

**SINCERE NAVIGATION CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
JUNE 30, 2011 AND 2010**

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To Sincere Navigation Corporation

We have audited the accompanying consolidated balance sheets of Sincere Navigation Corporation and its subsidiaries as of June 30, 2011 and 2010, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sincere Navigation Corporation and subsidiaries as of June 30, 2011 and 2010, and the results of their operations and their cash flows for the six months then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China.

August 24, 2011

The accompanying consolidated 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 consolidated 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 AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

JUNE 30,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2011	2010
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents (Note 4(1))	\$ 5,871,012	\$ 7,789,922
Accounts receivable	400,578	197,959
Accounts receivable - related parties (Note 5)	-	46,104
Other receivables	16,600	9,305
Other receivables - related parties (Note 5)	11,957	5,669
Other financial assets - current (Note 6)	210,180	173,082
Bunker inventories	58,324	2,695
Prepayments	73,509	58,261
	6,642,160	8,282,997
<u>Fixed Assets (Notes 4(2) and 6)</u>		
Cost		
Land	90,215	90,215
Building	29,154	29,154
Vessels and equipment	25,439,273	24,901,412
Office equipment	3,567	3,790
	25,562,209	25,024,571
Less: Accumulated depreciation	(6,036,251)	(5,708,665)
Accumulated impairment	(231,751)	(14,506)
Prepayments for vessel construction	2,136,422	2,056,384
	21,430,629	21,357,784
<u>Intangible Assets</u>		
Deferred pension cost	-	97
<u>Other Assets</u>		
Refundable deposits	7,612	7,666
Deferred charges	143,883	135,933
	151,495	143,599
<u>TOTAL ASSETS</u>	\$ 28,224,284	\$ 29,784,477

(Continued)

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)

JUNE 30,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2011	2010
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
<u>Current Liabilities</u>		
Short-term loans (Notes 4(3) and 6)	\$ 1,274,000	\$ 154,000
Income tax payable (Note 4(6))	-	288,978
Accrued expenses	222,712	268,149
Other payables - related parties (Note 5)	159,649	340,918
Dividend payable (Note 4(9))	1,420,760	1,704,913
Other payables	8,315	8,894
Advance collections (Note 5)	70,889	98,987
Current portion of long-term liabilities (Notes 4(4) and 6)	1,491,843	2,580,482
Deferred income tax liabilities - current (Note 4(6))	461,282	334,223
	5,109,450	5,779,544
<u>Long-term Liability</u>		
Long-term loans (Notes 4(4) and 6)	8,940,041	8,639,050
<u>Other Liabilities</u>		
Reserve for pension	6,765	4,880
Deposits received	243	294
Deferred income tax liabilities - noncurrent (Note 4(6))	1,054	1,131
<u>Total Liabilities</u>	14,057,553	14,424,899
<u>Stockholders' Equity</u>		
Common stock (Note 4(7))		
Common stock subscribed	5,683,042	5,683,042
Capital reserve (Note 4(8))		
Treasury stock transactions	39,243	39,243
Long-term investments	90,236	90,236
Others	899	899
Retained Earnings (Note 4(9))		
Legal reserve	2,417,018	2,206,671
Special reserve	1,741,586	367,411
Undistributed earnings	4,312,976	5,487,210
Cumulative translation adjustments	(1,939,113)	(269,881)
Excess of additional pension liability over unrecognized service cost	(12,964)	(11,437)
	12,332,923	13,593,394
Minority interest	1,833,808	1,766,184
<u>Total stockholders' equity</u>	14,166,731	15,359,578
<u>Commitments and Contingent Liabilities (Note 7)</u>		
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	\$ 28,224,284	\$ 29,784,477

The accompanying notes are an integral part of these consolidated financial statements.

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

	2011	2010	
Operating revenues (Note 5)	\$ 2,897,814	\$ 3,235,764	
Operating costs (Notes 4(12) and 5)	(1,288,492)	(1,188,724)	
Gross profit	1,609,322	2,047,040	
Operating expenses (Notes 4(12) and 5)	(123,789)	(105,594)	
Income from operations	1,485,533	1,941,446	
Non-operating Income			
Interest income	3,324	2,512	
Foreign exchange gain, net	11,496	13,600	
Gain on valuation of financial assets	-	6,479	
Other income	20,474	6,981	
	35,294	29,572	
Non-operating Expenses			
Interest expense	(66,647)	(82,012)	
Other expenses	(8,704)	(19,777)	
	(75,351)	(101,789)	
Income before income tax and minority interest	1,445,476	1,869,229	
Income tax expense (Note 4(6))	(94,455)	(229,515)	
Consolidated net income	\$ 1,351,021	\$ 1,639,714	
Attributable to:			
Equity holders of the Company	\$ 979,667	\$ 1,252,090	
Minority interest	371,354	387,624	
Consolidated net income	\$ 1,351,021	\$ 1,639,714	
	Before Tax	After Tax	Before Tax
Basic earnings per share (Note 4(11))			
Net income from continuing operations	\$ 2.54	\$ 2.37	\$ 3.29
Net income from minority interest income	(0.65)	(0.65)	(0.68)
Net income	\$ 1.89	\$ 1.72	\$ 2.61
Diluted earnings per share			
Net income from continuing operations	\$ 2.54	\$ 2.37	\$ 3.29
Net income from minority interest income	(0.65)	(0.65)	(0.68)
Net income	\$ 1.89	\$ 1.72	\$ 2.61

The accompanying notes are an integral part of these consolidated financial statements.

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Retained Earnings</u>					Cumulative translation adjustments	Excess of additional pension liability over unrecognized service costs	Minority interest	Total
	Common stock	Capital Reserves	Legal reserve	Special reserve	Undistributed earnings				
<u>2010</u>									
Balance as at January 1, 2010	\$ 5,683,042	\$ 130,378	\$ 1,898,585	\$ -	\$ 6,615,530	(\$ 355,975)	(\$ 11,437)	\$ 1,443,661	\$ 15,403,784
Distribution of 2009 earnings: (Note)									
Legal reserve	-	-	308,086	-	(308,086)	-	-	-	-
special reserve	-	-	-	367,411	(367,411)	-	-	-	-
Cash dividends	-	-	-	-	(1,704,913)	-	-	-	(1,704,913)
Net income for the six months ended June 30, 2010	-	-	-	-	1,252,090	-	-	387,624	1,639,714
Cumulative translation adjustment on long-term investments in foreign subsidiaries	-	-	-	-	-	86,094	-	9,673	95,767
Change in minority interests	-	-	-	-	-	-	-	(74,774)	(74,774)
Balance as at June 30, 2010	<u>\$ 5,683,042</u>	<u>\$ 130,378</u>	<u>\$ 2,206,671</u>	<u>\$ 367,411</u>	<u>\$ 5,487,210</u>	<u>(\$ 269,881)</u>	<u>(\$ 11,437)</u>	<u>\$ 1,766,184</u>	<u>\$ 15,359,578</u>
<u>2011</u>									
Balance as at January 1, 2011	\$ 5,683,042	\$ 130,378	\$ 2,206,671	\$ 367,411	\$ 6,338,591	(\$ 1,728,622)	(\$ 12,964)	\$ 1,661,562	\$ 14,646,069
Distribution of 2010 earnings: (Note)									
Legal reserve	-	-	210,347	-	(210,347)	-	-	-	-
Special reserve	-	-	-	1,374,175	(1,374,175)	-	-	-	-
Cash dividends	-	-	-	-	(1,420,760)	-	-	-	(1,420,760)
Net income for the six months ended June 30, 2011	-	-	-	-	979,667	-	-	371,354	1,351,021
Cumulative translation adjustment on long-term investments in foreign subsidiaries	-	-	-	-	-	(210,491)	-	(26,560)	(237,051)
Change in minority interests	-	-	-	-	-	-	-	(172,548)	(172,548)
Balance as at June 30, 2011	<u>\$ 5,683,042</u>	<u>\$ 130,378</u>	<u>\$ 2,417,018</u>	<u>\$ 1,741,586</u>	<u>\$ 4,312,976</u>	<u>(\$ 1,939,113)</u>	<u>(\$ 12,964)</u>	<u>\$ 1,833,808</u>	<u>\$ 14,166,731</u>

Note: Directors' and supervisors' remunerations of \$17,536 and \$20,962 ; employees' bonus of \$17,536 and \$20,962 had been deducted from consolidated statement of income for the year ended December 31, 2010 and 2009, respectively.
 The accompanying notes are an integral part of these consolidated financial statements.

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2011	2010
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Consolidated net income	\$ 1,351,021	\$ 1,639,714
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation	522,082	547,196
Amortization	55,513	40,293
Gain on valuation of financial liabilities	-	(6,479)
Changes in assets and liabilities		
Accounts receivable	(192,865)	9,644
Accounts receivable - related parties	3,595	(18,617)
Other receivables	5,825	3,977
Other receivables - related parties	(5,071)	7,941
Bunker inventories	(41,727)	1,986
Prepayments	(12,614)	7,513
Income tax payable	(578,403)	134,436
Accrued expenses	22,744	(37,077)
Other payables - related parties	(279)	(693)
Other payables	4,508	(14,343)
Advance collection	(78,086)	(29,339)
Reserve for pension	234	150
Deposits received	243	294
Deferred income tax liabilities	96,673	(59,560)
Net cash provided by operating activities	1,153,393	2,227,036

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SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2011	2010
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Increase in other financial assets	(\$ 17,755)	(\$ 38,354)
Acquisition of fixed assets	(2,558,727)	(1,853,236)
(Increase) decrease in refundable deposits	(3)	125
Increase in deferred charges	(25,327)	(75,476)
Net cash used in investing activities	(2,601,812)	(1,966,941)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Increase in short - term loans	-	154,000
Decrease in other payables - related parties	(69,213)	(94,182)
Proceeds from long-term loans	2,737,481	1,344,266
Payments of long-term loans	(608,381)	(709,690)
Decrease in minority interest	(172,548)	(184,660)
Net cash provided by financing activities	1,887,339	509,734
Foreign exchange difference	(93,476)	44,876
Net increase in cash and cash equivalents	345,444	814,705
Cash and cash equivalents at beginning of period	5,525,568	6,975,217
Cash and cash equivalents at end of period	\$ 5,871,012	\$ 7,789,922
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW</u>		
<u>INFORMATION</u>		
Cash paid during the period for:		
Interest	\$ 65,370	\$ 103,194
Income tax	\$ 576,190	\$ 154,640
Non-cash financing activities:		
Cash dividend not yet paid	\$ 1,420,760	\$ 1,704,913

The accompanying notes are an integral part of these consolidated financial statements.

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE
INDICATED)

1. HISTORY AND ORGANIZATION

(1) Sincere Navigation Corporation (the “Company”)

The Company, which was incorporated in 1968 with an original capital of \$1,000, is engaged in bulk shipping, tug and barge services, and operating a shipping agency. 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 8, 1989.

As of June 30, 2011, the Company and its subsidiaries had 459 employees.

(2) The consolidated financial statements include the following subsidiaries:

A) Norley Corporation Inc. (NCI)

NCI, a wholly-owned subsidiary of Sincere Navigation Corporation, is engaged in investment holdings. The following are the subsidiaries of NCI:

Investee Company	Principal activities	Equity interest		Note
		June 30,		
		2011	2010	
Greatest South Shipping Co., Ltd.	Shipping	-	100%	Note 1
Valentine Holdings Limited	Investment holdings	60%	60%	
Gemini Investment Company Limited	Shipping	60%	60%	
Millennia Investment Company Limited	"	60%	60%	
Confidence Navigation Limited	Oil tanker	100%	100%	
Kingswood Co., Ltd.	Investment holdings	50%	50%	
Seven Seas Shipping Ltd.	Oil tanker	50%	50%	
Welluck Co., Ltd.	Investment holdings	50%	50%	
Meko Shipping Inc.	Shipping	50%	50%	
Winnington Limited	Investment holdings	50%	50%	
Peg Shipping Company Limited	Shipping	50%	50%	
Jetwall Co., Ltd.	Investment holdings	80%	80%	
Everwin Maritime Limited	Oil tanker	80%	80%	
Victory Navigation Inc.	Investment holdings	55%	55%	
Everprime Shipping Limited	Shipping	55%	55%	
Zenith Marine Company Limited	"	100%	100%	
Ocean Wise Limited	"	51%	51%	
Poseidon Marine Limited	"	100%	100%	
Kenmore Shipping Inc.	Holding in Shipbuilding	100%	100%	
Maxson Shipping Inc.	"	100%	100%	

Note 1: It was dissolved on March 10, 2011.

B) Heywood Limited (Heywood)

Heywood, a wholly-owned subsidiary of Sincere Navigation Corporation, is also engaged in investment holdings. The following are the subsidiaries of Heywood:

Investee Company	Principal activities	Equity interest		Note
		June 30,		
		2011	2010	
Great Wall Navigation Limited	Shipping	100%	100%	
Newton Navigation Limited	"	100%	100%	
Clifford Navigation Corporation	"	100%	100%	
Brighton Shipping Inc.	"	100%	100%	
Rockwell Shipping Limited	"	100%	100%	
Howells Shipping Inc.	"	100%	100%	
Crimson Marine Company	"	100%	100%	
Honco Shipping Limited	Investment holdings	100%	100%	
Century Shipping Limited	"	100%	100%	
Haihu Maritime Service (Shanghai) Co., Ltd.	Maritime Service	100%	100%	

(3) Subsidiaries not included in the consolidated financial statements

None.

(4) Difference in accounting period between the Company and its consolidated subsidiaries, and adjustment method

None.

(5) Special operating risk of the foreign subsidiaries

None.

(6) Nature and extent of restrictions on fund remittance from subsidiaries to the parent company

None.

(7) Contents of subsidiaries' securities issued by the parent company

None.

(8) Information from convertible bonds and common stock issued subsidiaries

None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and accounting principles generally accepted in the Republic of China. The Group's significant accounting policies are summarized below:

(1) Principles of consolidation

All majority-owned subsidiaries and controlled entities are included in the consolidated financial statements. Effective January 1, 2008, the Company prepares consolidated financial statements on a quarterly/semi-annual and annual basis. Significant inter-company transactions and assets and liabilities arising from inter-company transactions are eliminated.

(2) Translation of financial statements of foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollars using the exchange rates at the balance sheet date. Equity accounts are translated at historical rates except for beginning retained earnings, which are carried forward from prior year's balance. Dividends are translated at the rates prevailing at the date of declaration. Profit and loss accounts are translated at weighted-average rates of the year. The resulting translation differences are included in "cumulative translation adjustments" and shown under stockholders' equity.

(3) Foreign currency transactions

- A) The Company and its consolidated subsidiaries maintain their accounts in New Taiwan dollars and their functional currencies, respectively. Transactions denominated in foreign currencies are translated into New Taiwan dollars and their functional currencies at the spot exchange rates prevailing at the transaction dates. Exchange gains or losses due to the difference between the exchange rate on the transaction date and the exchange rate on the date of actual receipt and payment are recognized in the current year's profit or loss.
- B) Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss.
- C) When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the translation.

(4) Classification of current and non-current items

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 realized or consumed, or are intended to be sold within the normal operating cycle;
- B) Assets held mainly for trading purposes;
- C) Assets that are expected to be realized within twelve months from the balance sheet date; and
- D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- A) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
- B) Liabilities arising mainly from trading activities;
- C) Liabilities that are to be paid off within twelve months from the balance sheet date; and
- D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(5) Financial assets and financial liabilities at fair value through profit or loss

- A) Financial assets and financial liabilities at fair value through profit or loss are recognized and derecognized using settlement date accounting and are recognized initially at fair value.
- B) These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. Any change in the fair value of the assets to be received during the period between the trade date and the settlement date is included in profit or loss. The fair value of listed stocks, OTC stocks and closed-end mutual funds is based on latest quoted fair prices of the accounting period. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.
- C) When a derivative is an ineffective hedging instrument, it is initially recognized at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value. If a derivative is a non-option derivative, the fair value initially recognized is zero.

(6) Accounts receivable and other receivables

- A) Accounts receivable are claims resulting from the sale of goods or services. Receivables other than accounts receivable are classified as other receivables. Accounts receivable and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less impairment losses.
- B) The Company assesses at each balance sheet date whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is any objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is recognized and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment was reversed. The amount of the reversal shall be recognized in profit or loss.

(7) Bunker inventories

Bunker inventories are stated at cost.

(8) Fixed assets

- A) Fixed assets are stated at cost. Interests incurred on the loans used to bring the assets to the condition and location necessary for their intended uses are capitalized.
- B) Depreciation is provided under the straight-line method based on the assets' estimated economic service lives. Salvage value of the fully depreciated assets that are still in use is depreciated based on the re-estimated economic service lives. The estimated economic service lives of fixed assets are set forth below:

Vessels and equipment	4 to 18 years
Building	42 years
Office equipment	3 to 7 years

- C) Major improvements and renewals are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.

When an asset is retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss on the disposal is accounted for as non-operating income or loss.

(9) Deferred charges

The costs of repairs and dry-dock inspection of the vessels are capitalized and amortized over 2.5 years.

(10) Impairment of non-financial assets

The Group recognized impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered. However, impairment loss of goodwill is not recoverable.

(11) Retirement plan

- A) The Company has a non-contributory and funded defined benefit retirement plan covering all regular employees, excluding seamen, and contributes the monthly pension costs to an independent retirement fund, with the Bank of Taiwan as the trustee. The independent retirement fund is not included in the consolidated financial statements. Under the defined contribution retirement plan, net periodic pension costs are recognized as incurred.
- B) When the reserve for pension is lower than the total amount of prior service cost and unrecognized net transition obligation, the amount is recognized in intangible assets account as "Deferred pension cost", otherwise, the excess amount is recognized under stockholders' equity amount as "Excess of additional pension liability over unrecognized past service cost".
- C) Haihu Maritime Service (Shanghai) Co., Ltd. has a defined contribution retirement plan, while net periodic pension costs are recognized as incurred.

(12) Income tax

- A) Provision for income tax includes deferred income tax resulting from temporary differences, investment tax credits and loss carryforward. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefit will not be realized. Over or under provision of prior years' income tax liabilities is included in current year's income tax.
- B) Investment tax credits arising from expenditures incurred from acquisitions of equipment or technology, research and development, employees' training, and equity investments are recognized in the year the related expenditures are incurred.
- C) An additional 10% 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.
- D) When there is any income tax law change, effective from the current fiscal year, the deferred income tax assets or liabilities will be re-calculated based on the change, the effect of the changes on deferred income tax assets or liabilities will be classified as income tax expense or benefit of the continuing operations.

(13) Employees' bonuses and directors' and supervisors' remunerations

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such a recognition is required under legal or constructive obligation and those amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(14) Revenues and expenses

Revenues are recognized when the earning process is substantially completed and are realized or realizable. Costs and expenses are recognized as incurred.

(15) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

(16) Operating segments

The disclosure of operating segment information is reported in accordance with the Company's internal management reports. The chief operating decision maker is responsible for allocating resources to and assessing the performance of the operating segments. The Company's chief operating decision maker is the Board of Directors. According to the R.O.C. SFAS No.41, "Operating Segments", segment information is required only in the consolidated financial statements.

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) Notes and accounts receivable and other receivables

Effective January 1, 2011, the Group adopted the amendments to R.O.C SFAS No. 34, "Financial Instruments: Recognition and Measurement". Based on the revised standard, the Group should recognize impairment loss on receivables when there is any objective evidence that an impairment loss has been incurred. This change in accounting principle had no significant effect on the consolidated net income and earning per share for the six months ended June 30, 2011.

(2) Operating Segments

Effective January 1, 2011, the Group adopted R.O.C. SFAS No. 41, "Operating Segments". At the effective date, R.O.C. SFAS No. 20, "Segment Reporting" shall no longer be applicable. The Group restated the segment information for the six months ended June 30, 2010.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30,	
	2011	2010
Checking accounts and demand deposits	\$ 3,871,024	\$ 1,661,612
Time deposits	1,999,988	6,128,310
	<u>\$ 5,871,012</u>	<u>\$ 7,789,922</u>

(2) Fixed assets

A) Cost and accumulated depreciation

	June 30, 2011			
	Cost	Accumulated depreciation	Accumulated impairment	Net book value
Vessels and equipment	\$ 25,439,273	(\$ 6,021,633)	(\$ 231,751)	\$ 19,185,889
Land	90,215	-	-	90,215
Building	29,154	(11,710)	-	17,444
Office equipment	3,567	(2,908)	-	659
Prepayments for vessel construction	2,136,422	-	-	2,136,422
	<u>\$ 27,698,631</u>	<u>(\$ 6,036,251)</u>	<u>(\$ 231,751)</u>	<u>\$ 21,430,629</u>

June 30, 2010

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Net book value</u>
Vessels and equipment	\$ 24,901,412	(\$ 5,694,980)	(\$ 14,506)	\$ 19,191,926
Land	90,215	-	-	90,215
Building	29,154	(10,862)	-	18,292
Office equipment	3,790	(2,823)	-	967
Prepayments for vessel construction	2,056,384	-	-	2,056,384
	<u>\$ 27,080,955</u>	<u>(\$ 5,708,665)</u>	<u>(\$ 14,506)</u>	<u>\$ 21,357,784</u>

- B) Certain fixed assets are pledged as security for bank loans. Please refer to Note 6 for details on pledged assets.
- C) On June 25, 2010, the Board of Directors approved and authorized the Chairman to sell the vessel named "SHIN HSING No. 2" on behalf of the Company. As of August 24, 2011, the Company had not signed the related contract to sell. Accordingly, the Board of Directors approved and authorized the Chairman to buy the vessel named "Madonna III" from Zenith Marine Company Limited on behalf of the Company and change its flag to R.O.C. The Company signed the memorandum of agreement with Zenith Marine Company Limited on July 2, 2010. The selling price is based on the book value of the vessel as of the delivery month. The Company also received the approvals from Keelung Harbor Bureau, Ministry of Transportation and Communications R.O.C. and Ministry of Economic Affairs, R.O.C. on July 14, 2010, July 23, 2010 and August 3, 2010, respectively. The transfer of vessel was completed on August 23, 2010.

(3) Short-term loans

	June 30,	
	2010	2009
Unsecured loans	\$ 1,100,000	\$ 100,000
Secured loans	174,000	54,000
	<u>\$ 1,274,000</u>	<u>\$ 154,000</u>
Interest rate	<u>1.25%~1.29%</u>	<u>1.23%~1.25%</u>
Credit agreement	<u>\$ 1,848,000</u>	<u>\$ 274,000</u>

As of June 30, 2011 and 2010, the Company's Chairman, Fred Tsai, guaranteed for the credit lines of \$ 1,074,000 and \$ 274,000, respectively; the Company also issued notes payable as guarantee for the credit lines amounting to \$ 774,000 and \$ 174,000.

(4) Long-term loans

	June 30,	
	2011	2010
Mega Bank (and syndicate), due in 2010	\$ -	\$ 626,202
BNP Paribas (and syndicate), due in 2013	286,869	380,817
BNP Paribas (and syndicate), due in 2013	260,868	351,078
Mega Bank (and syndicate), due in 2017	746,974	975,209
Mega Bank (and syndicate), due in 2016	379,757	502,230
Mega Bank , due in 2016	499,960	661,197
Mega Bank , due in 2017	449,148	579,939
Mega Bank , due in 2016	630,437	833,754
Mega Bank , due in 2018	543,859	608,599
Mega Bank (and syndicate), due in 2015	923,464	1,263,036
Mega Bank (and syndicate), due in 2018	841,214	1,066,865
Mega Bank (and syndicate), due in 2019	1,611,753	2,015,805
Mega Bank (and syndicate), due in 2020	1,089,614	1,354,801
Mega Bank (and syndicate) , due in 2021	2,167,967	-
	<u>10,431,884</u>	<u>11,219,532</u>
Less: Current portion-due within one year	(1,491,843)	(2,580,482)
	<u>\$ 8,940,041</u>	<u>\$ 8,639,050</u>
Interest rates	<u>0.95%~1.61%</u>	<u>0.94%~1.79%</u>

(5) Retirement plan

- A) The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. 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 monthly to a retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Total pension expense for the six months ended June 30, 2011 and 2010 amounted to \$1,662 and \$1,607, respectively, which are recognized based on an actuarial valuation. The fund balance with Bank of Taiwan was \$40,720 and \$37,477 as of June 30, 2011 and 2010, respectively, and is not included in the consolidated financial statements.
- B) Effective July 1, 2005, the Company established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Employees have the option to be covered under the New Plan. 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 portable when the employment is terminated. Total pension expense for the six months ended 2011 and 2010 amounted to \$1,662 and \$980, respectively.
- C) The Company's mainland subsidiary has a defined contribution retirement plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on the employees' monthly salaries and wages. The pension costs for the six months June 30, 2011 and 2010 were

\$603 and \$534, respectively.

(6) Income tax

A) Analysis of income tax (refundable) payable and income tax expense are as follow:

	For the six months ended June 30,	
	2011	2010
Income tax (refundable) payable	(\$ 4)	\$ 288,978
(Over) Under provision of prior year's income tax	(2,217)	87
Prepaid income tax	4	10
Effect of the amended Income Tax Law	-	(59,180)
Income tax (benefit) expense derived from taxable income	(2,217)	229,895
Deferred income tax	96,672	(380)
Income tax expense	<u>\$ 94,455</u>	<u>\$ 229,515</u>

The 10% tax on unappropriated earnings of 2011 and 2010 are \$0 and \$70,045, respectively.

B) Deferred income tax consisted of the following:

	June 30,			
	2011		2010	
	Amount	Tax effect	Amount	Tax effect
Deferred income tax assets (liabilities)-current				
Unrealized exchange loss	(\$ 17,325)	(\$ 2,945)	(\$ 20,078)	(\$ 3,413)
Accrued damage expenses	14,565	2,476	41,795	7,105
Unrealized investment income	(2,710,666)	(460,813)	(1,987,735)	(337,915)
		<u>(\$ 461,282)</u>		<u>(\$334,223)</u>
Deferred income tax liabilities non-current				
Unfunded pension expense	(\$ 6,198)	<u>(\$ 1,054)</u>	(\$ 6,655)	<u>(\$ 1,131)</u>

C) The major differences between financial income and taxable income for the six months ended June 30, 2011 were as follows:

- a. Permanent differences: Unrealized investment gain of \$1,167,047.
- b. Temporary differences: This represents the net change of deferred income tax mentioned above.

D) As of June 30, 2011, the Company's income tax returns through 2009 have been assessed by the Tax Authority.

(7) Common stock

As of June 30, 2011, the Company's authorized capital amounted to \$7,000,000, consisting of 700,000 thousand common shares with a par value of \$10 (in New Taiwan dollars) per share. Issued and outstanding shares amounted to \$5,683,042.

(8) Capital reserve

- A) The R.O.C. regulations requires that capital reserve shall be used exclusively either to offset losses if legal reserve is insufficient for this purpose, or to increase capital.
- B) The R.O.C. regulations requires that the capital reserve resulting from paid-in capital in excess of par value during the current year cannot be used to increase capital in the same year and the use of capital reserve to increase capital can only be done once a year.

(9) Retained earnings

LEGAL RESERVE

Under the R.O.C. Company Law, the Company is required to set aside a legal reserve equal to 10% of its annual net income (less losses of prior years, if any), before it declares any part of such net profits as dividends and bonuses, until the accumulated reserve equals the total capital stock. This reserve shall be used exclusively to offset losses or, if the balance of the reserve exceeds 50% of paid-in capital, to increase capital not exceeding 50% of reserve balance.

SPECIAL RESERVE

In accordance with the R.O.C. regulations, in addition to legal reserve and prior to distribution of earnings, the Company should set aside a special reserve in an amount equal to the net change in the reduction of the stockholders' equity as of the prior year from its annual net income and undistributed earnings of prior years, resulting from adjustments such as cumulative foreign currency translation adjustments and unrealized loss on long-term investments. Such special reserve is not available for dividend distribution. In the subsequent year(s), if the year-end balances of the cumulative foreign currency translation adjustments and unrealized loss on long-term investment no longer result in a reduction in stockholders' equity, the special reserve previously set aside will then be available for distribution to be decided in the annual stockholders' meeting.

UNDISTRIBUTED 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 income according to the decision of the Board of Directors and stockholders, which include the minimum of 1% as employees' bonus and maximum of 5% as directors' and supervisors' bonus.
- B) Under the Taiwan imputation tax system, any undistributed current earnings are subject to an additional 10% corporate income tax if the earnings are not distributed before a specific time. This 10% additional tax on undistributed earnings paid by the Company can be used as tax credit by stockholders, including foreign stockholders, against the withholding tax on dividends. In addition, the domestic individual stockholders can claim a proportionate share in the Company's corporate income tax as tax credit against its individual income tax liability effective 1999. Details of undistributed earnings and tax credit as of June 30, 2011 and 2010 are as follows:

a. Undistributed earnings:

	June 30,	
	2011	2010
Before December 31, 1997	\$ 359,267	\$ 359,267
After December 31, 1997	3,953,709	5,127,943
	<u>\$ 4,312,976</u>	<u>\$ 5,487,210</u>

b. Tax credit:

	June 30,	
	2011	2010
Imputation tax credit account balance	<u>\$ 924,132</u>	<u>\$ 490,234</u>
Estimated creditable ratio	<u>15.49%</u>	<u>8.78%</u>

C) The appropriation of 2010 and 2009 earnings had been resolved at the stockholders' meeting on June 22, 2011 and June 29, 2010 respectively. Details are summarized below:

	2011		2010	
	Amount	Dividends per share(in dollars)	Amount	Dividends per share(in dollars)
Legal reserve	\$ 210,347	\$ -	\$ 308,086	\$ -
Special reserve	1,374,174	-	367,411	-
Cash dividends	<u>1,420,760</u>	<u>2.50</u>	<u>1,704,913</u>	<u>3.00</u>
Total	<u>\$3,005,281</u>	<u>\$ 2.50</u>	<u>\$2,380,410</u>	<u>\$ 3.00</u>

D) The estimated amounts of employees' bonus and directors' and supervisors remuneration amounting to \$15,754 and \$20,962, based on 1% of net income for the six months ended June 30, 2011 and 2010, respectively, are recognized as operating expenses. While, if the estimated amounts are different from the amounts approved by the stockholders subsequently, the difference is recognized as gain or loss in 2012 and 2011, respectively.

E) The Company's employees' bonus and directors' and supervisors remuneration for 2010 resolved at the stockholders' meeting amounted to \$35,072. The employees' bonus recognized in 2010 amounted to \$31,548. The difference of \$3,524 had been adjusted in the statement of income for the six months ended June 30, 2011. Information on the appropriation of the Company's employees' bonus and directors' and supervisors' remuneration as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(10) Remittability of funds

The foreign investors of the Company can remit from Taiwan all dividends distributed, net of withholding taxes on such dividends. In addition, the foreign investors can repatriate their invested capital.

(11) Earnings per share (shares in thousands)

	For the six months ended June 30, 2011				
	Amount		Outstanding common shares (in thousand shares)	Earnings per share (in NT dollars)	
	Income before income tax	Net income		Income before income tax	Net income
<u>Basic earnings per share</u>					
Net income	<u>\$ 1,074,122</u>	<u>\$ 979,667</u>	568,304	<u>\$ 1.89</u>	<u>\$ 1.72</u>
<u>Dilutive earnings per share</u>					
Dilutive effect of common stock equivalents: Employee bonus			261		
Net income attributable to common stock holders plus dilutive effect of common stock equivalents	<u>\$ 1,074,122</u>	<u>\$ 979,667</u>	<u>568,565</u>	<u>\$ 1.89</u>	<u>\$ 1.72</u>

	For the six months ended June 30, 2010				
	Amount		Outstanding common shares (in thousand shares)	Earnings per share (in NT dollars)	
	Income before income tax	Net income		Income before income tax	Net income
<u>Basic earnings per share</u>					
Net income	<u>\$ 1,481,605</u>	<u>\$ 1,252,090</u>	<u>568,304</u>	<u>\$ 2.61</u>	<u>\$ 2.20</u>

Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would be increased from employees' stock bonus issuance in the weighted-average number of common shares outstanding during the reporting year, which taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends (or retained earnings and capital reserve capitalized), the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively.

(12) Personnel expenses, depreciation and amortization

	<u>For the six months ended June 30, 2011</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries and wages	\$ 199,794	\$ 58,894	\$ 258,688
Insurance	2,181	1,395	3,576
Pension	1,070	2,857	3,927
Others	34,176	1,098	35,274
Depreciation	521,558	524	522,082
Amortization	55,513	-	55,513

	<u>For the six months ended June 30, 2010</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries and wages	\$ 191,498	\$ 51,908	\$ 243,406
Insurance	1,306	1,365	2,671
Pension	450	2,671	3,121
Others	34,993	908	35,901
Depreciation	546,594	602	547,196
Amortization	40,293	-	40,293

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of major related parties with significant transactions

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Fred Tsai	The Company's chairman
Universal Mariners S.A. (U.M.S.A.)	Owned by relatives of a major stockholder of the Company
Oak Maritime (Agencies) Inc. (Oak)	Oak's chairman is a director of the Company
Oak Maritime (HK) Inc. (Oak HK)	Oak HK's chairman is a director of the Company
Lexus Investment Limited (Lexus)	Minority stockholder of a subsidiary which is 60% owned by NCI
Apex Shipping Company Limited (Apex)	Minority stockholder of a subsidiary which is 80% owned by NCI
Success Investment Limited (Success)	Minority stockholder of a subsidiary which is 55% owned by NCI
Bocimar Hong Kong Limited (Bocimar H.K.)	Minority stockholder of a subsidiary which is 50% owned by NCI
Bocimar International N.V. (Bocimar)	Affiliate company of Bocimar H.K.
Euronav Luxembourg S.A. (Euronav)	Minority stockholder of a subsidiary which is 50% owned by NCI until December 9, 2010
Euronav Hong Kong Ltd. (Euronav H. K.)	Minority stockholder of a subsidiary which is 50% owned by NCI
Euronav N. V.	Parent company of Euronav H. K.

(2) Major transactions and balances with related parties

A) Charter revenue

	<u>For the six months ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Euronav N. V.	\$ -	\$ 154,960
Bocimar	247,405	309,625
	<u>\$ 247,405</u>	<u>\$ 464,585</u>

The term of the above charter revenue are processed with terms of general sales and fixed pricing, along with a collection period of approximately 8 to 15 days. In addition, the Company collects profit sharing annually at the year-end based on certain charter agreements.

B) Receivables from related parties

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Euronav N. V.	\$ -	\$ 46,104

C) Advance collection

	June 30,	
	2011	2010
Bocimar	\$ 2,747	\$ 11,695

D) Service revenues (shown as operating revenues)

	For the six months ended June 30,	
	2011	2010
U.M.S.A.	\$ 1,254	\$ 3,809
Oak HK	1,920	-
	<u>\$ 3,174</u>	<u>\$ 3,809</u>

The revenues are generated from the contract the Group signed with U.M.S.A. and Oak HK.

E) Other receivables - related parties

	June 30,	
	2011	2010
Oak	\$ 11,957	\$ 5,669

Other receivables - related parties include amounts prepaid on behalf of related parties and agents, which have no fixed collection terms.

F) Other payables - related party

	June 30,	
	2011	2010
U. M. S. A.	\$ 581	\$ 557

Other payables - related party include advances from related party and agency payable which have no fixed payment terms.

G) Loans from related parties (shown as other payables-related parties)

	For the six months ended June 30, 2011			
	Maximum Balance	Ending Balance	Interest Rate	Interest Expense
Euronav H. K.	\$ 44,148	\$ 44,148	-	\$ -
Bocimar H. K.	180,999	114,920	-	-
		<u>\$ 159,068</u>		<u>\$ -</u>
	For the six months ended June 30, 2010			
	Maximum Balance	Ending Balance	Interest Rate	Interest Expense
Euronav	\$ 49,403	\$ 49,403	-	\$ -
Bocimar H. K.	478,590	290,958	-	-
		<u>\$ 340,361</u>		<u>\$ -</u>

H) Management fee and commission expenses

	<u>For the six months ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Euronav N. V.	\$ -	\$ 1,360
U.M.S.A	18,124	16,869
	<u>\$ 18,124</u>	<u>\$ 18,229</u>

I) Technical management fee

	<u>For the six months ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
U.M.S.A.	<u>\$ 4,273</u>	<u>\$ 3,645</u>

J) Supervision fees

	<u>For the six months ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
U.M.S.A.	<u>\$ 28,489</u>	<u>\$ 2,393</u>

The supervision fees for building of new vessels paid by the Group to U. M. S. A. were capitalized as vessel costs.

K) Guarantee transactions

As of June 30, 2011 and 2010, Oak HK is the guarantor for the building of new vessels provided to the Group in the amount of US\$15,900 thousand and US\$90,040 thousand, respectively.

L) Other guarantee transactions

Please refer to Note 4(3) for details.

6. PLEDGED ASSETS

The Company's assets pledged as collateral as of June 30, 2011 and 2010 are as follows:

		<u>June 30,</u>	
	<u>Purpose</u>	<u>2011</u>	<u>2010</u>
Other financial assets-current			
Time deposits	Long-term loans	\$ 210,180	\$ 173,082
Vessels and equipment - net	Long-term loans	\$ 16,674,607	\$ 17,408,092
Land and building - net	Credit limit	105,140	106,130
		<u>\$ 16,989,927</u>	<u>\$ 17,687,304</u>

7. COMMITMENTS AND CONTINGENT LIABILITIES

(1) The Group had the following outstanding vessel charter agreements as of June 30, 2011:

<u>Contract Company</u>	<u>Contract period</u>
RIO TINTO (Singapore)	August 2008 to August 2013
Bocimar International N.V.	March 2003 to June 2014
Nippon Yusen Kaisa	January 2010 to January 2018
Nippon Yusen Kaisa	September 2009 to September 2017
Nippon Yusen Kaisa	March 2010 to March 2015
Armada Bulk Carriers Ltd.	October 2003 to October 2013
Nippon Yusen Kaisa	August 2008 to August 2016
Cosco HK	September 2006 to July 2011
Nippon Yusen Kaisa	December 2007 to December 2012
Hachiuma Steamship Co., Ltd.	October 1996 to October 2013
Hachiuma Steamship Co., Ltd.	July 1997 to July 2012
Korea Line Corporation	October 2008 to October 2011 (Note)
RIO TINTO (Singapore)	September 2011 to September 2018

Note: Korean Line Corporation, a time charterer to Crimson Marine Company, the Company's subsidiary, filed for bankruptcy protection in January, and terminated the charter on March 2011. Matters related to this claim have been assigned to a lawyer by the Company.

- (2) The Company's subsidiaries have ship building agreements with several shipbuilding companies. Under these agreements, the total paid construction commitments amounted to US\$157,000 thousand which are divided into 4 or 5 installments. 50%~80% of the amount should be paid before the ships are delivered, while the remaining amount should be paid upon delivery of the ships. As of June 30, 2011, the subsidiaries paid US\$73,200 thousand as prepayment for ships under construction.
- (3) The Company issued notes payable as guarantee for credit lines. Please refer to Note 4. (3) for details.
- (4) As of June 30, 2011 and 2010, the Board of Directors authorized and approved the Company's issuance of a promissory note to Mega Bank as guarantee for the subsidiaries' loans. The information of guarantees provided by the subsidiary Norley to BNP Paribas (and syndicates) for its holding companies is as follows:

		(in USD thousands)		
<u>Subsidiaries</u>	<u>Purpose</u>	Original credit amount	June 30,	
			2011	2010
Confidence Navigation Limited	Bank loans	\$ 51,940	\$ -	\$ 19,478
Brighton Shipping Inc.	Bank loans	28,840	13,218	15,621
Rockwell Shipping Limited	Bank loans	28,862	15,633	18,039
Seven Seas Shipping Ltd.	Bank loans	52,000	26,000	30,333
Howells Shipping Inc.	Bank loans	39,920	21,944	25,933
Zenith Marine Company Limited	Bank loans	25,240	-	25,240
Everprime Shipping Limited	Bank loans	31,640	17,402	20,566
Norley Corporation Inc.	Bank loans	30,000	-	30,000
Clifford Navigation Corporation	Bank loans	50,000	32,143	50,000
Crimson Marine Company	Bank loans	39,040	29,280	39,040
Poseidon Marine Ltd.	Bank loans	66,000	66,000	66,000
Ocean Wise Ltd.	Bank loans	42,140	42,140	42,140
Everwin Maritime Ltd.	Bank loans	75,460	75,460	-
Peg Shipping Company Limited	Bank loans	28,000	9,985	11,845
Meko Shipping Inc.	Bank loans	27,000	9,080	10,920
			<u>\$ 358,285</u>	<u>\$ 405,155</u>

8. SIGNIFICANT CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

10. OTHERS

(1) Certain accounts in the June 30, 2010 consolidated financial statements were reclassified to conform with the June 30, 2011 financial statement presentation.

(2) The fair values of the financial instruments

	June 30, 2011		
	Book value	Fair value	
		Quotations in an active market	Estimated using a valuation method
<u>Non-derivative financial instruments</u>			
Assets			
Financial assets with fair values equal to book values	\$ 6,510,327	\$ -	\$ 6,510,327
Refundable deposits	7,612	-	7,612
Liabilities			
Financial liabilities with fair values equal to book values	3,085,436	-	3,085,436
Long-term loans (current portion included)	10,431,884	-	10,431,884
June 30, 2010			
	Book value	Fair value	
		Quotations in an active market	Estimated using a valuation method
<u>Non-derivative financial instruments</u>			
Assets			
Financial assets with fair values equal to book values	\$ 8,222,041	\$ -	\$ 8,222,041
Refundable deposits	7,666	-	7,666
Liabilities			
Financial liabilities with fair values equal to book values	2,476,874	-	2,476,874
Long-term loans (current portion included)	11,219,532	-	11,219,532

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

- A) For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to Cash and cash equivalents, Accounts receivable, Accounts receivable - related parties, Other receivables, Other receivables - related parties, Other financial assets - current, Short-term loans, Accrued expenses, Other payables and Other payables - related parties.
- B) As floating interest rates are adopted for the long-term loans, the fair value is based on the book value.
- C) The fair value of the deposits-out was based on the present value of expected cash flow amount. The discount rate was the one-year deposit rate of the Directorate General of Postal Remittances and Savings Bank. But the amounts were not material to be discounted.
- D) The financial instruments with credit risk on the balance sheets are as follows:

	June 30,	
	2011	2010
Guarantees for the credit line	<u>USD 358,285 thousand</u>	<u>USD 405,155 thousand</u>

(3) Information on significant gain/loss on financial instruments and equity items

- A) For the six months ended June 30, 2011 and 2010, the total amount of the change in fair value which was estimated using a valuation technique that was recognized in profit during the period was \$0 and \$6,479, respectively.
- B) For the six months ended June 30, 2011 and 2010, total interest income (calculated using the effective interest method) on financial assets or financial liabilities that are not at fair value through profit or loss amounted to \$3,324 and \$2,512, respectively, and total interest expense amounted to \$66,647 and \$75,533, respectively.

(4) Information on interest rate risk positions

As of June 2011 and 2010, the financial assets with fair value risk due to the change of interest amounted to \$0 and \$2,557,122, respectively, and the financial liabilities with fair value risk due to change of interest amounted to \$0 and \$154,000, respectively. The financial assets with cash flow risk due to the change of interest amounted to \$2,210,168 and \$3,744,270, respectively, and the financial liabilities with cash flow risk due to the change of interest amounted to \$11,705,884 and \$11,219,532, respectively.

(5) Procedure of financial risk control and hedge

The Group's activities expose the Group to a variety of financial risk, market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by a central treasury department (Group Treasury) in accordance with the policies approved by the Board of Director Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk.

A) Interest rate risk

The Group undertakes derivative financial instruments such as interest rate swaps to hedge cash flow risk and fair value risk arising from fluctuations in interest rates. To mitigate interest rate risk, the Group also closely monitors interest rate trends and sets a stop-loss amount on the derivatives undertaken.

B) Credit risk

The Group has a stringent credit policy in place. Transactions are conducted only with counterparties with good credit conditions. Appropriate measures are also undertaken where necessary to protect the Group's credit rights and thereby mitigate credit risk.

(6) Information of material financial risk

A) Market risk

a. Foreign exchange risk

The Group's major export transactions are conducted in United States dollars (USD). The change of fair value will be caused by foreign exchange rate fluctuations. However, the amounts and periods of the Group's accounts receivable is equivalent to its accounts payable, so the market risk could be offset. If the gap is raised, the Group would adopt the forward contract to hedge the risk, so the Group estimates there would be no material risk.

The Company and its subsidiaries engage in businesses that involve certain non-functional currencies (the Company's functional currency is New Taiwan dollar while some subsidiaries use United States dollars as their functional currency) and therefore are affected by exchange rate fluctuations. The information of foreign currency assets and liabilities that are significantly affected by exchange rate fluctuations is as follows:

	(in thousands)			
	June 30,			
	2011		2010	
	Foreign Currency	Exchange rate	Foreign Currency	Exchange rate
Financial assets				
Monetary				
USD : TW	3,229	28.73	9,046	32.15
Non-monetary				
USD : TW	701	28.73	20,893	32.15
Financial liability				
Monetary				
USD : TW	19,480	28.73	75	32.15

b. Price risk

The Group is exposed to equity securities price risk because of fluctuations in market price. The Group has set the stop-loss amount of derivatives to reduce its market risk, so the Group estimates there would be no material risk

B) Credit risk

- a. The Group has no significant concentrations of credit risk. It has policies in place to ensure that charters are made to charterers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.
- b. Loan guarantees provided by the Group are in compliance with the Group's "Procedures for Provision of Endorsements and Guarantees" and are only provided to the related parties, which are over 50%-owned, directly or indirectly, by the parent company, Sincere Navigation Corporation. As the Group is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Group is the total amount of loan guarantees as listed above.

C) Cash flow risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The amount of cash flow would decrease by \$104,319, if the interest rate is raised by 1% at the balance sheet date.

11. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1) Related information of significant transactions

In accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", summaries of the information of major transactions are described below:

A) Financing activities to any company or person:

Number	Name of investee	Name of Borrowers	Accounts used to record	Maximum balance in 2011	Ending Balance	Interest rate	Type of loan	Annual sales amount to (purchase from) the borrower	Reason for the short-term lending	Bad debt allowance provided	Collateral and its value	Credit limit on the respective borrower	Credit limit on all borrowers
(Note 1)							(Note 3)					(Note 2)	(Note 2)
1	Sincere Navigation Corporation: None Norley Corporation Inc.											\$ 3,699,877	\$ 4,933,169
		Ocean Wise Limited	Advance to associated entity	\$ 187,362 (USD 6,300 thousand)	\$ 114,920 (USD 4,000 thousand)	1.02%	2		"	-	-	- 3,183,897	4,245,196
		Kingswood Co., Ltd.	"	45,700 (USD 1,537 thousand)	44,148 (USD 1,537 thousand)		"		"	-	-	- "	"
		Zenith Marine Company Limited	"	214,067 (USD 7,198 thousand)	- (USD 0 thousand)		"		"	-	-	10,612,990	10,612,990
		Confidence Navigation Limited	"	402,275 (USD 13,526 thousand)	388,614 (USD11,526 thousand)		"		"	-	-	- "	"
2	Kingswood Co., Ltd.	Seven Seas Shipping Limited	"	135,517 (USD 4,652 thousand)	113,437 (USD 3,948 thousand)	1.02%	2		"	-	-	- 206,968	275,958

\$

Number	Name of investee	Name of Borrowers	Accounts used to record loan	Maximum balance in 2011	Ending Balance	Interest rate	Type of loan	Annual sales amount to (purchase from) the borrower	Reason for the short-term lending	Bad debt allowance provided	Collateral and its value	Credit limit on the respective borrower	Credit limit on all borrowers
3	Heywood Limited	Sincere Navagation Corporation	Other receivables related parties	\$ 646,425 (USD 22,500 thousand)	\$ 646,425 (USD 22,500 thousand)	-	"	-	"	-	-	\$4,694,077	\$ 4,694,077
		Howells Shipping Inc.	Advance to associated entity	117,666 (USD 4,039 thousand)	29,860 (USD 1,039 thousand)	-	"	-	"	-	-	"	"
		Century Shipping Ltd.	"	595 (USD 20 thousand)	575 (USD 20 thousand)	-	"	-	"	-	-	"	"
4	Great Wall Navigation Limited	Heywood Limited	"	4,953 (USD 167 thousand)	4,785 (USD 167 thousand)	-	"	-	"	-	-	5,010	5,010
5	Crimson marine Company	Heywood Limited	"	268,805 (USD 9,228 thousand)	230,316 (USD 8,017 thousand)	-	"	-	"	-	-	634,453	634,453

Note 1: Number 0 represents the Company.

Number 1 to Number 5 represent the subsidiaries.

Note 2: In accordance with the financing 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 purposes, maximum financing to each subsidiary and total financing is limited to 30% and 40% of the Company's net value, respectively. The maximum financing between the subsidiaries which are directly or indirectly 100% owned by the Company is limited to 100% of the lender's net value.

Note 3: Number 1 represents the business transaction.

Number 2 represents the necessity for short-term lending.

B) Gaurantee information

Name of investee		Name of guaranteed parties	Relationship with the Company	Limit on guarantee	Maximum	Outstanding	Amount of	Ratio of accumulated	Ceiling on
Number	Name				outstanding guarantee amount during 2011	guarantee amount at 6/30/2011	guarantee with collateral placed	to net value of the Company	outstanding guarantee for the respective party
(Note 1)			(Note 2)	(Note 3)				(Note 3)	
0	Sincere Navigation Corporation	Brighton Shipping Inc.	3	\$ 12,332,923	\$ 428,845 (USD 14,420 thousand)	\$ 379,758 (USD 13,218 thousand)	\$ -	79.02%	\$ 30,832,308
		Rockwell Shipping Limited	"	"	490,432 (USD 16,836 thousand)	449,148 (USD 15,633 thousand)	-		"
		Seven Seas Shipping Ltd.	"	"	837,670 (USD 28,166 thousand)	746,974 (USD 26,000 thousand)	-		"
		Howells Shipping Inc.	"	"	711,927 (USD 23,938 thousand)	630,437 (USD 21,944 thousand)	-		"
		Everwin Maritime	2	"	2,244,180 (USD 75,460 thousand)	2,167,966 (USD 75,460 thousand)	-		"
		Everprime Shipping Limited	3	"	564,584 (USD 18,984 thousand)	499,960 (USD 7,402 thousand)	-		"
		Clifford Navigation Corporation	"	"	1,487,000 (USD 50,000 thousand)	923,464 (USD 32,143 thousand)	-		"
		Crimson Marine Company	"	"	1,161,050 (USD 39,040 thousand)	841,214 (USD 29,280 thousand)	-		"
		Poseidon Marine Ltd.	"	"	1,962,840 (USD 66,000 thousand)	1,896,180 (USD 66,000 thousand)	-		"
		Ocean Wise Limited	"	"	1,253,244 (USD 42,140 thousand)	1,210,682 (USD 42,140 thousand)	-		"

Name of investee		Name of guaranteed parties	Relationship with the Company	Limit on guarantee	Maximum outstanding guarantee amount during 2010	Outstanding guarantee amount at 6/30/2010	Amount of guarantee with collateral placed	Ratio of accumulated guarantee amount to net value of the Company	Ceiling on outstanding guarantee for the respective party
Number	Name								
(Note 1)			(Note 2)	(Note 3)				(Note 3)	
1	Norley Corporation Inc.	Peg Shipping Company Limited Meko Shipping Inc.	3 "	\$ 10,612,990 "	\$ 324,612 (USD 10,915 thousand) 291,300 (USD 10,000 thousand)	\$ 286,869 (USD 9,985 thousand) 260,868 (USD 9,080 thousand)	\$ - - -	5.16%	\$ 26,532,475 "

Note 1: Number 0 represents the Company.

Number 1 represents the subsidiaries.

Note 2: Number 3 means majority owned subsidiaries.

Note 3: In accordance with the guarantee procedure of the Company, the Company's guarantee to others and total guarantee amount should not exceed 100% and 250% of the Company's net value, respectively. The guarantee amount for business transaction purposes should not exceed the total transaction amount with the Company within the current year. The total guarantee amount of the Company and its subsidiaries together should not exceed 300% of the Company's net value. The guarantee amount to a single enterprise should not exceed the Company's net value.

C) Marketable securities held by the Company as of June 30, 2011

Name of investor	Marketable securities		Relationship with the issuers	General ledger accounts	June 30, 2011				
	Types	Name			Number of shares	Book value	Percentage	Market value	
Sincere Navigation Corporation	Common stock	Norley Corporation Inc.	100% shares owned by the Company	Long-term investment	500	\$ 10,612,990	100%	\$ 10,612,990	
		Heywood Limited	"	"	"	4,694,078	"	4,694,078	
						<u>\$ 15,307,068</u>			
Norley Corporation Inc. (NCI)	Common stock	Confidence Navigation Limited	100% shares owned by NCI	Long-term investment	"	1,183,303	"	1,183,303	
		Kennmore Shipping Inc.	"	"	"	(USD 41,187 thousand)	"	(USD 41,187 thousand)	
		Zenith Marine Company Limited	"	"	"	1,370,335	"	1,370,335	
		Poseidon Marine Limited	"	"	"	(USD 47,697 thousand)	"	(USD 47,697 thousand)	
		Maxson Shipping Inc. Limited	"	"	"	7,096	"	7,096	
		Ocean Wise Limited	51% shares owned by NCI	"	"	255	(USD 247 thousand)	"	(USD 247 thousand)
		Welluck Co., Ltd.	50% shares owned by NCI	"	"	250	1,217,664	"	1,217,664
		Winnington Limited	"	"	"	"	(USD 42,383 thousand)	"	(USD 42,383 thousand)
		Kingswood Co., Ltd.	"	"	"	"	732,816	"	732,816
							(USD 25,507 thousand)	"	(USD 25,507 thousand)

Name of investor	Marketable securities		Relationship with the issuers	General ledger accounts	June 30, 2011				
	Types	Name			Number of shares	Book value	Percentage	Market value	
Norley Corporation Inc.	Common stock	Valentine Holdings Limited	60% shares owned by NCI	Long-term investment	300	\$ 376,047 (USD 13,089 thousand)	60%	\$ 376,047 (USD 13,089 thousand)	
		Jetwall Co., Ltd.	80% shares owned by NCI	"	400	1,486,318 (USD 51,734 thousand)	80%	1,486,318 (USD 51,734 thousand)	
		Victory Navigation Inc.	55% shares owned by NCI	"	275	267,333 (USD 9,305 thousand)	55%	267,333 (USD 9,305 thousand)	
Heywood Limited	Common stock	Great Wall Navigation Limited	100% shares owned by Heywood	"	500	4,999 (USD 174 thousand)	100%	4,999 (USD 174 thousand)	
		Newton Navigation Limited	"	"	"	744,682 (USD 25,920 thousand)	"	744,682 (USD 25,920 thousand)	
		Clifford Navigation Corporation	"	"	"	75,158 (USD 2,616 thousand)	"	75,158 (USD 2,616 thousand)	
		Brighton Shipping Inc.	"	"	"	437,989 (USD 15,245 thousand)	"	437,989 (USD 15,245 thousand)	
		Rockwell Shipping Limited	"	"	"	424,888 (USD 14,789 thousand)	"	424,888 (USD 14,789 thousand)	
		Howells Shipping Inc.	"	"	"	510,388 (USD 17,765 thousand)	"	510,388 (USD 17,765 thousand)	
		Crimson Marine Company	"	"	"	634,445 (USD 22,083 thousand)	"	634,445 (USD 22,083 thousand)	
		Honco Shipping Limited	"	"	"	2 (USD 0 thousand)	-	"	- (USD 0 thousand)
		Century Shipping Limited	"	"	"	50,000	8,705 (USD 303 thousand)	"	8,705 (USD 303 thousand)

Name of investor	Marketable securities		Relationship with the issuers	General ledger accounts	June 30, 2011			
	Types	Name			Number of shares	Book value	Percentage	Market value
Century Shipping Limited	Common stock	Haihu Maritime Service (Shanghai) Co., Ltd.	100% shares owned by Century	Long-term investment	-	\$ 8,975 (RMB 2,026 thousand)	100%	\$ 8,975 (RMB 2,026 thousand)
Valentine Holdings Limited	Common stock	Millennia Investmen	100% shares owned by Valentine	"	500	313,847 (USD 10,924 thousand)	"	313,847 (USD 10,924 thousand)
		Gemini Investment Company Limited	"	"	"	272,906 (USD 9,499 thousand)	"	272,906 (USD 9,499 thousand)
Jetwall Co., Ltd.	Common stock	Everwin Maritime Limited	100% shares owned by Jetwall	"	"	1,858,228 (USD 64,679 thousand)	"	1,858,228 (USD 64,679 thousand)
Victory Navigation Inc.	Common stock	Everprime Shipping Limited	100% shares owned by Victory	"	"	482,434 (USD 16,792 thousand)	"	482,434 (USD 16,792 thousand)
Winnington Limited	Common stock	Peg Shipping Company Limited	100% shares owned by Winnington	"	"	440,603 (USD 15,336 thousand)	"	440,603 (USD 15,336 thousand)
Welluck Co., Ltd.	Common stock	Meko Shipping Inc.	100% shares owned by Welluck	"	"	417,562 (USD 14,534 thousand)	"	417,562 (USD 14,534 thousand)
Kingswood Co., Ltd.	Common stock	Seven Seas Shipping Limited	100% shares owned by Kingswood	"	"	660,962 (USD 23,006 thousand)	"	660,962 (USD 23,006 thousand)

D) Acquisition or sale of the same security with the accumulated cost exceeded \$100 million or 20% of the Company's paid-in during the six months ended June 30, 2011: None.

E) Acquisition of real estate properties exceeding \$100 million or 20% of the Company's paid-in capital during the six months ended June 30, 2011

Property acquired by	Property acquired	Date of transaction	Transaction amount	Status of payment	Counterparty	Relationship with the Company	If the counterparty is a related party, information as to the last transaction of the property is disclosed below:				Basis or reference used in setting the price	Reason for acquisition of properties and status of the properties	Other commitments
							Original owner who sold the property to the counterparty	Relationship of the original owner with the Company	Date of the original transaction	Amount			
Everwin Maritime Limited	Maxim (H2441)	June 17, 2011	\$ 3,153,462 (USD 109,762 thousand)	Settled	Shanghai Jiangnan Changxin Shipbuilding Co., Ltd.	-	-	-	-	\$ -	Cost of new vessel acquired	Expand operational scale	-

F) Disposal of real estate properties exceeding \$100 million or 20% of the Company's paid-in capital during the six months ended June 30, 2011: None.

G) Purchases from or sales to related parties exceeding \$100,000 or 20% of the Company's paid-in capital during the six months ended June 30, 2011:

Name of investor	Counterparty	Relationship with the Company	Transaction type	Purchases or sales		Transaction condition		Accounts receivable (payable)		Remark
				Amount	Percentage	Price	Payment term	Amount	Percentage	
	Sincere Navigation Corporation	None								
Peg Shipping Company Limited	Bocimar International N. V.	Parent company of Majority shareholder of Winnington	Charter revenue	USD 9,013 thousand	100%	The same as third parties	N/A	USD 101 thousand	3%	Advance collections USD 96 thousand

H) Receivables from related parties exceeding \$100 million or 20% of the Company's paid-in capital as of June 30, 2011:

Creditor	Counterparty	Relationship with the Company	Balance of receivable from related parties	Turnover rate	Overdue receivable		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Sincere Navigation Corporation	None							
Norley Corporation Inc. (NCI)	Ocean Wise Limited	51% shares owned by NCI	\$ 114,920 (USD 4,000 thousand)	-	\$ -	-	\$ -	\$ -
Kingswood Co., Ltd.	Confidence Navigation Limited	100% shares owned by NCI	388,614 (USD 11,526 thousand)	-	-	-	-	-
Heywood Limited	Seven Seas Shipping Ltd.	50% shares owned by NCI	113,437 (USD 3,948 thousand)	-	-	-	-	-
Crimson Marine Company	Sincere Navigation Corporation	Ultimate parent company of Heywood	646,425 (USD 22,500 thousand)	-	-	-	-	-
	Heywood Limited	Parent company of Crimson	230,316 (USD 8,017 thousand)	-	-	-	-	-

I) Derivative financial instruments undertaken during the six months ended June 30, 2011: None.

(2) Disclosure information of investee company

1. Disclosure information of investee company as following:

Name of investor	Name of investee	Address	Main activities	Original investment amount		Held by the company			Income (loss)	Investment Income
				Ending of this period	Ending of last period	Number of shares	Rate	Book value	of the investee Company	
Sincere Navigation Corporation	Norley Corporation Inc.	80 Board Street, City of Monrovia, Republic of Liberia	Investment Holdings	USD 1,000 thousand	USD 1,000 thousand	500	100%	\$ 10,612,990 (USD 369,404 thousand)	\$ 511,226 (USD 17,586 thousand)	\$ 511,226
	Heywood Limited	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960	"	USD 1,000 thousand	USD 1,000 thousand	500	100%	4,694,078 (USD 163,386 thousand)	655,821 (USD 22,560 thousand)	655,821
Norley Corporation Inc.	Valentine Holdings Limited	80 Board Street, City of Monrovia, Republic of Liberia	"	USD 6 thousand	USD 6 thousand	300	60%	USD 13,089 thousand	USD 1,366 thousand	-
	Confidence Navigation Limited	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960	Oil tanker	USD 10 thousand	USD 10 thousand	500	100%	USD 41,187 thousand	USD 652 thousand	-
	Kenmore Shipping Inc.	"	Holding in Shipbuilding contract	USD 47,710 thousand	USD 31,810 thousand	"	"	USD 47,697 thousand	USD -1 thousand	-
	Zenith Marine Company Limited	"	Shipping charting	USD 10 thousand	USD 10 thousand	"	"	USD 247 thousand	USD -22 thousand	-
	Welluck Co., Ltd.	"	Investment Holdings	USD 5 thousand	USD 5 thousand	250	50%	USD 7,406 thousand	USD 7,023 thousand	-
	Winnington Limited	"	"	"	"	"	"	USD 7,749 thousand	USD 6,860 thousand	-
	Jetwall Co., Ltd.	"	"	USD 52,176 thousand	USD 38,816 thousand	400	80%	USD 51,734 thousand	USD -533 thousand	-
	Victory Navigation Inc.	"	"	USD 6 thousand	USD 6 thousand	275	55%	USD 9,305 thousand	USD 5,158 thousand	-
Kingswood Co., Ltd.	"	"	USD 5 thousand	USD 5 thousand	250	50%	USD 12,007 thousand	USD 331 thousand	-	
Poseidon Marine Limited	"	"	Shipping charting	USD 29,500 thousand	USD 33,000 thousand	500	100%	USD 42,383 thousand	USD 3,717 thousand	-

Name of investor	Name of investee	Address	Main activities	Original investment amount		Held by the company			Income (loss)	Investment Income
				Ending of this period	Ending of last period	Number of shares	Rate	Book value	of the investee Company	
Norley Corporation Inc.	Maxson Shipping Inc.	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro Marshall Islands MH96960	Holding in Shipbuilding contract	USD 25,510 thousand	USD 15,310 thousand	"	"	USD 25,507 thousand	USD -2 thousand	\$ -
	Ocean Wise Limited	80 Board Street, City of Monrovia, Republic of Liberia	Shipping charting	USD 5 thousand	USD 5 thousand	255	51%	USD 7,395 thousand	USD 5,813 thousand	-
Valentine Holdings Limited	Millennia Investment Company Limited	R. R. E. Commercial Center, Delap Wing Suite 208, P. O. Box Majuro Marshall Islands MH 96960	"	USD 10 thousand	USD 10 thousand	500	100%	USD 10,924 thousand	USD 1,183 thousand	-
	Gemini Investment Company Limited	"	"	"	"	"	"	USD 9,499 thousand	USD 185 thousand	-
Welluck Co., Ltd.	Meko Shipping Inc.	80 Board Street, City of Monrovia, Republic of Liberia	"	"	"	"	"	USD 14,534 thousand	USD 7,022 thousand	-
Winnington Limited	Peg Shipping Company Limited	"	"	"	"	"	"	USD 15,336 thousand	USD 6,860 thousand	-
Kingswood Co., Ltd.	Seven Seas Shipping Ltd.	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960	Oil tanker	"	"	"	"	USD 23,006 thousand	USD 337 thousand	-
Jetwall Co., Ltd.	Everwin Maritime Limited	"	Holding in Shipbuilding contract	USD 65,220 thousand	USD 48,520 thousand	"	"	USD 64,678 thousand	USD -531 thousand	-
Victory Navigation Inc.	Everprime Shipping Limited	"	Shipping charting	USD 10 thousand	USD 10 thousand	"	"	USD 16,792 thousand	USD 5,160 thousand	-
Heywood Limited	Great Wall Navigation Limited	"	"	"	"	"	"	USD 174 thousand	USD -1 thousand	-
	Newton Navigation Limited	"	"	"	"	"	"	USD 25,920 thousand	USD 6,812 thousand	-
	Clifford Navigation Corporation	"	"	"	"	"	"	USD 2,616 thousand	USD 4,639 thousand	-
	Brighton Shipping Inc.	"	"	"	"	"	"	USD 15,245 thousand	USD 5,261 thousand	-
	Rockwell Shipping Limited	"	"	"	"	"	"	USD 14,789 thousand	USD 439 thousand	-
	Howells Shipping Inc.	"	"	"	"	"	"	USD 17,765 thousand	USD 2,035 thousand	-

Name of investor	Name of investee	Address	Main activities	Original investment amount		Held by the company			Income (loss)	Investment Income
				Ending of this period	Ending of last period	Number of shares	Rate	Book value	of the investee Company	
Heywood Limited	Crimson Marine Company	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960	Shipping charting	USD 24,398 thousand	USD 24,398 thousand	500	100%	USD 22,083 thousand	USD 3,412 thousand	\$ -
	Honco Shipping Limited	2301, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong	Investment Holdings	-	-	2	"	USD 0 thousand	USD 0 thousand	-
	Century Shipping Limited	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960	"	USD 500 thousand	USD 500 thousand	50,000	"	USD 303 thousand	USD -23 thousand	-
Century Shipping Limited	Hailu Maritime Service (Shanghai) Co., Ltd.	Room 1906, China Merchants Tower, 161 Lu Jia Road(E), Pudong, Shanghai	Maritime Service	USD 500 thousand	USD 500 thousand	-	"	RMB 2,026 thousand	RMB -152 thousand	-

2. Significant transactions between investee company:

A) Loans granted during the six months ended June 30, 2011: Please see Note 11. (1) A).

B) Endorsements and guarantees provided during the six months ended June 30, 2011: Please see Note 11. (1) B).

C) Marketable securities held as of June 30, 2011: Please see Note 11. (1) C).

D) Acquisition or sale of the same security with the accumulated cost exceeding \$100,000 or 20% percent of the Company's paid-in capital during the six months ended June 30, 2011: None.

E) Acquisition of real estate properties exceeding \$100,000 or 20% percent of the Company's paid-in capital during the six months ended June 30, 2011: Please see Note 11. (1) E).

F) Disposal of real estate properties exceeding \$100,000 or 20% percent of the Company's paid-in capital during the six months ended June 30, 2011: None

G) Purchases from or sales to related parties exceeding \$100,000 or 20% percent of the Company's paid-in capital during the six months ended June 30, 2011: Please see Note 11. (1) G).

H) Receivables from related parties exceeding \$100,000 or 20% percent of the Company's paid-in capital during the six months ended June 30, 2011: Please see Note 11. (1) H).

I) Derivative financial instruments undertaken during the six months ended June 30, 2011: None.

(3) Disclosure of information on indirect investments in Mainland China

1. The related information of investee company in Mainland China:

Name of investee in Mainland China	Main activities of investee	Investment amount and method	Beginning investment balance from Taiwan	Investment amount		Ending investment balance from Taiwan	Shares held by the Company (Direct and indirect)	Investment Loss (Note 2)	Investment amount as of June 30, 2011	Accumulated remittance
				Payment	Remittance					
Haihu Maritime Service (Shanghai) Co., Ltd.	Maritime Service	\$15,855 (USD 500 thousand)	Note 1 \$15,855 (USD 500 thousand)	\$ -	-	\$15,855 (USD 500 thousand)	100%	(\$ 675) (RMB -152 thousand)	\$ 8,995 (RMB 2,026 thousand)	-
Accumulated investment balance from Taiwan to Mainland China				Ceiling amount of investment in Mainland China						
\$ 15,855 (USD 500 thousand)			\$ 95,130 (USD 3,000 thousand)			\$ 7,399,754				

Note 1: Investment in Mainland China was made through investee located in third country.

Note 2: The basis of investment loss recognition is based on the financial statements of the investee company which was audited by independent accountants as of and for the six months ended June 30, 2011.

2. Major transactions with the investee in Mainland China: None.

(4) Significant related party transactions and balances due from (to) related parties

Included in the June 30, 2011 consolidated financial statements:

Number (Note 1)	The company or investee company	Counterparty	Relationship with the company (Note 2)	General ledger account	Conditions of transactions		Ratio of the accumulated revenues to the total consolidated revenues or the ratio of the ending balance to the total consolidated assets (Note 3)
					Amount	Terms of transactions	
0	Sincere Navigation Corporation	Brighton Shipping Inc.	1	Guarantees	\$ 379,758 (USD 13,218 thousand)	As the company's policy	1.35%
		Rockwell Shipping Limited	"	"	449,148 (USD 15,633 thousand)	"	1.59%
		Seven Seas Shipping Ltd.	"	"	746,974 (USD 26,000 thousand)	"	2.65%
		Howells Shipping Inc.	"	"	630,437 (USD 21,944 thousand)	"	2.23%
		Everprimne Shipping Limited	"	"	499,960 (USD 17,402 thousand)	"	1.77%
		Clifford Navigation Corporation	"	"	923,214 (USD 32,143 thousand)	"	3.27%
		Crimson Marine Company	"	"	841,214 (USD 29,280 thousand)	"	2.98%
		Poseidon Marine Ltd.	"	"	1,896,180 (USD 66,000 thousand)	"	6.72%
		Ocean Wise Limited	"	"	1,210,682 (USD 42,140 thousand)	"	4.29%
0	Sincere Navigation Corporation	Everwin Maritime Limited	"	"	2,167,966 (USD 75,460 thousand)	"	1.02%
		Heywood Limited	2	Other receivables related parties	646,425 (USD 22,500 thousand)	"	7.68%
1	Norley Corporation Inc.	Peg Shipping Company Limited	3	"	286,869 (USD 9,985 thousand)	"	2.29%
		Confidence Navigation Limited	"	Advance to associated entity	388,614 (USD 11,526 thousand)	"	1.38%

Included in the June 30, 2010 consolidated financial statements:

Number	The company or investee company	Counterparty	Relationship with the company	Conditions of transactions			Ratio of the accumulated revenues to the total consolidated revenues or the ratio of the ending balance to the total consolidated assets
				General ledger account	Amount	Terms of transactions	
(Note 1)			(Note 2)				(Note 3)
0	Sincere Navigation Corporation	Confidence Navigation Limited	1	Guarantees	\$ 626,202 (USD 19,478 thousand)	As the company's policy	2.10%
		Brighton Shipping Inc.	"	"	502,230 (USD 15,621 thousand)	"	1.69%
		Rockwell Shipping Limited	"	"	579,939 (USD 18,039 thousand)	"	1.95%
		Seven Seas Shipping Ltd.	"	"	975,209 (USD 30,333 thousand)	"	3.27%
		Howells Shipping Inc.	"	"	833,754 (USD 25,933 thousand)	"	2.80%
		Norley Corporation Inc.	"	"	964,500 (USD 30,000 thousand)	"	3.24%
		Everprimne Shipping Limited	"	"	661,197 (USD 20,566 thousand)	"	2.22%
		Zenith Marine Comopany Limited	"	"	811,466 (USD 25,240 thousand)	"	2.72%
		Clifford Navigation Corporation	"	"	1,607,500 (USD 50,000 thousand)	"	5.40%
		Crimson Marine Company	"	"	1,255,136 (USD 39,040 thousand)	"	4.21%
		Poseidon Marine Ltd.	"	"	2,121,900 (USD 66,000 thousand)	"	7.12%
		Ocean Wise Limited	"	"	1,354,801 (USD 42,140 thousand)	"	4.55%
1	Norley Corporation Inc.	Peg Shipping Company Limited	3	"	380,817 (USD 11,845 thousand)	"	1.28%
		Meko Shipping Inc.	"	"	351,078 (USD 10,920 thousand)	"	1.18%
		Sincere Navigation Corporation	2	Other receivables related parties	482,250 (USD 15,000 thousand)	"	1.62%

Number	The company or investee company	Counterparty	Relationship with the company	Conditions of transactions			Ratio of the accumulated revenues to the total consolidated revenues or the ratio of the ending balance to the total consolidated assets
				General ledger account	Amount	Terms of transactions	
(Note 1)			(Note 2)				(Note 3)
2	Heywood Limited	Sincere Navigation Corporation	2	Other receivables \$	546,550	As the company's policy	1.88%
				related parties	(USD 17,000 thousand)		
3	Crimson Marine Company	Heywood Limited	3	Advance to related entity	457,430	"	1.54%
					(USD 14,228 thousand)		

Other transaction amounts among the parent company and subsidiaries are not disclosed because none has exceeded 1% of consolidated total assets or revenue.

Note 1: Number 0 represents the parent company.

Number 1 to 3 represent the subsidiaries.

Note 2: Number 1 represents the Company towards the subsidiaries.

Number 2 represents the subsidiaries towards the Company.

Number 3 represents the subsidiaries towards other subsidiaries.

Note 3: Ratios of transactions involving balance sheet accounts are calculated using consolidated assets;

ratios of transactions involving income statement accounts are calculated using consolidated revenues.

12. OPERATING SEGMENT INFORMATION

(1) General information

According to R.O.C. SFAS No. 41, "Operating Segments", the reported measures are determined in accordance with the measurement principles consistent with those the chief operating decision maker uses in identifying the reportable segments.

(2) Measurements

The Company's chief operating decision maker uses the measure of operating segment's profit or loss before income tax to evaluate the results of their operations. The measurement does not include the effects resulting from unusual matters.

(3) Financial information

	For the six months ended June 30, 2011			
	<u>Bulk Shipping</u>	<u>Oil Tanker</u>	<u>Others</u>	<u>Total</u>
Revenue from third parties	\$ 2,655,418	\$ 241,142	\$ 1,254	\$ 2,897,814
Segment income	\$ 1,418,498	\$ 13,060	\$ 1,254	\$ 1,432,812

	For the six months ended June 30, 2010			
	<u>Bulk Shipping</u>	<u>Oil Tanker</u>	<u>Others</u>	<u>Total</u>
Revenue from third parties	\$ 2,807,066	\$ 427,787	\$ 911	\$ 3,235,764
Segment income	\$ 1,662,636	\$ 203,947	\$ 911	\$ 1,867,494

(4) Reconciliations

The basis of transactions between operating segments is the principle of fair trading. The revenue from third parties reported to the chief operating decision maker is determined in accordance with the same measurement principle which is used in measuring the revenue from the Group.

Reconciling profit before income tax of reportable segments to income from continuing operating before income tax is as follows:

	For the six months ended June 30,	
	<u>2011</u>	<u>2010</u>
Reportable segment income	\$ 1,431,558	\$ 1,866,583
Other segment income	<u>1,254</u>	<u>911</u>
	1,432,812	1,867,494
Others	<u>12,664</u>	<u>1,735</u>
Income from continuing operations before tax	\$ <u>1,445,476</u>	\$ <u>1,869,229</u>