

**SINCERE NAVIGATION CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 2019 AND 2018**

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



資誠

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Sincere Navigation Corporation and Subsidiaries

Introduction

We have reviewed the accompanying consolidated balance sheets of Sincere Navigation Corporation and subsidiaries (the “Group”) as at June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the 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.




資誠

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, 2019 and 2018, and of its consolidated financial performance for the three-month and six-month periods then ended and its consolidated cash flows for the 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 13, 2019

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.

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2019 AND 2018 ARE REVIEWED, NOT AUDITED)

Assets		Notes	June 30, 2019		December 31, 2018		June 30, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 4,145,729	17	\$ 3,300,873	13	\$ 3,557,679	14
1140	Current contract assets	6(10)	65,335	-	146,255	1	63,834	-
1170	Accounts receivable		300,629	1	406,220	2	225,394	1
1200	Other receivables	9(1)(1)	181,325	1	85,535	-	226,139	1
1210	Other receivables - related party	7	-	-	9,551	-	34,793	-
130X	Bunker inventories		95,829	1	287,393	1	130,006	1
1410	Prepayments		35,700	-	49,026	-	40,197	-
1470	Other current assets	8	439,788	2	618,403	3	601,905	3
11XX	Current assets		<u>5,264,335</u>	<u>22</u>	<u>4,903,256</u>	<u>20</u>	<u>4,879,947</u>	<u>20</u>
Non-current assets								
1600	Property, plant and equipment	6(2)(5), 7 and 8	18,997,140	78	19,457,434	80	19,929,384	80
1755	Right-of-use assets	6(3)	32,752	-	-	-	-	-
1840	Deferred income tax assets		43,353	-	21,561	-	23,188	-
1900	Other non-current assets	8	95,087	-	46,227	-	16,315	-
15XX	Non-current assets		<u>19,168,332</u>	<u>78</u>	<u>19,525,222</u>	<u>80</u>	<u>19,968,887</u>	<u>80</u>
1XXX	Total assets		<u>\$ 24,432,667</u>	<u>100</u>	<u>\$ 24,428,478</u>	<u>100</u>	<u>\$ 24,848,834</u>	<u>100</u>

(Continued)

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2019 AND 2018 ARE REVIEWED, NOT AUDITED)

Liabilities and equity		Notes	June 30, 2019		December 31, 2018		June 30, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(4)	\$ 800,000	3	\$ 800,000	3	\$ 760,000	3
2130	Current contract liabilities	6(10)	67,007	-	27,653	-	43,999	-
2200	Other payables		336,282	2	261,844	1	527,621	2
2220	Other payables - related party	7	18,594	-	15,829	-	15,439	-
2230	Current income tax liabilities		-	-	92,909	1	-	-
2280	Current lease liabilities		6,695	-	-	-	-	-
2320	Long-term liabilities, current portion	6(5)	1,136,613	5	1,208,759	5	1,411,353	6
21XX	Total current liabilities		2,365,191	10	2,406,994	10	2,758,412	11
Non-current liabilities								
2540	Long-term borrowings	6(5)	5,020,636	21	4,442,288	18	4,831,567	20
2570	Deferred income tax liabilities		44,237	-	44,237	-	102,374	-
2580	Non-current lease liabilities		27,003	-	-	-	-	-
2600	Other non-current liabilities		31,568	-	31,508	-	33,430	-
25XX	Total non-current liabilities		5,123,444	21	4,518,033	18	4,967,371	20
2XXX	Total liabilities		7,488,635	31	6,925,027	28	7,725,783	31
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
3150	Stock dividends to be distributed		170,491	1	-	-	-	-
Capital surplus 6(8)								
3200	Capital surplus		241,989	1	52,247	-	52,247	-
Retained earnings 6(9)								
3310	Legal reserve		3,163,018	13	3,156,840	13	3,156,840	13
3320	Special reserve		924,270	4	1,479,609	6	1,479,609	6
3350	Unappropriated retained earnings		6,254,978	25	6,312,338	26	6,150,556	25
Other equity interest								
3400	Other equity interest		(729,845)	(3)	(924,270)	(4)	(1,075,053)	(5)
31XX	Equity attributable to owners of the parent		15,707,943	64	15,759,806	65	15,447,241	62
36XX	Non-controlling interest	4(3)	1,236,089	5	1,743,645	7	1,675,810	7
3XXX	Total equity		16,944,032	69	17,503,451	72	17,123,051	69
Significant contingent liabilities and unrecognised contractual commitments 9								
3X2X	Total liabilities and equity		\$ 24,432,667	100	\$ 24,428,478	100	\$ 24,848,834	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 EARNINGS PER SHARE)
(UNAUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2019		2018		2019		2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(10) and 7	\$ 793,786	100	\$ 800,433	100	\$ 1,713,222	100	\$ 1,513,684	100
5000 Operating costs	6(14)(15) and 7	(897,199)	(113)	(748,927)	(94)	(1,804,326)	(106)	(1,445,868)	(95)
5900 Net operating margin		(103,413)	(13)	51,506	6	(91,104)	(6)	67,816	5
Operating expenses	6(14)(15) and 7								
6200 General and administrative expenses		(54,129)	(7)	(34,641)	(4)	(124,247)	(7)	(72,117)	(5)
6900 Operating profit (loss)		(157,542)	(20)	16,865	2	(215,351)	(13)	(4,301)	-
Non-operating income and expenses									
7010 Other income	6(11)	16,826	2	10,269	1	32,829	2	19,319	1
7020 Other gains and losses	6(12)	(10,405)	(1)	(64,558)	(8)	(15,543)	(1)	(35,326)	(2)
7050 Finance costs	6(13)	(72,898)	(9)	(57,431)	(7)	(141,227)	(8)	(101,842)	(7)
7000 Total non-operating income and expenses		(66,477)	(8)	(111,720)	(14)	(123,941)	(7)	(117,849)	(8)
7900 Loss before income tax		(224,019)	(28)	(94,855)	(12)	(339,292)	(20)	(122,150)	(8)
7950 Income tax expense	6(16)	13,034	1	18,088	2	21,800	2	3,609	-
8000 Loss for the period from continuing operations		(210,985)	(27)	(76,767)	(10)	(317,492)	(18)	(118,541)	(8)
8200 Loss for the period		(\$ 210,985)	(27)	(\$ 76,767)	(10)	(\$ 317,492)	(18)	(\$ 118,541)	(8)
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(16)	\$ -	-	\$ -	-	\$ -	-	\$ 267	-
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		147,083	19	854,434	107	209,285	12	443,369	29
8500 Total comprehensive income (loss) for the period		(\$ 63,902)	(8)	\$ 777,667	97	(\$ 108,207)	(6)	\$ 325,095	21
Profit attributable to:									
8610 Owners of the parent		(\$ 204,660)	(26)	(\$ 72,798)	(9)	(\$ 322,369)	(18)	(\$ 98,531)	(7)
8620 Non-controlling interest		(6,325)	(1)	(3,969)	(1)	4,877	-	(20,010)	(1)
		(\$ 210,985)	(27)	(\$ 76,767)	(10)	(\$ 317,492)	(18)	(\$ 118,541)	(8)
Comprehensive income (loss) attributable to:									
8710 Owners of the parent		(\$ 67,107)	(8)	\$ 707,649	88	(\$ 127,944)	(7)	\$ 306,292	20
8720 Non-controlling interest		3,205	-	70,018	9	19,737	1	18,803	1
		(\$ 63,902)	(8)	\$ 777,667	97	(\$ 108,207)	(6)	\$ 325,095	21
Basic earnings per share	6(17)								
9750 Basic earnings per share		(\$ 0.36)		(\$ 0.12)		(\$ 0.57)		(\$ 0.17)	
Diluted earnings per share	6(17)								
9850 Diluted earnings per share		(\$ 0.36)		(\$ 0.12)		(\$ 0.57)		(\$ 0.17)	

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)
(UNAUDITED)

Equity attributable to owners of the parent												
	Capital		Capital Reserves			Retained Earnings			Financial statements translation differences of foreign operations	Total	Non-controlling interest	Total equity
Notes	Share capital - common stock	Stock dividends to be distributed	Treasury stock transactions	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Others	Legal reserve	Special reserve	Unappropriated retained earnings				
<u>For the six-month period ended June 30, 2018</u>												
Balance at January 1, 2018	\$ 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
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 (loss)	-	-	-	-	-	-	-	(98,264)	404,556	306,292	18,803	325,095
Appropriations of 2017 earnings:	6(9)											
Legal reserve	-	-	-	-	-	51,140	-	(51,140)	-	-	-	-
Special reserve	-	-	-	-	-	-	1,449,439	(1,449,439)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(340,983)	-	(340,983)	-	(340,983)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	46,571	46,571
Overdue unclaimed cash dividends	-	-	-	-	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
<u>For the six-month period ended June 30, 2019</u>												
Balance at January 1, 2019	\$ 5,683,042	\$ -	\$ 39,243	\$ 10,350	\$ 2,654	\$ 3,156,840	\$ 1,479,609	\$ 6,312,338	(\$ 924,270)	\$ 15,759,806	\$ 1,743,645	\$ 17,503,451
Loss for the period	-	-	-	-	-	-	-	(322,369)	-	(322,369)	4,877	(317,492)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	194,425	194,425	14,860	209,285
Total comprehensive income (loss)	-	-	-	-	-	-	-	(322,369)	194,425	(127,944)	19,737	(108,207)
Appropriations of 2018 earnings:	6(9)											
Legal reserve	-	-	-	-	-	6,178	-	(6,178)	-	-	-	-
Special reserve	-	-	-	-	-	-	(555,339)	555,339	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(113,661)	-	(113,661)	-	(113,661)
Stock dividends	-	170,491	-	-	-	-	-	(170,491)	-	-	-	-
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(338,304)	(338,304)
Overdue unclaimed cash dividends	-	-	-	-	753	-	-	-	-	753	-	753
Transactions with non-controlling interest	6(18)	-	-	-	188,989	-	-	-	-	188,989	(188,989)	-
Balance at June 30, 2019	\$ 5,683,042	\$ 170,491	\$ 39,243	\$ 199,339	\$ 3,407	\$ 3,163,018	\$ 924,270	\$ 6,254,978	(\$ 729,845)	\$ 15,707,943	\$ 1,236,089	\$ 16,944,032

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)

		For the six-month periods ended June 30,	
	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 339,292)	(\$ 122,150)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(14)	679,214	642,146
Amortisation	6(14)	51	51
Interest income	6(11)	(31,345)	(18,373)
Interest expense	6(13)	141,227	101,842
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		80,920	(6,683)
Accounts receivable		105,898	(25,379)
Other receivables	(	94,648)	(33,300)
Other receivables - related party		9,551	(9,306)
Bunker inventories		191,564	(30,456)
Prepayments		13,732	(15,768)
Changes in operating liabilities			
Current contract liabilities		39,354	(8,390)
Other payables	(	27,271)	(42,535)
Other payables - related party		2,765	4,793
Accrued pension liabilities		60	50
Cash inflow generated from operations		771,780	436,542
Interest received		30,233	16,552
Income tax paid	(	92,901)	(133,360)
Net cash flows from operating activities		709,112	319,734
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other financial assets		178,615	(108,406)
Acquisition of property, plant and equipment	6(2)	(9,147)	(1,005,894)
Business combination	(	359)	-
Increase in non-current assets	(	48,744)	(8,997)
Increase in refundable deposits		-	(7)
Net cash flow from acquisition of subsidiaries	6(18)	(338,304)	-
Net cash flows used in investing activities		(217,939)	(1,123,304)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal of lease liability	(	1,066)	-
Proceeds from long-term borrowings	6(20)	1,835,528	1,240,680
Repayment of long-term borrowings	6(20)	(1,333,461)	(669,799)
Interest paid	(	154,718)	(81,662)
Change in non-controlling interests		-	46,571
Overdue unclaimed cash dividends		753	1,222
Net cash flows from financing activities		347,036	537,012
Effect of changes in foreign exchange rate		6,647	145,602
Net increase (decrease) in cash and cash equivalents		844,856	(120,956)
Cash and cash equivalents at beginning of period		3,300,873	3,678,635
Cash and cash equivalents at end of period		\$ 4,145,729	\$ 3,557,679

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 13, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International 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

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:

IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' and 'lease liability' both by \$2,098 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
 - (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$2,806 was recognised in the first two quarters of 2019.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 3.27% to 5.01%.

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

None.

(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 IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 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, 2018, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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.

(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.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements is consistent with those of the year ended December 31, 2018.

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, 2019	December 31, 2018	June 30, 2018	
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	100%	51%	51%	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%	
"	Sky Sea Maritime Limited (Sky Sea)	Shipping	55%	55%	55%	
"	New Frontier Navigation Ltd.	Holding in shipbuilding	-	100%	100%	Note 3
"	Elroy Maritime Services Inc.	Maritime service	100%	100%	-	
Kingswood	Seven Seas Shipping Ltd.	Oil tanker	100%	100%	100%	
Winnington	Peg Shipping Company Limited	Shipping	100%	100%	100%	
Jetwall	Everwin Maritime	Oil tanker	100%	100%	100%	
Victory	Everprime Shipping Limited	Shipping	100%	100%	100%	
Sky Sea	Ocean Grace Limited	Shipping	100%	100%	100%	
Elroy	Oak Maritime (Canada) Inc.	Maritime service	100%	-	-	Note 4

Note 1: On January 9, 2019, the Group acquired an additional 49% of shares of its subsidiary-Ocean Wise Limited (originally held 51% of its shares) for a consideration of \$338,304 (USD \$10,984 thousand). The carrying amount of non-controlling interest was \$527,293 (USD \$17,119 thousand) at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by \$527,293 (USD \$17,119 thousand) and increase in the equity attributable to owners of the parent by \$527,293 (USD \$17,119

thousand) and all payments were made on March 6, 2019. Details are provided in Note 6(18).

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

Note 3: New Frontier Navigation Ltd. ceased operations and was liquidated on May 27, 2019.

Note 4: On January 1, 2019, the Group acquired 100% shares of Oak Maritime (Canada) Inc. (Oak Canada) from Universal Mariners S.A. (U.M.S.A) for a consideration of \$3,948 (USD \$128 thousand). The carrying amount of Oak Canada was \$3,948 (USD \$128 thousand) at the acquisition date and all payments were made on February 22, 2019. Please refer to Note 6(21).

(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, 2019	December 31, 2018	June 30, 2018	
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%	
"	Century Shipping Limited (Centutry)	Investment holdings	100%	100%	100%	
Century	Haihu Maritime Service (Shanghai) Co., Ltd.	Maritime service	100%	100%	100%	

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:

As of June 30, 2019, December 31, 2018 and June 30, 2018, the non-controlling interest amounted to \$1,236,089, \$1,743,645 and \$1,675,810, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		June 30, 2019		December 31, 2018		June 30, 2018	
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)
Jetwall Co. Ltd.	Marshall Islands	\$ 380,143	20	\$ 371,359	20	\$ 363,138	20
Victory Navigation Inc.	Marshall Islands	348,761	45	352,038	45	339,807	45
Sky Sea Maritime Limited	Marshall Islands	495,007	45	484,775	45	455,282	45
Ocean Wise Limited	Republic of Liberia	-	-	523,411	49	505,657	49

Summarised financial information of the subsidiaries:

Balance sheets

	Jetwall Co. Ltd.		
	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 243,749	\$ 258,870	\$ 156,310
Non-current assets	2,310,555	2,298,987	2,353,467
Current liabilities	(126,234)	(701,062)	(234,383)
Non-current liabilities	(527,352)	-	(459,702)
Total net assets	<u>\$ 1,900,718</u>	<u>\$ 1,856,795</u>	<u>\$ 1,815,692</u>

	Victory Navigation Inc.		
	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 148,010	\$ 144,474	\$ 87,690
Non-current assets	634,514	661,829	681,363
Current liabilities	(7,499)	(23,996)	(13,927)
Non-current liabilities	-	-	-
Total net assets	<u>\$ 775,025</u>	<u>\$ 782,307</u>	<u>\$ 755,126</u>

	Sky Sea Maritime Limited		
	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 303,937	\$ 426,570	\$ 350,454
Non-current assets	1,988,351	1,941,770	1,962,194
Current liabilities	(148,656)	(194,359)	(149,523)
Non-current liabilities	(1,043,616)	(1,096,704)	(1,151,388)
Total net assets	<u>\$ 1,100,016</u>	<u>\$ 1,077,277</u>	<u>\$ 1,011,737</u>

Ocean Wise Limited			
	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ -	\$ 101,972	\$ 106,856
Non-current assets	-	1,161,686	1,191,678
Current liabilities	-	(208,782)	(150,876)
Non-current liabilities	-	-	(128,358)
Total net assets	<u>\$ -</u>	<u>\$ 1,054,876</u>	<u>\$ 1,019,300</u>

Statements of comprehensive income

Jetwall Co. Ltd.			
For the three-month periods ended June 30,			
	2019	2018	
Revenue	\$ 67,609	\$ 38,867	
Profit (loss) before income tax	954	(30,810)	
Income tax expense	-	-	
Profit (loss) for the period	954	(30,810)	
Other comprehensive loss, net of tax	-	-	
Total comprehensive income (loss) for the period	<u>\$ 954</u>	<u>(\$ 30,810)</u>	
Comprehensive income (loss) attributable to non-controlling interest	<u>\$ 190</u>	<u>(\$ 6,162)</u>	
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>	

Jetwall Co. Ltd.			
For the six-month periods ended June 30,			
	2019	2018	
Revenue	\$ 156,094	\$ 81,176	
Profit (loss) before income tax	23,312	(59,332)	
Income tax expense	-	-	
Profit (loss) for the period	23,312	(59,332)	
Other comprehensive loss, net of tax	-	-	
Total comprehensive income (loss) for the period	<u>\$ 23,312</u>	<u>(\$ 59,332)</u>	
Comprehensive income (loss) attributable to non-controlling interest	<u>\$ 4,662</u>	<u>(\$ 11,866)</u>	
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>	

	Victory Navigation Inc.	
	For the three-month periods ended June 30,	
	2019	2018
Revenue	\$ 34,877	\$ 22,910
Loss before income tax	(13,063)	(15,932)
Income tax expense	-	-
Loss for the period	(13,063)	(15,932)
Other comprehensive loss, net of tax	-	-
Total comprehensive loss for the period	(\$ 13,063)	(\$ 15,932)
Comprehensive loss attributable to non-controlling interest	(\$ 5,879)	(\$ 7,169)
Dividends paid to non-controlling interest	\$ -	\$ -

	Victory Navigation Inc.	
	For the six-month periods ended June 30,	
	2019	2018
Revenue	\$ 77,552	\$ 97,714
Loss before income tax	(15,899)	(16,961)
Income tax expense	-	-
Loss for the period	(15,899)	(16,961)
Other comprehensive loss, net of tax	-	-
Total comprehensive loss for the period	(\$ 15,899)	(\$ 16,961)
Comprehensive loss attributable to non-controlling interest	(\$ 7,155)	(\$ 7,632)
Dividends paid to non-controlling interest	\$ -	\$ -

	Sky Sea Maritime Limited	
	For the three-month periods ended June 30,	
	2019	2018
Revenue	\$ 89,283	\$ 106,390
(Loss) profit before income tax	(1,410)	16,321
Income tax expense	-	-
(Loss) profit for the period	(1,410)	16,321
Other comprehensive loss, net of tax	-	-
Total comprehensive (loss) income for the period	(\$ 1,410)	\$ 16,321
Comprehensive (loss) income attributable to non-controlling interest	(\$ 635)	\$ 7,345
Dividends paid to non-controlling interest	\$ -	\$ -

Sky Sea Maritime Limited		
For the six-month periods ended June 30,		
	2019	2018
Revenue	\$ 201,307	\$ 129,628
Profit before income tax	10,789	3,664
Income tax expense	-	-
Profit for the period	10,789	3,664
Other comprehensive loss, net of tax	-	-
Total comprehensive income for the period	\$ 10,789	\$ 3,664
Comprehensive income attributable to non-controlling interest	\$ 4,855	\$ 1,649
Dividends paid to non-controlling interest	\$ -	\$ -

Ocean Wise Limited		
For the three-month periods ended June 30,		
	2019	2018
Revenue	\$ -	\$ 68,865
Profit before income tax	-	3,961
Income tax expense	-	-
Profit for the period	-	3,961
Other comprehensive loss, net of tax	-	-
Total comprehensive income for the period	\$ -	\$ 3,961
Comprehensive income attributable to non-controlling interest	\$ -	\$ 1,981
Dividends paid to non-controlling interest	\$ -	\$ -

Ocean Wise Limited		
For the six-month periods ended June 30,		
	2019	2018
Revenue	\$ 9,894	\$ 100,367
Loss before income tax	(5,068)	(4,301)
Income tax expense	-	-
Loss for the period	(5,068)	(4,301)
Other comprehensive loss, net of tax	-	-
Total comprehensive loss for the period	(\$ 5,068)	(\$ 4,301)
Comprehensive loss attributable to non-controlling interest	(\$ 2,534)	(\$ 2,150)
Dividends paid to non-controlling interest	\$ -	\$ -

Statements of cash flows

		Jetwall Co. Ltd	
		For the six-month periods ended June 30,	
		2019	2018
Net cash provided by operating activities	\$	91,722	\$ 43,858
Net cash used in investing activities	(	28,083)	(8,539)
Net cash used in financing activities	(	74,399)	(33,375)
Effect of exchange rates on cash and cash equivalents		894	607
(Decrease) increase in cash and cash equivalents	(	9,866)	2,551
Cash and cash equivalents, beginning of the period		83,317	23,248
Cash and cash equivalents, end of the period	\$	73,451	\$ 25,799

		Victory Navigation Inc.	
		For the six-month periods ended June 30,	
		2019	2018
Net cash provided by operating activities	\$	9,289	\$ 38,561
Net cash used in investing activities	-	(	17,453)
Net cash used in financing activities	-	-	-
Effect of exchange rates on cash and cash equivalents		784	1,158
Increase in cash and cash equivalents		10,073	22,266
Cash and cash equivalents, beginning of the period		68,738	21,281
Cash and cash equivalents, end of the period	\$	78,811	\$ 43,547

		Sky Sea Maritime Limited	
		For the six-month periods ended June 30,	
		2019	2018
Net cash provided by (used in) operating activities	\$	43,632	(\$ 82,888)
Net cash used in investing activities	-	(	949,173)
Net cash (used in) provided by financing activities	(	91,456)	1,240,680
Effect of exchange rates on cash and cash equivalents		2,615	6,515
(Decrease) increase in cash and cash equivalents	(	45,209)	215,134
Cash and cash equivalents, beginning of the period		247,407	743
Cash and cash equivalents, end of the period	\$	202,198	\$ 215,877

		Ocean Wise Limited	
		For the six-month periods ended June 30,	
		2019	2018
Net cash provided by operating activities	\$	-	\$ 31,929
Net cash used in investing activities		- (	8,731)
Net cash used in financing activities		- (	7,258)
Effect of exchange rates on cash and cash equivalents		-	694
Increase in cash and cash equivalents		-	16,634
Cash and cash equivalents, beginning of the period		-	8,430
Cash and cash equivalents, end of the period	\$	-	\$ 25,064

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

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- The amount of the initial measurement of lease liability; and
 - Any lease payments made at or before the commencement date.

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

(5) 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. Also, the related information is disclosed accordingly.

(6) Income tax

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.

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, 2018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Checking accounts and demand deposit	\$ 2,405,186	\$ 2,146,514	\$ 1,471,390
Time deposit	<u>1,740,543</u>	<u>1,154,359</u>	<u>2,086,289</u>
	<u>\$ 4,145,729</u>	<u>\$ 3,300,873</u>	<u>\$ 3,557,679</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 collateral were classified as other current assets. Related information is provided in Note 8.

(2) Property, plant and equipment

	Land	Buildings and structures	Vessels and equipment	Office equipment	Prepayment for vessel construction	Total
<u>At January 1, 2019</u>						
Cost	\$ 90,215	\$ 28,191	\$ 30,209,579	\$ 3,214	\$ -	\$ 30,331,199
Accumulated depreciation	-	(15,953)	(10,609,695)	(2,357)	-	(10,628,005)
Accumulated impairment	-	-	(245,760)	-	-	(245,760)
	<u>\$ 90,215</u>	<u>\$ 12,238</u>	<u>\$ 19,354,124</u>	<u>\$ 857</u>	<u>\$ -</u>	<u>\$ 19,457,434</u>
<u>2019</u>						
Opening net book amount as at January 1	\$ 90,215	\$ 12,238	\$ 19,354,124	\$ 857	\$ -	\$ 19,457,434
Transfers	-	-	-	-	-	-
Acquired from business acquisition - cost	-	-	-	6,109	-	6,109
Acquired from business acquisition - accumulated depreciation	-	-	-	(5,612)	-	(5,612)
Additions	-	-	9,117	30	-	9,147
Retirement - cost	-	(52,751)	-	-	-	(52,751)
Retirement - accumulated depreciation	-	-	52,751	-	-	52,751
Depreciation	-	(328)	(676,706)	(191)	-	(677,225)
Net exchange differences	-	-	207,284	3	-	207,287
Closing net book amount as at June 30	<u>\$ 90,215</u>	<u>\$ 11,910</u>	<u>\$ 18,893,819</u>	<u>\$ 1,196</u>	<u>\$ -</u>	<u>\$ 18,997,140</u>
<u>At June 30, 2019</u>						
Cost	\$ 90,215	\$ 28,191	\$ 30,489,873	\$ 9,409	\$ -	\$ 30,617,688
Accumulated depreciation	-	(16,281)	(11,347,574)	(8,213)	-	(11,372,068)
Accumulated impairment	-	-	(248,480)	-	-	(248,480)
	<u>\$ 90,215</u>	<u>\$ 11,910</u>	<u>\$ 18,893,819</u>	<u>\$ 1,196</u>	<u>\$ -</u>	<u>\$ 18,997,140</u>

	Land	Buildings and structures	Vessels and equipment	Office equipment	Prepayment for vessel construction	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 as at January 1	\$ 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 as at June 30	<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>

- 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 collateral is provided in Note 8.

(3) Leasing arrangements - lessee

- A. The Group leases various assets including ship communications equipment. Rental contracts are typically made for approximately 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise office space which is not included in the right-of-use assets.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	At June 30, 2019	For the three-month period ended June 30, 2019	For the six-month period ended June 30, 2019
	Carrying amount	Depreciation charge	Depreciation charge
Buildings	\$ 31,022	\$ 1,599	\$ 1,599
Other equipment	1,730	196	390
	<u>\$ 32,752</u>	<u>\$ 1,795</u>	<u>\$ 1,989</u>

- D. For the six-month period ended June 30, 2019, the addition to right-of-use assets was \$31,580.
- E. Except for the depreciation, other information on income and expense accounts relating to lease contracts is as follows:

	For the three-month period ended June 30, 2019	For the six-month period ended June 30, 2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 414	\$ 431
Expense on short-term lease contracts	351	2,806

- F. For the six-month period ended June 30, 2019, the Group's total cash outflow for leases was \$4,303.

(4) Short-term borrowings

<u>Type of borrowings</u>	<u>June 30, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 120,000	1.20%	Land, buildings, and promissory notes
Unsecured borrowings	<u>680,000</u>	1.17%~1.30%	Promissory notes
	<u>\$ 800,000</u>		

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

<u>Type of borrowings</u>	<u>June 30, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
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>		

As of June 30, 2019, December 31, 2018 and June 30, 2018, Mr. Fred Tsai guaranteed the credit line of \$1,074,000; the Company also issued notes payable as guarantee for credit lines amounting to \$574,000, \$574,000 and \$774,000, respectively, wherein joint guaranteed amount was \$574,000.

(5) Long-term borrowings

Bank	Collateral	June 30, 2019	December 31, 2018	June 30, 2018
Mega Bank	Vessel-Maxim	\$ 644,542 (USD 20,752 thousand)	\$ - -	\$ - -
Mega Bank (and syndicate)	Vessel-Maxim	- -	695,439 (USD 22,638 thousand)	689,553 (USD 22,638 thousand)
Mega Bank	Vessel-Madonna III	- -	- -	38,441 (USD 1,262 thousand)
Mega Bank (and syndicate)	Vessel-Georgiana	- -	- -	59,458 (USD 1,952 thousand)
Mega Bank (and syndicate)	Vessel-Yue Shan	102,498 (USD 3,300 thousand)	202,752 (USD 6,600 thousand)	301,554 (USD 9,900 thousand)
ING Bank	Vessel-Kondor	842,503 (USD 27,125 thousand)	- -	- -
Mega Bank (and syndicate)	Vessel-Kondor	- -	797,798 (USD 25,970 thousand)	904,053 (USD 29,680 thousand)
Mega Bank (and syndicate)	Vessel-Mineral Oak	130,887 (USD 4,214 thousand)	194,181 (USD 6,321 thousand)	256,717 (USD 8,428 thousand)
Mega Bank (and syndicate)	Vessel-Tai Shan	278,423 (USD 8,964 thousand)	330,451 (USD 10,757 thousand)	382,263 (USD 12,550 thousand)
Mega Bank (and syndicate)	Vessel-Oceana	322,869 (USD 10,395 thousand)	348,365 (USD 11,340 thousand)	374,201 (USD 12,285 thousand)
Mega Bank (and syndicate)	Vessel-Palona	322,869 (USD 10,395 thousand)	348,365 (USD 11,340 thousand)	374,201 (USD 12,285 thousand)
Mega Bank (and syndicate)	Vessel-Elbhoff	1,434,972 (USD 46,200 thousand)	1,507,968 (USD 49,088 thousand)	1,583,159 (USD 51,975 thousand)
Mega Bank (and syndicate)	Vessel-Tien Shan	1,174,068 (USD 37,800 thousand)	1,225,728 (USD 39,900 thousand)	1,279,320 (USD 42,000 thousand)
Sea 86 Leasing Co. Limited (Note)	Vessel-Chou Shan	450,972 (USD 14,519 thousand)	- -	- -
Sea 87 Leasing Co. Limited (Note)	Vessel-Chin Shan	452,646 (USD 14,573 thousand)	- -	- -
		6,157,249	5,651,047	6,242,920
Less: Current portion-due within one year (shown as other current liabilities)		(1,136,613)	(1,208,759)	(1,411,353)
		<u>\$ 5,020,636</u>	<u>\$ 4,442,288</u>	<u>\$ 4,831,567</u>
Interest rates		<u>3.78% ~ 6.23%</u>	<u>3.50% ~ 4.42%</u>	<u>2.31% ~ 4.17%</u>

The collaterals were shown as 'property, plant and equipment'. Please refer to Note 8.

Note: The Group sold and leased back the vessel and has a right to buy back the vessel at a consideration stipulated in the contract at the end of the lease period. According to IFRS 15, such right is a part of sale and leaseback transactions and the entity should continue to recognise the asset on the balance sheet. The entity should account for proceeds as a financial liability in accordance with IFRS 9.

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

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

- (b) For the aforementioned pension plan, the Group recognised pension costs of \$192, \$270, \$385 and \$540 for the three-month and six-month periods ended June 30, 2019 and 2018, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to \$878.

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 the defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2019 and 2018 were \$622, \$660, \$1,252 and \$1,347, 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 and six-month periods ended June 30, 2019 and 2018 were \$364, \$286, \$731 and \$559, respectively.

(7) Share capital/Stock dividends to be distributed

- A. As of June 30, 2019, December 31, 2018 and June 30, 2018, the Company's authorised capital was \$7,000,000 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.

- B. On June 28, 2019, the shareholders of the Company resolved to issue 17,049,126 shares at a price of \$10 (in dollars) per share through capitalisation of unappropriated retained earnings of \$170,491. The related registration of the capital increase is in process. However, as of August 13, 2019, the Financial Supervisory Commission has not approved it yet.

(8) Capital surplus

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

(9) Retained earnings

- A. Based on the Company's Articles of Incorporation, the Company's net income (less income taxes and prior years' losses, if any) is appropriated in the following order:
- (a) 10% for legal reserve.
 - (b) Special reserve.
 - (c) Appropriation of remaining earnings according to the decision of the Board of Directors and Stockholders.
- 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

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

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

E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(15).

(10) Operating revenue

	For the three-month periods ended June 30,	
	2019	2018
Revenue from contracts with customers	<u>\$ 793,786</u>	<u>\$ 800,433</u>
	For the six-month periods ended June 30,	
	2019	2018
Revenue from contracts with customers	<u>\$ 1,713,222</u>	<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					
<u>June 30, 2018</u>	<u>Bulk carrier</u>	<u>Oil tanker</u>	<u>Management service</u>	<u>Supervision revenue</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 612,389</u>	<u>\$ 175,820</u>	<u>\$ 5,577</u>	<u>\$ -</u>	<u>\$ 793,786</u>
Timing of revenue recognition					
Over time	<u>\$ 612,389</u>	<u>\$ 175,820</u>	<u>\$ 5,577</u>	<u>\$ -</u>	<u>\$ 793,786</u>
For the three-month period ended					
<u>June 30, 2019</u>	<u>Bulk carrier</u>	<u>Oil tanker</u>	<u>Management service</u>	<u>Supervision revenue</u>	<u>Total</u>
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					
<u>June 30, 2019</u>	<u>Bulk carrier</u>	<u>Oil tanker</u>	<u>Management service</u>	<u>Supervision revenue</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 1,250,749</u>	<u>\$ 451,367</u>	<u>\$ 11,106</u>	<u>\$ -</u>	<u>\$ 1,713,222</u>
Timing of revenue recognition					
Over time	<u>\$ 1,250,749</u>	<u>\$ 451,367</u>	<u>\$ 11,106</u>	<u>\$ -</u>	<u>\$ 1,713,222</u>
For the six-month period ended					
<u>June 30, 2018</u>	<u>Bulk carrier</u>	<u>Oil tanker</u>	<u>Management service</u>	<u>Supervision revenue</u>	<u>Total</u>
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:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>	<u>January 1, 2018</u>
Contract assets -				
bulk carrier	<u>\$ 65,335</u>	<u>\$ 146,255</u>	<u>\$ 63,834</u>	<u>\$ 57,151</u>
Contract liabilities -				
bulk carrier	<u>\$ 67,007</u>	<u>\$ 27,653</u>	<u>\$ 43,999</u>	<u>\$ 52,389</u>

C. Contract liabilities at the beginning of 2019 and 2018 amounting to \$27,653 and \$52,389, respectively, were all recognised as operating revenue for the six-month periods ended June 30, 2019 and 2018, respectively.

(11) Other income

	<u>For the three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest income	\$ 16,384	\$ 9,672
Rent income	92	92
Other income - others	350	505
	<u>\$ 16,826</u>	<u>\$ 10,269</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest income	\$ 31,345	\$ 18,373
Rent income	183	183
Other income - others	1,301	763
	<u>\$ 32,829</u>	<u>\$ 19,319</u>

(12) Other gains and losses

	<u>For the three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Net currency exchange losses	(\$ 10,299)	(\$ 64,558)
Other losses	(106)	-
	<u>(\$ 10,405)</u>	<u>(\$ 64,558)</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Net currency exchange losses	(\$ 14,986)	(\$ 35,326)
Other losses	(557)	-
	<u>(\$ 15,543)</u>	<u>(\$ 35,326)</u>

(13) Finance costs

	For the three-month periods ended June 30,	
	2019	2018
Interest expense	\$ 72,898	\$ 57,431

	For the six-month periods ended June 30,	
	2019	2018
Interest expense	\$ 141,227	\$ 101,842

(14) Expenses by nature

Function Nature	For the three-month periods ended June 30,					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 136,926	\$ 26,722	\$ 163,648	\$ 127,904	\$ 11,352	\$ 139,256
Depreciation	338,687	1,857	340,544	330,491	216	330,707
Amortisation	-	26	26	-	26	26

Function Nature	For the six-month periods ended June 30,					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 269,793	\$ 54,843	\$ 324,636	\$ 249,068	\$ 27,951	\$ 277,019
Depreciation	677,096	2,118	679,214	641,709	437	642,146
Amortisation	-	51	51	-	51	51

(15) Employee benefit expense

Function Nature	For the three-month periods ended June 30,					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Wages and salaries	\$ 109,599	\$ 23,489	\$ 133,088	\$ 103,089	\$ 9,230	\$ 112,319
Labor and health insurance fees	601	794	1,395	711	1,007	1,718
Pension costs	291	887	1,178	324	892	1,216
Other personnel expenses	26,435	1,552	27,987	23,780	223	24,003
Total	\$ 136,926	\$ 26,722	\$ 163,648	\$ 127,904	\$ 11,352	\$ 139,256

Function Nature	For the three-month periods ended June 30,					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Wages and salaries	\$ 217,093	\$ 47,548	\$ 264,641	\$ 200,749	\$ 23,359	\$ 224,108
Labor and health insurance fees	1,310	1,538	2,848	1,385	1,792	3,177
Pension costs	601	1,767	2,368	649	1,797	2,446
Other personnel expenses	50,789	3,990	54,779	46,285	1,003	47,288
Total	\$ 269,793	\$ 54,843	\$ 324,636	\$ 249,068	\$ 27,951	\$ 277,019

- 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 six-month periods ended June 30, 2019 and 2018, employees' compensation and directors' and supervisors' remuneration were not recognised due to the deficit.
- Employees' compensation and directors' and supervisors' remuneration for 2018 were both \$3,120 as resolved by the Board of Directors and were in agreement with those amounts recognised in the 2018 financial statements.
- Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(16) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the three-month periods ended June 30,	
	2019	2018
Current tax:		
Prior year income tax overestimation	(\$ 8)	\$ -
Total current tax	(8)	-
Deferred tax:		
Origination and reversal of temporary differences	(13,026)	(18,088)
Impact of change in tax rate	-	-
Total deferred tax	(13,026)	(18,088)
Income tax benefit	(\$ 13,034)	(\$ 18,088)
Income tax benefit from continuing operations	(\$ 13,034)	(\$ 18,088)

	For the six-month periods ended June 30,	
	2019	2018
Current tax:		
Prior year income tax overestimation	(\$ 8)	\$ -
Total current tax	(8)	-
Deferred tax:		
Origination and reversal of temporary differences	(21,792)	(18,533)
Impact of change in tax rate	-	14,924
Total deferred tax	(21,792)	(3,609)
Income tax benefit	(\$ 21,800)	(\$ 3,609)
Income tax benefit from continuing operations	(\$ 21,800)	(\$ 3,609)

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

	For the three-month periods ended June 30,	
	2019	2018
Impact of change in tax rate	\$ -	\$ -

	For the six-month periods ended June 30,	
	2019	2018
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.
- 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 Company has assessed the impact of the change in income tax rate.

(17) Loss per share

For the three-month period ended June 30, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss from continuing operations attributable to ordinary shareholders of the parent	(\$ 204,660)	568,304	(\$ 0.36)
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 204,660)	568,304	(\$ 0.36)
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	(\$ 204,660)	568,304	(\$ 0.36)

For the six-month period ended June 30, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss from continuing operations attributable to ordinary shareholders of the parent	(\$ 322,369)	568,304	(\$ 0.57)
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 322,369)	568,304	(\$ 0.57)
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	(\$ 322,369)	568,304	(\$ 0.57)

For the three-month period ended June 30, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss from continuing operations attributable to ordinary shareholders of 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 (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss from continuing operations attributable to ordinary shareholders of 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)

The appropriation of 2018 earnings for stock dividends was resolved at the shareholders' meeting on June 28, 2019. The impact on earnings or loss per share from the retrospective adjustment to the number of outstanding shares due to the issuance of bonus shares is as follows:

	For the six-month period ended June 30, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss from continuing operations attributable to ordinary shareholders of the parent	(\$ 322,369)	585,353	(\$ 0.55)
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 322,369)	585,353	(\$ 0.55)
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	(\$ 322,369)	585,353	(\$ 0.55)

For the six-month period ended June 30, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss from continuing operations attributable to ordinary shareholders of the parent	(\$ 98,531)	585,353	(\$ 0.17)
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 98,531)	585,353	
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)	585,353	(\$ 0.17)

(18) Transactions with non-controlling interest - acquisition of additional equity interest in a subsidiary

On January 9, 2019, the Group acquired an additional 49% of shares of its subsidiary-Ocean Wise Limited (originally held 51% of its shares) for a consideration of \$338,304 (USD \$10,984 thousand). The carrying amount of non-controlling interest was \$527,293 (USD \$17,119 thousand) at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by \$527,293 (USD \$17,119 thousand) and increase in the equity attributable to owners of the parent by \$527,293 (USD \$17,119 thousand) and all payments were made on March 6, 2019.

	March 31, 2019	
Carrying amount of non-controlling interest acquired	\$ 527,293	(USD 17,119 thousand)
Consideration paid to non-controlling interest	(338,304)	(USD 10,984 thousand)
Capital surplus		
- difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	\$ 188,989	

(19) Supplemental cash flow information

Financing activities with no cash flow effects:

	For the six-month periods ended June 30,	
	2019	2018
Cash dividends declared but yet to be paid	\$ 113,661	\$ 340,983
Stock dividends declared but yet to be paid	\$ 170,491	\$ -

(20) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2019	\$ 800,000	\$ 5,651,047	\$ 2,098	\$ 6,453,145
Proceeds from borrowings	-	1,835,528	-	1,835,528
Repayment of borrowings	-	(1,333,461)	-	(1,333,461)
Additions	-	-	31,580	31,580
Payment of principal	-	-	(1,066)	(1,066)
Impact of changes in foreign exchange rate	-	4,135	1,086	5,221
At June 30, 2019	\$ 800,000	\$ 6,157,249	\$ 33,698	\$ 6,990,947

	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 borrowings	-	1,240,680	1,240,680
Repayment of borrowings	-	(669,799)	(669,799)
Impact of changes in foreign exchange rate	-	147,721	147,721
At June 30, 2018	\$ 760,000	\$ 6,242,920	\$ 7,002,920

(21) Business combinations

A. On January 1, 2019, the Group acquired 100% of the share capital of Oak Maritime (Canada) Inc. (Oak Canada) from Universal Mariners S.A.(U.M.S.A) for \$3,948 (USD 128 thousand) and obtained the control over Oak Canada.

- B. The following table summarises the consideration paid for Oak Canada and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>January 1, 2019</u>
Purchase consideration	
Cash paid	\$ 3,948
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	3,589
Accounts receivable	307
Prepayments	406
Property, plant and equipment	497
Other non-current assets	160
Accounts payable	(1,011)
Total identifiable net assets	<u>3,948</u>
Goodwill	<u>\$ -</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions and balances

A. Operating revenue

	<u>For the three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Management revenue:		
U.M.S.A.	\$ -	\$ 624
Asia Century	1,859	-
Diamonds Ocean	1,859	-
World Sea	1,859	-
Supervision revenue:		
U.M.S.A.	-	232
	<u>\$ 5,577</u>	<u>\$ 856</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Management revenue:		
U.M.S.A.	\$ -	\$ 1,262
Asia Century	3,702	-
Diamonds Ocean	3,702	-
World Sea	3,702	-
Supervision revenue:		
U.M.S.A.	-	484
	<u>\$ 11,106</u>	<u>\$ 1,746</u>

Management revenue is the agent revenue arising from vessel agent contract. Supervision revenue is the service revenue received from other related parties for supervision services provided 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,	
	2019	2018
Commission expense:		
OAL	\$ 8,454	\$ 7,569
Technical service agreement:		
U.M.S.A.	-	1,874
	<u>\$ 8,454</u>	<u>\$ 9,443</u>

	For the six-month periods ended June 30,	
	2019	2018
Commission expense:		
OAL	\$ 16,167	\$ 13,350
Technical service agreement:		
U.M.S.A.	-	3,492
	<u>\$ 16,167</u>	<u>\$ 16,842</u>

C. Operating expense

	For the three-month periods ended June 30,	
	2019	2018
Management fee:		
U.M.S.A.	\$ -	\$ 4,582

	For the six-month periods ended June 30,	
	2019	2018
Management fee:		
U.M.S.A.	\$ -	\$ 11,409

D. Vessel cost

	For the three-month periods ended June 30,	
	2019	2018
Supervision fee:		
U.M.S.A.	\$ -	\$ -

	For the six-month periods ended June 30,	
	2019	2018
Supervision fee:		
U.M.S.A.	\$ -	\$ 4,395

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

E. Other receivables

Amounts prepaid on behalf of related parties and agents:

	June 30, 2019	December 31, 2018	June 30, 2018
OMA	\$ -	\$ 9,531	\$ 34,793
Other related party	-	20	-
	<u>\$ -</u>	<u>\$ 9,551</u>	<u>\$ 34,793</u>

F. Other payables

Advances from related parties and agency payable:

	June 30, 2019	December 31, 2018	June 30, 2018
OAL	\$ 10,962	\$ 15,829	\$ 14,946
Other related party	7,632	-	493
	<u>\$ 18,594</u>	<u>\$ 15,829</u>	<u>\$ 15,439</u>

G. Other guarantee transactions

Please refer to Note 6(4) for details.

(3) Key management compensation

	For the three-month periods ended June 30,	
	2019	2018
Salaries and other short-term employee benefits	\$ 4,080	\$ 4,582
Post-employment benefits	90	95
	<u>\$ 4,170</u>	<u>\$ 4,677</u>
	For the six-month periods ended June 30,	
	2019	2018
Salaries and other short-term employee benefits	\$ 8,160	\$ 9,184
Post-employment benefits	178	189
	<u>\$ 8,338</u>	<u>\$ 9,373</u>

8. PLEDGED ASSETS

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

<u>Pledged assets</u>	<u>Book value</u>			<u>Pledge purpose</u>
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>	
Bank deposits (shown as 'other current assets')	\$ 439,788	\$ 523,321	\$ 601,905	Long-term loans
Guarantee deposits paid (shown as 'other non- current assets')	7,528	7,362	7,369	Deposit
Property, plant and equipment				
Vessels and equipment-net	15,579,320	14,855,755	16,347,121	Long-term loans
Land and building and structures-net				Credit lines of short-term borrowings
	100,534	100,818	101,102	
	<u>\$ 16,127,170</u>	<u>\$ 15,487,256</u>	<u>\$ 17,057,497</u>	

9. CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingent liabilities

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. All deposits were recovered on November 16, 2018.

A lawsuit has been filed with the competent court in the People's Republic of China. The insurance company has been authorised to act for Rockwell during the judgment 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 judgment 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 recognised as follows:

		June 30, 2019	December 31, 2018	June 30, 2018
Other	- security deposit	\$ -	\$ -	\$ 103,486
receivables		(RMB 0 thousand)	(RMB 0 thousand)	(RMB 20,521 thousand)
	- insurance claim	12,065	9,457	11,854
		(USD 388 thousand)	(USD 308 thousand)	(USD 389 thousand)
		<u>\$ 12,065</u>	<u>\$ 9,457</u>	<u>\$ 115,340</u>

(2) Commitments

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

B. As of June 30, 2019, outstanding balance amount arising from acquisition of vessel's equipment amounted to \$41,543 (USD \$1,322 thousand and EUR €14 thousand).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
<u>Financial assets</u>			
Financial assets at amortised cost			
Cash and cash equivalents	\$ 4,145,729	\$ 3,300,873	\$ 3,557,679
Accounts receivable, net	300,629	406,220	225,394
Other receivables	181,325	85,535	226,139
Other receivables due from related parties	-	9,551	34,793
Other financial assets	439,788	618,403	601,905
Guarantee deposits paid (recorded as 'other non-current assets')	7,528	7,362	7,369
	<u>\$ 5,074,999</u>	<u>\$ 4,427,944</u>	<u>\$ 4,653,279</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 800,000	\$ 800,000	\$ 760,000
Other payables	336,282	261,844	527,621
Other payables to related parties	18,594	15,829	15,439
Lease liability	33,698	-	-
Long-term borrowings (including current portion)	6,157,249	5,651,047	6,242,920
	<u>\$ 7,345,823</u>	<u>\$ 6,728,720</u>	<u>\$ 7,545,980</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, 2018.

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 various currency exposures, primarily with respect to the USD and JPY. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

- 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, 2019			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 9,928	31.06	\$ 308,341
NTD : USD	6,193	0.03	6,169
CAD : USD	77	23.73	1,838
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 55,043	31.06	\$ 1,709,617
December 31, 2018			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 8,693	30.72	\$ 267,048
NTD:USD	8,659	0.03	8,663
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 50,238	30.72	\$ 1,543,295

	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

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

	For the three-month period ended June 30, 2019		
	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	\$ -	31.06	(\$ 273)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	31.06	\$ 76,292

<u>For the three-month period ended June 30, 2018</u>			
<u>Exchange gain (loss)</u>			
Foreign currency			
amount			Book value
<u>(In thousands)</u>	<u>Exchange rate</u>		<u>(NTD)</u>
(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)
<u>For the six-month period ended June 30, 2019</u>			
<u>Exchange gain (loss)</u>			
Foreign currency			
amount			Book value
<u>(In thousands)</u>	<u>Exchange rate</u>		<u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	31.06	(\$ 237)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	31.06	\$ 71,291
<u>For the six-month period ended June 30, 2018</u>			
<u>Exchange gain (loss)</u>			
Foreign currency			
amount			Book value
<u>(In thousands)</u>	<u>Exchange rate</u>		<u>(NTD)</u>
(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)

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

For the six-month period ended June 30, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 3,083	\$ -
NTD:USD	1%	62	-
CAD:USD	1%	18	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 17,096	\$ -
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	\$ -

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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018 would have been \$26,268 and \$31,215 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- 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 the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms and obligation completed, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

- vi. The 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 reasonably be expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On June 30, 2019, December 31, 2018 and June 30, 2018, the Group's written-off financial assets that are still under recourse procedures amounted to \$384, \$0 and \$0, respectively.
- 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, 2019, December 31, 2018 and June 30, 2018, the provision matrix is as follows:

<u>June 30, 2019</u>	<u>Not past due</u>	<u>Total</u>
Expected loss rate	Approximately 0 %	
Total book value	\$ 300,629	\$ 300,629
Loss allowance	\$ -	\$ -
<u>December 31, 2018</u>	<u>Not past due</u>	<u>Total</u>
Expected loss rate	Approximately 0 %	
Total book value	\$ 406,220	\$ 406,220
Loss allowance	\$ -	\$ -
<u>June 30, 2018</u>	<u>Not past due</u>	<u>Total</u>
Expected loss rate	Approximately 0 %	
Total book value	\$ 225,394	\$ 225,394
Loss allowance	\$ -	\$ -

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

	June 30, 2019	December 31, 2018	June 30, 2018
Not past due	\$ 300,629	\$ 406,220	\$ 225,394
Past due			
Up to 1 year	\$ -	\$ -	\$ -
Over 1 year	-	-	-
	\$ -	\$ -	\$ -

(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, 2019	Up to 1 year	Between 1 year and 5 years	Over 5 years
Short-term borrowings	\$ 800,000	\$ -	\$ -
Other payables (including related parties)	354,876	-	-
Lease liability	6,695	27,003	-
Long-term borrowings (including current portion)	1,354,239	4,029,484	1,616,505

Non-derivative financial liabilities

December 31, 2018

	Up to 1 year	Between 1 year and 5 years	Over 5 years
Short-term borrowings	\$ 800,000	\$ -	\$ -
Other payables (including related parties)	277,673	-	-
Long-term borrowings (including current portion)	1,442,650	3,470,185	1,533,759

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

14. SEGMENT INFORMATION

(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, 2019			
	Bulk carrier	Oil tanker	Other segments	Total
Revenues from third parties	\$ 1,250,749	\$ 451,367	\$ 11,106	\$ 1,713,222
Segment income (loss)	(\$ 362,300)	\$ 25,508	\$ 11,106	(\$ 325,686)

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

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

	For the six-month periods ended June 30,	
	2019	2018
Reportable segment loss	(\$ 336,792)	(\$ 89,374)
Other segment income	11,106	1,746
Total operating segment loss	(325,686)	(87,628)
Others	(13,606)	(34,522)
Loss from continuing operations before tax	<u>(\$ 339,292)</u>	<u>(\$ 122,150)</u>

Sincere Navigation Corporation and Subsidiaries

Loans to others

For the six-month period ended June 30, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the six-month period ended June 30, 2019	Balance at June 30, 2019	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)	Footnote
													Item	Value			
0	Sincere Navigation Corporation	None													\$ 4,712,383	\$ 6,283,177	
1	Norley Corporation Inc.	Sincere Navigation Corporation	Other receivables - related parties	Y	\$ 2,008,500	\$ 1,087,100	\$ 1,087,100	-	2	-	Working capital	-	-	-	3,645,905	4,861,206	The maximum amount amounted to USD 65,000 thousand for the current period, and the actual amount was USD 35,000 thousand at the end of period.
2	Norley Corporation Inc.	Kenmore Shipping Inc.	Other receivables - related parties	Y	684,272	-	-	-	2	-	Working capital	-	-	-	3,645,905	4,861,206	The maximum amount amounted to USD 22,260 thousand for the current period, and the actual amount was USD 0 at the end of period.
3	Heywood Limited	Sincere Navigation Corporation	Other receivables - related parties	Y	1,236,000	621,200	621,200	-	2	-	Working capital	-	-	-	1,642,724	2,190,299	The maximum amount amounted to USD 40,000 thousand for the current period, and the actual amount was USD 20,000 thousand at 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, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2019	Outstanding endorsement/ guarantee amount at June 30, 2019	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	\$ 15,707,943	\$ 447,930	\$ 440,276	\$ 322,869	\$ -	40.15%	\$ 39,269,858	Y	N	N	Guarantee balance is US\$ 14,175 thousand
0	"	Keystone Shipping Co. Ltd.	3	15,707,943	447,930	440,276	322,869	-	40.15%	39,269,858	Y	N	N	Guarantee balance is US\$ 14,175 thousand
0	"	Ocean Wise Limited	3	15,707,943	599,231	130,887	130,887	-	40.15%	39,269,858	Y	N	N	Guarantee balance is US\$ 4,214 thousand
0	"	Maxson Shipping Inc.	3	15,707,943	509,875	501,162	278,423	-	40.15%	39,269,858	Y	N	N	Guarantee balance is US\$ 16,135 thousand
0	"	Poseidon Marine Ltd.	3	15,707,943	938,520	102,498	102,498	-	40.15%	39,269,858	Y	N	N	Guarantee balance is US\$ 3,300 thousand
0	"	Everwin Maritime Limited	3	15,707,943	715,361	703,136	644,542	-	40.15%	39,269,858	Y	N	N	Guarantee balance is US\$ 22,638 thousand
0	"	Kenmore Shipping Inc.	3	15,707,943	1,025,741	-	-	-	40.15%	39,269,858	Y	N	N	Guarantee balance is US\$ 0 thousand
0	"	Pacifica Maritime Limited	3	15,707,943	2,101,400	2,065,490	1,434,972	-	40.15%	39,269,858	Y	N	N	Guarantee balance is US\$ 66,500 thousand

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2019	Outstanding endorsement/ guarantee amount at June 30, 2019	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	Ocean Grace Limited	3	\$ 15,707,943	\$ 1,411,256	\$ 1,387,140	\$ 1,174,068	-	40.15%	\$ 39,269,858	Y	N	N	Guarantee balance is US\$ 44,600 thousand
0	"	Brighton Shipping Inc.	3	15,707,943	308,384	273,157	273,157	-	40.15%	39,269,858	Y	N	N	Guarantee balance is US\$ 8,795 thousand
0	"	Rockwell Shipping Limited	3	15,707,943	298,571	262,869	262,869	-	40.15%	39,269,858	Y	N	N	Guarantee balance is US\$ 8,463 thousand
1	Norley Corporation Inc.	Kenmore Shipping Inc.	3	12,153,016	862,960	842,503	842,503	-	6.93%	30,382,540	Y	N	N	Guarantee balance is US\$ 27,125 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
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
June 30, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Sincere Navigation Corporation	None		-	-	\$ -	-	\$ -	-
Norley Corporation Inc. (Norley)	Sincere Navigation Corporation	Norley's parent company	\$ 1,087,100 (USD 35,000 thousand)	-	-	-	-	-
Heywood Limited (Heywood)	Sincere Navigation Corporation	Heywood's parent company	\$ 621,200 (USD 20,000 thousand)	-	-	-	-	-

Table 3

Sincere Navigation Corporation and Subsidiaries
Significant inter-company transactions during the reporting period
For the six-month period ended June 30, 2019

Table 4

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	\$ 440,276	As per the Company's policy	1.80%
0	"	Keystone Shipping Co. Ltd.	1	"	440,276	"	1.80%
0	"	Everwin Maritime Limited	1	"	703,136	"	2.88%
0	"	Maxson Shipping Inc.	1	"	501,162	"	2.05%
0	"	Pacifica Maritime Limited	1	"	2,065,490	"	8.45%
0	"	Ocean Grace Limited	1	"	1,387,140	"	5.68%
0	"	Brighton Shipping Inc.	1	"	273,157	"	1.12%
0	"	Rockwell Shipping Limited	1	"	262,869	"	1.08%
1	Norley Corporation Inc.	Kenmore Shipping Inc.	1	"	842,503	"	3.45%
1	"	Sincere Navigation Corporation	2	Other receivables	1,087,100	"	4.45%
2	Heywood Limited	Sincere Navigation Corporation	2	"	621,200	"	2.54%

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

(1) Parent company is '0'.

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

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

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

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

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

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

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

Sincere Navigation Corporation and Subsidiaries
Information on investees
For the six-month period ended June 30, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as at June 30, 2019 (Note 2)			Net profit (loss) of the investee for the six-month period ended June 30, 2019 (Note 2)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Sincere Navigation Corporation	Norley Corporation Inc.	Republic of Liberia	Investment holdings	\$ 31,060 (USD 1,000 thousand)	\$ 30,720 (USD 1,000 thousand)	500	100%	\$ 12,153,016	(\$ 148,342)	(\$ 148,342)	Subsidiary
"	Heywood Limited	Marshall Islands	"	31,060 (USD 1,000 thousand)	30,720 (USD 1,000 thousand)	500	100%	5,475,748	(86,864)	(86,864)	Subsidiary
Norley Corporation Inc.	Kenmore Shipping Inc.	Marshall Islands	Oil tanker	1,432,177 (USD 46,110 thousand)	1,416,499 (USD 46,110 thousand)	500	100%	1,841,761	(2,740)	-	Indirectly owned subsidiary
"	Winnington Limited	"	Investment holdings	322,322 (USD 10,377 thousand)	318,794 (USD 10,377 thousand)	500	100%	573,631	(10,729)	-	Indirectly owned subsidiary
"	Jetwall Co. Ltd.	"	"	1,334,835 (USD 42,976 thousand)	1,320,223 (USD 42,976 thousand)	400	80%	1,520,574	23,312	-	Indirectly owned subsidiary
"	Victory Navigation Inc.	"	"	171 (USD 6 thousand)	169 (USD 6 thousand)	275	55%	426,264	(15,899)	-	Indirectly owned subsidiary
"	Kingswood Co., Ltd.	"	"	155 (USD 5 thousand)	154 (USD 5 thousand)	250	50%	12,177	(39)	-	Indirectly owned subsidiary
"	Poseidon Marine Ltd.	"	Shipping	155,611 (USD 5,010 thousand)	61,747 (USD 2,010 thousand)	500	100%	1,738,606	(87,235)	-	Indirectly owned subsidiary
"	Maxson Shipping Inc.	"	"	326,130 (USD 10,500 thousand)	322,560 (USD 10,500 thousand)	500	100%	1,173,231	(34,966)	-	Indirectly owned subsidiary
"	Ocean Wise Limited	Republic of Liberia	"	579,890 (USD 18,670 thousand)	205,397 (USD 6,686 thousand)	705,500	100%	1,062,310	(37,744)	-	Indirectly owned subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as at June 30, 2019 (Note 2)			Net profit (loss) of the investee for the six-month period ended June 30, 2019 (Note 2)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Norley Corporation Inc.	Pacifica Maritime Limited	Marshall Islands	Oil tanker	\$ 1,515,417 (USD 48,790 thousand)	\$ 1,498,829 (USD 48,790 thousand)	500	100%	\$ 1,536,801	\$ 4,974	-	Indirectly owned subsidiary
"	Sky Sea Maritime Limited	"	Investment holdings	565,618 (USD 18,211 thousand)	559,427 (USD 18,211 thousand)	275	55%	605,009	10,789	-	Indirectly owned subsidiary
"	New Frontier Navigation Ltd.	"	Holding in shipbuilding	-	307 (USD 10 thousand)	-	0%	- (	1,350)	-	Indirectly owned subsidiary
"	Elroy Maritime Service Inc.	"	Maritime service	311 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	499	260	-	Indirectly owned subsidiary
Winnington Limited	Peg Shipping Company Limited	Republic of Liberia	Shipping	311 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	568,360 (	10,704)	-	Indirectly owned subsidiary
Kingswood Co., Ltd.	Seven Seas Shipping Ltd.	Marshall Islands	Oil tanker	311 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	8,323 (	22)	-	Indirectly owned subsidiary
Jetwall Co. Ltd.	Everwin Maritime Limited	"	"	1,668,543 (USD 53,720 thousand)	1,650,278 (USD 53,720 thousand)	500	100%	1,901,723	23,344	-	Indirectly owned subsidiary
Victory Navigation Inc.	Everprime Shipping Limited	"	Shipping	311 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	771,585 (	15,867)	-	Indirectly owned subsidiary
Sky Sea Maritime Limited	Ocean Grace Limited	"	"	1,028,397 (USD 33,110 thousand)	1,017,139 (USD 33,110 thousand)	500	100%	1,100,329	10,821	-	Indirectly owned subsidiary
Elroy Maritime Service Inc.	Oak Maritime (Canada) Inc.	Canada	Maritime service	4,007 (USD 128 thousand)	-	500	100%	3,001 (	959)	-	Indirectly owned subsidiary
Heywood Limited	Clifford Navigation Corporation	Marshall Islands	Shipping	311 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	741,449 (	6,977)	-	Indirectly owned subsidiary
"	Newton Navigation Limited	"	"	311 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	2,767	779	-	Indirectly owned subsidiary
"	Brighton Shipping Inc.	"	"	311 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	439,930 (	27,827)	-	Indirectly owned subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as at June 30, 2019 (Note 2)			Net profit (loss) of the investee for the six-month period ended June 30, 2019 (Note 2)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Heywood Limited	Rockwell Shipping Limited	Marshall Islands	Shipping	\$ 311 (USD 10 thousand)	\$ 307 (USD 10 thousand)	500	100%	\$ 288,684	(\$ 14,348)	-	Indirectly owned subsidiary
"	Howells Shipping Inc.	"	"	373,031 (USD 12,010 thousand)	368,947 (USD 12,010 thousand)	500	100%	918,075	7,146	-	Indirectly owned subsidiary
"	Crimson Marine Company	"	"	1,037,342 (USD 33,398 thousand)	749,507 (USD 24,398 thousand)	500	100%	566,968	(29,607)	-	Indirectly owned subsidiary
"	Century Shipping Limited	HongKong	Investment holdings	15,530 (USD 500 thousand)	15,360 (USD 500 thousand)	50,000	100%	(3,083)	742	-	Indirectly owned subsidiary
"	Helmsman Navigation Co. Ltd.	Marshall Islands	Shipping	531,437 (USD 17,110 thousand)	249,139 (USD 8,110 thousand)	500	100%	416,249	(10,184)	-	Indirectly owned subsidiary
"	Keystone Shipping Co. Ltd.	"	"	484,847 (USD 15,610 thousand)	249,139 (USD 8,110 thousand)	500	100%	408,588	(6,431)	-	Indirectly owned subsidiary

Note 1: The above balances of initial investments as at June 30, 2019 and December 31, 2018 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, 2019 and net profit (loss) of the investee for the six-month period ended June 30, 2019 were translated at the closing exchange rates at the balance sheet and the average exchange rates for the six-month period ended June 30, 2019, respectively.

Note 3: New Frontier Navigation Ltd. Ceased operations and was liquidated on May 27, 2019.

Sincere Navigation Corporation and Subsidiaries
Information on investments in Mainland China
For the six-month period ended June 30, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Net income of investee for the six-month period ended June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019 (Note 2)	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019	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)	\$ 742 (RMB 163 thousand)	100%	\$ 742 (RMB 163 thousand)	(\$ 3,083) (RMB -682 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 period 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, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Haihu Maritime Service (Shanghai) Co., Ltd.	\$ 15,855	\$ 95,130	\$ 9,424,766

Table 6