

# Sincere Navigation Corporation Shareholders Meeting of 2020

## Handbook

June 19, 2020.

Handbook Website: <http://mops.twse.com.tw>

<http://www.snc.com.tw>

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For the convenience of readers and information purpose only, this English-version handbook is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese version, the Chinese version shall prevail

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# Sincere Navigation Corporation Agenda of the 2020 Annual Shareholders Meeting

Time: 09:00 a.m., June 19, 2020 (Friday)

Venue: Howard Plaza Hotel, B2 Level Banquet Hall; No.160, Sec. 3, Ren Ai Road, Taipei City

Agenda:

Chapter 1. Opening of the meeting (report total shares represented by shareholders present)

Chapter 2. Chairman's address

Chapter 3. Reports

- I. Annual Business and Financial Report of 2019.
- II. Audit Committee's Review Report.
- III. Report on the Distribution of Remuneration to Directors/Supervisors and Employees in 2019
- IV. Report on the Distribution of Cash Dividends from Earnings of 2019
- V. Report on Amendments of the Company's "Ethical Corporate Management Best Practice Principles".
- VI. Other reports.

Chapter 4. Proposals

- I. Adoption of the Company's Annual Business Report and Financial Statement of 2019
- II. Adoption of the Company's annual earnings distribution table of 2019.

Chapter 5. Extempore Motions

Chapter 6. Adjournment of the meeting.

# Reports

## I. Business and Financial Reports

### Sincere Navigation Corporation Business Report

#### **Report to the Shareholders:**

##### Introduction:

Looking back at 2019, the global dry bulk trade growth in ton-miles demand grew 0.7%, while the overall bulk carrier fleet grew 3.9%. As a result, average weighted earnings of all bulkers fell 6.2% in 2019. Of particular relevance to us, the Capesize market grew 3.9% to 345.1m dwt in fleet capacity, while scrapping activity remained muted with only 58 vessels (12.8m dwt) taken out of the market. Global iron ore seaborne trade was greatly affected by the Vale tailing dam closures, which resulted in a weak dry bulk trade market in the first half of 2019. On the other hand, strength in the VLCC market in the second half of 2019 balanced out the weakness of the dry bulk market.

Our business is inherently volatile and highly influenced by global macro factors. A strong commitment to prudent asset management and cash flow generation has enabled our company to weather through multiple industry cycles.

The preparation and switch to 2020 sulfur cap compliant fuel has also been an important factor driving industry actions in 2019. In response to the need to protect the global environment, the International Maritime Organization enforces relevant regulations in accordance with established protocols. One of those regulations that has a great impact on the shipping industry is the 2020 sulfur cap regulation, which stipulates that all marine fuels onboard and in use must contain less than 0.5% sulfur by 1 January 2020. With the exception of a very limited percentage of vessel which will install exhaust gas cleaning systems (known as scrubbers), most vessels will burn the required low-sulfur compliant fuel as an option. This required modification of piping system and the installation of fuel cooling equipment, also recognizing the composition and compatibility of compliant fuel and understand its use in existing diesel engines.

So far, owners like ourselves have not been able to pass on the additional costs. The price differential between high sulfur and low sulfur marine fuels is more than US\$200/t in ports like Shanghai. We took particular care of our ships, making the necessary modifications, testing bunkered fuel before usage, increasing our stock of protective chemicals, and keeping additional 0.1% low sulfur marine gas oil (LSMGO) onboard as "safety fuel" in preparation of the change. It remains a key principle of our Company, to remain prudent and operate our ships in a conservative, risk adverse manner.

On the positive side, the tanker market enjoyed a strong uptick in 2019, driven by a slowdown in deliveries, boost to gasoil trade due to the 2020 sulfur cap, limited supply due to scrubber retrofits, and continue demand for floating storage due to US sanctions on Iran and storage driven by the IMO 2020 sulfur cap demand. However, the recent coronavirus outbreak is also taking its toll on oil prices and will likely reduce Chinese oil demand and VLCC earnings.

The onslaught of the novel Coronavirus (COVID-19) outbreak in early 2020 has been a significant, but hopefully a short-lived impact on industrial activity. On a positive note, the fatality rate of the coronavirus so far is estimated at 2~3%, compared to over 10% for SARS. At this stage, it is difficult to predict the degree or period of impact we will have to deal with regarding the coronavirus.

### **Annual Results of 2019**

For 2019, the Company maintained our current fleet size of 17 vessels, composed of 3 VLCC tankers, and 14 dry bulk vessels of various tonnages. Total ownership days remained at 6,205 days for the total fleet, and 5,110 days for the dry bulk fleet. 48% of our dry bulk ownership days were fixed on timecharter or trip timecharter contracts, and we carried over 7 million MT in cargoes on freight. In the first half of 2019, the decrease in dry bulk demand from the dam collapse and government closure of the Vale mines, and weak demand from the US-China trade wars, resulted in a weaker market, with the Baltic Dry Index, averaging 895 points. However, as the mines resumed production and the market normalized, the third quarter saw a strong recovery, enabling the second half of 2019 Baltic Dry Index to average 3370 points, a substantial improvement from 1H 2019.

The consolidated revenues for 2019 was reported at NT\$4,317,241 thousand, up 14.42% from the previous year. The net profit attributable to the Parent Company was NT\$88,316 thousand and EPS reported at TWD 0.15.

### **Summary Business Plan for 2020**

In 2020, the Company will continue to maintain its prudent approach to asset management and cash flow generation, while striving to achieve the following objectives:

- 1) Strictly control the quality and cost of our services, while using technology to achieve better visibility on our average daily operating expense per vessel, dry docking budgets, procurement procedures, and other overhead costs.
- 2) Analyze data, dynamics and trends in the international shipping market, and carefully select quality clients and pursue flexible strategies of spot and period contracts of varying terms to optimize fleet utilization and profitability.
- 3) Closely monitor developments in marine technologies, including implementations of the 2020 sulfur cap compliant fuels, scrubbers, ballast water treatment systems (BWTS), new fuel & engine technologies, and others.

- 4) Identify opportunities for asset acquisition, disposal, or replacement, including new sectors and areas that may provide long-term stable cash flow generation. Through a more active engagement with a broader industry network, we believe we are in a position to better leverage our resources for future investments.
- 5) Through better collaboration and internal training, breakdown silos of data and internal knowledge, improve engagement throughout our offices, and improve onboard/onshore connectivity.

As we weather through a downcycle and historical lows being reported in the Baltic Indices, the ability of the Company to transition and develop better tools and insights to achieve more efficient operations will be critical in its preparation for when the cycles resume its recovery. In a cyclical industry like ours, having sufficient firepower and resources during a downturn is critical, and we will use this adversity to enhance and further create value for all our stakeholders.

### **Market Variables and their impacts**

1. The bulk shipping market has shown steady recovery. Capesize vessels operations have progressed from break-even to profitable. In 2020, considering new vessel deliveries, scrapping, laid-up and storage vessels, the overall trading fleet is forecasted to grow by 3.4% by end 2020, slightly lower than the 3.9% growth seen in 2019. This will improve the balance between supply and demand and bolster vessel owners' confidence. Since the financial tsunami in 2008, the bulk shipping market has been sluggish. During this period, vessel owners have expanded and accelerated the scrapping of their aged vessels to improve their cost structures. Currently, the average age of vessels in the bulk shipping market has fallen to less than 20 years. In the foreseeable future, there will be fewer aged vessels to be scrapped. How this will impact the recovery momentum of the shipping market remains to be seen.
2. The maritime shipping industry is currently facing many challenges. In addition to facing the usual changes in the maritime shipping market, the industry also needs to fulfill its responsibilities and obligations to reduce environmental pollution. The International Maritime Organization (IMO) implemented environmental regulations for vessel ballast water treatment systems September 2019, which had originally scheduled for September 2017. Also, the requirement that vessels must use low-sulfur fuel (less than 0.5% sulfur) will take worldwide effect in 2020. The installation of these ballast water treatment systems and fuel flue gas desulfurization equipment will be costly. Also, their design and user experience are yet to mature. Thus, the cost of their daily operation, maintenance, and repair will surely bring additional cost to the shipping industry.

## **Future development and strategy**

In the past, we have used a strategy of fixing medium and long-term time charters with first class charterers, which enabled us to produce stable and good profits over the years. However, as the industry dynamics change, we are no longer in a position to be able to fix those long-term profitable contracts and must change with the times. Diversification of the fleet, to include VLCC and VLOCs were a first step to avoid excessive concentration of market risks. Our experienced management team will continue to evaluate and pursue new areas of opportunities, while continuing its corporate culture of strict cost control and excellence in dry bulk ship management & operations. By engaging with new technologies, new tools, and new partners, we are confident that our management team will be able to deliver long-term and optimal profits for the Company and its shareholders.

## **In Conclusion**

Adhering to our corporate principles of credibility, decisiveness, diligence, prudence, and continuous improvement, we remain committed to our role as first class owner/operators of maritime assets and ship management services. With increased regulatory changes, our compliance and adherence to the highest standards of international shipping safety and marine environmental protection regulations is core to our value proposition. We believe that by providing quality operations, and continually improving our people, our systems, and our assets, we will remain a value-added part of the commodity supply chain.

## II. Audit Committee's Review Report.

### Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 financial statements including consolidated financial statements and individual financial statements which were audited by CPAs Weng, Shih-Jung and Lin, Yi-Fan of PricewaterhouseCoopers, Taiwan. The statements, Business Report, and earnings distribution proposal were reviewed and determined to be accurate by the Audit Committee. This Review Report is therefore prepared in accordance with the Securities and Exchange Act and the Company Act and filed for your perusal.

Sincerely,

Shareholders Meeting of 2020

Sincere Navigation Corporation

Audit Committee Convener: LEE, YEN-SUNG

March 27, 2020



### III. Report on the Distribution of Remuneration to Directors/Supervisors

and Employees in 2019:

The Company's proposal for the distribution of compensation for Directors, Supervisors, and employees for 2019 was approved by the Board on March 27, 2020. In accordance with Article 30 of the Articles of Incorporation, 3% of the pre-tax profit was distributed to the Directors/Supervisors and employees, respectively. The Directors/Supervisors received NT\$3,904,868 while employees (including managers) received compensation of NT\$3,904,868.

#### IV. Report on the Distribution of Cash Dividends from Earnings of 2019:

- (I) The earnings distribution is adopted by the Board in accordance with Article 240, Paragraph 5 of the Company Act and Article 30 of the Company's Articles of Incorporation. A total of NT\$292,676,649 in cash dividends is distributed and NT\$0.5 is distributed for each share.
- (II) The cash dividends are calculated pursuant to distribution ratio and rounded down to the whole dollar amounts; the fractional amounts less than NT\$1 shall be aggregated and recorded as other income of the Company.
- (III) In the event that the number of shares outstanding are affected by changes in the Company's share capital, making it necessary to revise the shareholder's cash dividend rate as a result, the Chairman is authorized to handle such revision at its full discretion.
- (IV) The Board Meeting will be held to set a dividend reference date and issuance date.

## V. Report on Amendments of the Company's "Ethical Corporate

### Management Best Practice Principles":

The amendment of the Company's Ethical Corporate Management Best Practice Principles as shown in page 10 to 12 of the Agenda is implemented based on the Financial Supervisory Commission's Jin-Guan-Zheng-Fa No. 1080341134 Letter dated February 12, 2020.

Ethical Corporate Management Best Practice Principles of Sincere Navigation Corporation

Amendment Comparison Table

Article	After the Amendment	Before the Amendment	Reasons for Amendment
Article 2	<p><b>(Prohibition of unethical conduct)</b> When engaging in commercial activities, Directors, managers, employees, and mandataries of the Company ("the Company's personnel") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.</p> <p>Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managerial officers, employees or substantial controllers or other stakeholders.</p>	<p><b>(Prohibition of unethical conduct)</b> When engaging in commercial activities, Directors, supervisors, managers, employees, and mandataries of the Company ("the Company's personnel") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.</p> <p>Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managerial officers, employees or substantial controllers or other stakeholders.</p>	After the election of the members of the Board of Directors in the Shareholders Meeting in 2019, the Company canceled the role of Supervisors and established the Audit Committee in accordance with laws.
Article 15	<p><b>(Prohibition of insider trading and non-disclosure agreement)</b> All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other parties from using such information to engage in insider trading.</p> <p>Other agencies or personnel that participate in the Company's mergers, divisions, acquisitions, share transfers, important memoranda, strategic alliances, and other business cooperation</p>	<p><b>(Non-disclosure agreement)</b> All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other parties from using such information to engage in insider trading.</p>	The amendment is implemented based on the Financial Supervisory Commission's Jin-Guan-Zheng-Fa No. 1080341134 Letter dated February 12, 2020.

	plans or important contracts shall sign a non-disclosure agreement with the Company. The signatory shall promise not to disclose the Company's trade secrets or other important information that they are aware of to others. The aforementioned information shall not be used without the Company's approval.		
Article 18	<p><b>(Recusal)</b> The Company shall adopt policies for preventing conflicts of interest and offer appropriate means for the Company's Personnel to voluntarily explain whether their interests would potentially conflict with those of the Company.</p> <p>The Company's Directors shall exercise a high degree of self-discipline on the motions of the Board. A Director may offer his opinion and answer related questions but is prohibited from participating in discussion of or voting on any proposal of a meeting where the Director or any institution that the director represents is an interested party, and such participation is likely to prejudice the interests of the Company; neither shall a Director vote on such proposal as proxy for any other Director in such circumstances.</p> <p>Where the spouse, a relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, the director shall be deemed to have a personal interest in the matter.</p> <p>The Company's personnel shall not take advantage of their positions and influence in the</p>	<p><b>(Recusal)</b> The Company shall adopt policies for preventing conflicts of interest and offer appropriate means for the Company's Personnel to voluntarily explain whether their interests would potentially conflict with those of the Company.</p> <p>The Company's Directors shall exercise a high degree of self-discipline. A Director may offer his opinion and answer related questions but is prohibited from participating in discussion of or voting on any proposal of a meeting where the Director or any institution that the director represents is an interested party, and such participation is likely to prejudice the interests of the Company.</p> <p>The Company's personnel shall not take advantage of their positions and influence in the</p>	The amendment is implemented based on the Financial Supervisory Commission's Jin-Guan-Zheng-Fa No. 1080341134 Letter dated February 12, 2020.

	Company to obtain improper benefits for themselves, their spouses, parents, children, or any other person.	Company to obtain improper benefits for themselves, their spouses, parents, children, or any other person.	
Article 25	<b>(Enforcement)</b> The enactment of the Principles and any amendments thereof, will be implemented upon adoption from the Board of Directors and reported to the Shareholders Meeting.	<b>(Enforcement)</b> The enactment of the Principles and any amendments thereof, will be implemented upon adoption from the Board of Directors, delivered to the Supervisors, and reported to the Shareholders Meeting.	After the election of the members of the Board of Directors in the Shareholders Meeting in 2019, the Company canceled the role of Supervisors and established the Audit Committee in accordance with laws.

## VI. Other reports:

The acceptance period for shareholders' proposals was 6-16 April, 2020. This is to certify that, by the deadline, shareholders had not put forward any proposals.

## Proposals

- I. Subject: Adoption of the Company's Annual Business Report and Financial Statements of 2019 (proposed by the Board).

Explanation: (1) The Company's Annual Business Report and Financial Statements of 2019 including consolidated financial statements and individual financial statements (including the balance sheets, comprehensive income statements, statements of changes in equity, and cash flow statements) have been audited by CPAs Weng, Shih-Jung and Lin, Yi-Fan of PricewaterhouseCoopers, Taiwan. They have also been reviewed by the Audit Committee which found them to be compliant with regulations and adopted by the Board. They are hereby filed for ratification in accordance with laws.

(2) Please refer to pages 2 to 5 and pages 15 to 34 of the Handbook for the aforementioned Business Report, Auditor's Report, and Financial Statements.

Resolution:



## REPORT OF INDEPENDENT ACCOUNTANTS

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

### ***Opinion***

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission

### ***Basis for opinion***

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

### ***Key audit matters***

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

Key audit matters for the Group’s consolidated financial statements of the current period are as follows:

#### **Impairment of vessels and equipment**

##### Description

For accounting policy, accounting estimates and assumptions applied on impairment of property, plant and equipment and related impairment explanation, please refer to Notes 4(13), 5(2) and 6(2).

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

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

#### How our audit addressed the matter

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

1. Obtained the information that management used to assess whether there was an indication that the assets were impaired. Inspected the accuracy of the information which was obtained from internal and external sources, and assessed the reasonableness of the assessment result.
2. Obtained the valuation information used by management in determining recoverable amount. Discussed the operating plan with management about the income and expenses that may occur in the future and reviewed performance conditions of previous operating plan to assess management's performance intention and ability. Obtained the subsequent information within certain period to compare with the original plan.
3. Compared the discount rate used in the valuation model with the rate of return on assets of similar assets in the market, and checked the assumptions used in calculating weighted average cost of capital (WACC) with actual proportion of equity capital, industrial risk coefficient and market risk premium.
4. Checked the parameters and the formula used in the valuation model.

#### **Reasonableness of V/C (voyage charterer) revenue recognition timing**

##### Description

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

The Group's operating revenue is derived from two types of contracts which are T/C (time charter) and V/C (voyage charter). For T/C revenue, the Group calculates and recognises revenue based on daily freight rate and voyage information recorded on the contract and as such, the recognition cut-off point is explicit at the end of the reporting period. For V/C revenue, the Group recognised revenue based on the percentage of completion of services rendered. There are many factors involved in determining the progress of revenue recognition, such as, the length of the negotiated period of contracts, conditions of vessels and equipment, the changes of port of discharge and loading and so on.

Given that the Group's V/C revenue recognition involves manual judgement, a significant amount of resources is required in conducting the audit. Thus, we consider the cut-off of V/C revenue as a key audit matter.

#### How our audit addressed the matter

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

1. Obtained an understanding of the procedures of management in recognising V/C revenue, and confirmed the evidence of revenue recognition and the appropriateness of approval procedures.
2. Checked the contracts for V/C around the period of balance sheet date, and based on our understanding of the client's operation conditions, assessed the reasonableness of voyage planning developed by management.
3. Obtained the location information reported by the crew of each vessel on balance sheet date, and compared it with management's voyage planning to verify whether revenue has been recognised properly in accordance with the completion of voyage.
4. Obtained the related settlement vouchers in subsequent period to evaluate the reasonableness of revenue recognition.

#### ***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Sincere Navigation Corporation as at and for the years ended December 31, 2019 and 2018.

#### ***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## ***Auditor's responsibilities for the audit of the consolidated financial statements***

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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Weng, Shih-Jung

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Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 27, 2020

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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)

Assets			December 31, 2019		December 31, 2018			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	3,945,656	17	\$	3,300,873	13
1140	Current contract assets	6(10)		99,113	1		146,255	1
1170	Accounts receivable			453,453	2		406,220	2
1200	Other receivables	9(1)		41,750	-		85,535	-
1210	Other receivables - related parties	7		509	-		9,551	-
1220	Current tax assets			106	-		-	-
130X	Bunker inventories			254,486	1		287,393	1
1410	Prepayments			56,946	-		49,026	-
1470	Other current assets	8		431,742	2		618,403	3
11XX	Total current assets			5,283,761	23		4,903,256	20
Non-current assets								
1600	Property, plant and equipment	6(2)(5), 7 and 8		17,919,541	77		19,457,434	80
1755	Right-of-use assets	6(3)		21,828	-		-	-
1840	Deferred income tax assets	6(16)		11,087	-		21,561	-
1900	Other non-current assets	8		66,668	-		46,227	-
15XX	Total non-current assets			18,019,124	77		19,525,222	80
1XXX	Total assets		\$	23,302,885	100	\$	24,428,478	100

(Continued)

**SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity			December 31, 2019		December 31, 2018	
	Notes		AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(4)	\$ 800,000	4	\$ 800,000	3
2130	Current contract liabilities	6(10)	35,616	-	27,653	-
2200	Other payables		273,920	1	261,844	1
2220	Other payables - related parties	7	22,940	-	15,829	-
2230	Current income tax liabilities		104	-	92,909	1
2280	Current lease liabilities		5,881	-	-	-
2320	Long-term liabilities, current portion	6(5)	938,996	4	1,208,759	5
21XX	Total current liabilities		2,077,457	9	2,406,994	10
Non-current liabilities						
2540	Long-term borrowings	6(5)	4,406,634	19	4,442,288	18
2570	Deferred income tax liabilities	6(16)	66,617	-	44,237	-
2580	Non-current lease liabilities		16,913	-	-	-
2600	Other non-current liabilities	6(6)	32,567	-	31,508	-
25XX	Total non-current liabilities		4,522,731	19	4,518,033	18
2XXX	Total liabilities		6,600,188	28	6,925,027	28
Equity attributable to owners of parent						
Share capital		6(7)				
3110	Share capital - common stock		5,853,533	25	5,683,042	24
Capital surplus		6(8)				
3200	Capital surplus		241,989	1	52,247	-
Retained earnings		6(9)				
3310	Legal reserve		3,163,018	14	3,156,840	13
3320	Special reserve		924,270	4	1,479,609	6
3350	Unappropriated retained earnings		6,664,957	29	6,312,338	26
Other equity interest						
3400	Other equity interest		( 1,349,931 )	( 6 )	( 924,270 )	( 4 )
31XX	Equity attributable to owners of the parent		15,497,836	67	15,759,806	65
36XX	Non-controlling interest	4(3)	1,204,861	5	1,743,645	7
3XXX	Total equity		16,702,697	72	17,503,451	72
Significant contingent liabilities and unrecognised contractual commitments		9				
Significant events after balance sheet date		11				
3X2X	Total liabilities and equity		\$ 23,302,885	100	\$ 24,428,478	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)

		Year ended December 31			
		2019		2018	
Items	Notes	AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>	6(10) and 7	\$ 4,317,241	100	\$ 3,773,082	100
5000 <b>Operating costs</b>	6(14)(15) and 7	( 3,728,291)	( 86)	( 3,260,155)	( 87)
5900 <b>Net operating margin</b>		<u>588,950</u>	<u>14</u>	<u>512,927</u>	<u>13</u>
<b>Operating expenses</b>	6(14)(15) and 7				
6200 General and administrative expenses		( 224,940)	( 5)	( 159,095)	( 4)
6450 Impairment loss determined in accordance with IFRS 9		( 334)	-	-	-
6000 <b>Total operating expenses</b>		( 225,274)	( 5)	( 159,095)	( 4)
6900 <b>Operating profit</b>		<u>363,676</u>	<u>9</u>	<u>353,832</u>	<u>9</u>
<b>Non-operating income and expenses</b>					
7010 Other income	6(11)	63,002	1	47,453	1
7020 Other gains and losses	6(12)	34,847	1	( 59,242)	( 1)
7050 Finance costs	6(13)	( 266,551)	( 6)	( 221,225)	( 6)
7000 <b>Total non-operating income and expenses</b>		( 168,702)	( 4)	( 233,014)	( 6)
7900 <b>Profit before income tax</b>		<u>194,974</u>	<u>5</u>	<u>120,818</u>	<u>3</u>
7950 Income tax expense	6(16)	( 34,036)	( 1)	( 35,971)	( 1)
8200 <b>Profit for the year</b>		<u>\$ 160,938</u>	<u>4</u>	<u>\$ 84,847</u>	<u>2</u>
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Actuarial gains (losses) on defined benefit plans	6(6)	( \$ 882)	-	\$ 1,842	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(16)	176	-	( 101)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		( 455,027)	( 11)	609,645	16
8500 <b>Total comprehensive (loss) income for the year</b>		( \$ 294,795)	( 7)	<u>\$ 696,233</u>	<u>18</u>
<b>Profit (loss), attributable to:</b>					
8610 Owners of the parent		\$ 88,316	2	\$ 61,777	2
8620 Non-controlling interest		<u>72,622</u>	<u>2</u>	<u>23,070</u>	-
		<u>\$ 160,938</u>	<u>4</u>	<u>\$ 84,847</u>	<u>2</u>
<b>Comprehensive income attributable to:</b>					
8710 Owners of the parent		( \$ 338,051)	( 8)	\$ 618,857	16
8720 Non-controlling interest		<u>43,256</u>	<u>1</u>	<u>77,376</u>	<u>2</u>
		<u>( \$ 294,795)</u>	<u>( 7)</u>	<u>\$ 696,233</u>	<u>18</u>
<b>Earnings per share</b>	6(17)				
9750 <b>Basic earnings per share (in dollars)</b>		<u>\$ 0.15</u>		<u>\$ 0.11</u>	
9850 <b>Diluted earnings per share (in dollars)</b>		<u>\$ 0.15</u>		<u>\$ 0.11</u>	

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



SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent																					
		Capital Reserves				Retained Earnings			Financial statements translation differences of foreign operations	Total	Non-controlling interest	Total equity											
Notes	Share capital - common stock	Treasury stock transactions	Difference between consideration and carrying amount of subsidiaries acquired	Others	Legal reserve	Special reserve	Unappropriated retained earnings																
For the year ended December 31, 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	
		-		-		-		-		-		-		61,777		-		61,777		23,070		84,847	
		-		-		-		-		-		-		1,741		555,339		557,080		54,306		611,386	
		-		-		-		-		-		-		63,518		555,339		618,857		77,376		696,233	
Appropriations of 2017 earnings:		6(9)																					
		-		-		-		-		51,140		-		(	51,140 )		-		-		-		-
		-		-		-		-		-		1,449,439		(	1,449,439 )		-		-		-		-
		-		-		-		-		-		-		(	340,983 )		(	340,983 )		-		(	340,983 )
		-		-		-		-		-		-		-		-		-		55,833		55,833	
		-		-		-		1,222		-		-		-		-		1,222		-		1,222	
	\$	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	
For the year ended December 31, 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	
		-		-		-		-		-		-		88,316		-		88,316		72,622		160,938	
		-		-		-		-		-		-		(	706 )	(	425,661 )	(	426,367 )	(	29,366 )	(	455,733 )
		-		-		-		-		-		-		87,610	(	425,661 )	(	338,051 )		43,256	(	294,795 )	
Appropriations of 2018 earnings:		6(9)																					
		-		-		-		-		6,178		-		(	6,178 )		-		-		-		-
		-		-		-		-		-		(	555,339 )		555,339		-		-		-		-
		-		-		-		-		-		-		(	113,661 )		(	113,661 )		-		(	113,661 )
		170,491		-		-		-		-		-		(	170,491 )		-		-		-		-
		-		-		-		-		-		-		-		-		-		(	393,051 )	(	393,051 )
		-		-		-		753		-		-		-		-		753		-		753	
		-		-		188,989		-		-		-		-		-		188,989	(	188,989 )		-	
	\$	5,853,533	\$	39,243	\$	199,339	\$	3,407	\$	3,163,018	\$	924,270	\$	6,664,957	( \$	1,349,931 )	\$	15,497,836	\$	1,204,861	\$	16,702,697	

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)**

		For the years ended December 31,	
	Notes	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 194,974	\$ 120,818
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(14)	1,366,676	1,333,882
Amortisation	6(14)	102	102
Interest income	6(11)	( 57,355 )	( 40,768 )
Interest expense	6(13)	266,551	221,225
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		47,142	( 89,104 )
Accounts receivable		( 46,926 )	( 206,205 )
Other receivables		43,544	104,158
Other receivables - related parties		9,042	15,936
Bunker inventories		32,907	( 187,843 )
Prepayments		( 7,514 )	( 24,597 )
Changes in operating liabilities			
Current contract liabilities		7,963	( 24,736 )
Other payables		34,633	58,434
Other payables - related parties		7,111	5,183
Accrued pension liabilities		177	( 30 )
Cash inflow generated from operations		1,899,027	1,286,455
Interest received		57,543	42,043
Income tax paid		( 93,917 )	( 136,909 )
Net cash flows from operating activities		1,862,653	1,191,589
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in other financial assets		186,661	( 124,904 )
Acquisition of property, plant and equipment	6(2)	( 247,112 )	( 1,080,187 )
Business combination		( 359 )	-
Increase in non-current assets		( 20,242 )	( 38,967 )
Net cash flows used in investing activities		( 81,052 )	( 1,244,058 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term loans	6(19)	-	40,000
Repayment of principal of lease liability	6(19)	( 3,204 )	-
Proceeds from long-term borrowings	6(19)	1,833,568	1,948,836
Repayment of long-term borrowings	6(19)	( 1,945,583 )	( 1,999,356 )
Interest paid		( 289,586 )	( 226,872 )
Cash dividends paid		( 113,661 )	( 340,983 )
Change in non-controlling interests		( 54,747 )	55,833
Net cash flow from acquisition of subsidiaries	6(18)	( 338,304 )	-
Overdue unclaimed cash dividends		753	1,222
Net cash flows used in financing activities		( 910,764 )	( 521,320 )
Effect of changes in foreign exchange rate		( 226,054 )	196,027
Net increase (decrease) in cash and cash equivalents		644,783	( 377,762 )
Cash and cash equivalents at beginning of year		3,300,873	3,678,635
Cash and cash equivalents at end of year		\$ 3,945,656	\$ 3,300,873

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

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Sincere Navigation Corporation

### ***Opinion***

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

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

### ***Basis for opinion***

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

## ***Key audit matters***

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

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

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

#### Description

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

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

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

#### How our audit addressed the matter

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

1. Obtained an understanding of the procedures of management in recognising V/C revenue, and confirmed the evidence of revenue recognition and the appropriateness of approval procedures.
2. Checked the contracts for V/C around the period of balance sheet date, and based on our understanding of the client's operating conditions, assessed the reasonableness of voyage planning developed by management.
3. Obtained the location information reported by the crew of each vessel on balance sheet date, and compared it with management's voyage planning to verify whether revenue has been recognised properly in accordance with the completion of voyage.
4. Obtained the related settlement vouchers in subsequent period to evaluate the reasonableness of revenue recognition.

### **Impairment of vessels and equipment**

#### Description

For accounting policy, accounting estimates and assumptions applied on impairment of property,

plant and equipment and related impairment explanation, please refer to Notes 4(11), 5(2) and 6(3) of parent company only financial statements and Notes 4(13), 5(2) and 6(2) of consolidated financial statements..

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

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

#### How our audit addressed the matter

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

1. Obtained the information that management used to assess whether there was an indication that the assets were impaired. Inspected the accuracy of the information which was obtained from internal and external sources, and assessed the reasonableness of the assessment result.
2. Obtained the valuation information used by management in determining recoverable amount. Discussed the operating plan with management about the income and expenses that may occur in the future and reviewed performance conditions of previous operating plan to assess management's performance intention and ability. Obtained the subsequent information within certain period to compare with the original plan.
3. Compared the discount rate used in the valuation model with the rate of return on assets of similar assets in the market, and checked the assumptions used in calculating weighted average cost of capital (WACC) with actual proportion of equity capital, industrial risk coefficient and market risk premium.
4. Checked the parameters and the formula used in the valuation model.

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

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

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

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

### ***Auditor's responsibilities for the audit of the parent company only financial statements***

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements

represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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Weng, Shih-Jung

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Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 27, 2020

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

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

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

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

(Continued)



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

Liabilities and Equity		Notes	December 31, 2019	December 31, 2018
			AMOUNT	AMOUNT
Current liabilities				
2100	Short-term borrowings	6(4) and 8	\$ 800,000	\$ 800,000
2130	Current contract liabilities	6(9)	24,131	167
2200	Other payables		31,145	28,851
2220	Other payables - related parties	7	1,761,353	1,606,075
2230	Current income tax liabilities		-	92,909
21XX	Total current Liabilities		2,616,629	2,528,002
Non-current liabilities				
2570	Deferred income tax liabilities	6(15)	66,617	44,237
2600	Other non-current liabilities	6(5)	32,567	31,508
25XX	Total non-current liabilities		99,184	75,745
2XXX	Total Liabilities		2,715,813	2,603,747
Equity				
Share capital		6(6)		
3110	Share capital - common stock		5,853,533	5,683,042
Capital surplus		6(7)		
3200	Capital surplus		241,989	52,247
Retained earnings		6(8)		
3310	Legal reserve		3,163,018	3,156,840
3320	Special reserve		924,270	1,479,609
3350	Unappropriated retained earnings		6,664,957	6,312,338
Other equity interest				
3400	Other equity interest		( 1,349,931)	( 924,270)
3XXX	Total equity		15,497,836	15,759,806
Significant contingent liabilities		9		
and unrecognised contractual				
commitments				
Significant events after balance		11		
sheet date				
3X2X	Total liabilities and equity		\$ 18,213,649	\$ 18,363,553

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

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

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

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

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

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

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

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

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

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

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

II. Subject: Adoption of the Company's Annual Earnings Distribution Table of 2019 (proposed by the Board).

Explanation: (1) The Company's 2019 earnings distribution has been adopted by the Board in accordance with the Company Act and the Articles of Incorporation.

(2) The proposed Annual Earnings Distribution Table is as follows:

Resolution:

Sincere Navigation Corporation  
Annual Earnings Distribution Table of 2019

Unit: NT\$

Summary	Amount	
	Subtotal	Total
Distributable Earnings:		
Unappropriated Retained Earnings at the beginning of the period		
Unappropriated Retained Earnings prior to 1997	359,266,989	
Unappropriated Retained Earnings after 1998	6,218,079,870	6,577,346,859
Plus: net profit after tax this year		88,316,301
Minus: retained earnings adjustment this year		( 705,921)
Minus: legal reserve		( 8,761,038)
Minus: special reserve		( 425,661,326)
Total distributable earnings		6,230,534,875
Distribution:		
Distributed Cash dividends (NT\$0.5 per share)		( 292,676,649)
Retained earnings after distribution:		5,937,858,226

Chairman: HSU, CHI-KAO

Manager: HSU, CHI-KAO

Principal Accounting Officer:  
FAN, HSIAO-TING

## Extempore Motions

## Adjournment of the Meeting

**Rules of Procedure for Shareholders Meeting**

June 29, 2016

Amended by the Shareholders Meeting

- I. The Shareholders Meeting of the Company must be proceeded in accordance with the Rules of Procedure for Shareholders Meeting, unless otherwise provided in laws or regulations.
- II. The Company shall provide an attendance log to record attendance of shareholders in attendance; alternatively, attendance cards may be presented to signify their presence at the meeting. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
- III. The attendance and voting of the Shareholders Meeting are based on the shares represented.
- IV. The venue where the Shareholders Meeting is convened must be at the place where the Company is located or another location which is convenient for the shareholders and suitable for a Shareholders Meeting. The meeting must start no earlier than 09:00 hours and no later than 15:00 hours.
- V. If a Shareholders Meeting is convened by the Board, the Chairman chairs the Shareholders Meeting. If the Chairman is on leave or unable to exercise his/her powers, the Deputy Chairman replaces him/her. Alternatively, if the Deputy is on leave or unable to exercise his/her powers, a person designated by the Chairman replaces him/her. If the Chairman has not designated a person to replace himself/herself, the Directors will designate a replacement from their midst. If a Shareholders Meeting is convened by a qualified convener other than the Board, the Shareholders Meeting is chaired by the person convening the Shareholders Meeting.
- VI. The Company may designate lawyers, accountants, or related personnel to attend the Shareholders Meeting. The staff organizing the Shareholders Meeting must wear an identifying card or armband.
- VII. The Company must make sound or audio recordings of the entire proceedings of the Shareholders Meeting and keep it for at least one year.
- VIII. To commence the meeting, the Chairman announces the meeting opened. However, if the shareholders present represent less than half of the shares (the quorum), the Chairman may announce a postponement of the meeting. The meeting may be postponed no more than twice, each postponement no more than one hour. If after the second postponement, the number of shares represented at the meeting still falls short of the quorum but amounts to more than one-third of the shares, a tentative resolution may be passed pursuant to Article 175 of the Company Act. If before adjournment of the meeting, the number of shares represented reaches the quorum after all, the Chairman may propose a tentative resolution to reconvene the meeting at a later date to be voted on by the shareholders present in accordance with Article 174 of the Company Act.

- IX. If the Shareholders Meeting is convened by the Board, its Agenda is determined by the Board. The meeting must be conducted in accordance with the scheduled Agenda, which cannot be changed without a resolution of the Shareholders Meeting. If the Shareholders Meeting is convened by a qualified convener other than the Board, the provisions of the preceding paragraph apply. The Chairman cannot adjourn the meeting until the entire Agenda referred to in the preceding two paragraphs (including extempore motions) has been dealt with completely. After the adjournment of the meeting, the shareholders cannot elect a new meeting chairman or continue the meeting at the original venue or elsewhere. However, if the Chairman has declared adjournment in violation of the Rules, a majority of the shareholders present may elect a new chairman for the meeting and continue the meeting.
- X. To speak in the meeting, shareholders must complete speaking request form stating their key point, shareholder name, and shareholder number, and the meeting chairman will determine the speaking order.
- Shareholders present that have completed a speaking request form but have not spoken are deemed to have not spoken. If the content of the shareholder's remarks is different from the speaking request form, the content of the remarks prevails. When shareholder is speaking, other shareholders must not interfere with the speech except with the consent of the meeting chairman and the speaking shareholder. The meeting chairman must stop violators.
- XI. Each shareholder cannot not speak more than twice and for no more than five minutes per agenda item, unless the meeting chairman gives consent.
- If a shareholder speaks in violation of the preceding paragraph or strays from the scope of the agenda item, the meeting chairman may order or prevent him/her from speaking.
- XII. A legal person may only dispatch one representative to the Shareholders Meeting.
- When a shareholding legal person dispatches two or more representatives to attend the Shareholders Meeting, the same motion may only be proposed by one person.
- XIII. After a shareholder has spoken, the meeting chairman must reply in person or designate a relevant person to reply.
- XIV. When during the discussion of a motion, the meeting chairman deems the motion is ready to be put to a vote, he/she may order the discussion to be ceased and proceed to voting.
- XV. The meeting chairman designates personnel to observe the voting process and to count the votes. The voting observer must be a shareholder. The voting results must be announced on the spot and recorded in the minutes.
- XVI. During the meeting, the meeting chairman may announce a break at his/her discretion.
- XVII. Motions are voted on and are considered adopted when a majority shareholders present vote in favor, unless the Company Act or the Company's Articles of Incorporation provide otherwise. To vote, the meeting chairman may choose to ask the attending shareholders if there are any objections. If no objections are raised, the motion is considered to have been adopted, with the same validity as a vote by ballots. If a shareholder raises an objection, to which the meeting chairman or a relevant person gives a reply, and the shareholder no longer objects, the original objection is deemed to have ceased to exist.



- XVIII. When there is an amendment or an alternative to the same motion, the meeting chairman places them together with the original motion on the voting list and determines their voting sequence. As soon as one of the motions has been adopted, the other motions are deemed to have been rejected and no further votes will be required.
- XIX. The meeting chairman may direct the proctors (or security staff) to help maintain the order of the venue. While maintaining order in the meeting, all proctors or security staff must wear arm bands with the word "Proctor".
- XX. These Rules take effect after adoption by the Shareholders Meeting. The same applies to amendments.

Articles of Incorporation of Sincere Navigation Corporation

Chapter 1. General Principles

- Article 1. The Company is organized in accordance with the provisions of the Company Act. The Company's Chinese name is "新興航運股份有限公司" and its English name is "Sincere Navigation Corporation".
- Article 2. The Company's business scope:
- I. G301011 Ship transportation.
  - II. G406041 Harbor barging.
  - III. G401011 Shipping agency services.
  - IV. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3. The Company locate its head office in Taipei City. If necessary, the Board of Directors ("Board") may resolve to establish branch offices or other branch organizations at home or abroad, and may also resolve to terminate or relocate those entities.
- Article 4. The Company's reinvestments external investment in other businesses is not subject to the 40% restriction on the transfer of investment in Article 13 of the Company Act, and must be handled after the resolution of the Board.

Chapter 2. Shares

- Article 5. The Company's total capital is NT\$7 billion, divided into 700 million shares of NT\$10 each, which may be issued in separate installments.
- Article 6. The shares issued by the Company are registered and numbered, and the Director represents the Company must affix his/her signature or seal on them. The shares are issued after registration and approval by the competent authority or an institution authorized by it to register and approve share issuances. The shares need not be printed, as long as they are registered with the Taiwan Depository and Clearing Corporation.
- Article 7. The Company's share-related matters are governed by the Company Act and the Regulations Governing the Administration of Shareholder Services of Public Companies, unless other laws and decrees or regulations of the competent authority take precedence.
- Article 8. (Deleted).
- Article 9. (Deleted).
- Article 10. Shares cannot be transferred from sixty (60) days before a General Shareholders Meeting, thirty (30) days before an Extraordinary Shareholders Meeting, or five (5) days before the day when the Company determine the distribution of dividends, bonuses, and other benefits.
- Article 10-1 (Deleted).

### Chapter 3. Shareholders Meeting

Article 11. The Shareholders Meetings of the Company is divided into the following two types:

- I. General Shareholders Meetings are convened once a year within six months after the end of the fiscal year, and the shareholders are notified thirty (30) days beforehand.
- II. Extraordinary Shareholders Meetings are convened as necessary, and the shareholders are notified fifteen (15) days in advance.

The Shareholders Meeting must be convened by the Board, unless the Company Act provides otherwise.

The Company allows voting by electronic methods, as long as the methods comply with the regulations set by the competent authority.

Article 12. When a shareholder is unable to attend a Shareholders Meeting for any reason, he/she may issue a power of attorney bearing the company seal and stating the scope of the proxy's authority. However, the voting rights of a person authorized by more than two shareholders at the same time must not exceed three percent (3%) of the total voting rights of issued shares. Voting rights in excess of this limit are not counted.

Shareholders' attendance by proxy is regulated by the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies promulgated by the competent authority in charge of the securities industry, unless the Company Act provides otherwise.

Article 13. When a Shareholders Meeting is held, the Chairman of the Board will chair the meeting. If the Chairman is on leave or unable to exercise his/her powers, the Deputy Chairman replaces him/her. Alternatively, if the Deputy is on leave or unable to exercise his/her powers, a person designated by the Chairman replaces him/her. If the Chairman has not designated a person to replace himself/herself, the Directors will designate a replacement from their midst.

Article 14. Each shareholder of the Company has one vote per share. Shares with restricted voting rights or without voting rights do not fall under this restriction pursuant to the Company Act.

Article 15. Resolutions of the Shareholders Meeting are passed when a majority of shares issued are represented at the meeting and a majority of shares at the meeting vote in favor. For each Shareholders Meeting, minutes must be drawn up that include the year, month, day, venue of the meeting, agenda items discussed and their results, the meeting chairman's name, and the decision-making methods used. The meeting chairman must affix his/her signature or seal to the minutes, which must be sent to all shareholders within twenty (20) days from the meeting.

The distribution of the minutes referred to in the previous paragraph must be handled in accordance with the Company Act.

Meeting minutes must be kept for as long as the Company exists. The sign-in sheets and the powers of attorney must be kept for at least one year. However, if a shareholder files a lawsuit under Article 189 of the Company Act, they must be kept until the end of the lawsuit.

#### Chapter 4. Directors and Supervisors

Article 16. The Company has seven to nine (7-9) Directors. Among the Directors there must be no fewer than two Independent Directors, who must make up no fewer than one-fifth of the Board.

The Directors are elected by the shareholders from among able persons. Their term of office is three (3) years. They may be re-elected. The Shareholders Meeting elects and appoints the Directors from a list of nominated candidates. This process follows the requirements of the Company Act and regulations from the competent authority of the securities industry.

The total number of shares held by the Directors referred to in the preceding paragraph is determined in accordance with the standards stipulated in the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies promulgated by the competent authority in charge of the securities industry.

Article 17. Under the Board, there are functional committees, whose qualifications, powers, and remunerations are decided by the Board.

In accordance with the provisions of Article 14-4 of the Securities and Exchange Act, the Company has an Audit Committee responsible for the implementation of the Company Act, Securities and Exchange Act, and other relevant laws and regulations concerning the supervisors' powers. The Audit Committee consists of all Independent Directors and at least three (3) members in total.

Article 18. The Board consists of the Directors. The Chairman and Vice Chairman shall be elected by a majority voting of the Directors present at a meeting of its Board of Directors attended by two thirds or more of the Directors. The Chairman shall execute all matters of the Company in accordance with laws, regulations, the Articles of Incorporation, and resolutions of the Shareholders Meeting and the Board of Directors.

Article 19. The Board is convened by the Chairman of the Board. If the Chairman of the Board is unable to exercise his functions and powers, he is represented by the Deputy Chairman. Alternatively, if the Deputy Chairman is unable to exercise his functions and powers, the Chairman designates a Director to represent him. In the absence of such designations, the Directors designate one person from their midst to represent the Chairman.

In the event of a video conference, Directors attending the meeting by video are deemed to be attending in person.

Board meetings must be convened once every quarter. The meeting notice must state the agenda items. The Directors must be notified seven (7) days in advance, but in case of emergency, a Board Meeting may be convened on a short notice.

The Board Meeting notices in the preceding paragraph may be sent in writing, by fax, or e-mail.

Article 20. The Board decides by resolutions on the Company's operating direction; construction, sale, and purchase of its operating vessels; transportation and lease contracts for more than three (3) years for its vessels; investment in other enterprises; capital loans made to others; guarantees made to others; authorizations to others; and other important matters.

Article 21. Board resolutions are adopted by consent from the majority of Directors present at a meeting attended by more than half of the Directors, unless the Company Act provides otherwise.

A Director unable to attend may issue with a power of attorney to authorize another Director that will be attending, stating the proxy's scope of authorization. Each Director may only serve as proxy to one (1) other Director.

The deliberations of the Board must be recorded in meeting minutes, to which the meeting chairman must affix his/her signature or seal. The minutes must be sent out within twenty (20) days after the meeting, be archived as important files of the Company, and kept in safe custody for as long as the Company exists. The deliberations must be recorded in meeting minutes in accordance with the Company Act and the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.

The production and distribution of the meeting minutes can be completed by e-mail.

Article 22. The Board of Directors is authorized to determine the remuneration of the Directors based on their participation in the Company's affairs and the value of their contributions in accordance with industry standards.

Article 23. The Company may take out liability insurance for its Directors.

Article 24. (Deleted).

Article 25. (Deleted).

#### Chapter 5. The President and Vice Presidents Articles

Article 26. The Company has one President and several Vice Presidents required depending on the actual operation. The President is appointed and removed by the Board. The Vice Presidents are appointed and removed by the Board after being nominated by the President.

Article 27. The President shall supervise the managers reporting to him/her and manage the Company's matters; the Vice Presidents shall assist the President.

#### Chapter 6. Accounting

Article 28. The Company's fiscal year runs from January 1 to December 31, and the final accounts must be prepared by the end of the year.

Article 29. At the end of each fiscal year of the Company, the Board must prepare the following statements and submit those to the Audit Committee for review and approval, after which these statements must be submitted to the Annual Shareholders Meeting for discussion and adoption:

I. Business report.

II. Financial statements.

III. Proposal for profit distribution or loss appropriation.

Article 30. After a decision agreed on by a majority of the Directors present at the Board Meeting representing at least two-thirds of the Company's Directors, no less than 1% but no more than 5% of the Company's annual pre-tax benefits (the profits before deduction of remunerations of employees and Directors) must be distributed to the Company's employees, and this must be reported to the Shareholders Meeting. However, if the Company still has accumulated losses, an amount must be retained first to make up for those losses.

If the Company's final accounts result in a surplus, in addition to paying taxes and making up for losses from previous years, 10% of the balance must be retained as a statutory surplus reserve, unless the statutory surplus reserve has already reached the total paid-in capital of the Company. After the surplus reserve has reached the statutory level or there is a special revolving surplus from previous years that was not distributed, the Board must draw up a distribution proposal and submit it to the Shareholders Meeting for discussion and resolution on distribution.

The Board of Directors shall distribute all or part of the dividends, bonuses, statutory surplus reserve, and capital reserve in cash after a resolution by a majority in a meeting attended by two thirds of the Directors. Such resolution shall be submitted to the Shareholders Meeting and the requirement for a resolution in a Shareholders Meeting in the preceding paragraph shall not apply.

Article 30-1. The Company's dividend policy takes reference from the Company's Articles of Incorporation, the Company's earnings status, future capital needs, and the principle of stability, to further the Company's lasting development. A surplus may be set aside as reserve or be distributed as share dividends, cash dividends, or share-and-cash dividends. When a surplus is distributed as share-and-cash dividend, the cash dividends must not be less than thirty percent (30%), so as to promote the sustainability and development of the Company.

#### Chapter 7. Supplemental Provisions

Article 31. Matters not covered in these Articles of Incorporation shall be processed in accordance with the Company Act and relevant laws and regulations.

Article 32. The Company's organizational regulations and rules of procedure shall be set by resolutions of meetings of the Board of Directors.

Article 33. These Articles of Incorporation were adopted on October 24, 1967, (omitted). The 33rd amendment was adopted on June 16, 2015. The 34th amendment was adopted on June 29, 2016. The 35th amendment was adopted on June 28, 2019.

Sincere Navigation Corporation

Chairman HSU, CHI-KAO

**Sincere Navigation Corporation**  
**Ethical Corporate Management Best Practice Principles**

Passed by the Board of Directors on March 28, 2018

Reported in the Shareholders Meeting on June 27, 2018

**Article 1. (Objective and scope of application)**

Sincere Navigation Corporation (hereinafter referred to as the Company) established these Guidelines in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies" promulgated by the Taiwan Stock Exchange Corporation to foster a corporate culture of ethical management and establish good business practices.

These Principles are applicable to the Company and its subsidiaries.

**Article 2. (Prohibition on unethical conduct)**

When engaging in commercial activities, Directors, supervisors, managers, employees, and mandataries of the Company ("the Company's personnel") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managerial officers, employees or substantial controllers or other stakeholders.

**Article 3. (Definition of benefits)**

"Benefits" in these Principles shall mean any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

**Article 4. (Legal compliance)**

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflict of Interest, TWSE/TPEX listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

**Article 5. (Policies)**

The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism to create an operational environment for sustainable development.

**Article 6. (Prevention programs)**

The Company actively prevents unethical conduct in accordance with the aforementioned business philosophy and policies. Where necessary, the Company formulates related operating procedures, code of conduct, and other prevention programs to specify the code of conduct for the Company's personnel when performing business operations and comply with the relevant laws and regulations of the place of operation.

**Article 7. (Scope of prevention programs)**

When establishing prevention programs, the Company shall analyze which business activities within their business scope are possibly at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures for the following actions:

- I. Offering and acceptance of bribes.
- II. Illegal political donations.
- III. Improper charitable donations or sponsorship.
- IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.

**Article 8. (Undertaking and enforcement)**

The Company shall clearly specify the ethical corporate management policies on the website and annual reports. The Board of Directors and the management shall commit to carry out the policies in internal management and external commercial activities.

**Article 9. (Ethical corporate management of commercial activities)**

The Company shall engage in commercial activities in a fair manner.

Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.

When entering into contracts with others, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparts are involved in unethical conduct, the Company may terminate or rescind the contracts at any time upon verification.

**Article 10. (Prohibition on offering and acceptance of bribes)**

The Company and Company staff may not, directly or indirectly, provide, promise, demand, or accept any form of improper benefits from or to customers, agents, contractors, suppliers, public servants, or other stakeholders when conducting business.

**Article 11. (Prohibition on illegal political donations)**

When the Company and Company personnel provide direct or indirect contributions to political parties or political activities (including organizations and individuals), the Company and its personnel shall comply with the Political Donation Act and Company rules. Neither the Company nor its personnel shall use such actions to gain business interest or transaction advantages.



**Article 12. (Prohibition on improper charitable donations or sponsorship)**

The Company and Company personnel shall comply with relevant laws and regulations and internal operating procedures for charitable donations or sponsorships, and shall not pay disguised bribes.

**Article 13. (Prevention of unreasonable presents, hospitality or other improper benefits)**

The Company and Company personnel shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to or from suppliers or contractors that have business transactions with the Company for the purpose of establishing business relationships or influencing commercial transactions.

**Article 14. (Prohibition on infringement of intellectual property rights)**

The Company and Company staff shall abide by the relevant regulations of intellectual property, the Company's internal operating procedures, and contractual provisions. Intellectual property shall not be used, disclosed, disposed of, damaged, or otherwise infringed without the consent of the owner of the intellectual property rights.

**Article 15. (Non-disclosure agreement)**

All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other parties from using such information to engage in insider trading.

**Article 16. (Organization and responsibilities)**

The Company's Board of Directors shall exercise the due care of good administrators to urge the company to prevent unethical conduct, review the results of the preventive measures, and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the Administration Department shall be responsible for establishing and supervising the implementation of the Ethical Corporate Management Policy and prevention programs. It shall assist the Board of Directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effective in operations. Where a material violation is discovered, it shall be reported to the Board of Directors.

**Article 17. (Legal compliance in business operations)**

The Company's personnel shall comply with laws and regulations and the prevention programs when conducting business.

The Company's personnel shall abide by all regulations in the Company's Articles of Incorporation, guidelines, rules and instructions from superior officers.

**Article 18. (Recusal)**

The Company shall adopt policies for preventing conflicts of interest and offer appropriate means for the Company's Personnel to voluntarily explain whether their interests would potentially conflict with those of the Company.

The Company's Directors shall exercise a high degree of self-discipline. A Director may offer his opinion and answer related questions but is prohibited from participating in discussion of or voting on any proposal of a meeting where the Director or any institution that the director represents is an interested party, and such participation is likely to prejudice the interests of the Company.

The Company's personnel shall not take advantage of their positions and influence in the Company to obtain improper benefits for themselves, their spouses, parents, children, or any other person.

**Article 19. (Accounting and internal control)**

The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.

The internal auditor of the Company shall periodically examine the Company's compliance with the foregoing systems and prepare audit reports and submit the same to the Board of Directors.

**Article 20. (Operating procedures and guidelines of conduct)**

The Company has established operating procedures and guidelines of conduct to prevent unethical conduct. The contents include the following items:

- I. Standards for defining offering or acceptance of improper benefits.
- II. Procedures for offering legitimate political donations.
- III. Procedures for offering legitimate charity donations or sponsorships and the amount standard.
- IV. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
- V. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
- VI. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
- VII. Handling procedures for violations of these Principles.
- VIII. Disciplinary measures on offenders.

**Article 21. (Education, training and evaluation)**

The Company organizes education and training programs on the Principles for the Company's personnel to ensure that they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system to establish a clear and effective reward and discipline system.

**Article 22. (Whistle-blowing and rewards/discipline)**

The Company shall provide legitimate reporting channels and the identity of the informants and the content shall be kept confidential by the Company. Investigations shall be conducted through independent channels. Once a report is verified as true, the violator's job title, name, violation, and punishment shall be disclosed within the company immediately.

**Article 23. (Information disclosure)**

The Company shall disclose the implementation of these Principles on its websites, annual reports, and prospectuses.

**Article 24. (Review and amendment of the Principles)**

The Company shall monitor the development of relevant local and international regulations concerning ethical corporate management at any time and encourage the Company's Personnel to make suggestions, based on which these Principles will be reviewed and improved with a view to achieving better implementation of ethical corporate management.

**Article 25. (Implementation)**

The enactment of the Principles and any amendments thereof, will be implemented upon adoption from the Board of Directors and submitted to the Supervisors and reported to the Shareholders Meeting.

【Appendix IV.】

Impact of Stock Dividend Distribution on Company's Business Performance, EPS, and ROI

Item		Year	2020 (Estimate)
Beginning paid-in capital			NT\$5,853,533 thousand
Dividends distribution of the current year	Cash dividend per share		NT\$0.5
	Dividend per share with capital increase by retained earnings		-
	Dividend per share with capital increase by capital surplus		-
Changes in operating performance	Operating profit		Note
	Operating profit increase (decrease) ratio over the same period last year		Note
	Net income after tax		Note
	Ratio of increase (decrease) in net income after tax over the same period last year		Note
	Earnings per share (before retrospectively adjusted)		Note
	Earnings per share increase (decrease) ratio over the same period last year		Note
	Annual average return on investment (reciprocal of the annual average P/E ratio)		Note
Pro forma earnings per share and P/E ratio	If capital increase by retained earnings are redistributed as cash dividend	Pro forma earnings per share	Note
		Pro forma annual average return on investment	Note
	If capital increase by capital surplus is not processed	Pro forma earnings per share	Note
		Pro forma annual average return on investment	Note
	If capital surplus is not processed and capital increase by retained earnings are redistributed as cash dividend	Pro forma earnings per share	Note
		Pro forma annual average return on investment	Note

Note: Not applicable as the company does not publicize financial forecasting.

Chairman: HSU, CHI-KAO

Manager: HSU, CHI-KAO

Principal Accounting Officer:  
FAN, HSIAO-TING

# Sincere Navigation Corporation

【Appendix V.】

List of Directors:

Reporting date: April 21, 2020

Position	Name	Date of election	Number of shares held at the time of election			Current number of shares			Remarks
			Type	Number of shares	Percentage of shares issued at the time	Type	Number of shares	Percentage of shares issued at the time	
Chairman	HSU, CHI-KAO	2019.06.28	Common shares	500,000	0.09%	Common shares	515,000	0.09%	
Director	HSU, GEE-KING	2019.06.28	Common shares	4,295,120	0.76%	Common shares	4,423,973	0.76%	Based on the actual number of shares held
Director	CTBC BANK CO., LTD IN CUSTODY FOR SOLAR SHIPPING AGENCY LTD	2019.06.28	Common shares	16,007,866	2.82%	Common shares	18,363,398	3.14%	
Director	CTBC BANK CO., LTD IN CUSTODY FOR ORIENT DYNASTY LTD	2019.06.28	Common shares	9,261,904	1.63%	Common shares	9,539,761	1.63%	
Independent Director	LEE, YEN-SUNG	2019.06.28	Common shares	-	0.00%	Common shares	-	0.00%	
Independent Director	CHENG, FU-KUO	2019.06.28	Common shares	-	0.00%	Common shares	-	0.00%	
Independent Director	FAN, KUANG-NAN	2019.06.28	Common shares	9,050	0.00%	Common shares	9,321	0.00%	
Total				30,073,940			32,851,453		

Total shares issued as of June 28, 2019:

568,304,171 shares

Total shares issued as of April 21, 2020:

585,353,297 shares

Remarks:

Shares held by the Directors of the Company in accordance with the law: 18,731,305 shares. As of April 21, 2020, all Directors held: 32,842,132 shares

The company has Audit Committee, so shares held by the Supervisors of the Company in accordance with the law is not applied.

\*Shares held by the Independent Directors are not included in the number of shares held by Directors