	(13)
3XXX	Total equity		14,424,732	83	14,480,818	85
	Significant contingent liabilities and unrecognised contractual commitments	9				
	Significant events after balance sheet date	11				
3X2X	Total liabilities and equity		\$ 17,356,686	100	\$ 17,094,568	100

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

SINCERE NAVIGATION CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

			Year ended December 31			
			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(10) and 7		\$ 261,512	100	\$ 48,255	100
5000 Operating costs	6(15)(16) and 7	(	123,731)	47	(157,725)	(327)
5900 Net operating profit (loss)			137,781	53	(109,470)	(227)
Operating expenses	6(15)(16)					
6200 General and administrative expenses		(	94,611)	37	(85,993)	(178)
6450 Impairment loss determined in accordance with IFRS 9		(	477)	-	-	-
6000 Total operating expenses		(	95,088)	37	(85,993)	(178)
6900 Operating profit (loss)			42,693	16	(195,463)	(405)
Non-operating income and expenses						
7100 Interest income	6(11)		108	-	246	-
7010 Other income	6(12) and 7		5,453	2	4,635	10
7020 Other gains and losses	6(13)		25,868	10	74,686	155
7050 Finance costs	6(14)	(	10,167)	4	(10,080)	(21)
7070 Share of profit of associates and joint ventures accounted for using equity method, net	6(2)		651,788	250	324,292	672
7000 Total non-operating income and expenses			673,050	258	393,779	816
7900 Profit before income tax			715,743	274	198,316	411
7950 Income tax expense	6(17)	(	11,554)	5	(57,020)	(118)
8200 Profit for the year			\$ 704,189	269	\$ 141,296	293
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Actuarial gain (loss) on defined benefit plan	6(6)	\$	136	-	(\$ 146)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(17)	(	27)	-	29	-
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Financial statements translation differences of foreign operations		(	468,299)	179	(866,142)	(1795)
8500 Total comprehensive income (loss) for the year			\$ 235,999	90	(\$ 724,963)	(1502)
Earnings per share						
9750 Basic earnings per share (in dollars)	6(18)		\$ 1.20		\$ 0.24	
9850 Diluted earnings per share (in dollars)	6(18)		\$ 1.20		\$ 0.24	

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
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Capital Reserves			Retained Earnings			Financial statements translation differences of foreign operations	Total equity
Notes	Share capital - common stock	Treasury stock transactions	Difference between consideration and carrying amount of subsidiaries acquired	Capital surplus, others	Legal reserve	Special reserve	Unappropriated retained earnings		
For the year ended December 31, 2020									
Balance at January 1, 2020	\$ 5,853,533	\$ 39,243	\$ 199,339	\$ 3,407	\$ 3,163,018	\$ 924,270	\$ 6,664,957	(\$ 1,349,931)	\$ 15,497,836
Profit for the year	-	-	-	-	-	-	141,296	-	141,296
Other comprehensive loss for the year	-	-	-	-	-	-	(117)	(866,142)	(866,259)
Total comprehensive income (loss)	-	-	-	-	-	-	141,179	(866,142)	(724,963)
Appropriations of 2019 earnings:	6(9)								
Legal reserve	-	-	-	-	8,761	-	(8,761)	-	-
Special reserve	-	-	-	-	-	425,661	(425,661)	-	-
Cash dividends	-	-	-	-	-	-	(292,677)	-	(292,677)
Overdue unclaimed cash dividends	6(8)	-	-	622	-	-	-	-	622
Balance at December 31, 2020	\$ 5,853,533	\$ 39,243	\$ 199,339	\$ 4,029	\$ 3,171,779	\$ 1,349,931	\$ 6,079,037	(\$ 2,216,073)	\$ 14,480,818
For the year ended December 31, 2021									
Balance at January 1, 2021	\$ 5,853,533	\$ 39,243	\$ 199,339	\$ 4,029	\$ 3,171,779	\$ 1,349,931	\$ 6,079,037	(\$ 2,216,073)	\$ 14,480,818
Profit for the year	-	-	-	-	-	-	704,189	-	704,189
Other comprehensive income (loss) for the year	-	-	-	-	-	-	109	(468,299)	(468,190)
Total comprehensive income	-	-	-	-	-	-	704,298	(468,299)	235,999
Appropriations of 2020 earnings:	6(9)								
Legal reserve	-	-	-	-	14,118	-	(14,118)	-	-
Special reserve	-	-	-	-	-	866,142	(866,142)	-	-
Cash dividends	-	-	-	-	-	-	(292,677)	-	(292,677)
Overdue unclaimed cash dividends	6(8)	-	-	592	-	-	-	-	592
Balance at December 31, 2021	\$ 5,853,533	\$ 39,243	\$ 199,339	\$ 4,621	\$ 3,185,897	\$ 2,216,073	\$ 5,610,398	(\$ 2,684,372)	\$ 14,424,732

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	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 715,743	\$ 198,316
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(15)	58,424	58,144
Amortisation	6(15)	59	102
Impairment loss determined in accordance with IFRS 9	12(2)	477	-
Interest income	6(11)	(108)	(246)
Interest expense		10,153	10,080
Investment income accounted for using the equity method	6(2)	(651,788)	(324,292)
Impairment loss recognised in profit or loss, property, plant and equipment	6(4)(13)	24,782	-
Gain on disposal of property, plant and equipment	6(13)	(6,997)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(107,331)	69,916
Accounts receivable		(62,295)	29,225
Other receivables		(12,170)	(1,016)
Other receivables - related parti y		(899)	4,198
Prepayments		(13,491)	30,034
Changes in operating liabilities			
Current contract liabilities		48,378	(23,054)
Other payables		2,801	(4,179)
Other payables - related party		162,617	(85,029)
Accrued pension liabilities		(9,119)	140
Cash inflow (outflow) generated from operations		159,236	(37,661)
Interest received		108	246
Income tax paid		(827)	(605)
Refund of income tax		106	-
Dividends received	7	445,200	237,040
Net cash flows from operating activities		603,823	199,020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(3)	(578,990)	(23,281)
Proceeds from disposal of property, plant and equipment		327,722	-
Acquisition of intangible assets		(206)	-
Net cash flows used in investing activities		(251,474)	(23,281)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(19)	10,000	40,000
Interest paid		(10,313)	(9,824)
Repayment of principal of lease liabilities		(362)	-
Increase in loan from related party	6(19)	138,400	-
Cash dividends paid	6(9)	(292,677)	(292,677)
Overdue unclaimed cash dividends	6(8)	592	622
Net cash flows used in financing activities		(154,360)	(261,879)
Effect of changes in foreign exchange rate		(44,001)	(82,500)
Net increase (decrease) in cash and cash equivalents		153,988	(168,640)
Cash and cash equivalents at beginning of year		63,943	232,583
Cash and cash equivalents at end of year		\$ 217,931	\$ 63,943

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
DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

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 the Board of Directors on March 15, 2022.

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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by the FSC.

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 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	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.

(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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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 consolidated 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

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) 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.

(9) 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

(10) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments.
- The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability; and
 - (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(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 plan

For defined contribution plan, 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 plan

- 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 plan 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 plan 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.

(19) Revenue recognition

Revenue recognition of services

Revenue from providing services is recognised in the accounting period in which the services are rendered. For contracts, 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.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and petty cash	\$ 12	\$ 12
Checking accounts and demand deposits	217,919	63,931
	<u>\$ 217,931</u>	<u>\$ 63,943</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's cash and cash equivalents pledged to others as collateral were classified as other non-current assets. Related information is provided in Note 8.

(2) Investments accounted for using equity method

- A. The details of investments are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Norley Corporation Inc.	\$ 11,141,053	\$ 11,978,770
Heywood Limited	5,082,954	4,506,948
	<u>\$ 16,224,007</u>	<u>\$ 16,485,718</u>

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

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Norley Corporation Inc.	(\$ 59,102)	\$ 747,091
Heywood Limited	710,890	(422,799)
	<u>\$ 651,788</u>	<u>\$ 324,292</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, 2021.

(3) Property, plant and equipment

	Land	Buildings and structures	Vessels and equipment	Office equipment	Total
<u>At January 1, 2021</u>					
Cost	\$ 90,215	\$ 28,191	\$ 938,931	\$ 1,808	\$ 1,059,145
Accumulated depreciation	-	(17,264)	(556,435)	(986)	(574,685)
	<u>\$ 90,215</u>	<u>\$ 10,927</u>	<u>\$ 382,496</u>	<u>\$ 822</u>	<u>\$ 484,460</u>
<u>2021</u>					
Opening net book amount	\$ 90,215	\$ 10,927	\$ 382,496	\$ 822	\$ 484,460
Additions	-	-	577,801	1,189	578,990
Disposal	-	-	(320,725)	-	(320,725)
Impairment loss	-	-	(24,782)	-	(24,782)
Depreciation	-	(656)	(57,098)	(316)	(58,070)
Closing net book amount	<u>\$ 90,215</u>	<u>\$ 10,271</u>	<u>\$ 557,692</u>	<u>\$ 1,695</u>	<u>\$ 659,873</u>
<u>At December 31, 2021</u>					
Cost	\$ 90,215	\$ 28,191	\$ 577,801	\$ 2,997	\$ 699,204
Accumulated depreciation	-	(17,920)	(20,109)	(1,302)	(39,331)
	<u>\$ 90,215</u>	<u>\$ 10,271</u>	<u>\$ 557,692</u>	<u>\$ 1,695</u>	<u>\$ 659,873</u>

	<u>Land</u>	<u>Buildings and structures</u>	<u>Vessels and equipment</u>	<u>Office equipment</u>	<u>Total</u>
<u>At January 1, 2020</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>
<u>2020</u>					
Opening net book amount	\$ 90,215	\$ 11,582	\$ 416,968	\$ 558	\$ 519,323
Additions	-	-	22,831	450	23,281
Retirement - cost	-	-	(15,400)	(250)	(15,650)
- accumulated depreciation	-	-	15,400	250	15,650
Depreciation	-	(655)	(57,303)	(186)	(58,144)
Closing net book amount	<u>\$ 90,215</u>	<u>\$ 10,927</u>	<u>\$ 382,496</u>	<u>\$ 822</u>	<u>\$ 484,460</u>
<u>At December 31, 2020</u>					
Cost	\$ 90,215	\$ 28,191	\$ 938,931	\$ 1,808	\$ 1,059,145
Accumulated depreciation	-	(17,264)	(556,435)	(986)	(574,685)
	<u>\$ 90,215</u>	<u>\$ 10,927</u>	<u>\$ 382,496</u>	<u>\$ 822</u>	<u>\$ 484,460</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. Impairment information about the property, plant and equipment is provided in Note 6(4).

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

(4) Impairment of non-financial assets

A. The Company recognised impairment loss amounting to \$24,782 and \$0 for the years ended December 31, 2021 and 2020, respectively. Details of the loss are as follows:

	<u>For the year ended December 31, 2021</u>	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss-Vessels and equipment-net	<u>\$ 24,782</u>	<u>\$ -</u>

	<u>For the year ended December 31, 2020</u>	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss-Vessels and equipment-net	<u>\$ -</u>	<u>\$ -</u>

B. The impairment loss reported by operating segments is as follows:

	<u>For the year ended December 31, 2021</u>		<u>For the year ended December 31, 2020</u>	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Bulk carrier	<u>\$ 24,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

D. A vessel "Madonna III" held by the Company, whose recoverable amount was lower than the book value, resulted in the recognition of impairment loss. The Company wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss of \$24,782 in the second quarter of 2021. The Company had completed the sale of the vessel in the third quarter of 2021.

(5) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 120,000	1.20%-1.22%	Land, buildings and promissory notes
Unsecured borrowings	730,000	1.10%~1.44%	Promissory notes
	<u>\$ 850,000</u>		

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 120,000	1.20%	Land, buildings and promissory notes
Unsecured borrowings	720,000	1.10%~1.30%	Promissory notes
	<u>\$ 840,000</u>		

Guarantees for the credit line of the Company's short-term borrowings provided by related parties are as follows:

	December 31, 2021	December 31, 2020	Footnote
			Promissory notes
Jack Hsu	<u>\$ 1,100,000</u>	<u>\$ 900,000</u>	/Guarantee

(6) 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, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	(\$ 50,361)	(\$ 58,762)
Fair value of plan assets	<u>26,763</u>	<u>25,909</u>
Net defined benefit liability	<u>(\$ 23,598)</u>	<u>(\$ 32,853)</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, 2021			
Balance at January 1	(\$ 58,762)	\$ 25,909	(\$ 32,853)
Current service cost	(319)	-	(319)
Interest (expense) income	(176)	78	(98)
	<u>(59,257)</u>	<u>25,987</u>	<u>(33,270)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	420	420
Change in demographic assumptions	(30)	-	(30)
Change in financial assumptions	1,412	-	1,412
Experience adjustments	(1,666)	-	(1,666)
	<u>(284)</u>	<u>420</u>	<u>136</u>
Pension fund contribution	-	356	356
Paid pension	<u>9,180</u>	<u>-</u>	<u>9,180</u>
Balance at December 31	<u>(\$ 50,361)</u>	<u>\$ 26,763</u>	<u>(\$ 23,598)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2020			
Balance at January 1	(\$ 60,177)	\$ 27,610	(\$ 32,567)
Current service cost	(391)	-	(391)
Interest (expense) income	(421)	193	(228)
	(60,989)	27,803	(33,186)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	944	944
Change in financial assumptions	(1,519)	-	(1,519)
Experience adjustments	429	-	429
	(1,090)	944	(146)
Pension fund contribution	-	479	479
Paid pension	3,317	(3,317)	-
Balance at December 31	(\$ 58,762)	\$ 25,909	(\$ 32,853)

- (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, 2021 and 2020 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,	
	2021	2020
Discount rate	0.70%	0.30%
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 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 832)	\$ 856	\$ 708	(\$ 693)
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 958)	\$ 986	\$ 811	(\$ 793)

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, 2022 amount to \$334.

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 plan of the Company for the years ended December 31, 2021 and 2020 were \$1,338 and \$2,556, respectively.

(7) Share capital

As of December 31, 2021, 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.

(8) 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.

(9) 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 appropriations of 2020 and 2019 earnings had been resolved at the stockholders' meeting on August 24, 2021 and June 19, 2020, respectively. Details are summarised below:

	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 14,118		\$ 8,761	
Special reserve	866,142		425,661	
Cash dividends	292,677	0.50	292,677	\$ 0.50
	<u>\$ 1,172,937</u>		<u>\$ 727,099</u>	

(b) Subsequent events: the appropriations of 2021 earnings had been proposed by the Board of Directors on March 15, 2022. Details are summarised below:

	2021	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 70,430	
Special reserve	468,299	
Cash dividends	585,353	\$ 1.00
	<u>\$ 1,124,082</u>	

As of March 15, 2022, aforementioned appropriations of 2021 earnings have 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.

(10) Operating revenue

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers	<u>\$ 261,512</u>	<u>\$ 48,255</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 <u>December 31, 2021</u>	Bulk carrier	Management service	Total
Revenue from external customer contracts	<u>\$ 258,976</u>	<u>\$ 2,536</u>	<u>\$ 261,512</u>
Timing of revenue recognition			
Over time	<u>\$ 258,976</u>	<u>\$ 2,536</u>	<u>\$ 261,512</u>
For the year ended <u>December 31, 2020</u>	Bulk carrier	Management service	Total
Revenue from external customer contracts	<u>\$ 45,654</u>	<u>\$ 2,601</u>	<u>\$ 48,255</u>
Timing of revenue recognition			
Over time	<u>\$ 45,654</u>	<u>\$ 2,601</u>	<u>\$ 48,255</u>

B. Contract assets and liabilities

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract assets- bulk carrier	<u>\$ 133,402</u>	<u>\$ 26,106</u>	<u>\$ 96,022</u>
Contract liabilities- bulk carrier	<u>\$ 49,455</u>	<u>\$ 1,077</u>	<u>\$ 24,131</u>

C. For the years ended December 31, 2021 and 2020, contract liabilities at the beginning of the year amounted to \$1,077 and \$24,131, respectively, which were fully recognised as operating revenue in the same year.

(11) Interest income

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	<u>\$ 108</u>	<u>\$ 246</u>

(12) Other income

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Fee income from endorsements and guarantees	<u>\$ 3,418</u>	<u>\$ 3,160</u>
Rent income	<u>366</u>	<u>366</u>
Other income - others	<u>1,669</u>	<u>1,109</u>
	<u>\$ 5,453</u>	<u>\$ 4,635</u>

(13) Other gains and losses

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Net currency exchange gains	<u>\$ 43,690</u>	<u>\$ 74,688</u>
Gains on disposals of property, plant and equipment	<u>6,997</u>	<u>-</u>
Impairment loss of property, plant and equipment	<u>(24,782)</u>	<u>-</u>
Other losses	<u>(37)</u>	<u>(2)</u>
	<u>\$ 25,868</u>	<u>\$ 74,686</u>

(14) Finance costs

	For the years ended December 31,	
	2021	2020
Interest expense:		
Interest expense on bank borrowings	\$ 10,153	\$ 10,080
Lease liabilities	14	-
	<u>\$ 10,167</u>	<u>\$ 10,080</u>

(15) Expenses by nature

	For the years ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense	\$ -	\$ 67,771	\$ 67,771	\$ 41,212	\$ 62,954	\$ 104,166
Depreciation	57,452	972	58,424	57,303	841	58,144
Amortisation	-	59	59	-	102	102

(16) Employee benefit expense

	For the years ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Wages and salaries	\$ -	\$ 52,305	\$ 52,305	\$ 34,981	\$ 49,411	\$ 84,392
Labor and health insurance fees	-	3,350	3,350	1,886	3,058	4,944
Pension costs	-	1,755	1,755	1,254	1,921	3,175
Directors' remuneration	-	9,173	9,173	-	6,987	6,987
Other personnel expenses	-	1,188	1,188	3,091	1,577	4,668
Total	<u>\$ -</u>	<u>\$ 67,771</u>	<u>\$ 67,771</u>	<u>\$ 41,212</u>	<u>\$ 62,954</u>	<u>\$ 104,166</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, 2021 and 2020, employees' compensation was accrued at

\$7,303 and \$5,117, respectively; while directors' and supervisors' remuneration was accrued at \$7,303 and \$5,117, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 1% of distributable profit of current year for the year ended December 31, 2021. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were both \$7,303, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2020 was \$5,117, as resolved by the Board of Directors which was in agreement with the amount recognised in the 2020 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 the years ended December 31, 2021 and 2020, the average number of the Company's employees per month were 33 and 53 employees, of which 6 and 6 directors were not the Company's employees, respectively.
- D. (a) For the years ended December 31, 2021 and 2020, the average employee benefit expense was \$2,170 and \$2,068, respectively.
(b) For the years ended December 31, 2020 and 2019, the average employee salary expense was \$1,937 and \$1,796, respectively.
(c) Changes in adjustments of the average employee salaries and wages was 7.85%.
- E. The Company adopts an independent director system and has no supervisor.
- F. The Company's salary and compensation policy (including directors, supervisors, managers and employees) is as follows:
 - (a) The remuneration committee has established the policy and periodically reviews the performance assessment of directors and managers as well as the policy, system, standard and structure of remuneration, and shall report the recommendations, if any, to the Board of Directors for discussion. Salaries were paid by reference to the industry salary standard, the Company's operational situation and organisational structure, and the necessary adjustments shall be made according to the market salary dynamics, changes in the overall economic and industrial climate, and in compliance with the related laws and regulations.
 - (b) The directors' remuneration shall not be distributed for variable remuneration other than the annual fixed transportation allowance and the remuneration according to the Articles of Incorporation of the Company. The Company's operating objectives, financial position and

directors' responsibilities were fully considered for the directors' remuneration which were linked to the business performance and profit, then shall be reported to the Board of Directors for resolution after the review by the remuneration committee.

- (c) The salary and compensation of managers and employees are based on their education and work background, professional knowledge and expertise, professional seniority as well as personal performance. The salary will be adjusted annually, corresponding to individual performance, according to the overall operating situation of the Company.
- (d) The Company shall distribute year-end bonus according to operating performance and distribute employees' compensation according to pre-tax profit situation, the amount distributed shall be linked to the operating performance and profit, and shall be reported to the Board of Directors for resolution after the review by the remuneration committee.

(17) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 91,467	\$ 562
Prior year income tax underestimation	859	584
Total current tax	92,326	1,146
Deferred tax:		
Origination and reversal of temporary differences	(80,772)	55,874
Total deferred tax	(80,772)	55,874
Income tax expense	\$ 11,554	\$ 57,020

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

	For the years ended December 31,	
	2021	2020
Remeasurement of defined benefit obligations	\$ 27	(\$ 29)

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 143,139	\$ 39,663
Tax exempt income by tax regulation	(130,358)	(64,852)
Effects from loss carryforward	-	67
Prior year income tax underestimation	859	584
Effects from backward remittance of earnings	(2,096)	81,582
Others	-	(24)
Income tax expense	<u>\$ 11,544</u>	<u>\$ 57,020</u>

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

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Income tax loss	\$ 6,570	(\$ 1,823)	(\$ 27)	\$ 4,720
Unfunded pension expense	288	15	-	303
Unused compensated absences	-	5	-	5
	<u>6,858</u>	<u>(1,803)</u>	<u>(27)</u>	<u>5,028</u>
— Deferred tax liabilities:				
Unrealised investment income	(91,136)	91,136	-	-
Unrealised exchange gain	(27,097)	(8,561)	-	(35,658)
	<u>(118,233)</u>	<u>82,575</u>	<u>-</u>	<u>(35,658)</u>
	<u>(\$ 111,375)</u>	<u>\$ 80,772</u>	<u>(\$ 27)</u>	<u>(\$ 30,630)</u>

2020				
			Recognised in other comprehensive income	
	January 1	Recognised in profit or loss		December 31
Temporary differences:				
— Deferred tax assets:				
Income tax loss	\$ 4,187	(\$ 4,187)	\$ -	\$ -
Unfunded pension expense	6,513	28	29	6,570
Unused compensated absences	387	(99)	-	288
	<u>11,087</u>	<u>(4,258)</u>	<u>29</u>	<u>6,858</u>
— Deferred tax liabilities:				
Unrealised investment income	(56,962)	(34,174)	-	(91,136)
Unrealised exchange gain	(9,655)	(17,442)	-	(27,097)
	<u>(66,617)</u>	<u>(51,616)</u>	<u>-</u>	<u>(118,233)</u>
	<u>(\$ 55,530)</u>	<u>(\$ 55,874)</u>	<u>\$ 29</u>	<u>(\$ 111,375)</u>

- D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2021 and 2020, the amounts of temporary differences unrecognised as deferred tax liabilities were \$15,959,503 and \$15,754,556, respectively.
- E. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(18) Earnings per share

For the year ended December 31, 2021			
	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	\$ 704,189	585,353	\$ 1.20
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 704,189	585,353	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	259	-
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 704,189	585,612	\$ 1.20
For the year ended December 31, 2020			
	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	\$ 141,296	585,353	\$ 0.24
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	141,296	585,353	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	230	-
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 141,296	585,583	\$ 0.24

(19) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Long-term notes and accounts payable - related parties	Liabilities from financing activities-gross
At January 1, 2021	\$ 840,000	\$ -	\$ 1,566,400	\$ 2,406,400
Proceeds from borrowings	10,000	-	-	10,000
Additions	-	-	138,400	138,400
Payment of principal	-	(362)	-	(362)
Impact of changes in foreign exchange rate		(1)	(44,000)	(44,001)
Changes in cash flow from financing activities	-	833	-	833
At December 31, 2021	<u>\$ 850,000</u>	<u>\$ 470</u>	<u>\$ 1,660,800</u>	<u>\$ 2,511,270</u>

	Short-term borrowings	Other payables - related parties	Liabilities from financing activities-gross
At January 1, 2020	\$ 800,000	\$ -	\$ 800,000
Changes in cash flow from financing activities	40,000	-	40,000
Reclassification		1,648,900	1,648,900
Impact of changes in foreign exchange rate	-	(82,500)	(82,500)
At December 31, 2020	<u>\$ 840,000</u>	<u>\$ 1,566,400</u>	<u>\$ 2,406,400</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Jack Hsu	Chairman
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 names and relationship of subsidiaries, second-tier subsidiaries and third-tier subsidiaries, please refer to Note 4(3) in the consolidated financial statements.

(2) Significant related party transactions and balances

A. Operating revenue

	For the years ended December 31,	
	2021	2020
Management revenue:		
Other related parties	\$ 2,536	\$ 2,601

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,	
	2021	2020
Cost of services:		
Heywood Limited	\$ 37,217	\$ 1,504
Commission expense:		
Other related party	\$ 6,709	\$ 592

Note: Commission fee of \$6,709 for the year ended December 31, 2021 includes the deduction item of other gains and losses amounting to \$3,343.

C. Other income

	For the years ended December 31,	
	2021	2020
Fee income from endorsements and guarantees:		
Pacifica Maritime Limited	\$ 879	\$ 1,069
Ocean Grace Limited	756	897
Bridge Poiema Limited	1,255	-
Second-tier subsidiaries	528	1,194
	\$ 3,418	\$ 3,160

D. 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, 2021	December 31, 2020
Receivables:		
Norley Corporation Inc.	\$ 3,313	\$ 2,558
Other related parties	362	218
	\$ 3,675	\$ 2,776

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payables:		
Heywood Limited	4,723	690
Other related parties	696	663
	<u>\$ 5,419</u>	<u>\$ 1,353</u>

E. Acquisition of property, plant and equipment:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Keystone Shipping Co. Ltd.	<u>\$ 577,801</u>	<u>\$ -</u>

F. On April 21, 2021 and July 21, 2020, the stockholders of subsidiaries during their meeting resolved to distribute dividends amounting to \$445,200 (US\$16,000 thousand) and \$237,040 (US\$8,000 thousand), respectively and the Company received the above dividends from subsidiaries in May 2021 and July 2020, respectively.

G. Financing (shown as 'long-term notes and accounts payable - related parties' and 'other payables - related parties')

	<u>For the year ended December 31, 2021</u>			
	<u>Maximum balance</u>	<u>Ending balance</u>	<u>Interest rate</u>	<u>Total interest expense</u>
Norley Corporation Inc.	\$ 998,900	\$ 968,800	-	\$ -
Heywood Limited	696,250	692,000	-	-
	<u>\$ 1,695,150</u>	<u>\$ 1,660,800</u>		<u>\$ -</u>
	(US\$ 60,000 thousand)	(US\$ 60,000 thousand)		

	<u>For the year ended December 31, 2020</u>			
	<u>Maximum balance</u>	<u>Ending balance</u>	<u>Interest rate</u>	<u>Total interest expense</u>
Norley Corporation Inc.	\$ 1,058,750	\$ 996,800	-	\$ -
Heywood Limited	605,000	569,600	-	-
	<u>\$ 1,663,750</u>	<u>\$ 1,566,400</u>		<u>\$ -</u>
	(US\$ 55,000 thousand)	(US\$ 55,000 thousand)		

H. The Company was contracted to render transportation services for the years ended December 31, 2021 and 2020 and executed the contract by sub-contracting it to its second-tier subsidiary who provides chartered ship services 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 of the transactions are as follows:

For the year ended December 31, 2021			
	Amount	Ending balance of payables	Ending balance of prepayments
Ocean Grace Limited	\$ 687,067	\$ 73,172	\$ -
Poseidon Marine Ltd.	346,694	13,322	-
Everprime Shipping Limited	339,034	-	13,783
Rockwell Shipping Limited	287,138	10,546	-
Maxson Shipping Inc.	230,494	23,478	-
Ocean Wise Limited	215,315	55,926	-
Second-tier subsidiaries	94,916	8,207	-
	<u>\$ 2,200,658</u>	<u>\$ 184,651</u>	<u>\$ 13,783</u>

For the year ended December 31, 2020			
	Amount	Ending balance of payables	Ending balance of prepayments
Ocean Grace Limited	\$ 348,300	\$ 14,385	\$ -
Brighton Shipping Inc.	96,611	-	-
Everprime Shipping Limited	156,535	-	-
Ocean Wise Limited	187,218	-	-
Poseidon Marine Ltd.	74,178	11,686	-
Maxson Shipping Inc.	102,440	-	-
Second-tier subsidiaries	223,120	-	-
Other related parties	29,435	-	-
	<u>\$ 1,217,837</u>	<u>\$ 26,071</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. Please refer to Note 13(1)B.

J. Other guarantee transactions

Please refer to Note 6(5) for details.

(3) Key management compensation

For the years ended December 31,		
	2021	2020
Salaries and other short-term employee benefits	\$ 27,571	\$ 23,591
Post-employment benefits	530	473
	<u>\$ 28,101</u>	<u>\$ 24,064</u>

8. PLEDGED ASSETS

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Purpose</u>
Guarantee deposits paid (shown as other non-current assets)	\$ 6,922	\$ 6,922	Deposit of golf certificates
Land, building and structures	99,114	99,682	Credit lines of short-term borrowings
	<u>\$ 106,036</u>	<u>\$ 106,604</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) H.

B. The Company has outstanding notes payable for bank financing amounting to \$574,000.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For the details of the appropriation of 2021 earnings as proposed by the Board of Directors, please refer to Note 6(9) 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, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 217,931	\$ 63,943
Accounts receivable, net	63,021	726
Other receivables	25,201	13,473
Other receivables - related parties	3,675	2,776
Guarantee deposits paid (recorded as other non-current assets')	6,922	6,922
	<u>\$ 316,750</u>	<u>\$ 87,840</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 850,000	\$ 840,000
Other payables	29,863	27,222
Other payables - related parties	190,070	27,424
Long-term notes and accounts payable - related parties	1,660,800	1,566,400
	<u>\$ 2,730,733</u>	<u>\$ 2,461,046</u>
Lease liabilities	<u>\$ 470</u>	<u>\$ -</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 cooperation 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 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). 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, 2021			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 15,905	27.68	\$ 440,353
<u>Long-term equity investments accounted for using the equity method</u>			
USD : NTD	\$ 586,127	27.68	\$ 16,224,007
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 67,065	27.68	\$ 1,856,583
December 31, 2020			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 3,631	28.48	\$ 103,199
<u>Long-term equity investments accounted for using the equity method</u>			
USD:NTD	\$ 578,852	28.48	\$ 16,485,718
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 56,155	28.48	\$ 1,599,321

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, 2021			
Exchange gain (loss)			
Foreign currency			
	amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 15,905	27.68	(\$ 1,617)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 67,065	27.68	\$ 44,428
For the year ended December 31, 2020			
Exchange gain (loss)			
Foreign currency			
	amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 3,631	28.48	\$ 4,713
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 56,155	28.48	\$ 82,498

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

For the year ended December 31, 2021			
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%	\$ 4,404	\$ -
<u>Long-term equity investments accounted for using the equity method</u>			
USD:NTD	1%	\$ -	\$ 162,240
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 18,566	\$ -
For the year ended December 31, 2020			
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%	\$ 1,032	\$ -
<u>Long-term equity investments accounted for using the equity method</u>			
USD:NTD	1%	\$ -	\$ 164,857
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 15,993	\$ -

(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 its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, the Company is responsible for managing and analysing the credit risk for each of the 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 the provision matrix to estimate expected credit loss.
- 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. As of December 31, 2021 and 2020, the Company's written-off financial assets that are still under recourse procedures amounted to \$477 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. As of December 31, 2021 and 2020, the provision matrix is as follows:

<u>December 31, 2021</u>	<u>Not past due</u>	<u>Total</u>
Expected loss rate	Approximately 0.03%	
Total book value	<u>\$ 63,021</u>	<u>\$ 63,021</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>

<u>December 31, 2020</u>	<u>Not past due</u>	<u>Total</u>
Expected loss rate	Approximately 0.03%	
Total book value	<u>\$ 726</u>	<u>\$ 726</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2018</u>
Not past due	<u>\$ 63,021</u>	<u>\$ 726</u>

(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.

Non-derivative financial liabilities

December 31, 2021		Up to 1 year	Between 1 year and 5 years	Over 5 years
Short-term borrowings	\$	850,000	\$ -	\$ -
Other payables		29,863	-	-
Other payables - related parties		190,070	-	-
Lease liabilities		474	-	-
Long-term notes and accounts payable - related parties		-	1,660,800	-

Non-derivative financial liabilities:

December 31, 2020		Up to 1 year	Between 1 year and 5 years	Over 5 years
Short-term borrowings	\$	840,000	\$ -	\$ -
Other payables		27,222	-	-
Other payables - related parties		27,424	-	-
Long-term notes and accounts payable - related parties		-	1,566,400	-

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: Please refer to table 3.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 4.
- 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 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

(4) Major shareholders information

Name, number of shares and shareholding ratio of shareholders whose ownership reached 5%: Please refer to table 9.

14. SEGMENT INFORMATION

Not applicable.

SINCERE NAVIGATION CORPORATION
DETAILS OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Summary	Amount
Cash on hand and petty cash		\$ 12
Checking accounts		2
Demand deposits		
— NTD		\$ 2,693
— USD	USD \$ 7,774 thousand rate 27.68	215,180
— JPY	JPY \$ 183 thousand rate 0.2405	44
		217,917
		<u>\$ 217,931</u>

SINCERE NAVIGATION CORPORATION
DETAILS OF INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Name	Balance at January 1, 2021		Investment	Additions	Reductions	Cumulative	Balance at December 31, 2021				
	Number of	Amount	income	Amount	(Note)	translation	Number of	Ownership	Amount	Net assets	Collateral
	Shares		Amount		Amount	adjustment	Shares				
Norley Corporation Inc.	500	\$ 11,978,770	(\$ 59,102)	\$ -	(\$ 445,200)	(\$ 333,415)	500	100%	\$ 11,141,053	\$ 11,141,053	None
Heywood Limited	500	4,506,948	710,890	-	-	(134,884)	500	100%	5,082,954	\$ 5,082,954	"
		<u>\$ 16,485,718</u>	<u>\$ 651,788</u>	<u>\$ -</u>	<u>(\$ 445,200)</u>	<u>(\$ 468,299)</u>			<u>\$ 16,224,007</u>	<u>\$ 16,224,007</u>	

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

SINCERE NAVIGATION CORPORATION
SHORT-TERM LOANS
DECEMBER 31, 2021
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Type	Bank	Balance at December 31, 2021	Term of contract	Interest rate (%)	Loan Commitments	Collateral	Note
Guaranteed borrowings	Mega Bank	\$ 120,000	within one year	1.20%-1.22%	\$ 174,000	Land, buildings and promissory notes	
Unsecured borrowings	First Bank	370,000	within one year	1.19%-1.44%	500,000	Guaranteed by the chairman	
"	Fubon Bank	120,000	within one year	1.10%	200,000	Promissory notes, guaranteed by the chairman	
"	Taiwan Bank	120,000	within one year	1.19%	200,000	Promissory notes, guaranteed by the chairman	
"	Chang Hwa	120,000	within one year	1.20%-1.25%	200,000	Guaranteed by the chairman	
		<u>\$ 850,000</u>					

SINCERE NAVIGATION CORPORATION
DETAILS OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Summary	Amount
Time charter	Average rent per day × Total days	\$ 258,976
	\$ 638,500.46 405.6	
Management service		2,536
		\$ 261,512

SINCERE NAVIGATION CORPORATION
DETAILS OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Amount
Survey fees	\$ 4,071
Commission	6,730
Repairs and maintenance expenses	540
Insurance	4,506
Depreciation	57,452
Fuel cost	8,935
Crew agency fee	37,185
Other cost	4,312
	\$ 123,731

SINCERE NAVIGATION CORPORATION
DETAILS OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>Items</u>	<u>Amount</u>
Payroll expenses	\$ 52,305
Directors' remuneration	9,173
Pension	1,755
Office supplies expenses	182
Travelling expenses	59
Postage and phone/Fax expense	1,130
Repairs and maintenance expenses	307
Utility fee	119
Insurance	3,787
Entertainment	178
Taxes	432
Depreciation	972
Amortisation	59
Meals expenses	768
Employee benefits	260
Professional service fees	3,486
Other expenses	19,639
	<u>\$ 94,611</u>

SINCERE NAVIGATION CORPORATION
DETAILS OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Please refer to Note 6.(15)(16) of the Financial Report.

Sincere Navigation Corporation
Loans to others
For the year ended December 31, 2021

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, 2021	Balance at December 31, 2021	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
0	Sincere Navigation Corporation	None													\$ 4,327,420	\$ 5,769,893	
1	Norley Corporation Inc.	Sincere Navigation Corporation	Other receivables - related parties	Y	\$ 998,900	\$ 968,800	\$ 968,800	-	2	-	Working capital	-	-	-	11,141,053	11,141,053	The maximum amount amounted to USD 35,000,000 for the current period, and the actual amount was USD 35,000,000 at the end of year.
1	Norley Corporation Inc.	Elroy Maritime Service Inc.	Other receivables - related parties	Y	5,013	4,982	4,982	-	2	-	Working capital	-	-	-	11,141,053	11,141,053	The maximum amount amounted to USD 180,000 for the current period, and the actual amount was USD 180,000 at the end of year.
2	Heywood Limited	Sincere Navigation Corporation	Other receivables - related parties	Y	696,250	692,000	692,000	-	2	-	Working capital	-	-	-	5,082,954	5,082,954	The maximum amount amounted to USD 25,000,000 for the current period, and the actual amount was USD 25,000,000 at the end of year.
3	Elroy Maritime Service Inc.	Oak Maritime (Canada) Inc.	Other receivables - related parties	Y	5,013	4,982	4,982	-	2	-	Working capital	-	-	-	3,102	3,102	The maximum amount amounted to USD 180,000 for the current period, and the actual amount was USD 180,000 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, 2021

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, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2021 (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.	2	\$ 14,424,732	\$ 242,733	\$ 235,418	\$ 156,946	\$ -	29.01%	\$ 36,061,830	Y	N	N	Guarantee balance is US\$ 8,505 thousand
0	"	Keystone Shipping Co. Ltd.	2	14,424,732	404,554	-	-	-	29.01%	36,061,830	Y	N	N	Guarantee balance is US\$ 0
0	"	Maxson Shipping Inc.	2	14,424,732	153,178	-	-	-	29.01%	36,061,830	Y	N	N	Guarantee balance is US\$ 0
0	"	Everwin Maritime Limited	2	14,424,732	646,088	417,747	313,310	-	29.01%	36,061,830	Y	N	N	Guarantee balance is US\$ 15,092 thousand
0	"	Pacifica Maritime Limited	2	14,424,732	1,236,139	1,198,890	879,186	-	29.01%	36,061,830	Y	N	N	Guarantee balance is US\$ 43,313 thousand
0	"	Ocean Grace Limited	2	14,424,732	1,018,878	988,176	755,664	-	29.01%	36,061,830	Y	N	N	Guarantee balance is US\$ 35,700 thousand
0	"	Brighton Shipping Inc.	2	14,424,732	121,239	34,482	34,482	-	29.01%	36,061,830	Y	N	N	Guarantee balance is US\$ 1,246 thousand
0	"	Rockwell Shipping Limited	2	14,424,732	110,553	23,288	23,288	-	29.01%	36,061,830	Y	N	N	Guarantee balance is US\$ 841 thousand
0	"	Bridge Poiema Limited	2	14,424,732	1,295,025	1,287,120	1,254,942	-	29.01%	36,061,830	Y	N	N	Guarantee balance is US\$ 46,500 thousand
1	Norley Corporation Inc.	Kenmore Shipping Inc.	2	11,141,053	623,000	508,620	508,620	-	4.57%	27,852,633	N	N	N	Guarantee balance is US\$ 18,375 thousand
2	Victory Navigation Inc.	Norley Corporation Inc.	3	790,955	570,800	553,600	-	-	69.99%	1,977,388	N	N	N	Guarantee balance is US\$ 20,000 thousand (Note 8)
3	Everprime Shipping Limited	Norley Corporation Inc.	3	787,868	570,800	553,600	-	-	70.27%	1,969,670	N	N	N	Guarantee balance is US\$ 20,000 thousand (Note 8)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed			Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2021 (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)	Limit on endorsements/ guarantees provided for a single party (Note 3)										
4	Ocean Wise Limited	Norley Corporation Inc.	3	\$ 1,142,476	\$ 856,200	\$ 830,400	\$ -	-	72.68%	\$ 2,856,190	N	N	N	Guarantee balance is US\$ 30,000 thousand (Note 8)
5	Poseidon Marine Ltd.	Norley Corporation Inc.	3	1,610,433	856,200	830,400	-	-	51.56%	4,026,083	N	N	N	Guarantee balance is US\$ 30,000 thousand (Note 8)
6	Maxson Shipping Inc.	Norley Corporation Inc.	3	1,106,566	856,200	830,400	-	-	75.04%	2,766,415	N	N	N	Guarantee balance is US\$ 30,000 thousand (Note 8)

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 aan 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 aan 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.

Note 8: The outstanding endorsement/guarantee amount that Victory Navigation Inc., Everprime Shipping Limited, Ocean Wise Limited, Poseidon Marine Ltd. and Maxson Shipping Inc. jointly provided to Norley Corporation Inc. is US\$ 30 million.

Sincere Navigation Corporation
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
For the year ended December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:				Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount			
Sincere Navigation Corporation	Palona	2021.5.11	\$ 577,801	\$ 577,801	Keystone Shipping Co. Ltd.	Parent company	-	-	-	\$ -	Based on mutual agreement	In consideration of overall operation of the Group.	None

Sincere Navigation Corporation
Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more
For the year ended December 31, 2021

Table 4 Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate disposed by	Real estate	Transaction date		Book value	Disposal amount	Status of		Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
		or date of the event	Date of acquisition			collection of proceeds	Gain (loss) on disposal					
Sincere Navigation Corporation	MADONNA III	2021.6.23	2010.8.23	\$ 320,725	\$ 327,722 (US\$ 11,736 thousand)	Collected	\$ 6,997	Vanhui Resources (HK) Co., Limited or nominee	None	Replacement of vessel	Appraisal result	-

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate disposed of should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Sincere Navigation Corporation
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Norley Corporation Inc. (Norley)	Sincere Navigation Corporation	Norley's parent company	\$ 968,800 (USD 35,000 thousand)	-	\$ -	-	\$ -	\$ -
Heywood Limited (Heywood)	Sincere Navigation Corporation	Heywood's parent company	\$ 692,000 (USD 25,000 thousand)	-	-	-	-	-

Sincere Navigation Corporation
Significant inter-company transactions during the reporting period
For the year ended December 31, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Sincere Navigation Corporation	Helmsman Navigation Co. Ltd.	1	Guarantees	\$ 235,418	As per the Company's policy	1.09%
0	"	Everwin Maritime Limited	1	"	417,747	"	1.94%
0	"	Pacifica Maritime Limited	1	"	1,198,890	"	5.57%
0	"	Ocean Grace Limited	1	"	988,176	"	4.59%
0	"	Bridge Poiema Limited	1	"	1,287,120	"	5.98%
1	Norley Corporation Inc.	Kenmore Shipping Inc.	1	"	508,620	"	2.36%
1	"	Sincere Navigation Corporation	2	Other receivables	968,800	"	4.50%
2	Heywood Limited	Sincere Navigation Corporation	2	"	692,000	"	3.21%
3	Victory Navigation Inc.	Norley Corporation Inc.	2	Guarantees (Note 5)	553,600	"	2.57%
4	Everprime Shipping Limited	Norley Corporation Inc.	2	"	553,600	"	2.57%
5	Ocean Wise Limited	Norley Corporation Inc.	2	"	830,400	"	3.86%
6	Poseidon Marine Ltd.	Norley Corporation Inc.	2	"	830,400	"	3.86%
7	Maxson Shipping Inc.	Norley Corporation Inc.	2	"	830,400	"	3.86%

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.

Note 5: The outstanding endorsement/guarantee amount that Victory Navigation Inc., Everprime Shipping Limited, Ocean Wise Limited, Poseidon Marine Ltd. and Maxson Shipping Inc. jointly provided to Norley Corporation Inc. is US\$ 30 million.

Sincere Navigation Corporation
Information on investees
For the year ended December 31, 2021

Table 7

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, 2021 (Note 2)			Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2)	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Sincere Navigation Corporation	Norley Corporation Inc.	Republic of Liberia	Investment holdings	\$ 27,680 (USD 1,000 thousand)	\$ 28,480 (USD 1,000 thousand)	500	100%	\$ 11,141,053	(\$ 59,102)	(\$ 59,102)	Subsidiary
"	Heywood Limited	Marshall Islands	"	27,680 (USD 1,000 thousand)	28,480 (USD 1,000 thousand)	500	100%	5,082,954	710,890	710,890	Subsidiary
Norley Corporation Inc.	Kenmore Shipping Inc.	Marshall Islands	Oil tanker	1,276,325 (USD 46,110 thousand)	1,313,213 (USD 46,110 thousand)	500	100%	1,711,674	(214,321)	-	Second-tier subsidiary
"	Winnington Limited	"	Investment holdings	- (USD -)	295,548 (USD 10,377 thousand)	-	-	-	416	-	Second-tier subsidiary (Note3)
"	Jetwall Co. Ltd.	"	"	746,696 (USD 26,976 thousand)	882,196 (USD 30,976 thousand)	400	80%	1,179,272	(249,979)	-	Second-tier subsidiary
"	Victory Navigation Inc.	"	"	152 (USD 6 thousand)	157 (USD 6 thousand)	275	55%	435,025	98,559	-	Second-tier subsidiary
"	Poseidon Marine Ltd	"	Shipping	221,717 (USD 8,010 thousand)	228,125 (USD 8,010 thousand)	500	100%	1,610,433	52,095	-	Second-tier subsidiary
"	Maxson Shipping Inc.	"	"	290,640 (USD 10,500 thousand)	299,040 (USD 10,500 thousand)	500	100%	1,106,566	53,478	-	Second-tier subsidiary
"	Ocean Wise Limited	Republic of Liberia	"	619,201 (USD 22,370 thousand)	637,097 (USD 22,370 thousand)	500	100%	1,142,476	142,202	-	Second-tier subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as at December 31, 2021 (Note 2)			Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2)	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Norley Corporation Inc.	Pacifica Maritime Limited	Marshall Islands	Oil tanker	\$ 1,461,227 (USD 52,790 thousand)	\$ 1,389,539 (USD 48,790 thousand)	500	100%	\$ 1,702,389	(\$ 122,268)	-	Second-tier subsidiary
"	Sky Sea Maritime Limited	"	Investment holdings	443,171 (USD 16,011 thousand)	455,979 (USD 16,011 thousand)	275	55%	709,925	314,287	-	Second-tier subsidiary
"	Elroy Maritime Service Inc.	"	Maritime service	5,536 (USD 200 thousand)	5,696 (USD 200 thousand)	500	100%	3,102	(3,048)	-	Second-tier subsidiary
"	Glory Selah Limited	"	Investment holdings	235,972 (USD 8,525 thousand)	- (USD -)	275	55%	257,501	39,609	-	Second-tier subsidiary
Winnington Limited	Peg Shipping Company Limited	Republic of Liberia	Shipping	- (USD -)	285 (USD 10 thousand)	-	-	-	425	-	Third-tier subsidiary (Note3)
Jetwall Co. Ltd.	Everwin Maritime Limited	Marshall Islands	"	933,370 (USD 33,720 thousand)	1,102,746 (USD 38,720 thousand)	500	100%	1,474,878	(249,887)	-	Third-tier subsidiary
Victory Navigation Inc.	Everprime Shipping Limited	"	Shipping	277 (USD 10 thousand)	285 (USD 10 thousand)	500	100%	787,868	98,634	-	Third-tier subsidiary
Sky Sea Maritime Limited	Ocean Grace Limited	"	"	805,765 (USD 29,110 thousand)	829,053 (USD 29,110 thousand)	500	100%	1,291,101	314,373	-	Third-tier subsidiary
Elroy Maritime Service Inc.	Oak Maritime (Canada) Inc.	Canada	Maritime serve	3,558 (USD 128 thousand)	3,661 (USD 128 thousand)	1,000	100%	331	(3,210)	-	Third-tier subsidiary
Glory Selah Limited	Bridge Poiema Limited	Marshall Islands	Shipping	429,040 (USD 15,500 thousand)	- (USD -)	500	100%	468,280	39,708	-	Second-tier subsidiary
Heywood Limited	Clifford Navigation Corporation	Marshall Islands	Shipping	277 (USD 10 thousand)	285 (USD 10 thousand)	500	100%	606,317	124,656	-	Second-tier subsidiary
"	Brighton Shipping Inc.	"	"	277 (USD 10 thousand)	285 (USD 10 thousand)	500	100%	499,275	92,627	-	Second-tier subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as at December 31, 2021 (Note 2)			Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2)	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Heywood Limited	Rockwell Shipping Limited	Marshall Islands	Shipping	\$ 277 (USD 10 thousand)	\$ 285 (USD 10 thousand)	500	100%	\$ 462,206	\$ 193,016	-	Second-tier subsidiary
"	Howells Shipping Inc.	"	"	332,437 (USD 12,010 thousand)	342,045 (USD 12,010 thousand)	500	100%	758,347	37,339	-	Second-tier subsidiary
"	Crimson Marine Company	"	"	- (USD -)	1,093,575 (USD 38,398 thousand)	-	-	-	84,453	-	Second-tier subsidiary (Note4)
"	Century Shipping Limited	HongKong	Investment holdings	13,840 (USD 500 thousand)	14,240 (USD 500 thousand)	50,000	100%	5,475	3,081	-	Second-tier subsidiary
"	Helmsman Navigation Co. Ltd.	Marshall Islands	Shipping	584,325 (USD 21,110 thousand)	601,213 (USD 21,110 thousand)	500	100%	625,803	150,497	-	Second-tier subsidiary
"	Keystone Shipping Co. Ltd.	"	"	83,317 (USD 3,010 thousand)	558,493 (USD 19,610 thousand)	500	100%	37,307	45,124	-	Second-tier subsidiary

Note 1: The above balances of initial investments as at December 31, 2021 and 2020 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, 2021 and net profit (loss) of the investee for the year ended December 31, 2021 were translated at the closing exchange rates at the balance sheet and the average exchange rates for the year ended December 31, 2021, respectively.

Note 3: The liquidation of Winnington Limited and Peg Shipping Company Ltd. was completed on June 18, 2021.

Note 4: The liquidation of Crimson Marine Company was completed on December 9, 2021.

Sincere Navigation Corporation
Information on investments in Mainland China
For the year ended December 31, 2021

Table 8

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, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	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)	\$ 3,081 (RMB 710 thousand)	100%	\$ 3,081 (RMB 710 thousand)	\$ 5,475 (RMB1,261 thousand)	\$ -	
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	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	\$ 8,654,839										

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.

Sincere Navigation Corporation
Major shareholders information
December 31, 2021

Table 9

Number of major shareholders	Shares	
	Name of shares held	Ownership (%)
CTBC BANK CO., LTD. IN CUSTODY FOR HO MAO INVESTMENT CORPORATION	57,643,800	9.84%

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client reports which was set by the trustee. As for the shareholder who share equity as a insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.