

**SINCERE NAVIGATION CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 2018 AND 2017**

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.



資誠

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Sincere Navigation Corporation

Introduction

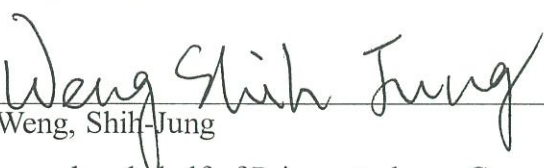
We have reviewed the accompanying consolidated balance sheets of Sincere Navigation Corporation and subsidiaries (the “Group”) as at June 30, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month and six-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month and six-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.


Weng, Shih-Jung


Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

August 14, 2018

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.

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SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
 (THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2018 AND 2017 ARE REVIEWED, NOT AUDITED)

Assets		Notes	June 30, 2018		December 31, 2017		June 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 3,557,679	14	\$ 3,678,635	15	\$ 4,192,363	17
1140	Current contract assets	6(10)	63,834	-	-	-	-	-
1170	Accounts receivable	12(2)	225,394	1	257,166	1	222,739	1
1200	Other receivables	9	226,139	1	190,877	1	209,702	1
1210	Other receivables - related party	7	34,793	-	25,487	-	40,525	-
130X	Bunker inventories		130,006	1	99,550	1	36,228	-
1410	Prepayments		40,197	-	24,429	-	36,268	-
1470	Other current assets	8	601,905	3	493,499	2	513,288	2
11XX	Current assets		4,879,947	20	4,769,643	20	5,251,113	21
Non-current assets								
1600	Property, plant and equipment,net	6(2)(5), 7 and 8	19,929,384	80	19,118,693	80	20,112,875	79
1840	Deferred income tax assets		23,188	-	5,996	-	8,772	-
1900	Other non-current assets	8	16,315	-	7,362	-	7,361	-
15XX	Non-current assets		19,968,887	80	19,132,051	80	20,129,008	79
1XXX	Total assets		\$ 24,848,834	100	\$ 23,901,694	100	\$ 25,380,121	100

(Continued)

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2018 AND 2017 ARE REVIEWED, NOT AUDITED)

Liabilities and equity		Notes	June 30, 2018		December 31, 2017		June 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(4)	\$ 760,000	3	\$ 760,000	3	\$ 760,000	3
2130	Current contract liabilities	6(10)	43,999	-	-	-	-	-
2200	Other payables		542,567	2	217,706	1	598,764	2
2220	Other payables - related party	7	493	-	337	-	5,039	-
2230	Current income tax liabilities		-	-	133,360	-	12,739	-
2310	Advance receipts		-	-	52,389	-	52,109	-
2320	Long-term liabilities, current portion	6(5)	1,411,353	6	1,349,574	6	1,416,087	6
21XX	Current liabilities		2,758,412	11	2,513,366	10	2,844,738	11
Non-current liabilities								
2540	Long-term borrowings	6(5)	4,831,567	20	4,174,744	18	4,957,081	20
2570	Deferred income tax liabilities		102,374	-	89,058	-	210,971	1
2600	Other non-current liabilities		33,430	-	33,380	-	30,653	-
25XX	Non-current liabilities		4,967,371	20	4,297,182	18	5,198,705	21
2XXX	Total liabilities		7,725,783	31	6,810,548	28	8,043,443	32
Equity attributable to owners of parent								
Share capital		6(7)						
3110	Share capital - common stock		5,683,042	23	5,683,042	24	5,683,042	23
Capital surplus		6(8)						
3200	Capital surplus		52,247	-	51,025	-	49,593	-
Retained earnings		6(9)						
3310	Legal reserve		3,156,840	13	3,105,700	13	3,105,700	12
3320	Special reserve		1,479,609	6	30,170	-	30,170	-
3350	Unappropriated retained earnings		6,150,556	25	8,090,382	34	7,931,995	31
Other equity interest								
3400	Other equity interest		(1,075,053)	(5)	(1,479,609)	(6)	(1,101,277)	(4)
31XX	Equity attributable to owners of the parent		15,447,241	62	15,480,710	65	15,699,223	62
36XX	Non-controlling interest		1,675,810	7	1,610,436	7	1,637,455	6
3XXX	Total equity		17,123,051	69	17,091,146	72	17,336,678	68
Significant contingent liabilities and unrecognized contractual commitments		9						
3X2X	Total liabilities and equity		\$ 24,848,834	100	\$ 23,901,694	100	\$ 25,380,121	100

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

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)
(UNAUDITED)

			Three months ended June 30				Six months ended June 30			
			2018		2017		2018		2017	
Items	Notes		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(10) and 7	\$ 800,433	100	\$ 870,308	100	\$ 1,513,684	100	\$ 1,733,781	100
5000	Operating costs	6(15)(16) and 7	(748,927)	(94)	(567,355)	(65)	(1,445,868)	(95)	(1,208,100)	(70)
5900	Net operating margin		51,506	6	302,953	35	67,816	5	525,681	30
	Operating expenses	6(15)(16) and 7								
6200	General & administrative expenses		(34,641)	(4)	(44,669)	(5)	(72,117)	(5)	(90,187)	(5)
6500	Other gains - net	6(11)	-	-	40,450	4	-	-	40,450	3
6900	Operating profit (loss)		16,865	2	298,734	34	(4,301)	-	475,944	28
	Non-operating income and expenses									
7010	Other income	6(12)	10,269	1	14,268	2	19,319	1	25,102	1
7020	Other gains and losses	6(13)	(64,558)	(8)	(6,714)	(1)	(35,326)	(2)	86,185	5
7050	Finance costs	6(14)	(57,431)	(7)	(44,008)	(5)	(101,842)	(7)	(87,803)	(5)
7000	Total non-operating income and expenses		(111,720)	(14)	(36,454)	(4)	(117,849)	(8)	23,484	1
7900	(Loss) profit before income tax		(94,855)	(12)	262,280	30	(122,150)	(8)	499,428	29
7950	Income tax expense	6(17)	18,088	2	(45,970)	(5)	3,609	-	(76,195)	(4)
8000	(Loss) profit for the period from continuing operations		(76,767)	(10)	216,310	25	(118,541)	(8)	423,233	25
8100	Profit for the period from discontinued operations	6(3)	-	-	8,666	1	-	-	7,176	-
8200	(Loss) profit for the period		(\$ 76,767)	(10)	\$ 224,976	26	(\$ 118,541)	(8)	\$ 430,409	25

(Continued)

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)
(UNAUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income									
Components of other comprehensive income that will not be reclassified to profit or loss									
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(17)	\$ -	-	\$ -	-	\$ 267	-	\$ -	-
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		854,434	107	57,391	6	443,369	29	(1,172,938)	(68)
8500 Total comprehensive income (loss) for the period		<u>\$ 777,667</u>	<u>97</u>	<u>\$ 282,367</u>	<u>32</u>	<u>\$ 325,095</u>	<u>21</u>	<u>(\$ 742,529)</u>	<u>(43)</u>
Profit (loss), attributable to:									
8610 Owners of the parent		(\$ 72,798)	(9)	\$ 187,685	22	(\$ 98,531)	(7)	\$ 350,899	20
8620 Non-controlling interest		(3,969)	(1)	37,291	4	(20,010)	(1)	79,510	5
		<u>(\$ 76,767)</u>	<u>(10)</u>	<u>\$ 224,976</u>	<u>26</u>	<u>(\$ 118,541)</u>	<u>(8)</u>	<u>\$ 430,409</u>	<u>25</u>
Comprehensive income attributable to:									
8710 Owners of the parent		\$ 707,649	88	\$ 240,101	27	\$ 306,292	20	(\$ 720,208)	(42)
8720 Non-controlling interest		70,018	9	42,266	5	18,803	1	(22,321)	(1)
		<u>\$ 777,667</u>	<u>97</u>	<u>\$ 282,367</u>	<u>32</u>	<u>\$ 325,095</u>	<u>21</u>	<u>(\$ 742,529)</u>	<u>(43)</u>
Basic earnings per share	6(18)								
9710 Basic earnings per share from continuing operations		(\$ 0.12)		\$ 0.32		(\$ 0.17)		\$ 0.61	
9720 Basic earnings per share from discontinued operations		-		0.01		-		0.01	
9750 Total basic earnings per share		<u>(\$ 0.12)</u>		<u>\$ 0.33</u>		<u>(\$ 0.17)</u>		<u>\$ 0.62</u>	
Diluted earnings per share	6(18)								
9810 Diluted earnings per share from continuing operations		(\$ 0.12)		\$ 0.32		(\$ 0.17)		\$ 0.61	
9820 Diluted earnings per share from discontinued operations		-		0.01		-		0.01	
9850 Total diluted earnings per share		<u>(\$ 0.12)</u>		<u>\$ 0.33</u>		<u>(\$ 0.17)</u>		<u>\$ 0.62</u>	

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

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

Equity attributable to owners of the parent

		Capital Reserves			Retained Earnings						
			Difference					Financial			
			between the price					statements			
			for acquisition or					translation			
			disposal of					differences of			
			subsidiaries and					foreign operations			
			carrying amount								
Notes	Share capital - common stock	Treasury stock transactions		Others	Legal reserve	Special reserve	Unappropriated retained earnings		Total	Non-controlling interest	Total equity
<u>For the six-month period ended June 30, 2017</u>											
	\$ 5,683,042	\$ 39,243	\$ 10,350	\$ -	\$ 3,045,685	\$ -	\$ 8,069,094	(\$ 30,170)	\$ 16,817,244	\$ 1,751,001	\$ 18,568,245
Balance at January 1, 2017											
Profit for the period	-	-	-	-	-	-	350,899	-	350,899	79,510	430,409
Other comprehensive loss for the period	-	-	-	-	-	-	-	(1,071,107)	(1,071,107)	(101,831)	(1,172,938)
Total comprehensive loss	-	-	-	-	-	-	350,899	(1,071,107)	(720,208)	(22,321)	(742,529)
Appropriation of 2016 earnings:	6(9)										
Legal reserve	-	-	-	-	60,015	-	(60,015)	-	-	-	-
Special reserve	-	-	-	-	-	30,170	(30,170)	-	-	-	-
Cash dividend	-	-	-	-	-	-	(397,813)	-	(397,813)	-	(397,813)
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(91,225)	(91,225)
Balance at June 30, 2017	\$ 5,683,042	\$ 39,243	\$ 10,350	\$ -	\$ 3,105,700	\$ 30,170	\$ 7,931,995	(\$ 1,101,277)	\$ 15,699,223	\$ 1,637,455	\$ 17,336,678
<u>For the six-month period ended June 30, 2018</u>											
	\$ 5,683,042	\$ 39,243	\$ 10,350	\$ 1,432	\$ 3,105,700	\$ 30,170	\$ 8,090,382	(\$ 1,479,609)	\$ 15,480,710	\$ 1,610,436	\$ 17,091,146
Balance at January 1, 2018											
Loss for the period	-	-	-	-	-	-	(98,531)	-	(98,531)	(20,010)	(118,541)
Other comprehensive income for the period	-	-	-	-	-	-	267	404,556	404,823	38,813	443,636
Total comprehensive income	-	-	-	-	-	-	(98,264)	404,556	306,292	18,803	325,095
Appropriation of 2017 earnings:	6(9)										
Legal reserve	-	-	-	-	51,140	-	(51,140)	-	-	-	-
Special reserve	-	-	-	-	-	1,449,439	(1,449,439)	-	-	-	-
Cash dividend	-	-	-	-	-	-	(340,983)	-	(340,983)	-	(340,983)
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	46,571	46,571
Overdue unclaimed cash dividends	6(8)	-	-	1,222	-	-	-	-	1,222	-	1,222
Balance at June 30, 2018	\$ 5,683,042	\$ 39,243	\$ 10,350	\$ 2,654	\$ 3,156,840	\$ 1,479,609	\$ 6,150,556	(\$ 1,075,053)	\$ 15,447,241	\$ 1,675,810	\$ 17,123,051

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

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

		<u>For the six-month periods ended June, 30</u>	
	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(Loss) profit from continuing operations before tax		(\$ 122,150)	\$ 499,428
Profit from discontinued operations before tax	6(3)	-	7,176
(Loss) profit before tax		(122,150)	506,604
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(2)(15)	642,146	644,988
Amortisation	6(15)	51	-
Interest income	6(12)	(18,373)	(17,445)
Interest expense	6(14)	101,842	87,803
Gain on disposal of non-current assets held for sale	6(3)	-	(10,093)
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(6,683)	-
Accounts receivable		(25,379)	41,353
Other receivables		(33,300)	(8,316)
Other receivables - related party		(9,306)	(22,810)
Bunker inventories		(30,456)	9,706
Prepayments		(15,768)	6,383
Changes in operating liabilities			
Current contract liabilities		(8,390)	-
Other payables		(37,898)	(49,864)
Other payables - related party		156	4,933
Advance receipt		-	(32,218)
Accrued pension liabilities		50	177
Cash inflow generated from operations		436,542	1,161,201
Cash receipt of interest		16,552	17,639
Cash payment of income tax		(133,360)	(208,008)
Net cash flows from operating activities		319,734	970,832
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other financial assets		(108,406)	(97,706)
Acquisition of property, plant and equipment	6(2)	(1,005,894)	(2,328,610)
Proceeds from disposal of non-current assets held for sale		-	130,752
Increase in other non-current assets		(8,997)	-
(Increase) decrease in refundable deposits		(7)	20
Net cash flows used in investing activities		(1,123,304)	(2,295,544)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans		-	20,000
Proceeds from long-term borrowings	6(20)	1,240,680	1,771,770
Repayment of long-term borrowings	6(20)	(669,799)	(643,954)
Cash payment of interest		(81,662)	(77,699)
Change in non-controlling interests		46,571	(91,225)
Overdue unclaimed cash dividends	6(8)	1,222	-
Net cash flows from financing activities		537,012	978,892
Effect of changes in foreign exchange rate		145,602	(410,608)
Net decrease in cash and cash equivalents		(120,956)	(756,428)
Cash and cash equivalents at beginning of period		3,678,635	4,948,791
Cash and cash equivalents at end of period		\$ 3,557,679	\$ 4,192,363

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

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(UNAUDITED)

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 8, 1989. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in bulk shipping, tug and barge services, and operating a shipping agency.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were reported to the Board of Directors on August 14, 2018.

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 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

B. When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Group expects to adopt IFRS 15 using the modified retrospective approach.

In line with IFRS 15 requirements, the Group changed the presentation of accounts in the balance sheet as follows:

- (a) Under IFRS 15, contracts whereby services have been rendered but not yet billed are recognised as contract assets, but were previously presented as part of accounts receivable in the balance sheet. As of January 1, 2018, the balance amounted to \$57,151.
- (b) Under IFRS 15, liabilities in relation to the customer contract are recognised as contract liabilities, but were previously presented as prepayments in the balance sheet. As of January 1, 2018, the balance amounted to \$52,389.

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2017, except for the compliance statement, basis of preparations and basis of consolidation as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

(2) Basis of preparation

- A. Except for the following items, the consolidated 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 Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and the second quarter was not restated. The financial statements for the year ended December 31, 2017 and the second quarter of 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(3) and (4) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2017.

B. Subsidiaries included in the consolidated financial statements:

(a) Norley Corporation Inc. (Norley)

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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2018	December 31, 2017	June 30, 2017	
Norley	Poseidon Marine Ltd	Shipping	100%	100%	100%	
"	Kenmore Shipping Inc.	Oil tanker	100%	100%	100%	
"	Maxson Shipping Inc.	Shipping	100%	100%	100%	
"	Ocean Wise Limited	Shipping	51%	51%	51%	
"	Valentine Holdings Limited (Valentine)	Investment holdings	-	-	60%	Note 1
"	Kingswood Co., Ltd. (Kingswood)	Investment holdings	50%	50%	50%	Note 2
"	Winnington Limited (Winnington)	Investment holdings	100%	100%	100%	
"	Jetwall Co. Ltd. (Jetwall)	Investment holdings	80%	80%	80%	
"	Victory Navigation Inc. (Victory)	Investment holdings	55%	55%	55%	
"	Pacifica Maritime Limited	Oil tanker	100%	100%	100%	
"	Dynasty Navigation Limited	Shipping	-	-	100%	Note 1
"	Sky Sea Maritime Limited (Sky Sea)	Shipping	55%	55%	55%	
"	New Frontier Navigation Ltd.	Holding in shipbuilding	100%	-	-	
Valentine	Gemini Investment Company Limited	Shipping	-	-	100%	Note 1
"	Millennia Investment Company Limited	Shipping	-	-	100%	Note 1
Kingswood	Seven Seas Shipping Ltd.	Oil tanker	100%	100%	100%	
Winnington	Peg Shipping Company Limited	Shipping	100%	100%	100%	
Jetwall	Everwin Maritime Limited	Oil tanker	100%	100%	100%	
Victory	Everprime Shipping Limited	Shipping	100%	100%	100%	
Sky Sea	Ocean Grace Limited	Shipping	100%	100%	100%	

Note 1: Valentine Holdings Limited, Dynasty Navigation Limited, Gemini Investment Company Limited and Millennia Investment Company Limited ceased operations and was liquidated on November 3, 2017.

Note 2: Although the shareholding ratio of the Company's directly or indirectly held shares is less than 50%, as the Company has control over the investees, the investees are included in the consolidated entities.

(b) Heywood Limited (Heywood)

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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2018	December 31, 2017	June 30, 2017	
Heywood	Newton Navigation Limited	Shipping	100%	100%	100%	
"	Clifford Navigation Corporation	Shipping	100%	100%	100%	
"	Brighton Shipping Inc.	Shipping	100%	100%	100%	
"	Rockwell Shipping Limited	Shipping	100%	100%	100%	
"	Howells Shipping Inc.	Shipping	100%	100%	100%	
"	Crimson Marine Company	Shipping	100%	100%	100%	
"	Helmsman Navigation Co. Ltd.	Shipping	100%	100%	100%	
"	Keystone Shipping Co. Ltd.	Shipping	100%	100%	100%	
"	Honco Shipping Limited	Investment holdings	-	-	100%	Note 1
"	Century Shipping Limited (Centutry)	Investment holdings	100%	100%	100%	
Century	Haihu Maritime Service (Shanghai) Co., Ltd.	Maritime service	100%	100%	100%	

Note 1: Honco Shipping Limited ceased operations and was liquidated on September 29, 2017.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(5) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Group 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 Group recognises the impairment provision for lifetime ECLs.

(6) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(7) Income tax

- A. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(8) Revenue recognition

A. Sales of services:

The Group provides shipping and agency services. Revenue from providing services is recognised in the accounting period in which the services are rendered. Shipping contract revenue was recognised over time and in accordance with the stage of completion, and ship management revenue was recognised in the management period in accordance with the contract. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

B. Incremental costs of obtaining a contract

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

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

There was no significant change in the reporting period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2017.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Checking accounts and demand deposits	\$ 1,471,390	\$ 1,538,901	\$ 1,037,317
Time deposits	2,086,289	2,139,734	3,155,046
Total	<u>\$ 3,557,679</u>	<u>\$ 3,678,635</u>	<u>\$ 4,192,363</u>

- A. The Group 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 Group's cash and cash equivalents pledged to others as collaterals were classified as other current assets. Related information is provided in Note 8.

(2) Property, plant and equipment

	Land	Buildings	Vessels and equipment	Office equipment	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2018</u>						
Cost	\$ 90,215	\$ 28,191	\$ 27,344,037	\$ 3,069	\$ 983,513	\$ 28,449,025
Accumulated depreciation	-	(15,297)	(9,074,797)	(2,158)	-	(9,092,252)
Accumulated impairment	-	-	(238,080)	-	-	(238,080)
	<u>\$ 90,215</u>	<u>\$ 12,894</u>	<u>\$ 18,031,160</u>	<u>\$ 911</u>	<u>\$ 983,513</u>	<u>\$ 19,118,693</u>
<u>2018</u>						
Opening net book amount	\$ 90,215	\$ 12,894	\$ 18,031,160	\$ 911	\$ 983,513	\$ 19,118,693
Transfers	-	-	976,242	-	(976,242)	-
Additions	-	-	1,005,860	34	-	1,005,894
Depreciation	-	(328)	(641,709)	(109)	-	(642,146)
Net exchange differences	-	-	454,212	2	(7,271)	446,943
Closing net book amount	<u>\$ 90,215</u>	<u>\$ 12,566</u>	<u>\$ 19,825,765</u>	<u>\$ 838</u>	<u>\$ -</u>	<u>\$ 19,929,384</u>
<u>At June 30, 2018</u>						
Cost	\$ 90,215	\$ 28,191	\$ 30,009,153	\$ 3,111	\$ -	\$ 30,130,670
Accumulated depreciation	-	(15,625)	(9,939,708)	(2,273)	-	(9,957,606)
Accumulated impairment	-	-	(243,680)	-	-	(243,680)
	<u>\$ 90,215</u>	<u>\$ 12,566</u>	<u>\$ 19,825,765</u>	<u>\$ 838</u>	<u>\$ -</u>	<u>\$ 19,929,384</u>

	Land	Buildings	Vessels and equipment	Office equipment	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2017</u>						
Cost	\$ 90,215	\$ 28,191	\$ 27,300,640	\$ 2,854	\$ 1,807,299	\$ 29,229,199
Accumulated depreciation	-	(14,642)	(9,323,997)	(1,893)	-	(9,340,532)
Accumulated impairment	-	-	(258,000)	-	-	(258,000)
	<u>\$ 90,215</u>	<u>\$ 13,549</u>	<u>\$ 17,718,643</u>	<u>\$ 961</u>	<u>\$ 1,807,299</u>	<u>\$ 19,630,667</u>
<u>2017</u>						
Opening net book amount	\$ 90,215	\$ 13,549	\$ 17,718,643	\$ 961	\$ 1,807,299	\$ 19,630,667
Transfers						
Additions	-	-	2,985,735	-	(2,985,735)	-
Disposals	-	-	49,376	-	2,279,234	2,328,610
Retirement - cost	-	-	(113,632)	-	-	(113,632)
Retirement - accumulated depreciation	-	-	(46,678)	-	-	(46,678)
Depreciation	-	-	46,678	-	-	46,678
Net exchange differences	-	(328)	(644,589)	(71)	-	(644,988)
Closing net book amount	-	-	(991,213)	(3)	(96,566)	(1,087,782)
	<u>\$ 90,215</u>	<u>\$ 13,221</u>	<u>\$ 19,004,320</u>	<u>\$ 887</u>	<u>\$ 1,004,232</u>	<u>\$ 20,112,875</u>
<u>At June 30, 2017</u>						
Cost	\$ 90,215	\$ 28,191	\$ 27,956,216	\$ 2,825	\$ 1,004,232	\$ 29,081,679
Accumulated depreciation	-	(14,970)	(8,708,536)	(1,938)	-	(8,725,444)
Accumulated impairment	-	-	(243,360)	-	-	(243,360)
	<u>\$ 90,215</u>	<u>\$ 13,221</u>	<u>\$ 19,004,320</u>	<u>\$ 887</u>	<u>\$ 1,004,232</u>	<u>\$ 20,112,875</u>

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

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

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

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

D. Information about the property, plant and equipment reclassified as non-current assets held for sale is provided in Note 6(3).

(3) Non-current assets held for sale and discontinued operation

A. On February 24, 2017, the Board of Directors of the Company's third-tier subsidiary, Millennia Investment Company Limited, approved and authorized the Chairman to sell the vessel named "Daio Excelsior" on behalf of the Company and entered into a sale agreement with the buyer – Faithe Maritime Limited. On February 24, 2017, the disposal of the vessel met the definition of non-current assets held for sale and discontinued operations, and is classified as a discontinued operation. On May 8, 2017, the vessel was sold and the transaction was settled. On November 3, 2017, the liquidation was completed.

(a) The cash flow information of the discontinued operation is as follows:

	For the six-month period ended June 30, 2017
Operating cash flows	(\$ 3,811)
Investing cash flows	130,752
Financing cash flows	-
Total cash flows	\$ 126,941

(b) Analysis of the result of discontinued operation, and the result recognized on the remeasurement of assets or disposal group, is as follows:

	For the three-month period ended June 30, 2017	For the six-month period ended June 30, 2017
Revenue	\$ 6,851	\$ 26,678
Cost	(7,711)	(27,795)
Net operating margin from discontinued operation	(860)	(1,117)
Expenses	(566)	(1,806)
Loss from discontinued operation	(1,426)	(2,923)
Other income	1	2
Other gains and losses	(2)	4
Loss for the years from discontinued operation	<u>(\$ 1,427)</u>	<u>(\$ 2,917)</u>
Gain on disposal of discontinued operation	<u>\$ 10,093</u>	<u>\$ 10,093</u>
Total profit for the years from discontinued operation	<u>\$ 8,666</u>	<u>\$ 7,176</u>
Profit from discontinued operation, attributable to:		
Owners of the parent	\$ 5,200	\$ 4,306
Non-controlling interest	<u>3,466</u>	<u>2,870</u>
	<u>\$ 8,666</u>	<u>\$ 7,176</u>

B. Profit from continuing and discontinued operation attributable to owners of the parent and earnings per share: Please refer to Note 6(18).

(4) Short-term borrowings

Type of borrowings	June 30, 2018	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 80,000	1.20%	Land, buildings and promissory notes
Unsecured borrowings	<u>680,000</u>	1.13%~1.30%	Promissory notes
	<u>\$ 760,000</u>		
Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 80,000	1.20%	Land, buildings and promissory notes
Unsecured borrowings	<u>680,000</u>	1.13% ~ 1.30%	Promissory notes
	<u>\$ 760,000</u>		

Type of borrowings	June 30, 2017	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 80,000	1.29%	Land, buildings and promissory notes
Unsecured borrowings	680,000	1.13%~1.30%	Promissory notes
	<u>\$ 760,000</u>		

As of June 30, 2018, December 31, 2017 and June 30, 2017, the facility of short-term borrowings are all \$1,274,000. The Company's Chairman, Fred Tsai, guaranteed for the credit line of \$500,000 and the Company guaranteed for the credit line of \$200,000, wherein joint-guaranteed amount was \$574,000. In the aforementioned amounts, the Company issued notes as guarantee for credit lines amounting to \$774,000.

(5) Long-term borrowings

Bank	Collateral	June 30, 2018	December 31, 2017	June 30, 2017
Mega Bank (and syndicate)	Vessel-Maxim	\$ 689,553 (USD22,638thousand)	\$ 785,991 (USD26,411thousand)	\$ 918,197 (USD30,184thousand)
Mega Bank	Vessel-Chou Shan	-	-	36,582 (USD 1,203thousand)
Mega Bank	Vessel-Madonna III	38,441 (USD 1,262thousand)	75,114 (USD 2,524thousand)	115,168 (USD 3,786thousand)
Mega Bank (and syndicate)	Vessel-Georgiana	59,458 (USD 1,952thousand)	116,183 (USD 3,904thousand)	178,140 (USD 5,856thousand)
Mega Bank (and syndicate)	Vessel-Yue Shan	301,554 (USD 9,900thousand)	392,832 (USD13,200thousand)	501,930 (USD16,500thousand)
Mega Bank (and syndicate)	Vessel-Kondor	904,053 (USD29,680thousand)	993,686 (USD33,390thousand)	1,128,582 (USD37,100thousand)
Mega Bank (and syndicate)	Vessel-Mineral Oak	256,717 (USD 8,428thousand)	313,522 (USD10,535thousand)	384,570 (USD12,642thousand)
Mega Bank (and syndicate)	Vessel-Tai Shan	382,263 (USD12,550thousand)	426,832 (USD14,342thousand)	490,836 (USD16,135thousand)
Mega Bank (and syndicate)	Vessel-Oceana	374,201 (USD12,285thousand)	393,725 (USD13,230thousand)	431,204 (USD14,175thousand)
Mega Bank (and syndicate)	Vessel-Palona	374,201 (USD12,285thousand)	393,725 (USD13,230thousand)	431,204 (USD14,175thousand)
Mega Bank (and syndicate)	Vessel-Elbhoff	1,583,159 (USD51,975thousand)	1,632,708 (USD54,863thousand)	1,756,755 (USD57,750thousand)
Mega Bank (and syndicate)	Vessel-Tien Shan	1,279,320 (USD42,000 thousand)	-	-
		6,242,920	5,524,318	6,373,168
Less: Current portion-due within one year (shown as other current liabilities)		(1,411,353)	(1,349,574)	(1,416,087)
		<u>\$ 4,831,567</u>	<u>\$ 4,174,744</u>	<u>\$ 4,957,081</u>
Interest rates		<u>2.31% ~ 4.17%</u>	<u>2.13% ~ 3.21%</u>	<u>2.07% ~ 3.08%</u>

The collateral was shown as "property, plant and equipment". Please refer to Note 8.

(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 monthly 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 year, the Company will make contributions to cover the deficit by next March.

- (b) For the aforementioned pension plan, the Group recognised pension costs of \$270, \$377, \$540 and \$775 for the three-month and six-month periods ended June 30, 2018 and 2017, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amounts to \$1,180.

B. Defined contribution pension plan

- (a) 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 defined contribution pension plans of the Group for the three-month period end six-month periods ended June 30, 2018 and 2017 were \$660, \$685, \$1,347 and \$1,372, respectively.
- (b) The Company's mainland China subsidiary, Haihu Maritime Service (Shanghai) Co., Ltd. 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. Other than the monthly contributions, the Group has no further obligations. The pension costs for the three-month period end six-month periods ended June 30, 2018 and 2017 were \$286, \$353, \$559 and \$736, respectively.

(7) Share capital

As of June 30, 2018, December 31, 2017 and June 30, 2017, the Company's authorised capital was \$7,000,000, consisting of 700,000 thousands shares of common stock, and the paid-in capital was \$5,683,042, consisting of 568,304,171 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.

	2018		
	At January 1	Overdue unclaimed cash dividends	At June 30
Treasury share transactions	\$ 39,243	\$ -	\$ 39,243
Difference between consideration and carrying amount of subsidiaries acquired or disposed	10,350	-	10,350
Overdue unclaimed cash dividends	1,432	1,222	2,654
Total	<u>\$ 51,025</u>	<u>\$ 1,222</u>	<u>\$ 52,247</u>
	2017		
	At January 1	Overdue unclaimed cash dividends	At June 30
Treasury share transactions	\$ 39,243	\$ -	\$ 39,243
Difference between consideration and carrying amount of subsidiaries acquired or disposed	10,350	-	10,350
Total	<u>\$ 49,593</u>	<u>\$ -</u>	<u>\$ 49,593</u>

(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.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. Appropriation of earnings
- (a) The appropriation of 2017 and 2016 earnings had been resolved at the stockholders' meeting on June 27, 2018 and June 23, 2017, respectively. Details are summarized below:

	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 51,140		\$ 60,015	
Provision of special reserve	1,449,439		30,170	
Cash dividends	340,983	\$ 0.60	397,813	\$ 0.70
	<u>\$ 1,841,562</u>		<u>\$ 487,998</u>	

- E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(16).

(10) Operating revenue

	For the three-month period ended June 30, 2018
Revenue from contracts with customers	<u>\$ 800,433</u>
	For the six-month period ended June 30, 2018
Revenue from contracts with customers	<u>\$ 1,513,684</u>

A. Disaggregation of revenue from contracts with customers

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

For the three-month period ended June 30, 2018	Bulk carrier	Oil tanker	Management service	Supervision revenue	Total
Revenue from external customer contracts	<u>\$ 679,989</u>	<u>\$ 119,588</u>	<u>\$ 624</u>	<u>\$ 232</u>	<u>\$ 800,433</u>
Timing of revenue recognition					
Over time	<u>\$ 679,989</u>	<u>\$ 119,588</u>	<u>\$ 624</u>	<u>\$ 232</u>	<u>\$ 800,433</u>
For the six-month period ended June 30, 2018	Bulk carrier	Oil tanker	Management service	Supervision revenue	Total
Revenue from external customer contracts	<u>\$ 1,259,596</u>	<u>\$ 252,342</u>	<u>\$ 1,262</u>	<u>\$ 484</u>	<u>\$ 1,513,684</u>
Timing of revenue recognition					
Over time	<u>\$ 1,259,596</u>	<u>\$ 252,342</u>	<u>\$ 1,262</u>	<u>\$ 484</u>	<u>\$ 1,513,684</u>

B. Contract assets and liabilities

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

	June 30, 2018
Contract assets-bulk carrier	<u>\$ 63,834</u>
Contract liabilities-bulk carrier	<u>\$ 43,999</u>

C. Revenue recognised that was all included in the contract liability balance at the beginning of the period

D. Related disclosures for 2017 operating revenue are provided in Note 12(4) B.

(11) Other income and expenses

The vessel charter agreement between Poseidon Marine Ltd and Nippon Yusen Kaisha was terminated on June 9, 2017 prior to the maturity. The Group has collected the compensation on June 30, 2017 and recognized net compensation income (claims of US\$1,364 thousand less related costs) amounting to \$40,450 (US\$1,318 thousand).

(12) Other income

	For the three-month periods ended June 30,	
	2018	2017
Interest income	\$ 9,672	\$ 8,920
Rental revenue	92	91
Other income-others	505	5,257
Total	<u>\$ 10,269</u>	<u>\$ 14,268</u>

	For the six-month periods ended June 30,	
	2018	2017
Interest income	\$ 18,373	\$ 17,443
Rental revenue	183	182
Other income-others	763	7,477
Total	<u>\$ 19,319</u>	<u>\$ 25,102</u>

(13) Other gains and losses

	For the three-month periods ended June 30,	
	2018	2017
Net currency exchange losses	(\$ 64,558)	(\$ 6,699)
Miscellaneous disbursements	-	(15)
Total	<u>(\$ 64,558)</u>	<u>(\$ 6,714)</u>

	For the six-month periods ended June 30,	
	2018	2017
Net currency exchange losses	(\$ 35,326)	\$ 86,201
Miscellaneous disbursements	-	(16)
Total	<u>(\$ 35,326)</u>	<u>\$ 86,185</u>

(14) Finance costs

		For the three-month periods ended June 30,	
		2018	2017
Interest expense:			
Bank borrowings		\$ 57,431	\$ 44,008
Finance costs		<u>\$ 57,431</u>	<u>\$ 44,008</u>
		For the six-month periods ended June 30,	
		2018	2017
Interest expense:			
Bank borrowings		\$ 101,842	\$ 87,803
Finance costs		<u>\$ 101,842</u>	<u>\$ 87,803</u>

(15) Expenses by nature

		For the three-month period ended June 30,					
		2018			2017		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense	\$	127,904	\$ 11,352	\$ 139,256	\$ 124,215	\$ 19,680	\$ 143,895
Depreciation		330,491	216	330,707	315,740	195	315,935
Amortisation		-	26	26	-	-	-
		For the six-month period ended June 30,					
		2018			2017		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense	\$	249,068	\$ 27,951	\$ 277,019	\$ 252,923	\$ 38,047	\$ 290,970
Depreciation		641,709	437	642,146	644,589	399	644,988
Amortisation		-	51	51	-	-	-

Note: The above information includes related costs and expenses of discontinued operation.

(16) Employee benefit expense

For the three-month periods ended June 30,						
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Wages and salaries	\$ 103,089	\$ 9,230	\$ 112,319	\$ 102,292	\$ 17,165	\$ 119,457
Labor and health insurance fees	711	1,007	1,718	690	1,090	1,780
Pension costs	324	892	1,216	344	1,071	1,415
Other personnel expenses	23,780	223	24,003	20,889	354	21,243
Total	<u>\$ 127,904</u>	<u>\$ 11,352</u>	<u>\$ 139,256</u>	<u>\$ 124,215</u>	<u>\$ 19,680</u>	<u>\$ 143,895</u>

For the six-month periods ended June 30,						
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Wages and salaries	\$ 200,749	\$ 23,359	\$ 224,108	\$ 208,646	\$ 32,838	\$ 241,484
Labor and health insurance fees	1,385	1,792	3,177	1,351	1,918	3,269
Pension costs	649	1,797	2,446	688	2,195	2,883
Other personnel expenses	46,285	1,003	47,288	42,238	1,096	43,334
Total	<u>\$ 249,068</u>	<u>\$ 27,951</u>	<u>\$ 277,019</u>	<u>\$ 252,923</u>	<u>\$ 38,047</u>	<u>\$ 290,970</u>

Note: The above information includes related costs and expenses of discontinued operation.

- 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 three-month, and six-month periods ended June 30, 2018 and 2017, employees' compensation was accrued at \$0, \$2,384, \$0 and \$4,358, respectively; while directors' and supervisors' remuneration was accrued at \$0, \$2,384, \$0 and \$4,358, respectively. The aforementioned amounts were recognized in salary expenses.

For the six-month period June 30, 2018, employees' compensation and directors' and supervisors' remuneration were not recognised due to the deficit.

Employees' compensation and directors' and supervisors' remuneration of 2017 were \$11,064, as resolved by the Board of Directors and were in agreement with those amounts recognised in the 2017 financial statements.

(17) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the three-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Current tax:		
Current tax on profits for the period	\$ -	\$ 1,814
Tax on undistributed surplus earnings	-	10,940
Prior year income tax underestimation	-	5
Total current tax	-	12,759
Deferred tax:		
Origination and reversal of temporary differences	(18,088)	33,211
Impact of change in tax rate	-	-
Total deferred tax	(18,088)	33,211
Income tax expense	(\$ 18,088)	\$ 45,970

	<u>For the six-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Current tax:		
Current tax on profits for the period	\$ -	\$ 1,814
Tax on undistributed surplus earnings	-	10,940
Prior year income tax underestimation	-	556
Total current tax	-	13,310
Deferred tax:		
Origination and reversal of temporary differences	(18,533)	62,885
Impact of change in tax rate	14,924	-
Total deferred tax	(3,609)	62,885
Income tax expense	(\$ 3,609)	\$ 76,195
Income tax expense from continuing operations	(\$ 3,609)	\$ 76,195

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

	For the three-month periods ended June 30,	
	2018	2017
Impact of change in tax rate	\$ -	\$ -

	For the six-month periods ended June 30,	
	2018	2017
Impact of change in tax rate	(\$ 267)	\$ -

- B. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority. However, the income tax returns through 2014 have not been assessed and approved.
- C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(18) Earnings / loss per share

	For the three-month period ended June 30, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss from continuing operations attributable to the parent	(\$ 72,798)	568,304	(\$ 0.12)
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 72,798)	\$ 568,304	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	-	
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	(\$ 72,798)	568,304	(\$ 0.12)

For the six-month period ended June 30, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss from continuing operations attributable to the parent	(\$ 98,531)	568,304	(\$ 0.17)
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(98,531)	568,304	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	-	
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	(\$ 98,531)	568,304	(\$ 0.17)

For the three-month period ended June 30, 2017			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit from continuing operations attributable to the parent	\$ 182,485		\$ 0.32
Profit from discontinued operation attributable to the parent	5,200		0.01
Profit attributable to ordinary shareholders of the parent	<u>\$ 187,685</u>	<u>568,304</u>	<u>\$ 0.33</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 182,485		\$ 0.32
Profit from discontinued operation attributable to the parent	5,200		0.01
Assumed conversion of all dilutive potential ordinary shares-employees' compensation	-	204	-
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 187,685</u>	<u>568,508</u>	<u>\$ 0.33</u>

For the six-month period ended June 30, 2017			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit from continuing operations attributable to the parent	\$ 346,593		\$ 0.61
Profit from discontinued operation attributable to the parent	4,306		0.01
Profit attributable to ordinary shareholders of the parent	<u>\$ 350,899</u>	<u>568,304</u>	<u>\$ 0.62</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 346,593		\$ 0.61
Profit from discontinued operation attributable to the parent	4,306		0.01
Assumed conversion of all dilutive potential ordinary shares-employees' compensation	-	204	-
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 350,899</u>	<u>568,508</u>	<u>\$ 0.62</u>

(19) Supplemental cash flow information

Financing activities with no cash flow effects

	For the six-month periods ended June 30,	
	2018	2017
Cash dividends declared but yet to be paid	<u>\$ 340,983</u>	<u>\$ 397,813</u>

(20) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	\$ 760,000	\$ 5,524,318	\$ 6,284,318
Proceeds from long-term debt	-	1,240,680	1,240,680
Repayments of long-term debt	-	(669,799)	(669,799)
Impact of changes in foreign exchange rate	-	147,721	147,721
At June 30, 2018	<u>\$ 760,000</u>	<u>\$ 6,242,920</u>	<u>\$ 7,002,920</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Universal Mariners S.A.(U.M.S.A.)	Other related party
Oak Maritime (Hong Kong) Inc. Limited (Oak HK)	Other related party
Oak Maritime (Agencies) Inc. (Oak)	Other related party

(2) Significant related party transactions and balances

A. Operating revenues

	For the three-month periods ended June 30,	
	2018	2017
Management revenue :		
U.M.S.A.	\$ 624	\$ 440
Supervision revenue:		
U.M.S.A.	232	6,532
	<u>\$ 856</u>	<u>\$ 6,972</u>
	For the six-month periods ended June 30,	
	2018	2017
Management revenue :		
U.M.S.A.	\$ 1,262	\$ 901
Supervision revenue:		
U.M.S.A.	484	9,305
	<u>\$ 1,746</u>	<u>\$ 10,206</u>

Management revenue is the agent revenue arising from vessel agent contract. Supervision revenue is the service revenue received from other related parties due to providing supervision service when laying down a new ship. Sales of service are based on the price lists in force and terms that would be available to third parties.

B. Operating costs

		For the three-month periods ended June 30,	
		2018	2017
Commission s expense			
Oak	\$	7,569	\$ 4,751
Agency fee:			
U.M.S.A.		-	73
Technical service agreement:			
U.M.S.A.		1,874	1,720
	\$	<u>9,443</u>	<u>\$ 6,544</u>

		For the six-month periods ended June 30,	
		2018	2017
Commission s expense			
Oak	\$	13,350	\$ 6,880
Agency fee:			
U.M.S.A.		-	150
Technical service agreement:			
U.M.S.A.		3,492	3,679
	\$	<u>16,842</u>	<u>\$ 10,709</u>

C. Operating expenses

		For the three-month periods ended June 30,	
		2018	2017
Management fee:			
U.M.S.A.	\$	<u>4,582</u>	<u>\$ 1,964</u>
		For the six-month periods ended June 30	
		2018	2017
Management fee:			
U.M.S.A.	\$	<u>11,409</u>	<u>\$ 11,907</u>

D. Vessel cost

	For the three-month periods ended June 30,	
	2018	2017
Supervision fee:		
U.M.S.A.	\$ -	\$ -
	For the six-month periods ended June 30	
	2018	2017
Supervision fee:		
U.M.S.A.	\$ 4,395	\$ 13,991

The supervision fees for building the new vessels paid by the Group to other related party were capitalized as vessel costs.

E. Other receivables

Amounts prepaid on behalf of related parties and agents:

	June 30, 2018	December 31, 2017	June 30, 2017
Other related party	\$ 34,793	\$ 25,487	\$ 40,525

F. Other payables

Advances from related parties and agency payable:

	June 30, 2018	December 31, 2017	June 30, 2017
Other related party	\$ 493	\$ 337	\$ 5,039

G. Guarantee transactions

The other related party guarantees the building of new vessels provided to the Group as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Oak HK	US\$ 0 thousand	US\$31,900 thousand	US\$31,900 thousand

H. Other guarantee transactions

Please refer to Note 6(4) for details.

(3) Key management compensation

	For the three-month periods ended June 30,	
	2018	2017
Salaries and other short-term employee benefits	\$ 4,582	\$ 4,772
Post-employment benefits	95	92
Total	<u>\$ 4,677</u>	<u>\$ 4,864</u>

	For the six-month periods ended June 30,	
	2018	2017
Salaries and other short-term employee benefits	\$ 9,184	\$ 9,939
Post-employment benefits	189	166
Total	<u>\$ 9,373</u>	<u>\$ 10,105</u>

8. PLEDGED ASSETS

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

	Book value			Purpose
	June 30, 2018	December 31, 2017	June 30, 2017	
Time deposits (shown as other current assets)	\$ 601,905	\$ 493,499	\$ 513,288	Long-term loans
Guarantee deposits paid (shown as other non- current assets)	7,369	7,362	7,361	Deposit
Property, plant and equipment				
Vessels and equipment- net	16,347,121	14,499,525	15,831,819	Long-term loans
Land and building-net				Credit lines of short- term borrowings
	<u>101,102</u>	<u>101,386</u>	<u>101,670</u>	
	<u>\$ 17,057,497</u>	<u>\$ 15,101,772</u>	<u>\$ 16,454,138</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

The Group's vessel named "Chou Shan" of the subsidiary – Rockwell Shipping Limited (Rockwell) collided with another vessel outside of Chang Jiang, Shanghai on March 19, 2013 and part of the hull and some machinery of the vessel was damaged. Owing to the incident, M/V Chou Shan should be repaired and off-hired. Shanghai Maritime Safety Administration demanded that the Company provide a security deposit to cover the public emergency response costs. Rockwell remitted the cash deposit amounting to RMB 25 million (shown as other receivables) to the Shanghai Maritime Safety

Administration. Subsequently, M/V Chou Shan was released and resumed its voyage on May 11, 2013.

A lawsuit has been filed with the competent court in the People's Republic of China. The insurance company has been authorized to act for Rockwell during the judgement process. Most of the loss from operation interruption, loss of hire and repair cost of machinery claims had been recovered from the insurance. The responsibility for the pollution and collision shall be determined by the final unappealable judgement and be recovered from the insurance company. Therefore, there is no material effect on the Group's financial position.

The receivables arising from the incident were recognized as follows:

		<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Other receivables	- security deposit	\$ 103,486 (RMB 20,521 thousand)	\$ 101,108 (RMB 20,521 thousand)	\$ 103,350 (RMB 20,521 thousand)
	- insurance claim	11,854 (USD 389 thousand)	11,581 (USD 389 thousand)	11,838 (USD 389 thousand)
		<u>\$ 115,340</u>	<u>\$ 112,689</u>	<u>\$ 115,188</u>

(2) Commitments

A. The Group had the following outstanding vessel charter agreements as of June 30, 2018:

<u>Contract Company</u>	<u>Contract period</u>	<u>Content</u>
RIO TINTO (Singapore)	September 2011 to September 2018	Vessel-Tai Shan

Expected receivables arising from the outstanding vessel charter agreements were as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	(in USD thousands) <u>June 30, 2017</u>
Not later than one year	\$ 1,473	\$ 5,771	\$ 20,559
Later than one year but not over five years	-	-	1,473
Over five years	-	-	-
	<u>\$ 1,473</u>	<u>\$ 5,771</u>	<u>\$ 22,032</u>

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

- C. The Company's subsidiaries have shipbuilding agreements with several shipbuilding companies. Under these agreements, the total paid construction commitments are divided into four to five installments. 30~50% of the amount should be paid before the ships are delivered while the remaining amount should be paid upon delivery of the ships.

			(in USD thousands)
	June 30, 2018	December 31, 2017	June 30, 2017
Total contract price	\$ -	\$ 63,800	\$ 63,800
Amount paid	-	(31,900)	(31,900)
Outstanding balance amount	\$ -	\$ 31,900	\$ 31,900

- D. As of June 30, 2018, outstanding balance amount arising from acquisition of vessel's equipment amounted to \$20,043 (USD 658 thousand).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group'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 Group 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

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Financial assets</u>			
Cash and cash equivalents	\$ 3,557,679	\$ 3,678,635	\$ 4,192,363
Accounts receivable	225,394	257,166	222,739
Other receivables	226,139	190,877	209,702
Other receivables due from related parties	34,793	25,487	40,525
Guarantee deposits paid (recorded as Other non-current assets')	7,369	7,362	7,361
	<u>\$ 4,051,374</u>	<u>\$ 4,159,527</u>	<u>\$ 4,672,690</u>
<u>Financial liabilities</u>			
Short-term borrowings	\$ 760,000	\$ 760,000	\$ 760,000
Accounts payable	542,567	217,706	598,764
Other payables to related parties	493	337	5,039
Long-term borrowings (including current portion)	6,242,920	5,524,318	6,373,168
	<u>\$ 7,545,980</u>	<u>\$ 6,502,361</u>	<u>\$ 7,736,971</u>

B. Financial risk management policies

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2017.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

June 30, 2018			
Foreign currency			Book value
amount			
(In thousands)	Exchange rate	(NTD)	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 7,956	30.46	\$ 241,948
NTD : USD	8,289	0.03	8,308

<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 59,312	30.46	\$ 1,806,079

December 31, 2017			
(Foreign currency: functional currency)	Foreign currency		Book value (NTD)
	amount		
	(In thousands)	Exchange rate	
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 9,206	29.76	\$ 274,306
NTD:USD	10,198	0.03	10,151
JPY: USD	613	0.01	162
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 53,726	29.76	\$ 1,598,924

June 30, 2017			
(Foreign currency: functional currency)	Foreign currency		Book value (NTD)
	amount		
	(In thousands)	Exchange rate	
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 8,593	30.42	\$ 250,824
NTD:USD	3,089	0.03	3,093
JPY: USD	1,566	0.01	425
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 64,260	30.42	\$ 1,947,653

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

For the three-month period ended June 30, 2018			
Exchange gain (loss)			
Foreign currency	amount	Exchange rate	Book value
(In thousands)			(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	30.46	\$ 9,052
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	30.46	(\$ 87,135)
For the three-month period ended June 30, 2017			
Exchange gain (loss)			
Foreign currency	amount	Exchange rate	Book value
(In thousands)			(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	30.42	\$ 3,393
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	30.42	\$ 17,893

For the six-month period ended June 30, 2018			
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	\$ -	30.46	\$ 10,544
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	30.46	(\$ 120,731)
For the six-month period ended June 30, 2017			
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	\$ -	30.42	(\$ 5,758)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	30.42	\$ 85,376

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

For the six-month period ended June 30, 2018			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,419	\$ -
NTD:USD	1%	83	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 18,061	\$ -

For the six-month period ended June 30, 2017			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,508	\$ -
NTD:USD	1%	31	-
JPY: USD	1%	4	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 19,477	\$ -

Cash flow and fair value interest rate risk

- i. 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 which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the six-month periods ended June 30, 2018 and 2017, the Group's borrowings at variable rate were denominated in United States dollars.

- ii. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.
- iii. At June 30, 2018 and 2017, if interest rates on USD-denominated borrowings had been 1% higher/lower with all other variables held constant, pre-tax (loss) profit for the six-month periods ended June 30, 2018 and 2017 would have been \$31,215 and \$31,866 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Effective 2018

- i. Credit risk refers to the risk of financial loss to the Group 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 Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts following assumptions 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 Group adopts the assumptions under IFRS 9, 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 reorganization 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 Group classifies customers' accounts receivable, contract assets and rents receivable in accordance with customer types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On June 30, 2018, the Group has no written-off financial assets that are still under recourse procedures.
- viii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable and lease payments receivable. On June 30, 2018, the provision matrix is as follows:

<u>June 30, 2018</u>	<u>Not past due</u>	<u>Total</u>
Expected loss rate	Approximately 0%	
Total book value	\$ <u>225,394</u>	\$ <u>225,394</u>
Loss allowance	\$ <u>-</u>	\$ <u>-</u>

- ix. On December 31, 2017, the Group has no loss allowance arising from notes receivable and accounts receivable. For the six-month period ended June 30, 2018, the Group has no impairment losses arising from customers' contracts.
- x. The ageing analysis of accounts receivable is as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Not past due	\$ <u>225,394</u>	\$ <u>255,982</u>	\$ <u>222,365</u>
Past due			
Up to 1 year	\$ -	\$ 810	\$ -
Over 1 year	-	374	374
	\$ <u>-</u>	\$ <u>1,184</u>	\$ <u>374</u>

- xi. Credit risk information for the year ended December 31, 2017 and the second quarter of 2017 is provided in Note 12(3).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group'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 Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group'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 Group treasury.
- iii. The table below analyses the Group'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

June 30, 2018

	Up to 1 year	Between 1 year and 5 years	Over 5 years
Short-term borrowings	\$ 760,000	\$ -	\$ -
Other payables (including related parties)	543,060	-	-
Long-term borrowings (including current portion)	1,629,121	3,728,381	1,628,978

Non-derivative financial liabilities:

December 31, 2017

	Up to 1 year	Between 1 year and 5 years	Over 5 years
Short-term borrowings	\$ 760,000	\$ -	\$ -
Other payables (including related parties)	352,810	-	-
Long-term borrowings (including current portion)	1,498,838	3,431,840	1,052,562

Non-derivative financial liabilities:

June 30, 2017

	Up to 1 year	Between 1 year and 5 years	Over 5 years
Short-term borrowings	\$ 760,000	\$ -	\$ -
Other payables (including related parties)	603,803	-	-
Long-term borrowings (including current portion)	1,579,820	4,081,876	1,231,775

(3) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

- A. Summary of significant accounting policies adopted in 2017 and the second quarter of 2017 is provided in Note 4(7) and (8) in the 2017 consolidated financial statements.

B. There is no effect on current balance sheets and comprehensive income statements if the Group continues adopting above accounting policies for the six-month period ended June 30, 2018.

C. Credit risk information as of December 31, 2017 and June 30, 2017 are as follows:

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to lessee, including outstanding receivables.
- (b) For the year ended December 31, 2017 and the second quarter of 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The ageing analysis of the Group's accounts receivable is as follows:

	December 31, 2017	June 30, 2017
Not past due nor impaired	\$ 255,982	\$ 222,365
Past due but not impaired		
Up to 1 year	\$ 810	\$ -
Over 1 year	\$ 374	\$ 374

The Group signed the charter agreements with well-known international charterers and oil carriers belonging to the Tankers International Pool. The Group received and wrote-off accounts receivable based on contracts.

The Group assessed its accounts receivable that were past due but not impaired and determined that there were no significant changes in credit quality and the related accounts receivable could also be collected. Therefore, these receivables were not impaired.

(4) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

- A. Summary of significant accounting policies adopted in 2017 and the second quarter of 2017 is provided in Note 4(21) in the 2017 consolidated financial statements.
- B. The significant accounting policies applied on revenue recognition for the six-month period ended June 30, 2017 are set out below:

	For the three-month period ended June 30, 2017
Bulk carrier	\$ 589,008
Oil tanker	274,328
Management revenue	440
Supervision revenue	6,532
	<u>\$ 870,308</u>

	For the six-month period ended June 30, 2017
Bulk carrier	\$ 1,158,474
Oil tanker	565,101
Management revenue	901
Supervision revenue	9,305
	<u>\$ 1,733,781</u>

C. The effects of current balance sheet items if the Group continues adopting above accounting policies in the second quarter of 2018 are as follows:

	June 30, 2018		
Balance sheet items	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Accounts receivable	\$ 225,394	\$ 289,228	(\$ 63,834)
Contract assets	63,834	-	63,834
Contract liabilities	43,999	-	43,999
Advance sales receipts	-	43,999	(43,999)

Reconciliation of reclassification based on above stated accounting policies are as follows:

Presentation of assets and liabilities in relation to contracts with customers

In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet as follows:

- Under IFRS 15, bulk carrier contracts whereby services have been rendered but not yet billed are recognised as contract assets, but were previously presented as part of accounts receivable in the balance sheet, which have been recorded as contract assets in accordance with IFRS 15, 'Revenue from contracts with customers'.
- Under IFRS 15, liabilities in relation to bulk carrier contracts are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet, which have been recorded as contract liabilities in accordance with IFRS 15, 'Revenue from contracts with customers'.

- D. There is no effect on comprehensive income statements if the Group continues adopting above accounting policies for the six-month period ended June 30, 2018.

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: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 6.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group's Chief Operating Decision-Maker operates businesses by the type of carriers. Under IFRS 8, the reportable segments are bulk carrier segment and oil tanker segment.

There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information in this period.

(2) Measurement of segment information

The Chief Operating Decision-Maker assesses the performance of the operating segments based on the profit or loss before income tax. This measurement basis excludes the effects of non-recurring expenditures from the operating segments.

(3) Information about segment profit or loss

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	For the six-month period ended June 30, 2018			
	Bulk carrier	Oil tanker	Other segments	Total
Revenue from external customers	\$ 1,259,596	\$ 252,342	\$ 1,746	\$ 1,513,684
Segment income (loss)	\$ 63,057	(\$ 152,431)	\$ 1,746	(\$ 87,628)

	For the six-month period ended June 30, 2017			
	Bulk carrier	Oil tanker	Other segments	Total
Revenue from external customers	\$ 1,158,474	\$ 565,101	\$ 10,206	\$ 1,733,781
Segment income (loss)	\$ 261,096	\$ 140,056	\$ 10,206	\$ 411,358

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

Reconciling profit or loss before income tax and interest expense of reportable segments to income from continuing operations before income tax is as follows:

	For the six-month periods ended June 30,	
	2018	2017
Reportable segment (loss) income	(\$ 89,374)	\$ 401,152
Other segment income	1,746	10,206
Total operating segment (loss) income	(87,628)	411,358
Others	(34,522)	88,070
(Loss) income from continuing operations before tax	(\$ 122,150)	\$ 499,428

Sincere Navigation Corporation and subsidiaries
Loans to others
For the six-month period ended June 30, 2018

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 six-month period ended June 30, 2018	Balance at June 30, 2018	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)	Footnote
													Item	Value			
0	Sincere Navigation Corporation	None													\$ 4,634,172	\$ 6,178,896	
1	Norley Corporation Inc.	Sincere Navigation Corporation	Other receivables - related parties	Y	\$ 1,892,150	\$ 1,066,100	1,066,100	-	2	\$ -	Working capital	\$ -	-	\$ -	3,682,798	4,910,397	The Maximun amount amounted to USD 65,000,000 for the current period, and the actural amount to USD 35,000,000 in the end of period.
2	Heywood Limited	Sincere Navigation Corporation	Other receivables - related parties	Y	1,164,400	609,200	609,200	-	2	-	Working capital	-	-	-	1,597,523	2,130,031	The Maximun amount amounted to USD 40,000,000 for the current period, and the actural amount to USD 20,000,000 in the end of period.

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 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 and subsidiaries
Provision of endorsements and guarantees to others
For the six-month period ended June 30, 2018

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 June 30, 2018	Outstanding endorsement/ guarantee amount at June 30, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Sincere Navigation Corporation	Helmsman Navigation Co. Ltd.	3	\$ 15,447,241	\$ 431,771	\$ 431,771	\$ 374,201	\$ -	54.34%	\$ 38,618,103	Y	N	N	Guarantee balance is US\$ 14,175 thousand
0	"	Keystone Shipping Co. Ltd.	3	15,447,241	562,464	431,771	374,201	-	54.34%	38,618,103	Y	N	N	Guarantee balance is US\$ 14,175 thousand
0	"	Crimson Marine Company	3	15,447,241	464,732	118,916	59,458	-	54.34%	38,618,103	Y	N	N	Guarantee balance is US\$ 3,904 thousand
0	"	Ocean Wise Limited	3	15,447,241	577,613	577,613	256,717	-	54.34%	38,618,103	Y	N	N	Guarantee balance is US\$ 18,963 thousand
0	"	Maxson Shipping Inc.	3	15,447,241	491,481	491,481	382,263	-	54.34%	38,618,103	Y	N	N	Guarantee balance is US\$ 16,135 thousand

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2018	Outstanding endorsement/ guarantee amount at June 30, 2018	Actual amount drawn down	Ratio of accumulated endorsement/ guarantee		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)					Amount of endorsements/ guarantees secured with collateral	asset value of the endorser/ guarantor company					
0	Sincere Navigation Corporation	Poseidon Marine Ltd	3	\$ 15,447,241	\$ 904,662	\$ 904,662	\$ 301,554	-	54.34%	\$ 38,618,103	Y	N	N	Guarantee balance is US\$ 29,700 thousand
0	"	Everwin Maritime Limited	3	15,447,241	1,034,330	1,034,330	689,553	-	54.34%	38,618,103	Y	N	N	Guarantee balance is US\$ 33,957 thousand
0	"	Kenmore Shipping Inc.	3	15,447,241	1,017,059	1,017,059	904,053	-	54.34%	38,618,103	Y	N	N	Guarantee balance is US\$ 33,390 thousand
0	"	Pacifica Maritime Limited	3	15,447,241	2,025,590	2,025,590	1,583,159	-	54.34%	38,618,103	Y	N	N	Guarantee balance is US\$ 66,500 thousand
0	"	Ocean Grace Limited	3	15,447,241	1,360,343	1,360,343	1,279,320	-	54.34%	38,618,103	Y	N	N	Guarantee balance is US\$ 44,660 thousand

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

(1)The Company is '0'.

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

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

(1) Having business relationship.

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

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

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

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

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

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

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

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

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

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

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

Sincere Navigation Corporation and subsidiaries
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
For the six-month period ended June 30, 2018

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
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount		
Ocean Grace Limited	天山輪	March 8, 2018	\$ 1,884,652 (USD 63,800 thousand)	Paid	China Shipbuilding & offshore International Co., Ltd. Qingdao Beihai Shipbuilding Heavy Industry Co., Ltd.	None	-	-	-	-	Acquisition cost of new ship	Operation requirement

Sincere Navigation Corporation and subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
June 30, 2018

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Sincere Navigation Corporation	None		-	-	\$ -	-	\$ -	-
Norley Corporation Inc. (Norley)	Sincere Navigation Corporation	Norley's parent company	\$ 1,066,100 (USD 35,000 thousand)	-	-	-	-	-
Heywood Limited (Heywood)	Sincere Navigation Corporation	Heywood's parent company	\$ 609,200 (USD 20,000 thousand)	-	-	-	-	-

Table 4

Sincere Navigation Corporation and subsidiaries
Significant inter-company transactions during the reporting periods
For the six-month period ended June 30, 2018

Table 5

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	\$ 431,771	As per the Company's policy	1.74%
0	"	Keystone Shipping Co. Ltd.	1	"	431,771	"	1.74%
0	"	Poseidon Marine Ltd.	1	"	904,662	"	3.64%
0	"	Ocean Wise Limited	1	"	577,613	"	2.32%
0	"	Everwin Maritime Limited	1	"	1,034,330	"	4.16%
0	"	Maxson Shipping Inc.	1	"	491,481	"	1.98%
0	"	Kenmore Shipping Inc.	1	"	1,017,059	"	4.09%
0	"	Pacifica Maritime Limited	1	"	2,025,590	"	8.15%
0	"	Ocean Grace Limited	1	"	1,360,343	"	5.47%
1	Norley Corporation Inc.	Sincere Navigation Corporation	2	Other receivables	1,066,100	"	4.29%
2	Heywood Limited	Sincere Navigation Corporation	2	"	609,200	"	2.45%

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

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.

Table 5

Sincere Navigation Corporation and subsidiaries

Information on investees

For the six-month period ended June 30, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2018 (Note 2)			Net profit (loss)	Investment income(loss)	Footnote
				(Note 1)					of the investee for the six-	recognised by the Company	
				Balance as at June 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	month period ended June 30, 2018 (Note 2)	for the six-month period ended June 30, 2018	
Sincere Navigation Corporation	Norley Corporation Inc.	Republic of Liberia	Investment holdings	\$ 30,460 (USD 1,000 thousand)	\$ 29,760 (USD 1,000 thousand)	500	100%	\$ 12,275,992	(\$ 116,570)	(\$ 116,570)	Subsidiary
"	Heywood Limited	Marshall Islands	"	30,460 (USD 1,000 thousand)	29,760 (USD 1,000 thousand)	500	100%	5,325,078	107,097	107,097	Subsidiary
Norley Corporation Inc.	Kenmore Shipping Inc.	Marshall Islands	Oil tanker	1,328,361 (USD 43,610 thousand)	1,193,674 (USD40,110 thousand)	500	100%	1,744,524	(56,314)	-	Indirectly owned subsidiary
"	Winnington Limited	"	Investment holdings	316,096 (USD10,377 thousand)	308,832 (USD10,377 thousand)	500	100%	524,514	(5,434)	-	Indirectly owned subsidiary
"	Jetwall Co. Ltd.	"	"	1,272,497 (USD41,776 thousand)	1,171,830 (USD39,376 thousand)	400	80%	1,452,554	(59,332)	-	Indirectly owned subsidiary
"	Victory Navigation Inc.	"	"	168 (USD 6 thousand)	164 (USD 6 thousand)	275	55%	415,319	(16,961)	-	Indirectly owned subsidiary
"	Kingswood Co., Ltd.	"	"	152 (USD 5 thousand)	149 (USD 5 thousand)	250	50%	11,927	(18)	-	Indirectly owned subsidiary
"	Poseidon Marine Ltd	"	Shipping	45,995 (USD1,510 thousand)	298 (USD10 thousand)	500	100%	1,700,741	(29,006)	-	Indirectly owned subsidiary
"	Maxson Shipping Inc.	"	"	319,830 (USD10,500 thousand)	312,480 (USD10,500 thousand)	500	100%	1,134,262	57,953	-	Indirectly owned subsidiary
"	Ocean Wise Limited	Republic of Liberia	"	203,659 (USD6,686 thousand)	168,623 (USD5,666 thousand)	334,305	51%	513,644	(4,301)	-	Indirectly owned subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2018 (Note 2)			Net profit (loss)	Investment income(loss)	Footnote
				(Note 1)					of the investee for the six-	recognised by the Company	
				Balance as at June 30, 2018	Balance as at December 31, 2017	month period ended June 30, 2018 (Note 2)	for the six-month period ended June 30, 2018				
Norley Corporation Inc.	Pacifica Maritime Limited	Marshall Islands	Oil tanker	\$ 1,425,223 (USD46,790 thousand)	\$ 1,362,710 (USD45,790 thousand)	500	100%	\$ 1,414,459	(\$ 36,766)	\$ -	Indirectly owned subsidiary
"	Sky Sea Maritime Limited	"	Investment holdings	554,692 (USD18,211 thousand)	541,944 (USD18,211 thousand)	275	55%	556,455	3,664	-	Indirectly owned subsidiary
"	New Frontier Navigation Ltd.	"	Holding in shipbuilding	305 (USD 10 thousand)	-	500	100%	305	-	-	Indirectly owned subsidiary
Winnington Limited	Peg Shipping Company Limited	Republic of Liberia	"	305 (USD 10 thousand)	298 (USD 10 thousand)	500	100%	519,258	(5,406)	-	Indirectly owned subsidiary
Kingswood Co., Ltd.	Seven Seas Shipping Ltd.	Marshall Islands	Oil tanker	305 (USD 10 thousand)	298 (USD 10 thousand)	500	100%	8,069	3	-	Indirectly owned subsidiary
Jetwall Co. Ltd.	Everwin Maritime Limited	"	"	1,590,621 (USD 52,220 thousand)	1,464,787 (USD49,220 thousand)	500	100%	1,816,720	(59,298)	-	Indirectly owned subsidiary
Victory Navigation Inc.	Everprime Shipping Limited	"	Shipping	305 (USD 10 thousand)	298 (USD 10 thousand)	500	100%	751,754	(16,926)	-	Indirectly owned subsidiary
Sky Sea Maritime Limited	Ocean Grace Limited	"	"	1,008,531 (USD33,110 thousand)	985,354 (USD33,110 thousand)	500	100%	1,012,029	3,698	-	Indirectly owned subsidiary
Heywood Limited	Clifford Navigation Corporation	"	"	305 (USD 10 thousand)	298 (USD 10 thousand)	500	100%	704,497	27,199	-	Indirectly owned subsidiary
"	Newton Navigation Limited	"	"	305 (USD 10 thousand)	298 (USD 10 thousand)	500	100%	1,976	(184)	-	Indirectly owned subsidiary
"	Brighton Shipping Inc.	"	"	305 (USD 10 thousand)	298 (USD 10 thousand)	500	100%	715,745	33,627	-	Indirectly owned subsidiary
"	Rockwell Shipping Limited	"	"	305 (USD 10 thousand)	298 (USD 10 thousand)	500	100%	552,369	18,948	-	Indirectly owned subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as at June 30, 2018 (Note 2)			Net profit (loss) of the investee for the six- month period ended June 30, 2018 (Note 2)	Investment income(loss) recognised by the Company for the six-month period ended June 30, 2018	Footnote
				Balance as at June 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Heywood Limited	Howells Shipping Inc.	Marshall Islands	Shipping	\$ 365,825 (USD12,010 thousand)	\$ 357,418 (USD12,010 thousand)	500	100%	\$ 849,116	\$ 26,132	\$ -	Indirectly owned subsidiary
"	Crimson Marine Company	"	"	743,163 (USD24,398 thousand)	726,084 (USD24,398 thousand)	500	100%	340,759 (8,831)	-	Indirectly owned subsidiary
"	Century Shipping Limited	HongKong	Investment holdings	15,230 (USD500 thousand)	14,880 (USD500 thousand)	50,000	100%	(5,751) (2,583)	-	Indirectly owned subsidiary
"	Helmsman Navigation Co. Ltd.	Marshall Islands	Shipping	247,031 (USD8,110 thousand)	241,354 (USD8,110 thousand)	500	100%	140,086	14,062	-	Indirectly owned subsidiary
"	Keystone Shipping Co. Ltd.	"	"	247,031 (USD8,110 thousand)	241,354 (USD8,110 thousand)	500	100%	181,963 (1,521)	-	Indirectly owned subsidiary

Note 1: The above balances of initial investments as at June 30, 2018 and December 31, 2017 were translated at the closing exchange rates at the balance sheet date.

Note 2: The above carrying amounts of shares held as at June 30, 2018 and net profit (loss) of the investee for the six-month period ended June 30, 2018 were translated at the closing exchange rates at the balance sheet and the average exchange rates for the six-month period ended June 30, 2018, respectively.

Sincere Navigation Corporation and subsidiaries
Information on investments in Mainland China
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Table 7

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, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Net income of investee as of June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2018 (Note 2)	Book value of investments in Mainland China as of June 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2018	Footnote
Haihu Maritime Service (Shanghai) Co., Ltd.	Maritime service	\$ 15,855 (USD 500 thousand)	2	\$ 15,855 (USD 500 thousand)	\$ -	\$ -	\$ 15,855 (USD 500 thousand)	(\$ 2,583) (RMB 557 thousand)	100%	(\$ 2,583) (RMB 557 thousand)	(\$ 5,751) (RMB 1,249 thousand)	\$ -	

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

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

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

(3)Others.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Haihu Maritime Service (Shanghai) Co., Ltd.	\$ 15,855	\$ 95,130	\$ 9,268,345

Table 7