Stock Code: 2605

Sincere Navigation Corporation

SINCERE NAVIGATION CORPORATION

Annual Report 2019

Published on May 13, 2020

This Annual Report is available at: http://mops.twse.com.tw
http://www.snc.com.tw

For the convenience of readers and information purpose only, this English-version annual report 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 versions, the Chinese version shall prevail

I. Spokesperson and Deputy Spokesperson of the Company:

Lee, Yih-Ren, Vice President

Tel: (02)2703-7055

E-mail: sncbiz@snc.com.tw

Deputy spokespersons of the Company:

(1) Chen, Lan-Fang, Financial Manager

Tel: (02)2703-7055

E-mail: sncad@snc.com.tw

(2) Tsai, Hong-Teh, Special Assistant of President

Tel: (02)2703-7055

E-mail: sncbiz@snc.com.tw

II. Contact Information of the Company

Address: 14F, No.368, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City 106, Taiwan

Tel: (02)2703-7055

III. Contact Information of Stock Transfer Agency

Name: CTBC Bank Transfer Agency

Address: 5F, No. 83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan

Tel: (02)6636-5566

Website: www.ctbcbank.com.tw

IV. Contact Information of the CPAs for the Latest Financial Statements

Names of the CPAs: Weng, Shih-Rong and Lin, Yi-Fan

Name of CPA firm: PwC Taiwan

Address: 27F, No. 333, Sec. 1, Keelung Rd., Xingyi Dist., Taipei City 110, Taiwan

Tel: 886-2-2729-6666

Website: www.pwc.tw

V. Overseas Securities Exchange Where Securities are Listed and Method of Inquiry: None

VI. Company Website: www.snc.com.tw

Contents

Chapter 1 Letter to 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 (knows 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 recognizes the different 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.

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.

SINCERE NAVIGATION CORPORATION

Chapter 2 Company Profile

I. Date of Incorporation: Feb 27th, 1968

II. Company History

Sincere Navigation Corporation (hereinafter referred to as "the Company") was incorporated in 1968, and launched with one 10,000-ton Handysize bulk carrier and continued its development over the last 50 years. The Company has operated a series of bulk carriers, such as Handysize, Panamax, Capesize and self-discharging bulk carriers. The deadweight tonnage (DWT) of the Company's current fleet is approximately 3 million, and the main type of vessel is Capesize bulker and Very Large Crude Carriers (VLCC).

Sincere Navigation Corporation currently owns one bulk carrier that carries the national flag of Republic of China (Taiwan), the Madonna III, a Double Hull Handymax with DWT of 53,390.

There are two subsidiaries of the Company, named Norley Corporation Inc. and Heywood Limited. Norley was incorporated in 1989 in Liberia, while Heywood was incorporated in 2001 in Marshall Islands. Both subsidiaries are 100% funded by the Company. The purpose of their establishment is to expand its market and to build up a global shipping network. The Company currently has nine Capesize vessels that flies foreign national flags: Chou Shan, Bao Shan, Heng Shan, Mineral Antwerpen, Huang Shan, Chin Shan, Yue Shan, Mineral Oak, and Tai Shan, as well as Georgiana, a Double Hull Handymax bulker, Tien Shan, a dedicated Very Large Ore Carrier (VLOC), and Oceana and Palona, two 82,000-ton Kamsarmax bulk carriers. The Company also has Kondor, Maxim, and Elbhoff, three 300,000-ton VLCC. The total number of the vessels owned by subsidiaries is 16, with the total DWT reaching approximately 3 million.

The Company and the entire enterprise also maintains a good relationship with the shipyard and keeps abreast of the development trend of shipbuilding and the cost of new ships. We hope to build new ships at the most appropriate time and increase the transportation tonnage of the fleet.

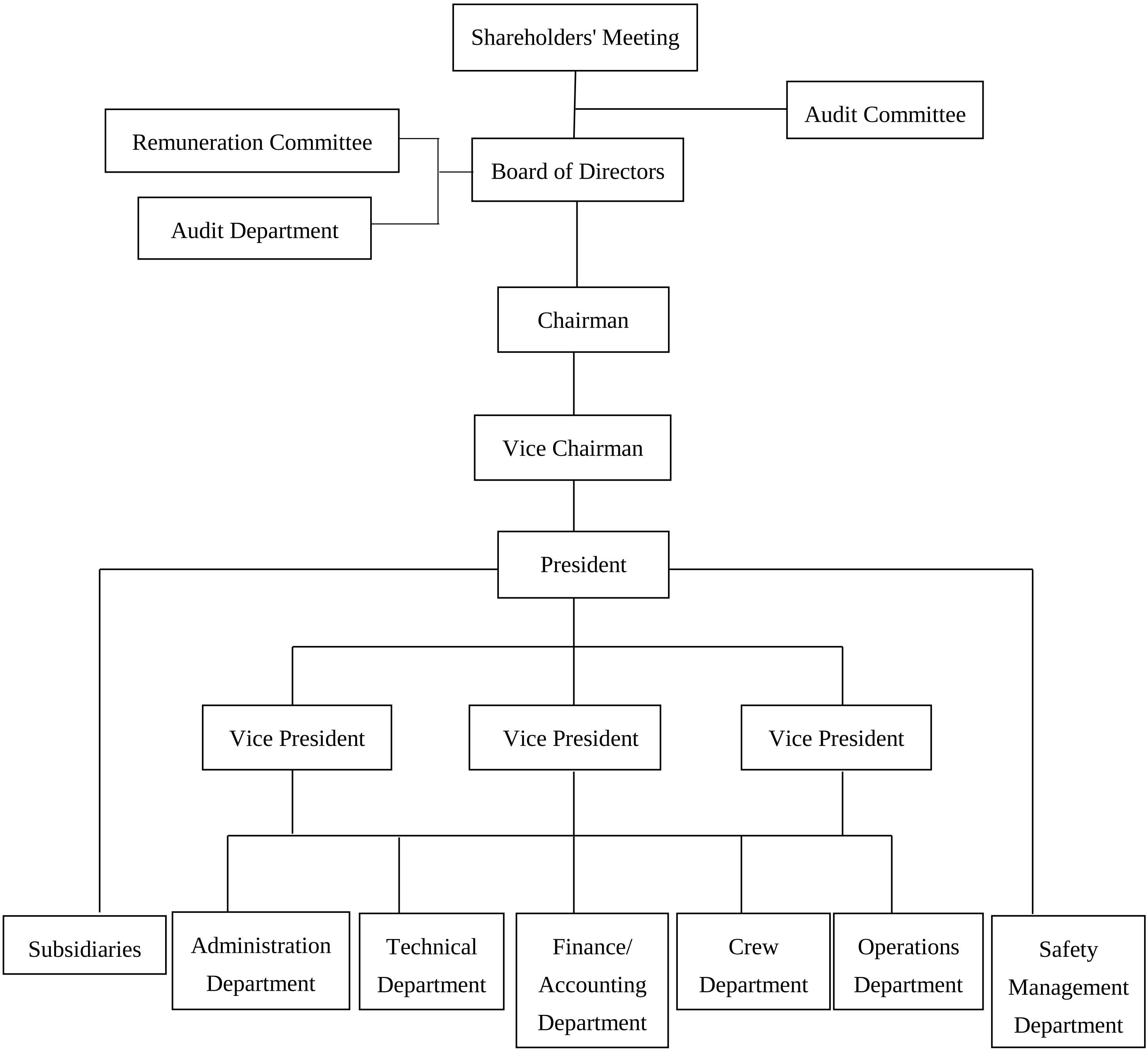
Chapter 3 Corporate Governance Report

I. Organizational System:

(I) Organizational Chart:

Sincere Navigation Corporation

Organizational Structure



(II) Department Functions:

(1) Audit Department: Executing internal audits based on the Company's "Internal Control System," "Internal Auditing System and Enforcement Rules," and self-assessment procedures.

(2) Operations Department: Handling vessel operation, contracting cargo transportation, negotiating contract, supplying fuel, handling fleet’s insurance, trading vessels, acting as a shipping agent, etc.

(3) Crew Department: Handling crew employment, dispatch, assessment, promotion, training, crew-related insurance, etc.

(4) Finance/Accounting Department: Administering accounting and finance.
Accounting handles accounts, tax, budgeting, financial report preparation, etc.
Finance handles cashier, capital management, financing, securities custody, etc.

(5) Technical Department: Handling vessel repairs and maintenance, vessel inspection, material and parts transport and supply, vessel construction and supervision, etc.

(6) Administration Department: Handling human resources and office management, general affairs, file and document management, execution of corporate governance, Board of Directors meeting, and shareholders' meetings, etc.

(7) Safety Management Department: Handling the safety management system, vessel security system, etc.

II. Information on the Company's Directors, Supervisors, President, Vice Presidents, and the Supervisors of All the Company's Divisions

(I) Directors and Supervisors

1. Information on Directors and Supervisors

May 13, 2020

Title	Nationality/ place of registration	Name	Gender	Date elected	Term (years)	Date first elected	Shareholding when elected		Current Shareholding		Spouse and minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors or supervisors who are spouses or within the second degree of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman (Concurrently serve as the President)(Note)	Republic of China	Hsu, Chi-Kao	Male	2019.6.28	3	2007.6.28	500,000	0.09%	515,000	0.09%	-	-	-	-	B.S., Biological and Economy, Claremont McKenna College, USA Vice Chairman and President, Sincere Navigation Corporation	Director, Norley Corporation Inc. and Director and President, Heywood Limited	Director	Hsu, Gee-King	Father and son
Directors	Republic of China	Hsu, Gee-King	Male	2019.6.28	3	1987.1.20	4,295,120	0.76%	4,423,973	0.76%	-	-	-	-	Master of Engineering, Kansas State University, USA Chairman, Jiaxing and Tai Shing Shipping Corporation Chairman, Sincere Navigation Corporation	Director and President, Norley Corporation Inc.	Chairman	Hsu, Chi-Kao	Father and son
Directors	British Virgin Islands	Solar Shipping Agency Ltd.	-	2019.6.28	3	2019.6.28	16,007,866	2.82%	18,363,398	3.14%	-	-	-	-	-	-	-	-	-
Representative of Institutional Director	Republic of China	Tsai, Ching-Pen	Male	2019.6.28	3	2019.6.28	-	-	519,362	0.09%	-	-	-	-	B.S., Navy Machinery College, United States Navy, Electronic College, Navy Factory Management College Chairman and President, Sincere Navigation Corporation Director, Jiaxing Shipping Corporation	Director, Norley Corporation Inc. and Heywood Limited	Representative of Institutional Director	Tsai, Su-Lee	Father and daughter
Directors	Hong Kong	Orient Dynasty Ltd.	-	2019.6.28	3	2006.6.20	9,261,904	1.63%	9,539,761	1.63%	-	-	-	-	-	-	-	-	-
Representative of Institutional Director	Republic of China	Tsai, Su-Lee	Female	2019.6.28	3	2014.6.1	-	-	171,924	-	-	-	-	-	Representative of Corporate Director, Sincere Navigation Corporation Boston University	-	Representative of Institutional Director	Tsai, Ching-Pen	Father and daughter
Independent Director	Republic of China	Lee, Yen-Sung	Male	2019.6.28	3	2016.6.29	-	-	-	-	-	-	-	-	President of Certified Public Accountant R.O.C. Deputy Territory Senior Partner of Pricewaterhouse Coopers, Taiwan Lecturer, Dept. of Accounting, College of Management, National Taiwan University	Independent Director of Charoen Pokphand Enterprise (Taiwan) Independent Director of Taiwan FamilyMart Co., Ltd. Independent Director of Chicony Electronics Co., Ltd.	-	-	-
Independent Director	Republic of China	Fan, Kuang-Nan	Male	2019.6.28	3	2019.6.28	9,050	-	9,321	-	2,060	-	-	-	President, China Ship Building Corporation Director, Metal Industries Research & Development Centre	-	-	-	-
Independent Director	Hong Kong	Cheng, Fu-Kwok	Male	2019.6.28	3	2019.6.28	-	-	-	-	-	-	-	-	Senior Advisor to the Global Shipping Head of CA CIB Honorary Chairman and Director of Credit Agricole Asia Shipfinance Limited Member of the Hong Kong Maritime and Port Board (MPB) and Chairman of the Promotion and External Relations Committee under MPB	Independent Non-Executive Director of Singamas Container Holdings Limited Independent Non-Executive Director of Grandland Shipping Limited ,TCC Group Independent Non-Executive Director of Miricor Enterprises Holdings Limited	-	-	-

Note: The Company re-elected three independent directors and set up the Audit Committee on June 28, 2019. More than half of the directors do not serve as employees or managers. The Company is planning to hire qualified president candidate to join the management.

2. Major shareholders of the institutional shareholders

Shareholders whose shareholding ratio is at the top ten of the Company's corporate director and supervisor are listed below:

May 13, 2020

Name of corporate director and supervisor	Shareholders whose shareholding ratio is at the top ten of the corporate director and supervisor	%
Solar Shipping Agency Ltd.	Steve Gee King Hsu	100.00%
Orient Dynasty Ltd.	Fred Tsai	100.00%

3. Professional Qualifications and Independence of Directors or Supervisors:

Qualification / Name	Meets one of the following professional qualification requirements, together with at least five years of work experience			Independence criteria (Note)												Number of other public companies where the individual concurrently serves as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the business of the company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Hsu, Chi-Kao, Chairman of the Board	--	--	✓	--	--	✓	--	✓	✓	--	--	✓	✓	✓	✓	0
Hsu, Gee-King, Director	--	--	✓	--	--	--	--	✓	✓	✓	--	✓	✓	✓	✓	0
Solar Shipping Agency Ltd., Director (Representative: Tsai, Ching-Pen)	--	--	✓	✓	--	✓	--	--	✓	✓	✓	✓	--	✓	--	0
Orient Dynasty Ltd., Director (Representative: Tsai, Su-Lee)	--	--	✓	✓	✓	✓	--	✓	✓	✓	✓	✓	--	✓	--	0
Lee, Yen-Sung, Independent Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Fan, Kuang-Nan, Independent Director	--	--	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Cheng, Fu-Kwok, Independent Director	--	--	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please check "✓" the corresponding boxes if the directors meet the following conditions during the two years prior to the nomination and during the term of office.

(1) Not an employee of the Company or any of its affiliates.
(2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
(4) Not a manager of any entity listed in (1), or not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons listed in (2) and (3).
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or of a corporate shareholder that ranks among the top five in shareholdings, or has appointed representatives to be the company's director or supervisor pursuant to Article 27, Paragraph 1 or 2 of the Company Act. However, the provision is not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
(6) Not a director, supervisor or employee of another company that controls the majority of the seats in the Board of Directors or the majority of the shares with voting rights of the Company. However, the provision is not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
(7) Not a director, supervisor, or employee of another company or institution who serves concurrently as the Company's Chairman, President, or any equivalent position, or is the spouse of the person who occupies the aforementioned positions of the Company. However, the provision is not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
(8) Not a director, supervisor, managerial officer, or shareholder that holds 5% or more of the shares of the Company, who works in specific companies or institutions that engage in financial or business transactions with the Company. However, if the aforementioned specific company or institution holds 20% or more, and less than 50%, of the Company's issued shares, and the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary, the provision is not applicable.
(9) Not a professional individual, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution, nor a spouse thereof that provides commercial, legal, financial, accounting services or auditing service to the Company or to any affiliate of the Company that obtains no more than NT$500,000 as compensation in the most recent two years. However, members of the special committees on remuneration, public acquisition review, or merger and acquisition who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or the Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.
(10) Does not have a marital relationship with, or a relative within the second degree of kinship with, any other director of the Company.
(11) None of the circumstances in the subparagraphs of Article 30 of the Company Act apply.
(12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

(II) President, Vice Presidents, and Supervisors of All the Company's Divisions

May 13, 2020

Title	Nationality	Name	Gender	Date taking office	Shareholding		Spouse and minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Managers who are spouses or within the second degree of kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Republic of China	Hsu, Chi-Kao	Male	2016.06.29	515,000	0.09%	--	--	--	--	B.S., Biological and Economy, Claremont McKenna College, USA	Director of Norley Corporation Inc. and Director and President of Heywood Limited	--	--	--
Vice President	Republic of China	Lee, Yih-Ren	Male	2007.07.01	1,796	0.00%	817	0.00%	--	--	Master, Marine Research Institute, Chinese Culture University	Nil	--	--	--
Vice President	Republic of China	Ko, Hsiu-Yen	Female	2014.11.13	4,660	0.00%	--	--	--	--	Bachelor, Department of Shipping and Transportation Management, National Taiwan Ocean University	Director of Haihu Maritime Co., Ltd.	--	--	--
Vice President	Republic of China	Luan, Wen-Pin	Male	2018.09.03	18,720	0.00%	41,253	0.00%	--	--	Master, Department of Merchant Marine, National Taiwan Ocean University	Nil	--	--	--
Manager, Safety Management Department	Republic of China	Hu, Jui-Chin	Male	2018.03.28	2,061	0.00%	10,300	0.00%	--	--	Master, The Institute of Naval Architecture, National Taiwan University	Nil	--	--	--
Manager, Crew Department	Republic of China	Lu, Jing-Cheng	Male	2018.09.03	--	--	--	--	--	--	China Maritime College	Nil	--	--	--
Manager, Finance/Account Department	Republic of China	Chen, Lan-Fang	Female	1999.01.01	369	0.00%	--	--	--	--	Bachelor, Department of Accounting, National Chengchi University Assistant Manager, PWC	Nil	--	--	--
Assistant Manager, Finance/Account Department	Republic of China	Fan, Hsiao-Ting	Female	2017.02.08	--	--	--	--	--	--	Bachelor, Department of Accounting, Fu Jen Catholic University Assistant Manager, PWC	Nil	--	--	--

III. Remuneration Paid During the Most Recent Fiscal Year to Directors, Supervisors, President, and Vice Presidents

(I) Remuneration to Directors

Unit: Thousand NTD

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income (%)		Compensation paid to directors from an invested company other than the Company's subsidiaries
		Base compensation (A)		Severance pay and pension (B)		Directors' compensation (C)		Business execution expenses (D)				Salary, bonuses, and allowances (E)		Severance pay and pension (F)		Employee compensation (G)						
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Hsu, Chi-Kao																					
Chairman (Note 2)	Tsai, Ching-Pen																					
Directors	Hsu, Gee-King																					
Directors	Solar Shipping Agency Ltd. (Representative: Tsai, Ching-Pen)																					
Directors	Orient Dynasty Ltd. (Representative: Tsai, Su-Lee)	--	--	--	--	2,305	2,305	900	900	3.63%	3.63%	4,500	7,296	108 (Note1) --	108 (Note1) --	--	--	--	--	8.85%	12.01%	Nil
Directors (Note 2)	Uppercrest Enterprises Limited (Representative: Tsai, Su-Lee)																					
Directors (Note 2)	Orient Dynasty Ltd. (Representative: David C.C.Koo)																					
Independent Director	Lee, Yen-Sung																					
Independent Director	Cheng, Fu-Kwok																					
Independent Director	Fan, Kuang-Nan	--	--	--	--	1,200	1,200	720	720	2.17%	2.17%	--	--	--	--	--	--	--	--	2.17%	2.17%	Nil
Independent Director (Note 2)	Mao, Kwan Hai																					

1. Please specify the payment policy, system, standards and structure of compensation for independent directors, and describe the relevance between the amount of compensation and the factors such as duties, risks, time invested, etc. for the independent directors:
   The Company's Articles of Incorporation stipulates the principle of directors' compensation payment, authorizing the Board of Directors to set the compensation by referring to the extent of the members' participation in the Company's operations and their value of contribution, as well as the compensation level of the industry.
2. Except for information disclosed above, remuneration paid for services rendered by directors of the Company to all companies in the consolidated financial statements (e.g. serving as a non-employee consultant) in the most recent fiscal year: $0.

Note 1: Refers to the labor pension provided pursuant to the Labor Pension Act.
Note 2: Re-election of all directors took place on June 28, 2019, and incumbent directors retired after the term expired.

Range of remuneration

Range of remuneration paid to directors	Names of directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated financial statements (I)	The Company	All companies in the consolidated financial statements (J)
Less than NT$2,000,000	Tsai, Ching-Pen, Hsu, Gee-King, Hsu, Chi-Kao, Uppercrest Enterprises, Tsai, Su-Lee, Orient Dynasty, David C.C.Koo, Mao, Kwan Hai, Lee, Yen-Sung, Solar Shipping Agency, and Fan, Kuang-Nan	Tsai, Ching-Pen, Hsu, Gee-King, Hsu, Chi-Kao, Uppercrest Enterprises, Tsai, Su-Lee, Orient Dynasty, David C.C.Koo, Mao, Kwan Hai, Lee, Yen-Sung, Solar Shipping Agency, and Fan, Kuang-Nan	Tsai, Ching-Pen, Hsu, Gee-King, Tsai, Su-Lee, Uppercrest Enterprises, Tsai, Su-Lee, Orient Dynasty, David C.C.Koo, Mao, Kwan Hai, Lee, Yen-Sung, Solar Shipping Agency, and Fan, Kuang-Nan	Tsai, Ching-Pen, Hsu, Gee-King, Tsai, Su-Lee, Uppercrest Enterprises, Tsai, Su-Lee, Orient Dynasty, David C.C.Koo, Mao, Kwan Hai, Lee, Yen-Sung, Solar Shipping Agency, and Fan, Kuang-Nan
NT$2,000,000 (inclusive) ~ NT$5,000,000 (not inclusive)	-	-	-	-
NT$5,000,000 (inclusive) ~ NT$10,000,000 (not inclusive)	-	-	Hsu, Chi-Kao	Hsu, Chi-Kao
NT$10,000,000 (inclusive) ~ NT$15,000,000 (not inclusive)	-	-	-	-
NT$15,000,000 (inclusive) ~ NT$30,000,000 (not inclusive)	-	-	-	-
NT$30,000,000 (inclusive) ~ NT$50,000,000 (not inclusive)	-	-	-	-
NT$50,000,000 (inclusive) ~ NT$100,000,000 (not inclusive)	-	-	-	-
More than NT$100,000,000	-	-	-	-
Total	11	11	11	11

(II) Remuneration for Supervisors

Unit: Thousand NTD

Title	Name	Remuneration to Supervisors						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Compensation paid to directors from an invested company other than the Company's subsidiaries
		Base compensation (A)		Compensation (B)		Business execution expenses (C)				
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	
Supervisors	Chen. Huei-Ching	-	-	400	400	180	180	0.66%	0.66%	Nil
Supervisors	Ching Shan Investment Corporation (Representative: Chang, Fong-Chou)									

Note: The Audit Committee was established on June 28, 2019, with an election of all its members. The term of the supervisors expired and therefore left office.

Range of remuneration

Range of remuneration paid to supervisors	Name of supervisors	
	Total of (A+B+C)	
	The Company	All companies in the consolidated financial statements (D)
Less than NT$2,000,000	Ching Shan Investment Corporation, Chen, Huei-Ching, and Chang, Fong-Chou	Ching Shan Investment Corporation, Chen, Huei-Ching, and Chang, Fong-Chou
NT$2,000,000 (inclusive) ~ NT$5,000,000 (not inclusive)	-	-
NT$5,000,000 (inclusive) ~ NT$10,000,000 (not inclusive)	-	-
NT$10,000,000 (inclusive) ~ NT$15,000,000 (not inclusive)	-	-
NT$15,000,000 (inclusive) ~ NT$30,000,000 (not inclusive)	-	-
NT$30,000,000 (inclusive) ~ NT$50,000,000 (not inclusive)	-	-
NT$50,000,000 (inclusive) ~ NT$100,000,000 (not inclusive)	-	-
More than NT$100,000,000	-	-
Total	3	3

(III) Remuneration to the President and Vice Presidents

Unit: Thousand NTD

Title	Name	Salary (A)		Severance pay and pension (B) (Note)		Bonuses and allowances (C)		Employee compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to directors from an invested company other than the Company’s subsidiaries
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Hsu, Chi-Kao	9,797	9,797	216	216	3,094	3,094	836	-	836	-	15.79%	15.79%	Nil
Vice President	Lee, Yih-Ren													
	Ko, Hsiu-Yen													
	Luan, Wen-Pin													

Note 1: Refers to the labor pension provided pursuant to the Labor Pension Act.

Range of remuneration

Range of remuneration paid to the President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies in the consolidated financial statements (E)
Less than NT$2,000,000	-	-
NT$2,000,000 (inclusive) ~ NT$5,000,000 (not inclusive)	Hsu, Chi-Kao, Lee, Yih-Ren, Ko, Hsiu-Yen, and Luan, Wen-Pin	Hsu, Chi-Kao, Lee, Yih-Ren, Ko, Hsiu-Yen, and Luan, Wen-Pin
NT$5,000,000 (inclusive) ~ NT$10,000,000 (not inclusive)	-	-
NT$10,000,000 (inclusive) ~ NT$15,000,000 (not inclusive)	-	-
NT$15,000,000 (inclusive) ~ NT$30,000,000 (not inclusive)	-	-
NT$30,000,000 (inclusive) ~ NT$50,000,000 (not inclusive)	-	-
NT$50,000,000 (inclusive) ~ NT$100,000,000 (not inclusive)	-	-
More than NT$100,000,000	-	-
Total	4	4

(IV) Remuneration to Managers

Unit: Thousand NTD

	Title	Name	Stock	Cash	Total	Ratio of total amount to net income (%)
Managerial Officer	President	Hsu, Chi-Kao	-	1,646	1,646	1.86%
	Vice President	Lee, Yih-Ren				
		Ko, Hsiu-Yen				
		Luan, Wen-Pin				
	Manager, Safety Management Department	Hu, Jui-Chin				
	Manager, Crew Department	Lu, Jing-Cheng				
	Manager, Finance/Account Department	Chen, Lan-Fang				
	Assistant Manager, Finance/Account Department	Fan, Hsiao-Ting				

(V) Separate Comparisons and Descriptions of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company-only Financial Reports or Individual Financial Reports, as Paid by the Company and All Other Companies Included in the Consolidated Financial Statements During the Past 2 Fiscal Years to Directors, Supervisors, the President, and Vice Presidents, with Analysis and Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Linkage Thereof to Operating Performance and Future Risk Exposure

(1) Analysis of the total remuneration paid by the Company and all companies in consolidated statements for the most recent two fiscal years to the company's directors, supervisors, President, and Vice Presidents as a percentage of net income:

Unit: Thousand NTD

Year	Remuneration paid to directors, supervisors, President and Vice Presidents	As percentage of net income
2018	$15,942	25.81%
2019	$17,728	20.07%

(2) Description of remuneration policy, standards and package
Depending on the level of participation and contribution to the Company's operations, and with reference to the industry's remuneration standards.

(3) Procedures for setting compensations
The Company's compensation policy for directors and supervisors is stipulated in Articles 22 and 30 of the Company's Articles of Incorporation. The Company's pre-tax profit for the year (i.e., profit before deducting the distribution of compensation for the employees and for the directors and supervisors) shall be resolved by the Board of Directors; more than two-thirds of the directors must attend and the majority of the attending directors shall approve that the compensation for the employees shall be no less than 1% of the profit and that for the directors and supervisors shall be no more than 5% of the profit, and the resolution shall be reported to the shareholders' meeting. However, when the Company still has accumulated losses, it should reserve the amount of losses to compensate in advance.

(4) Relation to operational performance and future risks
The compensation payment standard depends on their degree of participation in the Company's operations, their value of contribution, their operation performance, and future risks.

IV. Implementation of Corporate Governance

(I) Information on operations of the Board of the Directors

A total of 7 (A) Board of Directors meetings were held in fiscal year 2019. The attendance of the directors and supervisors was as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	Hsu, Chi-Kao	5	2	71.43	Newly elected after the election on June 28, 2019
Chairman	Tsai, Ching-Pen	3	0	100.00	Retired after the election on June 28, 2019
Directors	Hsu, Gee-King	6	1	85.71	Re-elected after the election on June 28, 2019
Directors	Solar Shipping Agency Ltd. (Representative: Tsai, Ching-Pen)	4	0	100.00	Newly elected after the election on June 28, 2019
Directors	Orient Dynasty Ltd. (Representative: Tsai, Su-Lee)	4	0	100.00	Re-elected after the election on June 28, 2019 (Newly elected representative)
Directors	Uppercrest Enterprise Limited (Representative: Tsai, Su-Lee)	2	1	66.67	Retired after the election on June 28, 2019
Directors	Orient Dynasty Ltd. (Representative: David C.C.Koo)	2	1	66.67	Re-elected after the election on June 28, 2019 (Retired representative)
Independent Director	Lee, Yen-Sung	7	0	100.00	Re-elected after the election on June 28, 2019
Independent Director	Fan, Kuang-Nan	4	0	100.00	Newly elected after the election on June 28, 2019
Independent Director	Cheng, Fu-Kwok	4	0	100.00	Newly elected after the election on June 28, 2019
Independent Director	Mao, Kwan Hai	1	2	33.33	Retired after the election on June 28, 2019
Supervisors	Ching Shan Investment Corporation (Representative: Chang, Fong-Chou)	1	0	33.33	Retired after term expired on June 28, 2019
Supervisors	Chen, Huei-Ching	0	0	0.00	Retired after term expired on June 28, 2019

Other matters:

1. With regard to the implementation of the Board of Directors, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act:

Date of the meeting	Period	Proposals	Independent directors' opinions/the Company's handling of independent directors' opinions
2019/1/21	1	(1) The resolution that the Company makes endorsements/guarantees for Brighton Shipping Inc., a subsidiary of the Company, is adopted. (2) The resolution that the Company makes endorsements/guarantees for Rockwell Shipping Limited, a subsidiary of the Company, is adopted. (3) The resolution that the Company makes endorsements/guarantees for Brighton Shipping Inc., Rockwell Shipping Limited, subsidiaries of the Company, as well as issuing the manager's undertakings and signing the trust deed, is adopted.	None.

Date of the meeting	Period	Proposals	Independent directors' opinions/the Company's handling of independent directors' opinions
2019/3/27	2	(1) The resolution that Heywood Limited, a subsidiary of the Company, offers short-term loans to the Company as working capital, is adopted. (2) The resolution that Norley Corporation Inc., a subsidiary of the Company, offers short-term loans to the Company as working capital, is adopted. (3) The resolution that an amendment shall be made to the Company's Articles of Incorporation is adopted. (4) The resolution that an amendment shall be made to the articles of the Company's Procedures for Acquisition or Disposal of Assets is adopted. (5) The resolution that an amendment shall be made to the articles of the Company's Procedures for Lending Funds to Other Parties is adopted. (6) The resolution that an amendment shall be made to the articles of the Company's Procedures for Endorsement & Guarantee is adopted. (7) The resolution that an amendment shall be made to the articles of the Company's Rules for Election of Directors and Supervisors is adopted. (8) Remove the non-compete clause for the Company's directors.	None.
2019/5/14	3	(1) Established the Company's Procedures for Handling Directors' Requests. (2) Established the Company's Organic Regulations of the Audit Committee.	None.
2019/8/13	5	(1) The resolution that the CPAs of the Company are entrusted and that the Company engages in the assessment of their independence is adopted.	None.
2019/11/12	7	(1) The resolution that an amendment shall be made to the Company's Rules and Procedures of Board of Director Meetings is adopted. (2) The resolution that an amendment shall be made to the Company's Procedures of Related Party Transaction is adopted. (3) The resolution that an amendment shall be made to the Company's Organic Regulations of the Remuneration Committee is adopted. (4) The resolution that an amendment shall be made to the Company's Rules Governing the Scope of Powers of Independent Directors is adopted. (5) The resolution that an amendment shall be made to the Company's Management Operation of Financial Statement Preparation Process is adopted. (6) The resolution that an amendment shall be made to the Company's Procedures for Control of Internal Material Information is adopted. (7) The resolution that an amendment shall be made to the Company's Procedures for Suspension and Resumption of Trading is adopted. (8) The resolution that an amendment shall be made to the Company's Ethical Corporate Management Best Practice Principles is adopted. (9) The resolution that an amendment shall be made to the Company's Guidelines for the Adoption of Codes of Ethical Conduct is adopted. (10) The resolution that an amendment shall be made to the Company's Management of the Prevention of Insider Trading is adopted.	None.

(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors: None.

2. In regards to the recusal of independent directors from voting due to conflict of interests, the name of the independent directors, the proposal, reasons for recusal due to conflict of interests and voting outcomes should be stated: None.

3. Implementation of the assessment of Board of Directors and functional committees:

Assessment cycle	Assessment period	Assessment scope	Assessment method	Assessment content	Result
Annually	2019.1.1~12.31	1.Overall 2.Members of the Board 3.Remuneration Committee 4.Audit Committee	1.Internal review 2.Self-assessment by members	1.Degree of participation 2.Decision quality 3.Composition and structure 4.Election and continuing education 5.Duty awareness 6.Internal control	Excellent

4. Measures taken to strengthen the functions of the Board (for example, establishing an Audit Committee and enhancing information transparency) for the current year and the most recent year and the assessment of implementation:

(1) In order to enhance information transparency, the Company takes the initiative to announce important resolutions of the shareholders' meetings and Presentation Slides of the investor conferences on the Company website for investors to review.

(2) The Company elected the first independent directors on June 29, 2016, exerting its independent supervision function and implementing the spirit of corporate governance.

(3) Since 2014, the Company has insured all directors and supervisors with "Liability Insurance for Directors, Supervisors and Managers" to establish a sound corporate governance mechanism.

(4) The Company strengthens the operating efficiency of the Board of Directors through self-assessment by individual directors and evaluation by the unit in charge of organizing Board meetings in accordance with Evaluation Procedures of Performance of Board of Directors.

(5) The Company has set up an Audit Committee and elected the first audit committee members at the 2019 Annual Shareholders' Meeting to assist the Board of Directors in performing its supervisory duties and to implement various regulations and the spirit of corporate governance.

5. Communication between the independent director and the internal audit manager and CPAs (including material matters, methods, and results associated with corporate finance and business):

The audit supervisor regularly sends audit reports to independent directors and supervisors for review. Accountants regularly report the audit results of the Company to the independent directors and supervisors, and issue "Communication Letters to the Management" for bidirectional communication to facilitate independent directors to keep abreast of the Company's financial and business performance.

Excerpts of the main communicated issues in 2019 are as follows:

Excerpts between independent directors and audit supervisor:

Methods of communication	Date	Topic	Main points of communication topics
Meetings called	2019/11/11	Second meeting of the first Audit Committee	Reporting the completed 2019 internal audit operations that shall be declared. Proposing the 2020 internal audit plan.
Correspondence	Monthly	Audit report and follow-up report	After the audit report and the follow-up report are approved, they will be delivered to the supervisors and independent directors before the end of the following month after the completion of the audit items.
	Irregular basis	Other Matters	Reply by mail or phone to explain the communication issues raised by the independent directors.

Excerpts of communication between independent directors and CPAs:

Methods of communication	Date	Topic	Main points of communication topics
Proposal consultation before the meetings	2019/08/13	Issues related to the first meeting of the first Audit Committee	Related to independent directors' audit statement on the Company's Q2 consolidated financial statements.
Meetings called	2019/11/11	Second meeting of the first Audit Committee	Reporting the review results of the financial statements for the first three quarters of 2019.
Other	Irregular basis	Other matters other than the information of the Board meeting	Replying by email or phone at any time to explain the communication matters raised by the independent directors.

(II) Participation of the Audit Committee in the Operation of Board of Directors

A total of 2 (A) Audit Committee meetings were held in fiscal year 2019. The attendance of the independent directors was as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) 【B/A】	Remarks
Independent Director	Lee, Yen-Sung	2	0	100.00	Newly elected on June 28, 2019
Independent Director	Fan, Kuang-Nan	2	0	100.00	Newly elected on June 28, 2019
Independent Director	Cheng, Fu-Kwok	2	0	100.00	Newly elected on June 28, 2019

Other matters:

1. With regard to the implementation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company’s handling of such resolutions shall be specified.
   (1) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Date of the meeting	Period	Proposals	Independent directors' opinions/the Company's handling of independent directors' opinions
2019/8/13	5	The resolution that the CPAs of the Company are entrusted and that the Company engages in the assessment of their independence is adopted.	None.

   (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.
2. Regarding recusals of independent directors from voting due to conflicts of interests, the names of the independent directors, contents of motions, reasons for recusal, and results of voting shall be specified: None.
3. Communications between the independent directors, the Company's chief internal auditor and CPAs (shall include the material items, methods and results of audits of corporate finance or operations, etc.): Please refer to 5. Other matters under (I) Information on operations of the Board of the Directors.

(III) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
1. Does the Company establish and disclose its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?		V	The Company has not yet to establish a set of Corporate Governance Best Practice Principles.	Currently under evaluation and pending further consideration.
2. Shareholding structure & shareholders' rights				
(1) Has the Company established internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation, and does the Company implement the procedures in accordance with the procedure?	V		A special person has been designated to handle this affair. If legal issues are involved, legal counsel will be asked to assist in handling this affair. Please refer to "Investor" section on the Company's website for related stock affairs.	Same as the description on the left.
(2) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	V		The situation is under control at any time through the stock agent.	No deviation.
(3) Has the Company established, and does it execute, a risk management and firewall system within its affiliated companies?	V		It has been stipulated in the Company's internal control system and the monitoring operations toward the subsidiaries, and is implemented.	No deviation.
(4) Has the Company established internal rules against insiders using undisclosed information to trade with?	V		The internal regulations of "Management of the Prevention of Insider Trading" have been established, and the relevant provisions for delivery have been notified to insiders of the Company and announced on the Company's website.	Same as the description on the left.
3. Composition and responsibilities of the Board of Directors				
(1) Has the Board developed, and does it implement, a diversity policy for the composition of its members?	V		The consideration of diversity in the composition of Board members is adopted. In the past, the professional disciplines of directors spanned diverse fields, including accounting, insurance actuary, shipbuilding engineering, shipping financing, etc., which have been highly beneficial to the operation of the Company. In addition, the Board members pay attention to gender equality. There is one female among the seven members of the Board of Directors, which accounts for 14.29% of all directors.	No deviation.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
(2) In addition to the legally required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?	V		The Company has established the Remuneration Committee and the Audit Committee. For various other functional committees, they will be planned and established based on actual needs of the Company and in accordance with laws and regulations in the future.	No deviation.
(3) Has the Company established standards to measure the performance of the Board, and does the Company implement such annually?	V		The Evaluation Procedures of Performance of Board of Directors has been stipulated, and after the end of the year, the evaluation will be conducted through self-assessment by individual directors and evaluation by the unit in charge of organizing Board meetings.	No deviation.
(4) Does the Company regularly evaluate the independence of the CPAs?	V		The Evaluation Procedures of Certified Public Accountants has been stipulated. The professionalism and independence of the CPAs and their performance and working plans are reported to the Board of Directors, and the CPAs have also issued an independence statement for the entrusted auditing operation. Please refer to the notes of this table for the assessment items of the independence of accountants. The CPAs appointed by the Company are not the directors, supervisors, managers, employees, or shareholders of the Company or its affiliates, and has confirmed that their status as non-stakeholders complies with the regulations of independent judgment set forth by the competent authority.	No deviation.
4. Has the Company established a dedicated (or non-dedicated) corporate governance unit or appointed personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling matters related to Board meetings and shareholders' meetings according to the law, handling company registration and changes to company registration, and producing minutes of the Board meetings and shareholders' meetings)?	V		The Company has set up unit personnel to be in charge of corporate governance matters; they serve as contact persons for the directors and supervisors. In addition, they are in charge of organizing the Board of Directors meetings and shareholders' meetings, as well as producing meeting minutes.	No deviation.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
5. Has the Company established communication channels and built a dedicated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	V		A spokesperson has been designated as the communication channel of the Company, and a special section for stakeholders has been set up on the Company website.	No deviation.
6. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	V		CTBC Bank Transfer Agency has been entrusted by the Company as the stock agent to handle the affairs of the shareholders' meeting.	No deviation.
7. Information disclosure				
(1) Does the Company have a corporate website to disclose both the Company's financial standing and corporate governance status?	V		A website has been set up to disclose relevant information.	No deviation.
(2) Does the company have other information disclosure channels (e.g., setting up an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and webcasting investor conferences)?	V		An English website has been set up, and a designated person is responsible for the collection and disclosure of company information. The spokesperson system has been implemented for immediate explanation to the public.	No deviation.
(3) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?		V	At present, the Company cooperates with directors' schedules to arrange meetings and file relevant financial reports. In the future, the Company will cooperate with the planning operations of the Board of Directors depending on the Company's bookkeeping process to improve the transparency of financial information and disclose it in a timely manner.	Same as the description on the left.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
8. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors’ and supervisors’ training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?	V		(1) Employee rights and wellness The Company's management rules regulate the hiring of all employees, service codes, attendance, leave, rewards and punishments, benefits and pensions, appointments and meeting rules and other related matters are all in compliance with the Labor Standards Act and related laws and regulations. Employees' salaries and benefits are in compliance with the Company's human resources system management measures to protect employees' rights and interests. The Company also conducts employee health checkups and provides health promotion manuals in accordance with regulations; employees are covered by accident insurance when they are on business trips. The seafarers' employment contract and the living and working environment on the vessel are implemented in accordance with the Maritime Labour Convention (MLC). The communication channel between the Company and employees is smooth, and all major company events are notified to employees through official documents and e-mails. If necessary, an internal labor-management meeting is held to engage in face-to-face discussion. Through employee training sessions, the professional development of employees is facilitated, and a complete training course is provided through multiple learning channels. (2) Investor relations There is a section for investors on the Company's website, which announces complete financial information in real time. The Company also maintains a smooth communication channel and a concrete spokesperson system to respond to all investors. (3) Supplier relations The Company has an excellent reputation, cooperates with various third-party manufacturers, and has established good cooperative relations with ship repairing and shipbuilding factories for many years. It is the solid foundation of the Company for fleet maintenance, expansion, and renewal. In order to respond to global environmental protection policies, shipbuilding of new vessels will prioritize shipyards that comply with the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, which prohibits or restricts the use of hazardous materials. The Company will introduce the latest green and environmentally friendly vessels to join our fleet in the future.	No deviation.

<table>
<tr><td rowspan="2">Evaluation item</td><td colspan="4">Implementation status</td><td rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</td></tr>
<tr><td>Yes</td><td>No</td><td colspan="2">Description</td></tr>
<tr><td></td><td></td><td></td><td colspan="2">(4) Stakeholder rights
The Company has set up the Stakeholder section on the Company's website to respond to the three dimensions of issues, namely, employee relationship, social relationship, and supplier relationship. For a complete and detailed assessment report, please refer to the Company's Corporate Social Responsibility (CSR) Report compiled in accordance with GRI 4.0.
(5) Participation in liability insurance by directors and supervisors
Since 2014, the Company has insured all directors and supervisors with Liability Insurance for Directors and Supervisors so as to establish a sound corporate governance mechanism.

Relevant information can be found on the Company's website and MOPS.</td><td></td></tr>
<tr><td rowspan="6">9. Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange’s Corporate Governance Center, and provide the priorities and plans for improvement with items yet to be improved.</td><td rowspan="6"></td><td rowspan="6"></td><td colspan="2">The Company's explanations for the results of the Corporate Governance Assessment of 2019 are as follows:
(1) Items which have been improved</td><td></td></tr>
<tr><td>Indicator</td><td colspan="3">Improvement description</td></tr>
<tr><td>Does the Company upload the English version of the meeting notice 30 days prior to the annual shareholders' meeting?</td><td colspan="3" rowspan="2">Relevant English meeting notices and annual financial statements are uploaded to MOPS within the deadlines stated on the left.</td></tr>
<tr><td>Are the annual financial statements translated into English and disclosed by uploading them to MOPS seven days before the shareholders' meeting?</td></tr>
<tr><td>If the Company pays dividends in the year under review, will it be paid within 30 days after the ex-dividend date?</td><td colspan="3">In 2019, in order to cooperate with the competent authority to wait for the approval of the capital increase and issue new shares, the payment of dividends was delayed. The cash dividend distribution in 2020 has been approved by the Board of Directors and is expected to be paid within 30 days after the ex-dividend date.</td></tr>
<tr><td>Has the Company established a performance evaluation mechanism and evaluation method for the Board of Directors? Is such evaluation conducted regularly every year? Are the evaluation results disclosed on the Company's website or in the annual report?</td><td colspan="3">The relevant Evaluation Procedures of Performance of Board of Directors has been established, and the annual evaluation has been completed. The evaluation results have been disclosed on Page18 of the annual report.</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td rowspan="4"></td><td rowspan="4"></td><td rowspan="4"></td><td colspan="2">(2) Priority improvements and measures that have been proposed for items not yet improved:</td></tr>
<tr><td>Indicator</td><td>Improvement description</td></tr>
<tr><td>Did the company attend or voluntarily hold investor conferences at least two times in the year being evaluated, and were the first and last investor conferences in the said year held at least three months apart?</td><td>The Company will continue to pay attention to whether the time interval of the investor conferences in 2020 meets the conditions stated on the left.</td></tr>
<tr><td>Does the Company's website or CSR Report disclose the established supplier management policy, requiring suppliers to follow relevant standards on environmental protection, safety or health issues, and describe the implementation status?</td><td>At present, the supplier management policy has been formulated and handled according to key control issues. In addition, suppliers are required to fill out the Supplier Social Responsibility Commitment Statement, as they are required to jointly implement the corporate social responsibility commitments and comply with the law.</td></tr>
</table>

Note: Evaluation Standards for the Independence of CPAs

Item	Evaluation results		Whether or not complying with Independence
	Normal	Exception	
1. As of the most recent assurance operation, no CPA has not be replaced for seven (7) years.	✓		✓
2. The CPA does not have significant financial interest in his/her trustor.	✓		✓
3. The CPA avoids any inappropriate relationship with his/her trustor.	✓		✓
4. The CPA shall ensure that his/her assistants are honest, fair and independent.	✓		✓
5. The CPA may not perform audit and assurance services on the financial statements of companies he/she has served within two (2) years before practicing.	✓		✓
6. The CPA may not permit others to practice under his/her name.	✓		✓
7. The CPA does not own any shares of the Company and its affiliated companies.	✓		✓
8. There is no monetary loans between the CPAs and the Company and its affiliates; however, normal transactions between the CPAs and the financial industry are not regulated by this provision.	✓		✓
9. The CPA has not engaged in joint investments or benefit sharing with the Company or its affiliated companies.	✓		✓
10. The CPA does not concurrently serve as a regular employee of the Company or its affiliated companies and does not receive a fixed salary from them.	✓		✓
11. The CPA is not involved in the decision-making process of the Company and its affiliated companies.	✓		✓
12. The CPA does not concurrently engage in other businesses that may lead to loss of independence.	✓		✓
13. The CPA may not engage in assurance operation for the Company if his/her spouse, immediate family members, in-laws, or relatives within the second degree of kinship serve in the senior management of the Company.	✓		✓
14. The CPA has not collected any commission related to his/her service.	✓		✓
15. As of now, the CPA has not engaged in any matter that may result in disciplinary actions taken against him/her or damage to the principle of independence.	✓		✓

(IV) The Composition, Duties and Operations of the Remuneration Committee, If the Company Has Established One:

1. The responsibility of the Remuneration Committee is to set and regularly review the policies, systems, standards and structure of performance assessment and the compensation to the directors, supervisors and managers. The committee shall regularly assess and determine the compensation of directors, supervisors and managers, and proposals regarding compensation will be submitted to the Board of Directors for discussion.
2. Professional Qualifications and Independence Analysis of Remuneration Committee Members:

Title	Qualification / Name	Meets one of the following professional qualification requirements, together with at least five years of work experience			Independence criteria (Note)										Number of other public companies where the individual concurrently serves as a Remuneration committee member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the business of the company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Lee, Yen-Sung	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Re-elected after the election on June 28, 2019
Other	Liu, Song-Tian			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Retired after the election on June 28, 2019
Independent Director	Fan, Kuang-Nan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Re-elected after the election on June 28, 2019
Independent Director	Cheng, Fu-Kwok			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Newly elected after the election on June 28, 2019

Note 1: Please check "✓" the corresponding boxes if the remuneration committee members meet the following conditions during the two years prior to the nomination and during the term of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.

(4) Not a manager of any entity listed in (1), or not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons listed in (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or of a corporate shareholder that ranks among the top five in shareholdings, or has appointed representatives to be the company's director or supervisor pursuant to Article 27, Paragraph 1 or 2 of the Company Act. However, the provision is not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(6) Not a director, supervisor or employee of another company that controls the majority of the seats in the Board of Directors or the majority of the shares with voting rights of the Company. However, the provision is not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(7) Not a director, supervisor, or employee of another company or institution who serves concurrently as the Company's Chairman, President, or any equivalent position, or is the spouse of the person who occupies the aforementioned positions of the Company. However, the provision is not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(8) Not a director, supervisor, managerial officer, or shareholder that holds 5% or more of the shares of the Company, who works in specific companies or institutions that engage in financial or business transactions with the Company. However, if the aforementioned specific company or institution holds 20% or more, and less than 50%, of the Company's issued shares, and the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary, the provision is not applicable.

(9) Not a professional individual, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution, nor a spouse thereof that provides commercial, legal, financial, accounting services or auditing service to the Company or to any affiliate of the Company that obtains no more than NT$500,000 as compensation in the most recent two years. However, members of the special committees on remuneration, public acquisition review, or merger and acquisition who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or the Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.

(10) None of the circumstances in the subparagraphs of Article 30 of the Company Act apply.

Note 2: The Remuneration Committee is convened at least twice a year, and shall exercise the due care of a good administrator and faithfully perform the following functions and powers; the committee shall also submit their proposals and suggestions to the Board of Directors for discussion:

(1) Establish and periodically review the performance evaluation and remuneration policy, system, standards and structure for directors, supervisors and managerial officers.

(2) Regularly evaluate and formulate remuneration of directors, supervisors and managerial officers.

3. Operational Status of the Remuneration Committee:

(1) The Company has a Salary and Remuneration Committee composed of three members.

(2) The term of the 4th Remuneration Committee: June 28, 2019 - June 27, 2022. The Remuneration Committee convened two meetings (A) in 2019. The qualification and attendance of members are as follows:

Title	Name	Attendance in Person (B)	By proxy	Attendance rate (%) 【B/A】	Remarks
Convener	Lee, Yen-Sung	2	0	100.00	Re-elected after the election on June 28, 2019
Member	Fan, Kuang-Nan	2	0	100.00	Re-elected after the election on June 28, 2019
Member	Liu, Song-Tian	1	0	100.00	Retired after the election on June 28, 2019
Member	Cheng, Fu-Kwok	1	0	100.00	Newly elected after the election on June 28, 2019

Other matters:

I. If the Board of Directors rejects or amends the suggestions of the Remuneration Committee, the date and session of the Board meeting, contents of the proposal, and resolution of the Board of Directors as well as the Company's actions in response to the opinions of the Remuneration Committee shall be stated: None.

II. If a member has a dissenting or qualified opinion, and that a member has a record or reservation that is recorded or stated in a written statement, the date and session of the Remuneration Committee, the content of the proposal, all members' opinions, and the handling of the opinions of the member of the Remuneration Committee shall be stated: None.

(V) Conditions of Fulfilling Corporate Social Responsibility (CSR) and Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

Evaluation item	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
1. Has the company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established related risk management policies or strategies?	V		The Group operates a global shipping business, which covers bulk goods and crude oil transportation. In response to the possible risks arising from the environmental, social, and corporate governance of various operating processes, we strictly abide by international, regional, national, and local maritime regulations. The essence of the shipping business is to be able to cooperate with all of our partners to create profits and take care of the interests of all parties, and the philosophy of operating the shipping business lies in long-term sustainable growth, not short-term profit. Therefore, we treat each partner with the highest standards of integrity, respect, and prudence, covering the society, the fleet, the port operators, and the entire natural environment. Through the establishment of the Safety Management Office, the Company is able to consolidate ship safety management and marine environmental protection related operations in a single unit, effectively respond to global energy conservation and carbon reduction strategies, while also formulated the International Safety Management Code, clearly stipulating that fleet management needs to comply with international environmental protection related regulations and procedures.	No deviation.
2. Has the Company established exclusively (or concurrently) dedicated units to implement CSR, and has the board of directors appointed executive-level positions with responsibility for CSR, and to report the status of the handling to the Board of Directors?	V		The Company has established relevant responsible units to promote corporate social responsibility, and compiles corporate social responsibility reports in accordance with GRI standards.	No deviation.
3. Environmental Issues (1) Does the Company endeavor to utilize all resources more efficiently and use renewable materials that have low impact on the environment? (2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (3) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response	 V V V		The International Safety Management Code formulated by the Group clearly states that the vessels comply with the relevant regulations and procedures for international environmental protection. In order to protect the environment and reduce personal injuries, the Group has taken various carbon reduction actions. For example, new vessel construction will give priority to shipyards that comply with the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships and prohibit or restrict the use of hazardous substances. The vessels of the Group fully cooperate with charterers to sail at economic speed in order to effectively reduce fuel consumption and greenhouse gas emissions. Please refer to Chapter III of the Company's Corporate Social Responsibility Report for disclosure and descriptions.	No deviation.

Evaluation item	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
measures with respect to climate change?				
(4) Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down energy and water consumptions, carbon and greenhouse gas emissions, and waste production?	V			
4. Social Issues				
(1) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		The Group complies with relevant labor laws and regulations, and the appointment and dismissal and remuneration of employees are in accordance with the Company's Human Resources Management Procedures to protect the basic rights and interests of employees.	No deviation.
(2) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	V		The Company treats employees with high standards of salary and meals, and pays attention to their work-life balance, health care, and proper care of the family of crew members. In addition, activities such as employee tours and festive parties are held to enhance the harmonious relationship between employers and employees. In the current year, the pre-tax profit shall be paid following the special resolution of the Board of Directors, and it shall be no less than 1% of the employees' compensation in accordance with the Company's Articles of Incorporation, and appropriate feedback shall be given to the employees' compensation based on the performance of individual employees.	No deviation.
(3) Does the Company provide a healthy and safe work environment and organize training on health and safety for its employees on a regular basis?	V		The Group regularly conducts employee health checkups in accordance with regulations and provides a health promotion manual. All employees of the Group are covered by accident insurance in accordance with company regulations. The employment of seafarers of the Group and the living and working environment of ships are implemented in accordance with the provisions of the Maritime Labour Convention (MLC).	No deviation.
(4) Does the Company provide its employees with career development and training sessions?	V		The Group trains employees with detailed plans and encourages the employees to participate in external relevant training sessions to enhance the development of employees' career capabilities.	No deviation.
(5) Does the Company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer protection policies and complaint procedures?	V		The shipping services provided by the Group are in compliance with the provisions of international conventions, and a dedicated Stakeholder section has been set up on the Company website to respond to related issues.	No deviation.

Evaluation item	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
(6) Does the Company formulate supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational health and safety or labor human rights? What is the condition of their implementation?	V		In addition to implementing the operation procedures and key control requirements stipulated in Supplier Management Operations, supplier management also requires suppliers to fill out the Supplier Social Responsibility Commitment Statement, and strictly requires suppliers to jointly implement their commitment to corporate social responsibility and follow relevant laws on occupational safety and health, labor rights, and environmental protection.	No deviation.
5. Does the Company, following internationally recognized guidelines, compile and publish reports such as its Corporate Social Responsibility Report to disclose non-financial information of the Company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?	V		The Company compiles its Corporate Social Responsibility Report following the GRI Standards. In addition, the Group has passed the Safety Management System verification, the Company and its subsidiaries have obtained the Document of Compliance (DOC) and the vessels have obtained the Safety Management Certificate (SMC). Certifying institutions: CR Classification Society and Bureau Veritas (BV).	No deviation.
6. If the Company has established its Corporate Social Responsibility Best Practice Principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the Principles and their implementation: The Group has not established the Corporate Social Responsibility Best Practice Principles.				
7. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: (1) The shell plating of the Group's vessels adopts environmentally friendly anti-fouling paint and has obtained the "International Anti-Fouling System Certificate". (2) The vessels of the Group comply with the MARPOL 73/78, and all voyages are in compliance with relevant regulations such as oil pollution prevention, air pollution prevention, ballast water pollution prevention, garbage disposal, and domestic sewage discharge. (3) The Group attaches great importance to energy efficiency, and uses the energy efficiency operating index calculation formula issued by the International Maritime Organization (IMO) to calculate the carbon emissions during the operation of the vessel to meet the mandatory carbon dioxide emission reduction measures to be taken in the future.				

(VI) Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
1. Establishment of ethical corporate management policies and programs				
(1) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and senior management to rigorous and thorough implementation of such policies?	V		The Group's Board of Directors and management uphold the Company's business philosophy of "Credibility, Decisiveness, Diligence, Discretion, Improvement." The Company has formulated the Ethical Corporate Management Best Practice Principles, Guidelines for the Adoption of Codes of Ethical Conduct, and Reporting and Disciplinary Measures for Violation of Ethical Corporate Management and Ethical Conduct to expressly implement the commitment of the integrity management policy. Please refer to the Corporate Governance section of the Company website.	No deviation.
(2) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"?	V		Same as above.	No deviation.
(3) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the aforementioned prevention programs on a regular basis?	V		Same as above.	No deviation.
2. Fulfillment of ethical corporate management				
(1) Does the Company evaluate the business counterparty's ethical records and include ethics-related clauses in business contracts?	V		The Group, when handling the business activities, carefully selects the transaction partners and sign all business contracts in good faith.	No deviation.
(2) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and	V		Currently, the Auditing Department is designated as the reporting and inspection unit for corporate ethical management. It formulates relevant audit plans for business activities with a high risk of unethical and dishonest behaviors, submits monthly audit reports to independent directors, and regularly reports its audit	No deviation.

prevention programs against unethical conduct?			results to the Board of Directors. In the future, a dedicated unit will be established based on the Group's operating conditions and scale.	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		The Board of Directors and management of the Group adhere to the policy of recusing oneself to avoid conflicts of interest, and the Company and the Group has set up an e-mailbox as a channel for such statements.	No deviation.
(4) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	V		The Group strictly implements the accounting system and internal control system, and is audited by internal auditors to effectively prevent unethical and dishonest behaviors.	No deviation.
(5) Does the Company regularly hold internal and external educational training on ethical corporate management?	V		The Group regularly organizes employee education and training sessions, emphasizing the Company's ethical management philosophy.	No deviation.
3. Operation of the Whistle-blowing System (1) Has the Company established both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party to handle the case?	V		According to the Company's Reporting and Disciplinary Measures for Violation of Ethical Corporate Management and Ethical Conduct, the whistle-blowing channels of the Company are: 1. Whistle-blowing e-mail: sncsd@snc.com.tw 2. Whistle-blowing hotline: (02)2703-7055, the Auditing Department	No deviation.
(2) Has the Company established standard operating procedures for the reported matters and the relevant confidential mechanism?	V		3. Whistle-blowing postal address: 14F., No. 368, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City 106 Please refer to the Corporate Governance section of the Company website for relevant operating procedures and whistleblower protection measures.	No deviation.
(3) Does the Company provide protection to whistleblowers against receiving improper treatment?	V			No deviation.
4. Enhanced disclosure of corporate social responsibility information Does the Company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		The Company has set up a Corporate Governance section on the Chinese and English Company websites as well as on MOPS to disclose the Ethical Corporate Management Best Practice Principles and related vital corporate governance regulations for reference.	Same as the description on the left.
5. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe the implementation and any deviations from the Principles: The Group has approved the Ethical Corporate Management Best Practice Principles and Guidelines for the Adoption of Codes of Ethical Conduct through the resolutions of the Board of Directors, so as to expressly implement the commitment of the integrity management policy. There were no major violations and discrepancies in this year.				
6. Other important information to facilitate better understanding of the Company's ethical corporate management (e.g., review of and amendments to the ethical corporate management policies): The Group upholds the business philosophy of "Credibility, Decisiveness, Diligence, Discretion, Improvement," as well as various charters and procedures, etc. It has taken relevant measures to prevent dishonesty and implement the policy of ethical operation.				

(VII) If the Company has adopted corporate governance best practice principles or related bylaws, the inquiry method shall be disclosed: Please refer to the Company website and make queries at the corporate governance section of MOPS.

(VIII) Other Important Information Regarding Corporate Governance: Please make queries at MOPS for further training record for the Company's directors and supervisors.

(IX) Status of Internal Control System

1. Statement of Internal Controls

Sincere Navigation Corporation

Statement of Internal Control System

Date: March 27, 2020

The Company hereby states the results of the self-evaluation of the internal control system for 2019 as follows:

I. The Company acknowledges that the establishment, implementation and maintenance of an internal control system is the responsibility of the Board of Directors and managers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.

II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.

III. The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.

IV. The Company has adopted the aforesaid assessment items for the internal control system to determine whether the design and implementation of the internal control system are effective.

V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2019, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.

VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the above contents will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

VII. This statement was approved by the Board of Directors on March 27, 2020, and out of the seven directors in attendance, none objected to it and all consented to the content expressed in this statement.

Sincere Navigation Corporation

Chairman: Hsu, Chi-Kao

President: Hsu, Chi-Kao

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: Not applicable.

(X) Penalties imposed upon the Company and its employees in accordance with the law, penalties imposed by the Company upon its employees for the violation of the internal control system policy, principal deficiencies, and improvement status during the most recent fiscal year up to the date of publication of the Annual Report: None.

(XI) Major Resolutions of Shareholders' Meeting and Board Meetings During the Most Recent Fiscal Year Up to the Date of Publication of the Annual Report:

1. Major Resolutions of 2019 Shareholders' Meeting of the Company and Their Implementation:
   The Company held the 2019 Annual Shareholders' Meeting at 9 a.m., June 28, 2019, at the Banquet Hall, B2 Floor, The Howard Plaza Hotel Taipei (Address: No. 160, Section 3, Ren'ai Road, Da'an Dist., Taipei City 106). The attended shareholders have resolved and approved the following proposals, and their status of implementation:
   (1) Approve the Company's 2018 Business Report and Financial Statements.
   Status of implementation: The resolution is accepted as per the case.
   (2) Approve the Company's 2018 earnings distribution plan.
   Status of implementation: The resolution is accepted as per the case.
   (3) Amend the Company's Articles of Incorporation.
   Status of implementation: The resolution is accepted as per the case.
   (4) Approve the 2018 capital increase by earnings recapitalization.
   Status of implementation: The resolution is accepted as per the case.
   (5) Amend the Company's and the subsidiaries' Procedures for Acquisition or Disposal of Assets.
   Status of implementation: The resolution is accepted as per the case.
   (6) Amend the Company's and the subsidiaries' Procedures for Lending Funds to Other Parties.
   Status of implementation: The resolution is accepted as per the case.
   (7) Amend the Company's and the subsidiaries' Procedures for Endorsement & Guarantee.
   Status of implementation: The resolution is accepted as per the case.
   (8) Amend the Company's Rules for Election of Directors and Supervisors.
   Status of implementation: The resolution is accepted as per the case.
   (9) The Company's general election of the members of 18th Board of Directors (including independent directors).
   Status of implementation: Directors elected are: Hsu, Gee-King, Hsu, Chi-Kao, Solar Shipping Agency Ltd. (Representative: Tsai, Ching-Pen), Orient Dynasty Ltd. (Representative: Tsai, Su-Lee), Lee, Yen-Sung (independent director), Fan, Kuang-Nan (independent director), and Cheng, Fu-Kwok (independent director).
   (10) To remove the non-compete clause for the Company's Directors.
   Status of implementation: The resolution is accepted as per the case.

2. The Company's material resolutions of the Board of Directors from 2019 to the date of publication of the annual report:

(1) Board of Directors meeting held on January 21, 2019:

(a) The resolution that the Company makes endorsements/guarantees for Brighton Shipping Inc., a subsidiary of the Company, is adopted.

(b) The resolution that the Company makes endorsements/guarantees for Rockwell Shipping Limited, a subsidiary of the Company, is adopted.

(c) The resolution that the Company makes endorsements/guarantees for Brighton Shipping Inc., Rockwell Shipping Limited, subsidiaries of the Company, as well as issuing the manager's undertakings and signing the trust deed, is adopted.

(2) Board of Directors meeting held on March 27, 2019:

(a) The resolution that the convention of the Company's 2019 Annual Shareholders' Meeting is adopted.

(b) The resolution that the 2018 compensation plan for directors and supervisors and compensation for employees (including managers) proposed by the Remuneration Committee is adopted.

(c) Acknowledge the Company's 2018 Business Report and Financial Statements.

(d) The resolution that the Company's 2018 earnings distribution is adopted.

(e) The resolution the Company's proposal for a new share issue through capitalization of earnings is adopted.

(f) The resolution concerning the Company's 2018 Statement of Internal Control System is adopted.

(g) Election of directors.

(h) The resolution concerning the period for accepting nomination of independent directors, number of seats to be elected and the venue for accepting nomination is adopted.

(i) Propose to approve the candidate list of independent directors nominated by the Board of Directors.

(j) Remove the non-compete clause for the Company's directors.

(k) The resolution that Heywood Limited, a subsidiary of the Company, offers short-term loans to the Company as working capital, is adopted.

(l) The resolution that Norley Corporation Inc., a subsidiary of the Company, offers short-term loans to the Company as working capital, is adopted.

(m) The resolution that an amendment shall be made to the Company's Articles of Incorporation is adopted.

(n) The resolution that an amendment shall be made to the articles of the Company's Procedures for Acquisition or Disposal of Assets is adopted.

(o) The resolution that an amendment shall be made to the articles of the Company's Procedures for Lending Funds to Other Parties is adopted.

(p) The resolution that an amendment shall be made to the articles of the Company's Procedures for Endorsement & Guarantee is adopted.

(q) The resolution that an amendment shall be made to the articles of the Company's Rules for Election of Directors and Supervisors is adopted.

(3) Board of Directors meeting held on May 14, 2019:

(a) Reported the Company's 2019 Q1 consolidated financial statements.

(b) Reviewed the proposals from the shareholders and the candidate list of independent directors.

(c) Established the Company's Procedures for Handling Directors' Requests.

(d) Established the Company's Organic Regulations of the Audit Committee.

(4) Board of Directors meeting held on June 28, 2019:

Elected Mr. Hsu, Chi-Kao as the Chairman of the Board.

(5) Board of Directors meeting held on August 13, 2019:
  (a) Reported the Company's 2019 Q2 consolidated financial statements.
  (b) The resolution that the CPAs of the Company are entrusted and that the Company engages in the assessment of their independence is adopted.
  (c) The resolution that the appointment of members of the Company's fourth Remuneration Committee is adopted.
  (d) The resolution that the appointment of a second Deputy Spokesperson of the Company is adopted.

(6) Board of Directors meeting held on September 4, 2019:
  The resolution that the Company stipulates the surplus to capital increase and ex-rights allotment, capital increase base date and cash dividend base date is adopted. September 28, 2019 was stipulated as the base date of non-refundable allotment of new shares for the surplus to capital increase, the capital increase base date and the cash dividend allotment, and the listed capital increase new shares and cash dividends were issued on November 1, 2019.

(7) Board of Directors meeting held on November 12, 2019:
  (a) Reported the first three quarters of the Company's 2019 consolidated financial statements.
  (b) Reported on the Company's renewal and insurance coverage of the Liability Insurance for Directors, Supervisors, and Managers.
  (c) The resolution that the year-end bonus for employees (including managers) for 2019 and the compensation adjustment for managers for 2020 proposed by the Remuneration Committee is adopted.
  (d) The resolution that the appointment of the 2020 financial and tax CPAs and the 2020 internal auditing plan proposed by the Audit Committee is adopted.
  (e) The resolution that an amendment shall be made to the Company's Rules and Procedures of Board of Director Meetings is adopted.
  (f) The resolution that an amendment shall be made to the Company's Procedures of Related Party Transaction is adopted.
  (g) The resolution that an amendment shall be made to the Company's Organic Regulations of the Remuneration Committee is adopted.
  (h) The resolution that an amendment shall be made to the Company's Rules Governing the Scope of Powers of Independent Directors is adopted.
  (i) The resolution that an amendment shall be made to the Company's Management Operation of Financial Statement Preparation Process is adopted.
  (j) The resolution that an amendment shall be made to the Company's Procedures for Control of Internal Material Information is adopted.
  (k) The resolution that an amendment shall be made to the Company's Procedures for Suspension and Resumption of Trading is adopted.
  (l) The resolution that an amendment shall be made to the Company's Ethical Corporate Management Best Practice Principles is adopted.
  (m) The resolution that an amendment shall be made to the Company's Guidelines for the Adoption of Codes of Ethical Conduct is adopted.
  (n) The resolution that an amendment shall be made to the Company's Management of the Prevention of Insider Trading is adopted.

(XII) Any dissenting opinion expressed by a director or supervisor with respect to a major resolution passed by the Board of Directors during the most recent fiscal year and up to the date of publication of the Annual Report, where said dissenting opinion has been recorded or prepared as a written declaration:
None.

(XIII) A summary of resignations and dismissals of the Company's Chairman, President, accounting manager, financial manager, chief internal auditor, or research and development officer during the most recent fiscal year and up to the date of publication of the Annual Report:
An election was held due to the expiration of term of the former Chairman Tsai, Ching-Pen on June 28, 2019. Mr. Hsu, Chi-Kao is elected as the new Chairman.

V. Information on CPA Professional Fees

Range of CPA professional fees

CPA firm	Name of CPAs		Audit period	Remarks
PWC	Weng, Shih-Jung	Lin, Yi-Fan	2019.01.01～2019.12.31	

Range of fees \ Category of fees		Audit fee	Non-audit fee	Total
1	Less than NT$2,001 thousand		V	
2	NT$2,000 thousand (inclusive) ~ NT$4,000 thousand	V		V
3	NT$4,000 thousand (inclusive) ~ NT$6,000 thousand			
4	NT$6,000 thousand (inclusive) ~ NT$8,000 thousand			
5	NT$8,000 thousand (inclusive) ~ NT$10,000 thousand			
6	NT$10,000 thousand or more			

(I) Non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto:

Unit: Thousand NTD

CPA firm	Name of CPAs	Audit fee	Non-audit fee					Audit period	Remarks
			System design	Business registration	Human resource	Others (Note)	Sub-total		
PWC	Weng, Shih-Jung	2,090	—	282	—	1,050	1,332	2019.01.01～2019.12.31	
	Lin, Yi-Fan							2019.01.01～2019.12.31	

Note: The fee for transfer pricing report is NT$600 thousand and the consultation fee for corporate social responsibility report is NT$450 thousand.

(II) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: Not applicable.

(III) The audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more: Not applicable.

VI. Information Regarding Replacement of CPAs: Not applicable.

VII. The Company's Chairman, President, or Any Managerial Officer in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the Company's CPA Accounting Firm or at an Affiliated Enterprise of Such Accounting Firm: None

VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report) by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10 Percent

(I) Share changes by directors, supervisors, managers, and shareholders with a stake of more than 10 percent:

Title	Name	2019		Current year as of April 30	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Chairman (Note 1)	Tsai, Ching-Pen	-	-	-	-
Chairman and President (Note 2)	Hsu, Chi-Kao	15,000	-	-	-
Director	Hsu, Gee-King	128,853	-	-	-
Director	CTBC Bank Co., Ltd. in Custody for Orient Dynasty Ltd.	277,857	-	-	-
Director	CTBC Bank Co., Ltd. in Custody for Solar Shipping Agency Ltd.	2,355,532	-	-	-
Director (Note 1)	CTBC Bank Co., Ltd. in Custody for Uppercrest Enterprises Ltd.	-	-	-	-
Independent Director (Note 1)	Mao, Kwan Hai	-	-	-	-
Independent Director	Lee, Yen-Sung	-	-	-	-
Independent Director	Fan, Kuang-Nan	271	-	-	-
Independent Director	Cheng, Fu-Kwok	-	-	-	-
Supervisor (Note 1)	Ching Shan Investment Corporation (Representative: Chang, Fong-Chou)	-	-	-	-
Supervisor (Note 1)	Chen. Huei-Ching	-	-	-	-
Vice President	Lee, Yih-Ren	52	-	-	-
Vice President	Ko, Hsiu-Yen	135	-	-	-
Vice President	Luan, Wen-Pin	545	-	-	-
Manager, Safety Management Department	Hu, Jui-Chin	60	-	-	-
Manager, Crew Department	Lu, Jing-Cheng	-	-	-	-
Manager, Finance/Account Department	Chen, Lan-Fang	10	-	-	-
Assistant Manager, Finance/Account Department	Fan, Hsiao-Ting	-	-	-	-

Note 1: Retired after the term expired and election held on June 28, 2019.

Note 2: Newly elected as the Chairman after the term expired and election held on June 28, 2019.

(II) Information on share transfers: None.

(III) Information on share pledges: None.

IX. Relationship information, if among the Company's ten largest shareholders any one is a related party or a relative within the second degree of kinship of another

April 22, 2020

Name	Current shareholding		Spouse and minor shareholding		Shareholding by nominees		Among the ten largest shareholders, name and relationship with any one who is a related party or a relative within the second degree of kinship		Remarks
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relation	
CTBC Bank Co., Ltd. in Custody for Hemao Investment Co., Ltd.	58,359,800	9.97%	--	--	--	--			
Fubon Life Insurance Co., Ltd. Person in Charge: Tsai, Ming-Hsing	27,507,180	4.70%	--	--	--	--			
CTBC Bank Co., Ltd. in Custody for New Main Limited	20,698,328	3.54%	--	--	--	--			
CTBC Bank Co., Ltd. in Custody for Solar Shipping Agency Ltd.	18,363,398	3.14%	--	--	--	--			
CTBC Bank Co., Ltd. in Custody for Uppercrest Enterprises Limited	11,724,694	2.00%	--	--	--	--			
CTBC Bank Co., Ltd. in Custody for Maxihon Company Limited	11,337,887	1.94%	--	--	--	--			
CTBC Bank Co., Ltd. in Custody for Asia Shipping Limited	11,333,605	1.94%	--	--	--	--			
CTBC Bank Co., Ltd. in Custody for Orient Dynasty Ltd.	9,539,761	1.63%	--	--	--	--			
Norges Bank	8,529,010	1.46%	--	--	--	--			
CTBC Bank Co., Ltd. in Custody for MacDowell Limited	7,624,575	1.30%	--	--	--	--			

X. Total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the Company:

Invested company	Investment by the Company		Investment by directors/supervisors/managers and by companies directly or indirectly controlled by the Company		Total investment	
	Shares	%	Shares	%	Shares	%
Norley Corporation Inc.	500	100	--	--	500	100
Heywood Limited	500	100	--	--	500	100

Chapter 4 Capital Overview

I. Capital and Shares

(I) Sources of capital

1. Sources of capital and types of stock

May 13, 2020

Year/Month	Par Value (NTD)	Authorized Capital		Paid-in Capital		Notes		
		Shares	Amount (NTD)	Shares	Amount (NTD)	Source of capital (NTD)	Capital Increase by Assets other than Cash	Date of Approval & Official Letter No.
1989.05	10	110,000,000	1,100,000,000	110,000,000	1,100,000,000	Common stock public offering	--	Note 1
1991.11	10	200,000,000	2,000,000,000	147,000,000	1,470,000,000	Capital increase by cash 95,000,000 Capital increase by capital surplus 165,000,000 Capital increase by retained earnings 110,000,000	--	Note 2
1992.12	10	220,000,000	2,200,000,000	180,000,000	1,800,000,000	Capital increase by cash 183,000,000 Capital increase by capital surplus 147,000,000	--	Note 3
1993.08	10	258,000,000	2,580,000,000	207,000,000	2,070,000,000	Capital increase by capital surplus 90,000,000 Capital increase by retained earnings 180,000,000	--	Note 4
1994.01	10	280,000,000	2,800,000,000	233,500,000	2,335,000,000	Capital increase by cash 265,000,000	--	Note 5
1995.08	10	320,000,000	3,200,000,000	268,525,000	2,685,250,000	Capital increase by capital surplus 233,500,000 Capital increase by retained earnings 116,750,000	--	Note 6
1996.07	10	320,000,000	3,200,000,000	287,321,750	2,873,217,500	Capital increase by capital surplus 187,967,500	--	Note 7
1997.07	10	420,000,000	4,200,000,000	301,687,838	3,016,878,380	Capital increase by capital surplus 143,660,880	--	Note 8
1998.07	10	450,000,000	4,500,000,000	331,856,622	3,318,566,220	Capital increase by capital surplus 150,843,920 Capital increase by retained earnings 150,843,920	--	Note 9
1999.08	10	450,000,000	4,500,000,000	348,449,454	3,484,494,540	Capital increase by capital surplus 58,074,910 Capital increase by retained earnings 107,853,410	--	Note 10
2000.08	10	500,000,000	5,000,000,000	365,871,927	3,658,719,270	Capital increase by capital surplus 104,534,840 Capital increase by retained earnings 69,689,890	--	Note 11
2001.03	10	500,000,000	5,000,000,000	331,027,927	3,310,279,270	Treasury stocks repurchased and retired Capital decrease 348,440,000	--	Note 12
2002.03	10	500,000,000	5,000,000,000	314,477,927	3,144,779,270	Treasury stocks repurchased and retired Capital decrease 165,500,000	--	Note 13
2002.08	10	500,000,000	5,000,000,000	330,201,824	3,302,018,240	Capital increase by capital surplus 157,238,970	--	Note 14
2003.08	10	500,000,000	5,000,000,000	358,268,980	3,582,689,800	Capital increase by capital surplus 280,671,560	--	Note 15
2004.07	10	500,000,000	5,000,000,000	403,052,603	4,030,526,030	Capital increase by retained earnings 447,836,230	--	Note 16
2006.08	10	700,000,000	7,000,000,000	483,663,124	4,836,631,240	Capital increase by retained earnings 806,105,210	--	Note 17
2008.08	10	700,000,000	7,000,000,000	568,304,171	5,683,041,710	Capital increase by retained earnings 846,410,470	--	Note 18
2019.10	10	700,000,000	7,000,000,000	585,353,297	5,853,532,970	Capital increase by retained earnings 170,491,260	--	Note 19

Note 1:1989.05.30 Order No. (78) Taiwan-Finance-Securities-(I) 01150	Note 11: 2000.07.12 Order No. (89) Taiwan-Finance-Securities-(I) 59331
Note 2:1991.09.10 Order No. (80) Taiwan-Finance-Securities-(I) 02574	Note 12: 2000.11.21 Order No. (89) Taiwan-Finance-Securities-(III) 95365/
Note 3:1992.11.03 Order No. (81) Taiwan-Finance-Securities-(I) 02851 2001.03.02 Order No. (90) Taiwan-Finance-Securities-(III) 110549	Note 13: 2002.02.04 Order No. (91) Taiwan-Finance-Securities-(III) 106717
Note 4:1993.07.21 Order No. (82) Taiwan-Finance-Securities-(I) 30667	Note 14: 2002.07.04 Taiwan-Finance-Securities-(I) 0910136690
Note 5:1993.10.28 Order No. (82) Taiwan-Finance-Securities-(I) 40153	Note 15: 2003.07.08 Taiwan-Finance-Securities-(I) 0920130021
Note 6:1995.06.23 Order No. (84) Taiwan-Finance-Securities-(I) 37195	Note 16: 2004.06.23 Taiwan-Finance-Securities-(I) 0930127384
Note 7:1996.06.26 Order No. (85) Taiwan-Finance-Securities-(I) 39833	Note 17: 2006.07.14 Financial-Supervisory-Securities-I-095013054
Note 8:1997.06.27 Order No. (86) Taiwan-Finance-Securities-(I) 51678	Note 18: 2008.07.10 Financial-Supervisory-Securities-I-0970034522
Note 9:1998.06.25 Order No. (87) Taiwan-Finance-Securities-(I) 55244	Note 19: 2019.10.18 Economic-Affairs-Commerce-10801143060
Note 10:1999.07.06 Order No. (88) Taiwan-Finance-Securities-(I) 61517	

May 13, 2020

Types of Stock	Authorized Share Capital (Unit: Share)			Notes
	Outstanding shares	Unissued shares	Total	
Common stock	585,353,297 (Listed stock)	114,646,703	700,000,000	-

2. Information on shelf registration: Not applicable.

(II) Shareholder Structure

April 21, 2020

Shareholder structure / Quantity	Government agencies	Financial institutions	Other institutional shareholders	Foreign institutions and foreign natural persons	Domestic natural persons	Total
Number of shareholders	2	7	183	161	64,204	64,557
Shares held	290	36,540,716	16,142,304	194,783,879	337,886,108	585,353,297
Shareholding percentage	0.00%	6.24%	2.76%	33.28%	57.72%	100%

Note: Primary TWSE-listed and emerging stock companies shall disclose shareholding ratios by investments from Mainland China: None.

(III) Shareholding Distribution Status

April 21, 2020

Shareholding range	Number of shareholders	Shares held	Shareholding percentage
1 to 999	33,554	2,584,064	0.44%
1,000 to 5,000	19,339	39,673,386	6.78%
5,001 to 10,000	5,125	33,964,956	5.80%
10,001 to 15,000	2,531	28,993,761	4.95%
15,001 to 20,000	919	15,826,701	2.70%
20,001 to 30,000	1,174	27,518,335	4.70%
30,001 to 40,000	502	16,900,698	2.89%
40,001 to 50,000	322	14,172,477	2.42%
50,001 to 100,000	603	41,473,466	7.09%
100,001 to 200,000	260	34,468,099	5.89%
200,001 to 400,000	129	36,382,637	6.22%
400,001 to 600,000	33	15,973,117	2.73%
600,001 to 800,000	13	9,085,024	1.55%
800,001 to 1,000,000	8	6,910,235	1.18%
1,000,001 or more	45	261,426,341	44.66%
Total	64,557	585,353,297	100.00%

(IV) List of Major Shareholders

April 21, 2020

Shareholding	Shares held	Shareholding ratio
CTBC Bank Co., Ltd. in Custody for Hemao Investment Co., Ltd.	58,359,800	9.97%
Fubon Life Insurance Co., Ltd.	27,507,180	4.70%
CTBC Bank Co., Ltd. in Custody for New Main Limited	20,698,328	3.54%
CTBC Bank Co., Ltd. in Custody for Solar Shipping Agency Ltd.	18,363,398	3.14%
CTBC Bank Co., Ltd. in Custody for Uppercrest Enterprises Limited	11,724,694	2.00%
CTBC Bank Co., Ltd. in Custody for Maxihon Company Limited	11,337,887	1.94%
CTBC Bank Co., Ltd. in Custody for Asia Shipping Limited	11,333,605	1.94%
CTBC Bank Co., Ltd. in Custody for Orient Dynasty Ltd.	9,539,761	1.63%
Norges Bank	8,529,010	1.46%
CTBC Bank Co., Ltd. in Custody for MacDowell Limited	7,624,575	1.30%

(V) Market Price, Net Worth, Earnings, Dividends and other Information in the Most Recent Two Fiscal Years:

Unit: NTD

Item		Year	2018	2019	Current year as of May 13, 2020
Market price per share	Highest (before retrospectively adjusted) (Note 7)		21.90	18.20	17.00
	Highest (after retrospectively adjusted) (Note 7)		21.26	17.67	17.00
	Lowest (before retrospectively adjusted) (Note 7)		14.70	15.05	9.45
	Lowest (after retrospectively adjusted) (Note 7)		14.27	14.61	9.45
	Average (before retrospectively adjusted) (Note 7)		17.09	16.22	13.60
	Average (after retrospectively adjusted) (Note 7)		16.59	15.75	13.60
Net worth per share	Before distribution		27.73	26.48	26.30 (Note 6)
	After distribution		27.53	25.98 (Note 1)	(Note 5)
Earnings per share	Weighted average shares (thousand shares)	Before retrospectively adjusted	568,304	585,353	585,353 (Note 6)
		After retrospectively adjusted	585,353		
	Earnings per share	Before retrospectively adjusted	0.11	0.15	0.07 (Note 6)
		After retrospectively adjusted	0.11		
Dividends per share (Note 1)	Cash dividends		0.20	0.50	(Note 5)
	Stock dividends	Dividends from retained earnings	0.30	-	〃
		Dividends from capital surplus	-	-	〃
	Accumulated undistributed dividends		-	-	〃
Return on investment	Price/Earnings ratio (Note 2)		155.36	108.13	〃
	Price/Dividend ratio (Note 3)		85.45	32.44	〃
	Cash dividend yield rate (Note 4)		0.01	0.03	〃

Note 1: Apart from the of 2019 earnings distribution plan proposed by the Board of Directors in 2020 but not yet resolved by the shareholders' meeting, the distribution of the other year’s earnings are listed in accordance with the resolution of the shareholders' meeting in the year after.

Note 2: Price/Earnings ratio = Average closing price for each share of the year/Earnings per share

Note 3: Price/Dividend ratio = Average closing price per share of the year/Cash dividends per share.

Note 4: Cash dividend yield rate= Cash dividend per share/Average closing market price per share in the same fiscal year

Note 5: Not applicable as earnings remain undistributed as of this date.

Note 6: 2020 Q1 information reviewed by CPAs.

Note 7: All annual market price have been retrospectively adjusted according to year to year shares increase due to capital increase by earnings and capital surplus.

(VI) The Company's Dividend Policy and Its Implementation Status:

1. Dividend policy stipulated in the Company's Articles of Incorporation: Based on the Company's Articles of Incorporation, the Company's net income (less income taxes and prior years' losses, if any) is appropriated in the following order:
   (a) 10% for legal reserve.(except for the balance up to the authorized capital amount)
   (b) Appropriation/Reverse of special reserve.
   (c) Appropriation of remaining earnings according to the resolution of the Board of Directors and stockholders.

   Provided that full or part of the distributable dividends and bonus, capital surplus or legal reserve are distributed in the form of cash, the regulation in relation to approval from the shareholders for the above is not applicable.

   The Company's industry is well developed and capital intensive with regular major capital expenditure. In accordance with the Company's Articles of Incorporation, the dividend policy adopts a stable distribution policy based on the Company's earnings and in consideration of future capital demand. Earnings may be retained or distributed in the form of stock dividend, cash dividend, or stock and cash dividend. If the earnings are distributed in the form of stock and cash dividend, cash dividend will be no less than 30% to facilitate the Company's sustainable operation and development. The conditions, timing, amount, and type of the aforesaid dividend are subjected to timely and appropriate adjustment regarding the response of changes in economic and industry conditions, and in consideration of future development demands and profitability of the Company.
2. The proposal for the distribution of dividend at this shareholders' meeting: Cash dividend of NT$0.50 per share.
3. Expected material change in dividend policy: None.

(VII) Effect upon Business Performance and Earnings per Share of any Stock Dividend Distribution Proposed or Adopted at the most Recent Shareholders' Meeting:

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.

(VIII) Compensation of Employees, Directors, and Supervisors

1. In accordance with the Company's Articles of Incorporation, the ratio of distributable profit of the current year, after covering accumulated loss, shall be distributed as employee's compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not higher than 5% for directors' and supervisors' remuneration. The proposal of the distribution shall be approved by a majority vote of a meeting of the Board of Directors attended by two-thirds or more of all the directors and be reported at the shareholders' meeting.
2. The basis for estimating the amount of employees, directors, and supervisors' remuneration, for calculating the number of shares to be distributed as employees' remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:
   The basis for estimating the amount of compensation for the employees, directors, and supervisors for the current period is stipulated in the Company's Article of Incorporation and the estimated amount based on past experience. Any difference between the actual distributed amount and the estimated amount in the resolution will be then accounted as the profit or loss of the following year. If employees' compensation is paid by shares, the basis for calculation of the number of shares is the closing price on the previous day of the resolution of the Board of Directors.
3. Information on any approval by the Board of Directors of distribution of compensation:
   (1) The compensation for the employees and for the directors and supervisors are both NT$3,904,868 (all distributed in cash), without any discrepancy from the estimated amount.
   (2) The ratio of employee compensation in the form of stock to the net profit after tax in the parent company only financial statements and the total amount of employee compensation: Not applicable as no employee compensation is distributed in stocks.
4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the aforesaid and the recognized employee, director, or supervisor compensation, the discrepancy, cause, and how it is handled:

Distribution Item	Actual distributed amount as resolved by the shareholders' meeting		Proposed distributed amount by the Board of Directors		Amount of discrepancy	Reasons for discrepancy
	Number of shares	Amount (NTD)	Number of shares	Amount (NTD)		
I. Cash bonus for employees	0	3,119,585	0	3,119,585	--	--
II. Compensation for directors and supervisors	0	3,119,585	0	3,119,585	--	--

(IX) Company Share Repurchase Status: None.

II. Corporate Bonds (Including Overseas Corporate Bonds): None.
III. Preferred Shares: None.
IV. Global Depository Shares: None.
V. Employee Stock Options: None.
VI. New Restricted Employee Shares: None.
VII. Status of Mergers and Acquisitions (including Consolidations, Acquisitions, and Demergers): None.
VIII. Implementation of the Company's Capital Allocation Plans:
   (I) Plan details: The Company has not issued public or private offering of securities in the most recent three years.
   (II) Implementation status: None.

Chapter 5 Operational Highlights

I. Business Activities

(I) Scope of business

1. Business operation of the Group
   (1) Bulk shipping
   (2) Tug and barge service
   (3) Shipping agency
   (4) The other businesses not prohibited or restricted by law besides permitted businesses
2. Operating income of the Group (including discontinued business) from the two most recent fiscal years

Unit: Thousand NTD

Year / Operating revenue / Type	2019		2018	
	Amount	%	Amount	%
Bulk carrier	$ 3,191,840	73.93	$ 3,100,741	82
Oil tanker	1,103,222	25.55	669,194	18
Management service	22,179	0.52	2,568	--
Supervision revenue	--	--	579	--
Total	$ 4,317,241	100	$ 3,773,082	100

3. New services currently in development
   To increase the overall fleet capacity and maintain the young age of the fleet, the Company duly conducts vessel repair and maintenance, fleet expansion, and vessel replacement plans. Business performance is enhanced by asset activation in line with the strategic operation plan, along with plans for cost control and decrease of management risk. Besides expanding the number of vessels in the fleet and diversifying vessel types, shipyards in line with the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships and that prohibit or restrict the use of hazardous materials will be prioritized when the Company searches for shipyards to construct new vessels. Hopefully, the latest environmentally friendly vessels will be introduced to our fleet.

(II) Overview of the industry

1. Current shipping status and development
   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 (knows 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.

2. Relevance between upstream to downstream shipping

The shipping market is closely related to global overall economy. Shipping is greatly demanded when global economy develop properous, and to be low in demand during economic downturn when transports are stalemate. When the shipping market is still in recovery, slumped new ship orders on shipyards will result in a drop for steel and steel plates demand. Steel industry relevant to bulk carriers perform mediocre at best and may curb production.

Shipping market cycle can be roughly categorized into depression, recovery, boom and prosperity. Each cycle is around 7 to 10 years. In between, oil production policies from OPEC, new regulations from international conventions, global economic strategy from China or fluctuations in exchange and interest rate all closely pertain to the shipping market.

The depressive bulk shipping market impacts the operation of ship-owners, while the increase in fuel cost pours oil on fire. In 2017, oil producing nations OPEC reached an agreement in reducing production to boost price. However, OPEC concerns in the competitive disadvantage due to resumption of shale oil production resulting from over increase in oil price have staved off a continuously climb, which relieves pressure on shipping cost.

The shipping industry has currently come across multiple challenges, including a difficult business market and responsibilities in reducing pollution.

Shipping is a labor exporting industry, where business profit will be eroded by surges in NTD appreciation. Shipping operators with higher loan ratios often face greater financial burden with climbing interest rates.

3. Shipping Development Trend

The United States and China are two superpowers which has become the world’s two largest economic entity. Their GDP can be perceived as an indicator on development of the global economy. The movements from these entities are enough to influence world economic developments. With impact from the “Made in China 2025” and “One Belt One Road” policy of China on the “Make America Great Again” policy of the United States coupled with the major trade surplus by China, U.S. President Trump announced an increased tariff imposed on steel and aluminum importing from China on Mar 2018. The China ministry of commerce immediately made counter measures, which prolonged trade negotiation and demanded attention from the world. The effect on overall global economy from the result of China-US trade war is a nightmare for shipping industry worldwide.

4. Shipping Competition

Bulk carrier operation is a free competition industry worldwide which differs from the container ship business that operates by consortium and slot chartering; though during bulk shipping downturn and sluggish market, the ship owners with similar fleet types and deadweight and scale will form an operation alliance entity (Pool) for joint management to reduce competition and stabilize shipping market.

(III) Technologies and recent R&D efforts

The Group focuses on shipping operation and does not allocate expenditure for research and development.

(IV) Long-term and short-term business development plans

1. Short-term
   (1) Plan the flexible strategies of spot operation for vessels or short, mid or long-term charter depending on the market status to ensure profitability.
2. Long-term
   (1) Rigorous control of quality and cost on vessel maintenance and crew service, with prudent execution of short-term, long-term and spot contracts.
   (2) Closely monitor and analyze the dynamic trends of international shipping market. Carefully select reputed charterer to ensure shipowners' rights and interests.
   (3) Keep up-to-date information on secondhand vessel market for timely disposal of the Company's and the Group's older vessels, and continue with the vessel replacement plan.
   (4) Strict control on cost, maintain the operational performance of the fleet to increase profitability, with emphasis on both business expansion and cost reduction.

II. Analysis of the Market as well as Production and Marketing Situation

(I) Market analysis

1. Operating vessels:

The Group primarily operates crude oil and bulk carrier shipping. The list of the current fleet is as below:

(1) Parent company Sincere Navigation Corporation fleet

Vessel name	Quantity	DWT	Type	Built in
Madonna III	1	53,390	Double Hull Handymax Bulker	2007

(2) Subsidiaries Norley Corporation inc. and Heywood Limited fleet

Vessel name	Quantity	DWT	Type	Built in
Georgiana	1	53,383	Double Hull Handymax Bulker	2008
Oceana	1	81,594	Kamsarmax	2014
Palona	1	81,676	Kamsarmax	2014
Mineral Antwerpen	1	172,424	Capesize Bulker	2003
Huang Shan	1	175,980	Capesize Bulker	2003
Chin Shan	1	175,569	Capesize Bulker	2004
Chou Shan	1	175,569	Capesize Bulker	2005
Bao Shan	1	175,009	Capesize Bulker	2006
Heng Shan	1	174,145	Capesize Bulker	2007
Yue Shan	1	177,798	Capesize Bulker	2009
Mineral Oak	1	177,921	Capesize Bulker	2010
Tai Shan	1	176,469	Capesize Bulker	2011
Tien Shan	1	250,327	VLOC	2018
Maxim	1	296,887	VLCC	2011
Kondor	1	296,714	VLCC	2012
Elbhoff	1	300,837	VLCC	2017
Total	16	2,942,302		

2. Shipping routes

The Group operates the transport of bulk cargo such as iron ore, coal and crude oil. Shipping routes without fixed schedules are arranged with appropriate shipping tonnage so that all vessels are utilized at full loading capacity to maximize operating income.

3. Major clients

Name of clients	Shipping content
Rio Tinto Singapore Holdings Pte Ltd	Iron ore
BHP Singapore	Iron ore

4. Market status and important factors for development visions

Favorable factors:

(1) Fleet size and reputation

The Group is one of the largest bulk carrier company in the country. As of now, the fleet is sufficiently scaled at a total DWT of approximately 3 million metric tons, and this is a scale that is able to gain confidence from the top-tier clients in the world. Securing long-term and short-term contracts as well as the firm and stable operation give the Group excellent reputation not only in the domestic market, but especially in the international market.

(2) Stable clients

Our major clients include notable domestic and global iron ore suppliers, steel companies, and shipping industry operators. Thus, there has been no breach of contract even during a recession. The Group flexibly adopts spot operation and short, mid or long-term leases as a basis for the business to move towards positive development.

(3) Experienced in shipping operation

The Group has 50 years of history and has endured numerous volatile moments of the shipping industry by consistently making breakthroughs. The experienced and pioneering attributes of the management team contributed to the Company's continuous growth and prosperity.

(4) Fleet expansion, revenue growth, and profit increase

Fleet expansion and vessel replacement are consistent policies of the Group. The Company retains good relationship with shipyards to remain at the forefront of shipbuilding developments and pricing of new vessels, in hopes to add new vessels and expand the fleet transport capacity at the best opportunities.

(5) Stable oil price

International oil prices are currently stable. The spot contract vessels adopts economical speed to reduce fuel consumption, while the relatively stable oil prices ease additional burden in fuel cost.

Unfavorable factors

(1) Risk from exchange rate fluctuation

A significant portion of the Group's income are accounted in US dollars. However, some of operating cost of the Group are also paid in US dollars, which considerably offsets the risk of exchange rate fluctuation.

(2) Risk from interest rate fluctuation

Shipping companies with higher debt ratios often face greater financial burden with climbing interest rates. However, the condition of loans for the Group's fleet are extremely favorable, providing modification and balance to future risk from interest rate fluctuation.

(3) Status of supply and demand of the vessels

Shipping vessels are gradually increasing in size. 200,000-ton (Newcastlemax) vessels are mainstream for newly built Capesize ships. As the number of over-aged vessels decline globally, the vessels suitable for demolition are also reduced. As a result, the DWT of young ships increased rapidly, which will depress the bulk shipping market should the global economy remain stagnate. This situation will cause bulk carrier capacity to exceed trade demand in 2019 and develop into a "supply over demand" scenario.

In summary:

The Company upholds solid operation policy with managing vessel assets with prudence to deliver a stable and profuse profits over the past few years. A continuous profit streak is expected this year (2020) with the risk of market uncertainties evaded. Meanwhile, in response to volatile market changes, business operations for time charter contracts is adapted with spot market to adapt to the business model after the expiration of long-term contracts. With responsible and professional leadership from the Company's management team, a competitive advantage can be maintained in a fluctuating shipping market, and strive for a long-term maximization of profit for the Company and its shareholders alike.

(II) Usage and manufacturing processes for the Company's main products: Please refer to (I) Market analysis for details.

(III) Supply status of main raw materials:
Not applicable as the Group operates mainly in shipping transport.

(IV) List of clients accounting for 10 percent or more of the Company's total procurement (sales) amount in the most recent two fiscal years:

1. List of clients accounting for 10 percent or more of the Company's total procurement amount in the most recent two fiscal years: Not applicable.
2. List of clients accounting for 10 percent or more of the Company's total sales amount (including discontinued departments) in the most recent two fiscal years:

	2018				2019				2020 Q1			
Item	Name	Amount (Thousand NTD)	Percentage to net sales of goods for the year (%)	Relationship with the issuer	Name	Amount (Thousand NTD)	Percentage to net sales of goods for the year (%)	Relationship with the issuer	Name	Amount (Thousand NTD)	Percentage to net sales up to the previous quarter of the current year (%)	Relationship with the issuer
1	BHP Singapore	$770,690	20.43	None	Tankers International	$1,103,222	25.55	None	Tankers International	$514,699	43.22	None
2	Tankers International	669,194	17.74	None	BHP Singapore	771,536	17.87	None	BHP Singapore	252,127	21.17	None
3	Rio Tinto Shipping (Asia)	647,482	17.16	None	Rio Tinto Shipping (Asia)	484,520	11.22	None	Rio Tinto Shipping (Asia)	128,420	10.78	None
	Net sales	2,087,366	55.33		Net sales	2,359,278	54.64		Net sales	895,246	75.17	

Reasons for the increases and decreases: Currently, bulk carriers mainly operate in the spot market, and there are no major changes in terms of major clients. Oil tankers benefit from the increase in market freight rates, causing the ranking of Tankers International to go up.

(V) Production volume and value in the most recent two fiscal years:
Not applicable as the Group operates mainly in shipping transport.

(VI) Sales volume and value in the most recent two fiscal years:

1. Sales value: Please refer to I. Business Activities for details.
2. Sales volume:

	2018	2019
Voyage charter	7,099,500.00 DWT	8,504,284.71 DWT
Time charter	4,189.45 days	3,642.87 days

III. Employee Information

Information on employees in the two most recent fiscal years and during the current fiscal year up to the date of publication of the annual report

		2018	2019	Current year (as at May 13, 2020)
Number of employees	Staff member	24	25	25
	Crew member	307	308	315
	Total	331	333	340
Average age		40.77	41.92	42.03
Average year of service		15.59	16.96	17.36
Education level distribution	Ph.D.	0.00	0.00	0.00
	Master	2.11	2.52	2.35
	Bachelor and associate degrees	54.98	49.21	50.88
	High school	22.05	21.77	19.71
	Below high school	20.85	26.50	27.06

IV. Disbursements for Environmental Protection

(I) Total losses for environmental pollution for the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report: None.

(II) Responsive measures:
The Group stipulated that all carriers must be equipped with sewage treatment machine, oil water separator, and oil waste incinerator for sewage and oil waste treatment so as to prevent the sewage and oil from polluting oceans and harbor areas.

(III) The Group operates in the shipping industry and is not affected financially or business wise by the implementation of the EU Restriction of Hazardous Substances (RoHS) Directive.

V. Labor Relations

(I) Employee welfare benefits, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:

1. Employee welfare benefits:
The Group treats the crew well, offering top-tier salary and meals, paying attention to their work-life balance, health care, and taking good care of the family of crew members so that they can focus on their jobs. In addition, employee tours and holiday gatherings are held to enhance the harmonious relationship between the labor and the management.

2. Employee retirement system:
From January 1, 1987, Employee Retirement Regulation is stipulated for formal employee (excluding contracted crew). Employee retirement pensions are disbursed in accordance to the calculation method stated in the Labor Standards Act. The labor pension reserve fund is contributed annually in consideration of operational status and deposited in labor pension reserve accounts with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee, specifically for the purpose retirement pension disbursement. From July 1, 2005, employee opting to be governed by the Labor Pension Act will be appropriated a monthly labor pension of no less than 6% of salaries and wages to the employees' personal accounts in Bureau of Labor Insurance.
Haihu Maritime Service (Shanghai) Co., Ltd., the Company’s third-tier subsidiary in mainland China, contributes monthly endowment insurance from a set ratio of local employee salary in accordance to regulation of the People’s Republic of China. All employee pensions are managed and arranged by the government. The Company has no further obligations besides monthly contribution.

3. Implementation status:
The Group conducts proper welfare policies. Retirees are entitled to pension pursuant to the Company's Employee Retirement Regulations. Labor-management have maintained a favorable relationship with no major disputes.

4. Work environment and employee safety protection measures:
   The Company provides employees with a safe and healthy work environment and conducts work items as follows:
   (1) Periodic employee health checks and provides health guidebooks.
   (2) Accident/Casualty insurance for all employees.
   (3) Perennial hiring of doctors to provide medical consultancy.
   (4) Crew members are offered fair employment contracts and obtain full work compensations.
   (5) Crew members are properly trained and qualified for onboard duties.
   (6) Crew members are entitled to sufficient day-offs for onshore repose for the sake of health, welfare, and good operation of their job duties.
   (7) Crew members enjoy standard work and rest hours onboard.
   (8) Vessels are equipped with appropriate living quarters and leisure facilities for the crew members.
   (9) The Company protects the health of crew members and ensures their prompt access to medical treatment both onshore and offshore.

(II) List any loss sustained as a result of labor disputes in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, and disclose an estimate of losses incurred to date or likely to be incurred in the future and its mitigation measures: None.

VI. Important Contracts

(I) The Group's long-term shipping operation contract with effective duration: None.

(II) Long-term loan contract: Please refer to Page 95 for details.

Chapter 6 Financial Information

I. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years

(I) Condensed Balance Sheet and Comprehensive Income Statements

1. Condensed Balance Sheet (Consolidated) - International Financial Reporting Standards (IFRSs)

Unit: Thousand NTD

Item \ Year		Financial summary for the last five years (Note 1)					Financial information for the current fiscal year as of March 31, 2020
		2015	2016	2017	2018	2019	(Note 2)
Current assets		6,476,700	5,942,916	4,769,643	4,903,256	5,283,761	5,285,186
Property, plant and equipment		21,877,946	19,630,667	19,118,693	19,457,434	17,919,541	17,730,809
Intangible assets		-	-	-	-	-	-
Other assets		33,016	13,353	13,358	67,788	99,583	97,417
Total assets		28,387,662	25,586,936	23,901,694	24,428,478	23,302,885	23,113,412
Current liabilities	Before distribution	2,930,956	2,625,709	2,513,366	2,406,994	2,077,457	2,236,408
	After distribution	3,499,260	3,023,522	2,854,349	2,520,655	2,370,134 (Note 4)	(Note 3)
Non-current liabilities		5,893,334	4,392,982	4,297,182	4,518,033	4,522,731	4,259,599
Total liabilities	Before distribution	8,824,290	7,018,691	6,810,548	6,925,027	6,600,188	6,496,007
	After distribution	9,392,594	7,416,504	7,151,531	7,038,688	6,892,865 (Note 4)	(Note 3)
Equity attributable to shareholders of the parent		17,128,750	16,817,244	15,480,710	15,759,806	15,497,836	15,392,088
Share capital		5,683,042	5,683,042	5,683,042	5,683,042	5,853,533	5,853,533
Capital surplus		49,593	49,593	51,025	52,247	241,989	242,611
Retained earnings	Before distribution	11,085,681	11,114,779	11,226,252	10,948,787	10,752,245	10,501,823
	After distribution	10,517,377	10,716,966	10,885,269	10,835,126	10,459,568 (Note 4)	(Note 3)
Other equity interest		310,434	(30,170)	(1,479,609)	(924,270)	(1,349,931)	(1,205,879)
Treasury stock		-	-	-	-	-	-
Non-controlling interest		2,434,622	1,751,001	1,610,436	1,743,645	1,204,861	1,225,317
Total equity	Before distribution	19,563,372	18,568,245	17,091,146	17,503,451	16,702,697	16,617,405
	After distribution	18,995,068	18,170,432	16,750,163	17,389,790	16,410,020 (Note 4)	(Note 3)

Note 1: All financial information for 2015-2019 have been audited by CPA.

Note 2: All financial information as of 2020 Q1 have been reviewed by CPA.

Note 3: No earnings distribution up to date.

Note 4: Except for the cash dividend distribution case, which has been approved by the Board of Directors and only required to be reported at the shareholders' meeting, the 2019 earnings distribution plan has not yet been resolved by the shareholders' meeting.

2. Comprehensive Income Statements (Consolidated) - International Financial Reporting Standards (IFRSs)

Unit: Thousand NTD
(Except for earnings per share in NTD)

Item \ Year	Financial summary for the last five years (Note 1)					Financial information for the current fiscal year as of March 31, 2020 (Note 2)
	2015	2016	2017	2018	2019	
Operating revenue	5,063,606	3,580,467	3,331,863	3,773,082	4,317,241	1,190,977
Net operating margin	1,924,398	959,325	870,872	512,927	588,950	151,445
Operating profit	1,736,088	832,940	745,387	353,832	363,676	105,153
Non-operating income and expenses	(143,528)	(71,866)	(13,753)	(233,014)	(168,702)	(54,697)
Net income before tax	1,592,560	761,074	731,634	102,818	194,974	50,456
Net income from continuing operations	1,323,123	583,525	650,476	84,847	160,938	52,622
Net income from discontinued operations	41,082	325,231	6,835	-	-	-
Net income	1,364,205	908,756	657,311	84,847	160,938	52,622
Other comprehensive income(loss) (net, after tax)	766,013	(385,026)	(1,589,998)	611,386	(455,733)	154,141
Total comprehensive income(loss)	2,130,218	523,730	(932,687)	696,233	(294,795)	206,763
Net income attributable to shareholders of the parent	944,393	600,146	511,396	61,777	88,316	42,255
Net income attributable to non-controlling interest	419,812	308,610	145,915	23,070	72,622	10,367
Total comprehensive income(loss) attributable to owners of the parent	1,618,929	256,798	(940,153)	618,857	(338,051)	186,307
Total comprehensive income attributable to non-controlling interests	511,289	266,932	7,466	77,376	43,256	20,456
Earnings per share (NTD)	1.61	1.02	0.87	0.11	0.15	0.07

Note 1: All financial information for 2015-2019 have been audited by CPA.
Note 2: All financial information as of 2020 Q1 have been reviewed by CPA.

3. Condensed Balance Sheet (Parent Company Only) - International Financial Reporting Standards (IFRSs)

Unit: Thousand NTD

Item	Year	Financial summary for the last five years (Note 1) 2015	2016	2017	2018	2019	Financial information for the current fiscal year as of March 31, 2020
Current assets		124,283	274,195	292,250	274,746	411,505	Not applicable because no parent company only financial statements have been issued.
Property, plant and equipment		740,086	682,560	639,523	579,463	519,323	
Intangible assets		-	-	-	306	204	
Other assets		19,366,694	18,824,302	17,218,904	17,509,038	17,282,617	
Total assets		20,231,063	19,781,057	18,150,677	18,363,553	18,213,649	
Current liabilities	Before distribution	2,714,479	2,706,651	2,547,529	2,528,002	2,616,629	
	After distribution	3,282,783	3,104,464	2,888,512	2,641,663	2,909,306 (Note 2)	
Non-current liabilities		387,834	257,162	122,438	75,745	99,184	
Total liabilities	Before distribution	3,102,313	2,963,813	2,669,967	2,603,747	2,715,813	
	After distribution	3,670,617	3,361,626	3,010,950	2,717,408	3,008,490 (Note 2)	
Equity attributable to owners of the parent		-	-	-	-	-	
Share capital		5,683,042	5,683,042	5,683,042	5,683,042	5,853,533	
Capital surplus		49,593	49,593	51,025	52,247	241,989	
Retained earnings	Before distribution	11,085,681	11,114,997	11,226,252	10,948,787	10,752,245	
	After distribution	10,517,377	10,717,184	10,885,269	10,835,126	10,459,568 (Note 2)	
Other equity interest		310,434	(30,170)	(1,479,609)	(924,270)	(1,349,931)	
Treasury stock		-	-	-	-	-	
Non-controlling interest		-	-	-	-	-	
Total equity	Before distribution	17,128,750	16,817,244	15,480,710	15,759,806	15,497,836	
	After distribution	16,560,446	16,419,431	15,139,727	15,646,145	15,205,159 (Note 2)	

Note 1: All financial information for 2015-2019 have been audited by CPA.

Note 2: Except for the cash dividend distribution case, which has been approved by the Board of Directors and only required to be reported at the shareholders' meeting, the 2019 earnings distribution plan has not yet been resolved by the shareholders' meeting.

4. Comprehensive Income Statements (Parent Company Only) - International Financial Reporting Standards (IFRSs)

Unit: Thousand NTD
(Except for earnings per share in NTD)

Item \ Year	Financial summary for the last five years (Note)					Financial information for the current fiscal year as of March 31, 2020
	2015	2016	2017	2018	2019	
Operating revenue	61,974	58,968	78,667	97,242	78,976	Not applicable because no parent company only financial statements have been issued.
Net operating margin	(85,340)	(73,604)	(54,292)	(28,054)	(61,315)	
Operating loss	(195,247)	(183,849)	(166,450)	(117,739)	(154,659)	
Non-operating income and expenses	1,409,077	961,544	759,004	215,487	276,907	
Net income before tax	1,213,830	777,695	592,554	97,748	122,248	
Net income from continuing operations	944,393	600,146	511,396	61,777	88,316	
Net income from discontinued operations	-	-	-	-	-	
Net income	944,393	600,146	511,396	61,777	88,316	
Other comprehensive income(loss) (net, after tax)	674,536	(343,348)	(1,451,549)	557,080	(426,367)	
Total comprehensive income(loss)	1,618,929	256,798	(940,153)	618,857	(338,051)	
Net income attributable to owners of the parent	944,393	600,146	511,396	61,777	88,316	
Net income attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income(loss) attributable to owners of the parent	1,618,929	256,798	(940,153)	618,857	(338,051)	
Total comprehensive income attributable to controlling interests	-	-	-	-	-	
Earnings per share (NTD)	1.61	1.02	0.87	0.11	0.15	

Note: All financial information for 2015-2019 have been audited by CPA.

(II) Name of CPAs and Audit Opinions for the Last Five Years

Year	CPAs	Audit opinion
2015	Weng, Shih-Jung / Wang, Hui-Hsien	Unqualified opinion
2016	Weng, Shih-Jung / Wang, Hui-Hsien	Unqualified opinion
2017	Weng, Shih-Jung / Wang, Hui-Hsien	Unqualified opinion
2018	Weng, Shih-Jung / Lin, Yi-Fan	Unqualified opinion
2019	Weng, Shih-Jung / Lin, Yi-Fan	Unqualified opinion

II. Financial Analyses for the Past Five Fiscal Years

(I) Consolidated Financial Analysis - International Financial Reporting Standards (IFRSs)

Item (Note 3) \ Year		Financial Analyses for the Past Five Fiscal Years (Note 1) 2015	2016	2017	2018	2019	Current fiscal year as of March 31, 2020 (Note 2)
Financial structure (%)	Ratio of liabilities to assets	31.08	27.43	28.49	28.35	28.32	28.10
	Ratio of long-term capital to property, plant and equipment	116.36	116.97	111.87	113.18	118.45	117.74
Debt service ability (%)	Current ratio (Explanation 1)	220.98	226.34	189.77	203.71	254.34	236.32
	Quick ratio (Explanation 1)	217.32	222.71	184.84	189.73	239.35	228.38
	Times interest earned ratio	1,299.07	658.00	522.33	154.61	173.15	196.61
Operating ability	Accounts receivable turnover rate (times)	11.20	10.56	12.78	11.38	10.04	9.60
	Average days for cash receipts	32.58	34.56	28.56	32.07	36.35	38.02
	Turnover rate for property, plant and equipment (%)	23.21	17.25	17.20	19.56	23.10	26.73
	Total asset turnover rate (times)	17.61	13.27	13.47	15.61	18.09	20.53
Profitability	Asset return ratio (%) (Explanation 1)	5.13	3.79	3.24	1.08	1.57	0.41
	Equity return ratio (%) (Explanation 1)	7.18	4.77	3.69	0.49	0.94	0.32
	Ratio of income before tax to paid-in capital (%) (Explanation 1)	28.02	13.39	12.87	2.13	3.33	0.86
	Net profit ratio (%) (Explanation 1)	26.94	25.38	19.73	2.25	3.73	4.42
	Earnings per share (NTD) (Explanation 1)	1.66	1.06	0.90	0.11	0.15	0.07
Cash flow	Cash flow ratio (%) (Explanation 1)	108.42	93.38	74.68	49.51	89.66	13.06
	Cash flow sufficiency ratio (%) (Explanation 1)	115.28	161.04	135.16	116.83	143.04	146.91
	Cash reinvestment ratio (%) (Explanation 1)	10.25	8.20	6.92	3.86	8.25	1.40
Leverage	Operating leverage	1.77	2.55	2.64	4.77	4.76	4.22
	Financial leverage (Explanation 2)	1.08	1.20	1.30	2.67	3.74	1.99

Explain changes in financial ratios over the past two fiscal years. (Not required if the difference does not exceed 20%.)

1. Mainly benefited from the increase in oil tanker freight income, the cash inflow from operating activities was higher than that of the same period last year, and the net profit in this period also grew, so the relevant financial data showed a positive development.
2. Due to the increase in the financial cost of long-term liabilities resulting from the sale and leaseback transaction in this period, the financial leverage ratio has increased.

Note 1: All financial information for 2015-2019 have been audited by CPA.

Note 2: All financial information as of 2020 Q1 have been reviewed by CPA.

Note 3: The calculation formulas for financial analysis are on Page 64.

(II) Parent Company Only Financial Analysis - International Financial Reporting Standards (IFRSs)

Item		Financial analysis for the last five years (Note 1) 2015	2016	2017	2018	2019	Current fiscal year as of March 31, 2020
Financial structure (%)	Ratio of liabilities to assets	15.33	14.98	14.71	14.18	14.91	Not applicable because no parent company only financial statements have been issued.
	Ratio of long-term capital to property, plant and equipment	2,366.83	2,501.52	2,439.81	2,732.80	3,003.34	
Debt service ability (%)	Current ratio (Explanation 2)	4.58	10.13	11.47	10.87	15.73	
	Quick ratio (Explanation 2)	3.87	9.70	11.32	10.74	14.45	
	Times interest earned ratio (Explanation 1)	9,831.66	6,323.55	5,149.03	1,029.16	1,309.66	
Operating ability	Accounts receivable turnover rate (times) (Explanation 2)	113.40	66.90	26.95	7.74	3.12	
	Average days for cash receipts (Explanation 2)	3.22	5.46	13.54	47.16	116.99	
	Property, plant and equipment Turnover rate (times)	8.12	8.29	11.90	15.95	14.38	
	Total asset turnover rate (times)	0.32	0.29	0.41	0.53	0.43	
Profitability	Asset return ratio (%) (Explanation 1)	4.91	3.05	2.75	0.38	0.53	
	Equity return ratio (%) (Explanation 1)	5.69	3.54	3.17	0.40	0.57	
	Ratio of income before tax to paid-in capital (%) (Explanation 1)	17.43	13.68	10.43	1.72	2.09	
	Net profit ratio (%) (Explanation 1)	1,523.85	1,071.75	650.08	63.53	111.83	
	Earnings per share (NTD) (Explanation 1)	1.66	1.06	0.90	0.11	0.15	
Cash flow	Cash flow ratio (%) (Explanation 3)	9.41	31.46	25.14	11.30	1.38	
	Cash flow sufficiency ratio (%) (Explanation 3)	63.72	79.20	85.94	79.45	102.30	
	Cash reinvestment ratio (%) (Explanation 5)	(2.11)	1.66	1.81	1.79	(0.50)	
Leverage	Operating leverage (Explanation 4)	0.71	0.69	0.65	0.49	0.61	
	Financial leverage	0.94	0.94	0.93	0.92	0.94	

Explain changes in financial ratios over the past two fiscal years. (Not required if the difference does not exceed 20%.)

1. Mainly because the exchange rate of the New Taiwan dollar against the US dollar has risen compared with that of the same period last year, the foreign currency liabilities are more than the assets, causing profit on exchange and the increase of net profit before interest and tax.
2. The main reason is that the number of current year's revenue from voyage charter executed by sub-contracting it to the second-tier subsidiary who provides chartered ship service with the same contractual terms increase. The increase in the balance of contract asset causes the current ratio and quick ratio to increase, but the accounts receivable turnover rate decline and the number of turnover days increases.
3. In the current year, the back-to-back freights from the sub-contract with subsidiaries increase in the balance of affiliates payable. Although the net cash inflow of overall business activities decreased and the cash flow ratio declined, it was the self-revolving investment company that recognizes the relevant profitable income, and the cash flow adequacy ratio is still stable.
4. Due to the poor average freight rate of Madonna III this year, which eroded gross profit, the overall operating leverage slightly increased from that of the previous period.
5. Considering the weakness of the dry bulk market, the Company has no plan to invest in major capital expenditures during the recent year, so the cash reinvestment ratio decline.

Note 1: All financial information for 2015-2019 have been audited by CPA.

Note 2: The calculation formulas for financial analysis are on the next page:

1. Financial structure
   (1) Debt ratio = Total liabilities/Total assets
   (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + Non-current liabilities)/Net property, plant, and equipment

2. Debt service ability
   (1) Current ratio = Current assets/Current liabilities
   (2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liabilities
   (3) Times interest earned ratio = Earnings before interest and taxes/Interest expenses

3. Operating capability
   (1) Accounts receivable turnover rate (including accounts receivable and bills receivable from business activities) = Net sales/Balance of average accounts receivable in each period (including accounts receivable and bills receivable from business activities)
   (2) Average days for cash receipts = 365/Accounts receivable turnover
   (3) Turnover rate for property, plant and equipment = Net sales/Average net property, plant, and equipment
   (4) Total asset turnover rate = Net sales/Average total assets

4. Profitability
   (1) Asset return ratio = [Profit or loss after tax + Interest expenses × (1 - Tax rate)]/Average total assets
   (2) Equity return ratio = Profit or loss after tax/Average total equity
   (3) Net profit ratio = Profit or loss after tax/Net sales
   (4) Earnings per share = (Income attributable to owners of parent company - Preferred shares dividends)/Weighted average number of shares issued

5. Cash flow
   (1) Cash flow ratio = Net cash flows from operating activities/Current liabilities
   (2) Cash flow sufficiency ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Inventory increment + Cash dividends) for the most recent five years
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/(Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital)

6. Leverage
   (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses)/Operating income (Note 6)
   (2) Financial leverage = Operating income/(Operating income - Interest expenses)

III. Audit Committee's Review Report for the Most Recent Fiscal Year's Financial Statement

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-SUN

March 27, 2020

IV. Financial Statements for the Most Recent Year

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

<u>Description</u>

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.

<u>How our audit addressed the matter</u>

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

<u>Description</u>

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.

<u>How our audit addressed the matter</u>

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 commitee, 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.

Weng, Shih-Jung Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan
March 27, 2020

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	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 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	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 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)

	Items	Notes	Year ended December 31			
			2019		2018	
			AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(10) and 7	$ 4,317,241	100	$ 3,773,082	100
5000	**Operating costs**	6(14)(15) and 7	(3,728,291)	(86)	(3,260,155)	(87)
5900	**Net operating margin**		588,950	14	512,927	13
	Operating expenses	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	**Total operating expenses**		(225,274)	(5)	(159,095)	(4)
6900	**Operating profit**		363,676	9	353,832	9
	Non-operating income and expenses					
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	**Total non-operating income and expenses**		(168,702)	(4)	(233,014)	(6)
7900	**Profit before income tax**		194,974	5	120,818	3
7950	Income tax expense	6(16)	(34,036)	(1)	(35,971)	(1)
8200	**Profit for the year**		$ 160,938	4	$ 84,847	2
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
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)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(455,027)	(11)	609,645	16
8500	**Total comprehensive (loss) income for the year**		($ 294,795)	(7)	$ 696,233	18
	Profit (loss), attributable to:					
8610	Owners of the parent		$ 88,316	2	$ 61,777	2
8620	Non-controlling interest		72,622	2	23,070	-
			$ 160,938	4	$ 84,847	2
	Comprehensive income attributable to:					
8710	Owners of the parent		($ 338,051)	(8)	$ 618,857	16
8720	Non-controlling interest		43,256	1	77,376	2
			($ 294,795)	(7)	$ 696,233	18
	Earnings per share	6(17)				
9750	**Basic earnings per share (in dollars)**		$ 0.15		$ 0.11	
9850	**Diluted earnings per share (in dollars)**		$ 0.15		$ 0.11	

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						
	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	Financial statements translation differences of foreign operations	Total	Non-controlling interest	Total equity
For the year ended December 31, 2018												
Balance at January 1, 2018		$ 5,683,042	$ 39,243	$ 10,350	$ 1,432	$ 3,105,700	$ 30,170	$ 8,090,382	($ 1,479,609)	$ 15,480,710	$ 1,610,436	$ 17,091,146
Profit for the year		-	-	-	-	-	-	61,777	-	61,777	23,070	84,847
Other comprehensive income for the year		-	-	-	-	-	-	1,741	555,339	557,080	54,306	611,386
Total comprehensive income		-	-	-	-	-	-	63,518	555,339	618,857	77,376	696,233
Appropriations of 2017 earnings:	6(9)											
Legal reserve		-	-	-	-	51,140	-	(51,140)	-	-	-	-
Special reserve		-	-	-	-	-	1,449,439	(1,449,439)	-	-	-	-
Cash dividends		-	-	-	-	-	-	(340,983)	-	(340,983)	-	(340,983)
Change in non-controlling interest		-	-	-	-	-	-	-	-	-	55,833	55,833
Overdue unclaimed cash dividends		-	-	-	1,222	-	-	-	-	1,222	-	1,222
Balance at December 31, 2018		$ 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												
Balance at January 1, 2019		$ 5,683,042	$ 39,243	$ 10,350	$ 2,654	$ 3,156,840	$ 1,479,609	$ 6,312,338	($ 924,270)	$ 15,759,806	$ 1,743,645	$ 17,503,451
Profit for the year		-	-	-	-	-	-	88,316	-	88,316	72,622	160,938
Other comprehensive loss for the year		-	-	-	-	-	-	(706)	(425,661)	(426,367)	(29,366)	(455,733)
Total comprehensive income (loss)		-	-	-	-	-	-	87,610	(425,661)	(338,051)	43,256	(294,795)
Appropriations of 2018 earnings:	6(9)											
Legal reserve		-	-	-	-	6,178	-	(6,178)	-	-	-	-
Special reserve		-	-	-	-	-	(555,339)	555,339	-	-	-	-
Cash dividends		-	-	-	-	-	-	(113,661)	-	(113,661)	-	(113,661)
Stock dividends		170,491	-	-	-	-	-	(170,491)	-	-	-	-
Change in non-controlling interest		-	-	-	-	-	-	-	-	-	(393,051)	(393,051)
Overdue unclaimed cash dividends		-	-	-	753	-	-	-	-	753	-	753
Difference between consideration and carrying amount of subsidiaries acquired	6(18)	-	-	188,989	-	-	-	-	-	188,989	(188,989)	-
Balance at December 31, 2019		$ 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)

	Notes	For the years ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
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
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
CASH FLOWS FROM FINANCING ACTIVITIES			
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.

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

Sincere Navigation Corporation (the "Company") was incorporated in 1968 with an original capital of $1,000. On December 31, 1988, the Company was the surviving company in the merger with Karson and Tai Hsing Navigation Corporation to meet operating demands and further improve capital structure. The Company's shares have been listed on the Taiwan Stock Exchange since December 8, 1989. The Company and its subsidiaries (collectively referred herein as the "Group") are engaged in bulk shipping, tug and barge services, and operating a shipping agency.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 27, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' and 'lease liability' both by $2,098 with respect to the lease contracts of lessees on January 1, 2019.
C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
   (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
   (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
   (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $6,458 was recognised in 2019.
D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 3.27% to 5.01%.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

(d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

(a) Norley Corporation Inc. (Norley)

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

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Description
Norley	Poseidon Marine Ltd	Shipping	100%	100%	
"	Kenmore Shipping Inc.	Oil tanker	100%	100%	
"	Maxson Shipping Inc.	Shipping	100%	100%	
"	Ocean Wise Limited	Shipping	100%	51%	Note 1
"	Kingswood Co., Ltd. (Kingswood)	Investment holdings	50%	50%	Note 2
"	Winnington Limited (Winnington)	Investment holdings	100%	100%	
"	Jetwall Co. Ltd. (Jetwall)	Investment holdings	80%	80%	
"	Victory Navigation Inc. (Victory)	Investment holdings	55%	55%	
"	Pacifica Maritime Limited	Oil tanker	100%	100%	
"	Sky Sea Maritime Limited (Sky Sea)	Shipping	55%	55%	
"	New Frontier Navigation Ltd.	Holding in shipbuilding	-	100%	Note 3
"	Elroy Maritime Services Inc.	Maritime service	100%	100%	
Kingswood	Seven Seas Shipping Ltd.	Oil tanker	100%	100%	
Winnington	Peg Shipping Company Limited	Shipping	100%	100%	
Jetwall	Everwin Maritime Limited	Oil tanker	100%	100%	
Victory	Everprime Shipping Limited	Shipping	100%	100%	
Sky Sea	Ocean Grace Limited	Shipping	100%	100%	
Elroy	Oak Maritime (Canada) Inc.	Maritime service	100%	-	Note 4

Note 1: On January 9, 2019, the Group acquired an additional 49% of shares of its subsidiary-Ocean Wise Limited (originally held 51% of its shares) for a consideration of $338,304 (USD $10,984 thousand). The carrying amount of non-controlling interest was $527,293 (USD $17,119 thousand) at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by $527,293 (USD $17,119 thousand) and increase in the equity attributable to owners of the parent by $188,989 (USD $6,135 thousand) and all payments were made on March 6, 2019. Details are provided in Note 6(18).

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

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

Note 4: On January 1, 2019, the Group acquired 100% shares of Oak Maritime (Canada) Inc. (Oak Canada) from Universal Mariners S.A. (U.M.S.A) for a consideration of $3,948 (USD $128 thousand). The carrying amount of Oak Canada was $3,948 (USD $128 thousand) at the acquisition date and all payments were made on February 22, 2019. Please refer to Note 6(20).

(b) Heywood Limited (Heywood)

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

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Description
Heywood	Newton Navigation Limited	Shipping	-	100%	Note
"	Clifford Navigation Corporation	Shipping	100%	100%	
"	Brighton Shipping Inc.	Shipping	100%	100%	
"	Rockwell Shipping Limited	Shipping	100%	100%	
"	Howells Shipping Inc.	Shipping	100%	100%	
"	Crimson Marine Company	Shipping	100%	100%	
"	Helmsman Navigation Co. Ltd.	Shipping	100%	100%	
"	Keystone Shipping Co. Ltd.	Shipping	100%	100%	
"	Century Shipping Limited (Centutry)	Investment holdings	100%	100%	
Century	Haihu Maritime Service (Shanghai) Co., Ltd.	Maritime service	100%	100%	

Note: The liquidation of Newton Navigation Limited was completed on July 30, 2019

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2019 and 2018, the non-controlling interest amounted to $1,204,861 and $1,743,645, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2019		December 31, 2018	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Jetwall Co. Ltd.	Marshall Islands	$ 373,726	20	$ 371,359	20
Victory Navigation Inc.	Marshall Islands	347,576	45	352,038	45
Sky Sea Maritime Limited	Marshall Islands	471,743	45	484,775	45
Ocean Wise Limited	Republic of Liberia	-	-	523,411	49

Summarised financial information of the subsidiaries:

Balance sheets

	Jetwall Co. Ltd.	
	December 31, 2019	December 31, 2018
Current assets	$ 225,767	$ 258,869
Non-current assets	2,218,399	2,298,987
Current liabilities	(123,079)	(121,529)
Non-current liabilities	(452,458)	(579,533)
Total net assets	$ 1,868,629	$ 1,856,794

	Victory Navigation Inc.	
	December 31, 2019	December 31, 2018
Current assets	$ 217,536	$ 144,474
Non-current assets	582,912	661,829
Current liabilities	(28,057)	(23,996)
Non-current liabilities	-	-
Total net assets	$ 772,391	$ 782,307

	Sky Sea Maritime Limited	
	December 31, 2019	December 31, 2018
Current assets	$ 211,370	$ 426,570
Non-current assets	1,925,135	1,941,770
Current liabilities	(143,818)	(194,359)
Non-current liabilities	(944,370)	(1,096,704)
Total net assets	$ 1,048,317	$ 1,077,277

	Ocean Wise Limited	
	December 31, 2019	December 31, 2018
Current assets	$ -	$ 101,972
Non-current assets	-	1,161,686
Current liabilities	-	(208,782)
Non-current liabilities	-	-
Total net assets	$ -	$ 1,054,876

Statements of comprehensive income

	Jetwall Co. Ltd.	
	For the years ended December 31,	
	2019	2018
Revenue	$ 330,885	$ 212,062
Profit (loss) before income tax	58,316	(80,653)
Income tax expense	-	-
Profit (loss) for the year	58,316	(80,653)
Other comprehensive loss, net of tax	-	-
Total comprehensive income (loss) for the year	$ 58,316	($ 80,653)
Comprehensive income (loss) attributable to non-controlling interest	$ 11,663	($ 16,130)
Dividends paid to non-controlling interest	$ -	$ -

	Victory Navigation Inc.	
	For the years ended December 31,	
	2019	2018
Revenue	$ 212,119	$ 240,140
Profit before income tax	9,205	3,041
Income tax expense	-	-
Profit for the year	9,205	3,041
Other comprehensive loss, net of tax	-	-
Total comprehensive income for the year	$ 9,205	$ 3,041
Comprehensive income attributable to non-controlling interest	$ 4,142	$ 1,368
Dividends paid to non-controlling interest	$ -	$ -

	Sky Sea Maritime Limited	
	For the years ended December 31,	
	2019	2018
Revenue	$ 518,240	$ 404,208
Profit before income tax	120,537	59,587
Income tax expense	-	-
Profit for the year	120,537	59,587
Other comprehensive loss, net of tax	-	-
Total comprehensive income for the year	$ 120,537	$ 59,587
Comprehensive income attributable to non-controlling interest	$ 54,242	$ 26,814
Dividends paid to non-controlling interest	$ -	$ -

	Ocean Wise Limited	
	For the years ended December 31,	
	2019	2018
Revenue	$ 9,872	$ 274,869
Profit before income tax	5,057	21,987
Income tax expense	-	-
Profit for the year	5,057	21,987
Other comprehensive loss, net of tax	-	-
Total comprehensive income for the year	$ 5,057	$ 21,987
Comprehensive income attributable to non-controlling interest	$ 2,529	$ 10,993
Dividends paid to non-controlling interest	$ -	$ -

Statements of cash flows

	Jetwall Co. Ltd	
	For the years ended December 31,	
	2019	2018
Net cash provided by operating activities	$ 225,058	$ 76,824
Net cash used in investing activities	(109,856)	(17,890)
Net cash used in financing activities	(145,357)	(716)
Effect of exchange rates on cash and cash equivalents	(1,100)	1,851
(Decrease) increase in cash and cash equivalents	(31,255)	60,069
Cash and cash equivalents, beginning of the year	83,317	23,248
Cash and cash equivalents, end of the year	$ 52,062	$ 83,317

	Victory Navigation Inc.	
	For the years ended December 31,	
	2019	2018
Net cash provided by operating activities	$ 80,719	$ 72,806
Net cash used in investing activities	-	(26,904)
Net cash provided by financing activities	1,989	-
Effect of exchange rates on cash and cash equivalents	(4,145)	1,555
Increase in cash and cash equivalents	78,563	47,457
Cash and cash equivalents, beginning of the year	68,738	21,281
Cash and cash equivalents, end of the year	$ 147,301	$ 68,738

	Sky Sea Maritime Limited	
	For the years ended December 31,	
	2019	2018
Net cash provided by operating activities	$ 204,924	$ 44,990
Net cash used in investing activities	-	(968,773)
Net cash (used in) provided by financing activities	(299,952)	1,165,847
Effect of exchange rates on cash and cash equivalents	(3,101)	4,600
(Decrease) increase in cash and cash equivalents	(98,129)	246,664
Cash and cash equivalents, beginning of the year	247,407	743
Cash and cash equivalents, end of the year	$ 149,278	$ 247,407

	Ocean Wise Limited	
	For the years ended December 31,	
	2019	2018
Net cash provided by operating activities	$ -	$ 63,143
Net cash provided by investing activities	-	2,972
Net cash used in financing activities	-	(66,752)
Effect of exchange rates on cash and cash equivalents	-	260
Decrease in cash and cash equivalents	-	(377)
Cash and cash equivalents, beginning of the year	-	8,430
Cash and cash equivalents, end of the year	$ -	$ 8,053

(4) Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan Dollars, which is the Group’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) <u>Cash equivalents</u>

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Accounts receivable

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

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

(8) Impairment of financial assets

For debt instruments measured at financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Bunker inventories

Inventories are bunker inventories remaining on the vessel at year end. The bunker inventories are determined using the first-in, first-out (FIFO) method.

(11) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	42 years
Vessels and equipment	2.5 ~ 20 years
Office equipment	3 ~ 7 years

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

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

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

(13) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(14) Borrowings

A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(15) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

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

(16) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(17) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(18) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(19) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(20) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are resolved by the Board of Directors. Cash dividends are recorded as liabilities.

(21) Revenue recognition

A. Revenue recognition of services

Revenue from providing services is recognised in the accounting period in which the services are rendered. For contract, revenue is recognised based on the percentage of completion of service rendered. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

B. Incremental costs of obtaining a contract

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

(22) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of tangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Checking accounts and demand deposits	$ 1,764,272	$ 2,146,514
Time deposit	2,181,384	1,154,359
	$ 3,945,656	$ 3,300,873

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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

(2) Property, plant and equipment

	Land	Buildings and structures	Vessels and equipment	Office equipment	Total
At January 1, 2019					
Cost	$ 90,215	$ 28,191	$ 30,209,579	$ 3,214	$ 30,331,199
Accumulated depreciation	-	(15,953)	(10,609,695)	(2,357)	(10,628,005)
Accumulated impairment	-	-	(245,760)	-	(245,760)
	$ 90,215	$ 12,238	$ 19,354,124	$ 857	$ 19,457,434
2019					
Opening net book amount	$ 90,215	$ 12,238	$ 19,354,124	$ 857	$ 19,457,434
Acquired from business combination					
Cost	-	-	-	6,109	6,109
Accumulated depreciation	-	-		(5,612)	(5,612)
Additions	-	-	247,069	43	247,112
Retirement - cost	-	-	(60,496)	(750)	(61,246)
Retirement - accumulated depreciation	-	-	60,496	750	61,246
Depreciation	-	(656)	(1,361,454)	(389)	(1,362,499)
Net exchange differences	-	-	(422,996)	(7)	(423,003)
Closing net book amount	$ 90,215	$ 11,582	$ 17,816,743	$ 1,001	$ 17,919,541
At December 31, 2019					
Cost	$ 90,215	$ 28,191	$ 29,685,272	$ 8,421	$ 29,812,099
Accumulated depreciation	-	(16,609)	(11,628,689)	(7,420)	(11,652,718)
Accumulated impairment	-	-	(239,840)	-	(239,840)
	$ 90,215	$ 11,582	$ 17,816,743	$ 1,001	$ 17,919,541

	Land	Buildings and structures	Vessels and equipment	Office equipment	Prepayment for vessel construction	Total
At January 1, 2018						
Cost	$ 90,215	$ 28,191	$ 27,344,037	$ 3,069	$ 983,513	$ 28,449,025
Accumulated depreciation	-	(15,297)	(9,074,797)	(2,158)	-	(9,092,252)
Accumulated impairment	-	-	(238,080)	-	-	(238,080)
	$ 90,215	$ 12,894	$ 18,031,160	$ 911	$ 983,513	$ 19,118,693
2018						
Opening net book amount as at January 1	$ 90,215	$ 12,894	$ 18,031,160	$ 911	$ 983,513	$ 19,118,693
Transfers	-	-	996,401	-	(998,104)	(1,703)
Additions	-	-	1,080,027	160	1,703	1,081,890
Retirement - cost	-	-	(99,758)	-	-	(99,758)
Retirement - accumulated depreciation	-	-	99,758	-	-	99,758
Depreciation	-	(656)	(1,333,014)	(212)	-	(1,333,882)
Net exchange differences	-	-	579,550	(2)	12,888	592,436
Closing net book amount	$ 90,215	$ 12,238	$ 19,354,124	$ 857	$ -	$ 19,457,434
At December 31, 2018						
Cost	$ 90,215	$ 28,191	$ 30,209,579	$ 3,214	$ -	$ 30,331,199
Accumulated depreciation	-	(15,953)	(10,609,695)	(2,357)	-	(10,628,005)
Accumulated impairment	-	-	(245,760)	-	-	(245,760)
	$ 90,215	$ 12,238	$ 19,354,124	$ 857	$ -	$ 19,457,434

A. The estimated useful lives of the Group’s significant components of vessels and equipment are as follows:
   (a) Vessel 20 years
   (b) Repairs and dry-dock inspection of vessel 2.5 years
B. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation: None.
C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(3) Leasing arrangements – lessee

Effective 2019

A. The Group leases various assets including buildings and ship communications equipment. Rental contracts are typically made for approximately 3~5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	At December 31, 2019	For the year ended December 31, 2019
	Carrying amount	Depreciation charge
Buildings	$ 16,007	$ 2,862
Other equipment	5,821	1,315
	$ 21,828	$ 4,177

C. For the year ended December 31, 2019, the addition to right-of-use assets was $24,041.
D. Except for the depreciation, other information on income and expense accounts relating to lease contracts is as follows:

	For the year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 815
Expense on short-term lease contracts	6,458

F. For the year ended December 31, 2019, the Group’s total cash outflow for leases was $10,477.

(4) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 120,000	1.20%	Land, buildings and structures, and promissory notes
Unsecured borrowings	680,000	1.20%~1.30%	Promissory notes
	$ 800,000		

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

Guarantee for credit line of the Company's short-term borrowings provided by follows：

	December 31, 2019	December 31, 2018	Footnote
Fred Tsai	$ -	$ 500,000	Promissory notes
Jack Hsu	500,000	-	
The Company	174,000	-	Promissory notes
Jointly guaranteed by Fred Tsai and the Company	200,000	574,000	Promissory notes
Jointly guaranteed by Jack Hsu and the Company	200,000	-	Promissory notes
	$ 1,074,000	$ 1,074,000	

(5) Long-term borrowings

Bank	Collateral	December 31, 2019	December 31, 2018
Mega Bank	Vessel-Maxim	$ 565,573	$ -
		(USD 18,865 thousand)	-
Mega Bank (and syndicate)	Vessel-Maxim	-	695,439
		-	(USD 22,638 thousand)
Mega Bank (and syndicate)	Vessel-Yue Shan	-	202,752
		-	(USD 6,600 thousand)
ING Bank	Vessel-Kondor	760,742	-
		(USD 25,375 thousand)	-
Mega Bank (and syndicate)	Vessel-Kondor	-	797,798
		-	(USD 25,970 thousand)
Mega Bank (and syndicate)	Vessel-Mineral Oak	63,168	194,181
		(USD 2,107 thousand)	(USD 6,321 thousand)
Mega Bank (and syndicate)	Vessel-Tai Shan	214,994	330,451
		(USD 7,171 thousand)	(USD 10,757 thousand)
Mega Bank (and syndicate)	Vessel-Oceana	283,311	348,365
		(USD 9,450 thousand)	(USD 11,340 thousand)
Mega Bank (and syndicate)	Vessel-Palona	283,311	348,365
		(USD 9,450 thousand)	(USD 11,340 thousand)
Mega Bank (and syndicate)	Vessel-Elbhoff	1,298,509	1,507,968
		(USD 43,313 thousand)	(USD 49,088 thousand)
Mega Bank (and syndicate)	Vessel-Tien Shan	1,070,286	1,225,728
		(USD 35,700 thousand)	(USD 39,900 thousand)
Sea 86 Leasing Co.	Vessel-Chou Shan	401,151	-
Limited (Note)		(USD 13,381 thousand)	-
Sea 87 Leasing Co.	Vessel-Chin Shan	404,585	-
Limited (Note)		(USD 13,495 thousand)	-
		5,345,630	5,651,047
Less: Current portion-due within one year (shown as other current liabilities)		(938,996)	(1,208,759)
		$ 4,406,634	$ 4,442,288
Interest rates		3.14% ~ 6.23%	3.50% ~ 4.42%

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

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

(6) Pensions

A. Defined benefit pension plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

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

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	($ 60,177)	($ 57,287)
Fair value of plan assets	27,610	25,779
Net defined benefit liability	($ 32,567)	($ 31,508)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	($ 57,287)	$ 25,779	($ 31,508)
Current service cost	(487)	-	(487)
Interest (expense) income	(516)	232	(284)
	(58,290)	26,011	(32,279)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,005	1,005
Change in financial assumptions	(915)	-	(915)
Experience adjustments	(972)	-	(972)
	(1,887)	1,005	(882)
Pension fund contribution	-	594	594
Paid pension	-	-	-
Balance at December 31	($ 60,177)	$ 27,610	($ 32,567)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 61,530)	$ 28,052	($ 33,478)
Current service cost	(778)	-	(778)
Interest (expense) income	(554)	252	(302)
	(62,862)	28,304	(34,558)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	934	934
Change in financial assumptions	-	-	-
Experience adjustments	908	-	908
	908	934	1,842
Pension fund contribution	-	1,027	1,027
Paid pension	4,667	(4,486)	181
Balance at December 31	($ 57,287)	$ 25,779	($ 31,508)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2019	2018
Discount rate	0.70%	0.90%
Future salary increases	3.25%	3.25%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 1,141)	$ 1,177	$ 996	($ 972)
December 31, 2018				
Effect on present value of defined benefit obligation	($ 1,181)	$ 1,219	$ 1,047	($ 1,021)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2020 amount to $537.

B. Defined contribution pension plan

a. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were $2,539 and $2,602, respectively.

b. The Company's mainland China subsidiary, Haihu Maritime Service (Shanghai) Co., Ltd., has a defined contribution retirement plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on the employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations. The pension costs for the years ended December 31, 2019 and 2018 were $1,377 and $1,172, respectively.

(7) Share capital

A. As of December 31, 2019, the Company's authorised capital was $7,000,000 and the paid-in capital was $5,853,533, consisting of 585,353,297 common shares with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. On June 28, 2019, the shareholders of the Company resolved to issue 17,049,126 shares at a price of $10 (in dollars) per share through capitalisation of unappropriated retained earnings of $170,491. The capital increase was approved by the Financial Supervisory Commission, Securities and Futures Bureau on August 22, 2019. The effective date for the issuance of shares was set on September 28, 2019 and the registration has been completed.

(8) Capital surplus

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

(9) Retained earnings

A. Based on the Company's Articles of Incorporation, the Company's net income (less income taxes and prior years' losses, if any) is appropriated in the following order:

(a) 10% for legal reserve.

(b) Special reserve.

(c) Appropriation of remaining earnings according to the decision of the Board of Directors and Stockholders.

Provided that full or part of the distributable dividends and bonus, capital surplus or legal reserve are distributed in the form of cash, the regulation in relation to approval from the shareholders for the above is not applicable.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings.

When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. Appropriation of earnings

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

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

(b) Subsequent events: the appropriation of 2019 earnings has been proposed by the Board of Directors on March 27, 2020. Details are summarised below:

	2019	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 8,761	
Special reserve	425,661	
Cash dividends	292,677	$ 0.50
	$ 727,099	

As of March 27, 2020, aforementioned appropriation of 2019 earnings has not yet been resolved at the stockholders' meeting, except for cash dividends which had already been decided by the Board of Directors and only need to be reported at the stockholders' meeting.

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

(10) Operating revenue

	For the years ended December 31,	
	2019	2018
Revenue from contracts with customers	$ 4,317,241	$ 3,773,082

A. Disaggregation of revenue from contracts with customers

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

For the year ended December 31, 2019	Bulk carrier	Oil tanker	Management service	Supervision revenue	Total
Revenue from external customer contracts	$ 3,191,840	$ 1,103,222	$ 22,179	$ -	$ 4,317,241
Timing of revenue recognition					
Over time	$ 3,191,840	$ 1,103,222	$ 22,179	$ -	$ 4,317,241

For the year ended December 31, 2018	Bulk carrier	Oil tanker	Management service	Supervision revenue	Total
Revenue from external customer contracts	$ 3,100,741	$ 669,194	$ 2,568	$ 579	$ 3,773,082
Timing of revenue recognition					
Over time	$ 3,100,741	$ 669,194	$ 2,568	$ 579	$ 3,773,082

B. Contract assets and liabilities

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

	December 31, 2019	December 31, 2018	January 1, 2018
Contract assets - bulk carrier	$ 99,113	$ 146,255	$ 57,151
Contract liabilities - bulk carrier	$ 35,616	$ 27,653	$ 52,389

C. Contract liabilities at the beginning of 2019 and 2018 amounting to $27,653 and $52,389, respectively, were all recognised as operating revenue for the years ended December 31, 2019 and 2018, respectively.

(11) Other income

	For the years ended December 31,	
	2019	2018
Interest income	$ 57,355	$ 40,768
Rent income	366	366
Others	5,281	6,319
	$ 63,002	$ 47,453

(12) Other gains and losses

	For the years ended December 31,	
	2019	2018
Net currency exchange gains (losses)	$ 35,149	($ 59,242)
Other losses	(302)	-
	$ 34,847	($ 59,242)

(13) Finance costs

	For the years ended December 31,	
	2019	2018
Interest expense	$ 266,551	$ 221,225

(14) Expenses by nature

Nature \ Function	For the years ended December 31,					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense	$ 549,509	$ 119,832	$ 669,341	$ 523,739	$ 59,706	$ 583,445
Depreciation	1,362,761	3,915	1,366,676	1,333,014	868	1,333,882
Amortisation	-	102	102	-	102	102

(15) Employee benefit expense

Nature \ Function	For the years ended December 31,					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Wages and salaries	$ 444,099	$ 104,611	$ 548,710	$ 422,459	$ 49,771	$ 472,230
Labor and health insurance fees	2,604	3,137	5,741	2,524	3,213	5,737
Pension costs	1,217	3,470	4,687	1,300	3,554	4,854
Other personnel expenses	101,589	8,614	110,203	97,456	3,168	100,624
Total	$ 549,509	$ 119,832	$ 669,341	$ 523,739	$ 59,706	$ 583,445

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at $3,905 and $3,120, respectively; while directors' and supervisors' remuneration was accrued at $3,905 and $3,120, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 3% of distributable profit of current year for the year ended December 31, 2019. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were both $3,905, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2018 was $3,120, as resolved by the Board of Directors and was in agreement with those amounts recognised in the 2018 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(16) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	$ 104	$ 92,978
Prior year income tax underestimation	902	3,480
Total current tax	1,006	96,458
Deferred tax:		
Origination and reversal of temporary differences	33,030	14,925
Impact of change in tax rate	-	(75,412)
Total deferred tax	33,030	(60,487)
Income tax expense	$ 34,036	$ 35,971

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

	For the years ended December 31,	
	2019	2018
Remeasurement of defined benefit obligations	($ 176)	$ 368
Impact of change in tax rate	-	(267)
	($ 176)	$ 101

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 24,553	$ 19,549
Prior year income tax underestimation	902	3,480
Effects from estimated backward remittance of earnings	8,581	(1,983)
Impact of change in tax rate	-	14,925
Income tax expenses	$ 34,036	$ 35,971

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
－Deferred tax assets:				
Income tax loss	$ -	$ 4,187	$ -	$ 4,187
Unrealised exchange loss	14,917	(14,917)	-	-
Unfunded pension expense	6,302	35	176	6,513
Unused compensated absences	342	45	-	387
Subtotal	$ 21,561	($ 10,650)	$ 176	$ 11,087
－Deferred tax liabilities:				
Unrealised investments income	(44,237)	(12,725)	-	(56,962)
Unrealised exchange gain	-	(9,655)	-	(9,655)
Subtotal	($ 44,237)	($ 22,380)	$ -	($ 66,617)
Total	($ 22,676)	($ 33,030)	$ 176	($ 55,530)

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
－Deferred tax assets:				
Unrealised exchange loss	$ -	$ 14,917	$ -	$ 14,917
Unfunded pension expense	5,674	729	(101)	6,302
Unused compensated absences	322	20	-	342
Subtotal	$ 5,996	$ 15,666	($ 101)	$ 21,561
－Deferred tax liabilities:				
Unrealised investments income	(87,019)	42,782	-	(44,237)
Unrealised exchange gain	(2,039)	2,039	-	-
Subtotal	($ 89,058)	$ 44,821	$ -	($ 44,237)
Total	($ 83,062)	$ 60,487	($ 101)	($ 22,676)

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2019 and 2018, the temporary differences unrecognised as deferred tax liabilities were $16,715,294 and $17,183,856, respectively.

E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(17) Earnings per share

	For the year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 88,316	585,353	$ 0.15
Diluted earnings per share			
Profit attributable to ordinary shareholders	88,316	585,353	0.15
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	232	-
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 88,316	585,585	$ 0.15

	For the year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 61,777	585,353	$ 0.11
Diluted earnings per share			
Profit attributable to ordinary shareholders	61,777	585,353	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	196	-
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 61,777	585,549	$ 0.11

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

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

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

(19) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2019	$ 800,000	$ 5,651,047	$ 2,098	$ 6,453,145
Proceeds from borrowings	-	1,833,568	-	1,833,568
Repayment of borrowings	-	(1,945,583)	-	(1,945,583)
Additions	-	-	24,041	24,041
Payment of principal	-	-	(3,204)	(3,204)
Impact of changes in foreign exchange rate	-	(193,402)	(141)	(193,543)
At December 31, 2019	$ 800,000	$ 5,345,630	$ 22,794	$ 6,168,424

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	$ 760,000	$ 5,524,318	$ 6,284,318
Proceeds from borrowings	40,000	1,948,836	1,988,836
Repayment of borrowings	-	(1,999,356)	(1,999,356)
Impact of changes in foreign exchange rate	-	177,249	177,249
At December 31, 2018	$ 800,000	$ 5,651,047	$ 6,451,047

(20) Business combinations

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

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

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

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions and balances

A. Operating revenue

	For the years ended December 31,			
	2019		2018	
Management revenue:				
Other related party	$	22,179	$	2,568
Supervision revenue:				
Other related party		-		579
	$	22,179	$	3,147

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

B. Operating costs

	For the years ended December 31,			
	2019		2018	
Commission expense:				
Other related party	$	41,113	$	34,673
Technical service agreement:				
Other related party		-		7,363
	$	41,113	$	42,036

C. Operating expense

	For the years ended December 31,	
	2019	2018
Management fee:		
Other related party	$ -	$ 23,927

D. Vessel cost

	For the years ended December 31,	
	2019	2018
Supervision fee:		
Other related party	$ -	$ 4,395

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

E. Other receivables

Amounts prepaid on behalf of related parties and agents:

	December 31, 2019	December 31, 2018
OMA	$ -	$ 9,531
Asia Century	509	-
Other related party	-	20
	$ 509	$ 9,551

F. Other payables

Advances from related parties and agency payable:

	December 31, 2019	December 31, 2018
OAL	$ 19,758	$ 15,829
Diamonds Ocean Limited	3,023	-
Other related party	159	-
	$ 22,940	$ 15,829

G. Other guarantee transactions

Please refer to Note 6(4) for details.

(3) Key management compensation

	For the years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 22,847	$ 21,871
Post-employment benefits	464	524
	$ 23,311	$ 22,395

8. PLEDGED ASSETS

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

Pledged assets	Book value December 31, 2019	Book value December 31, 2018	Pledge purpose
Bank deposits (shown as "other current assets")	$ 430,333	$ 523,321	Long-term loans
Guarantee deposits paid (shown as "other non - current assets")	7,503	7,362	Deposit of golf certificates and others
Property, plant and equipment			
Vessels and equipment-net	13,003,098	14,855,755	Long-term loans
Land and building and structures-net	100,250	100,818	Credit lines of short-term borrowings
	$ 13,541,184	$ 15,487,256	

9. CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingent liabilities

Shanghai Maritime Safety Administration demanded that the Company provide a security deposit to cover the public emergency response costs. Rockwell remitted the cash deposit amounting to RMB 25 million (shown as other receivables) to the Shanghai Maritime Safety Administration. Subsequently, M/V Chou Shan was released and resumed its voyage on May 11, 2013. All deposits were recovered on November 16, 2018.

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

The receivables arising from the incident were recognised as follows:

		December 31, 2019	December 31, 2018
Other receivables	- insurance claim	$ 11,645	$ 9,457
		(USD 388 thousand)	(USD 308 thousand)

(2) Commitments

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

B. As of December 31, 2019, outstanding balance amount arising from acquisition of vessel's equipment amounted to $20,728 (USD $684 thousand and EUR €7 thousand).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

The Company's Board of Directors proposed for the appropriation of 2019 earnings. Please refer to Note 6(9) D.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

		December 31, 2019		December 31, 2018
Financial assets				
Financial assets as amortised cost				
Cash and cash equivalents	$	3,945,656	$	3,300,873
Accounts receivable, net		453,453		406,220
Other receivables		41,750		85,535
Other receivables - related parties		509		9,551
Other financial assets		431,742		618,403
Guarantee deposits paid (recorded as "other non - current assets")		7,503		7,362
	$	4,880,613	$	4,427,944
Financial liabilities				
Financial liabilities at amortised cost				
Short - term borrowings	$	800,000	$	800,000
Other payables		273,920		261,844
Other payables - related parties		22,940		15,829
Long-term borrowings (including current portion)		5,345,630		5,651,047
	$	6,442,490	$	6,728,720
Lease liability	$	22,794	$	-

B. Financial risk management policies

(a) The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group’s operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and JPY. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. The Group’s businesses involve some non-functional currency operations (the Company’s functional currency: NTD; other certain subsidiaries’ functional currency: USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD：NTD	$ 11,995	29.98	$ 360,074
NTD：USD	9,585	0.03	9,503
Financial liabilities			
Monetary items			
USD：NTD	$ 55,430	29.98	$ 1,661,773

	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 8,693	30.72	$ 267,048
NTD:USD	8,659	0.03	8,663
Financial liabilities			
Monetary items			
USD:NTD	$ 50,238	30.72	$ 1,543,295

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

	For the year ended December 31, 2019		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	29.98	($ 7,844)
Financial liabilities			
Monetary items			
USD:NTD	$ -	29.98	$ 130,707

	For the year ended December 31, 2018		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	30.72	$ 6,084
Financial liabilities			
Monetary items			
USD:NTD	$ -	30.72	($ 92,672)

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

	For the years ended December 31, 2019				
	Sensitivity analysis				
	Degree of variation	Effect on profit or loss		Effect on other comprehensive income	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	1%	$	3,601	$	-
NTD:USD	1%		95		-
Financial liabilities					
Monetary items					
USD:NTD	1%	$	16,618	$	-

	For the years ended December 31, 2018				
	Sensitivity analysis				
	Degree of variation	Effect on profit or loss		Effect on other comprehensive income	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	1%	$	2,670	$	-
NTD:USD	1%		87		-
Financial liabilities					
Monetary items					
USD:NTD	1%	$	15,433	$	-

Cash flow and fair value interest rate risk

i. The Group’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2019 and 2018, the Group’s borrowings at variable rate were denominated in United States dollars.

ii. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

iii. At December 31, 2019 and 2018, if interest rates on USD-denominated borrowings had been 1% higher/lower with all other variables held constant, pre-tax (loss) profit for the years ended December 31, 2019 and 2018 would have been $45,399 and $56,510 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the contract cash flows of the accounts receivable based on the agreed terms.

ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms and obligation completed, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vii. The Group wrote-off the financial assets, which cannot reasonably be expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2019 and 2018, the Group's written-off financial assets that are still under recourse procedures amounted to $334 and $0, respectively.

viii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable and lease payments receivable. On December 31, 2019 and 2018, the provision matrix is as follows:

December 31, 2019	Not past due	Total
Expected loss rate	Approximately 0 %	
Total book value	$ 453,453	$ 453,453
Loss allowance	$ -	$ -

December 31, 2018	Not past due	Total
Expected loss rate	Approximately 0 %	
Total book value	$ 406,220	$ 406,220
Loss allowance	$ -	$ -

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

	December 31, 2019	December 31, 2018
Not past due	$ 453,453	$ 406,220

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury.

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities December 31, 2019	Up to 1 year	Between 1 year and 5 years	Over 5 years
Short-term borrowings	$ 800,000	$ -	$ -
Other payables (including related parties)	296,860	-	-
Lease liability	8,184	22,781	-
Long-term borrowings (including current portion)	1,147,498	3,697,373	1,200,630

Non-derivative financial liabilities December 31, 2018	Up to 1 year	Between 1 year and 5 years	Over 5 years
Short-term borrowings	$ 800,000	$ -	$ -
Other payables (including related parties)	277,673	-	-
Long-term borrowings (including current portion)	1,442,650	3,470,185	1,533,759

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

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

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

14. SEGMENT INFORMATION

(1) General information

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

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

(2) Measurement of segment information

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

(3) Information about segment profit or loss

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

	For the year ended December 31, 2019			
	Bulk carrier	Oil tanker	Other segments	Total
Revenues from third parties	$ 3,191,840	$ 1,103,222	$ 22,179	$ 4,317,241
Segment income (loss)	($ 116,580)	$ 250,924	$ 22,179	$ 156,523

	For the year ended December 31, 2018			
	Bulk carrier	Oil tanker	Other segments	Total
Revenues from third parties	$ 3,100,741	$ 669,194	$ 3,147	$ 3,773,082
Segment income (loss)	$ 322,190	($ 160,713)	$ 3,147	$ 164,624

(4) Reconciliation for segment income (loss)

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

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

	For the years ended December 31,	
	2019	2018
Reportable segment income	$ 134,344	$ 161,477
Other segment income	22,179	3,147
Total operating segment income	156,523	164,624
Others	38,451	(43,806)
Income from continuing operations before tax	$ 194,974	$ 120,818

(5) The Group's transportation services are managed transnationally. Operating results from services cannot be meaningfully separated according to specific area, thus, geographical information is not presented.

(6) Major customer information

For the years ended December 31, 2019 and 2018, major customers with revenue representing 10% or above of the Group's total revenue are as follows:

	For the years ended December 31,			
	2019		2018	
	Revenues	Segment	Revenues	Segment
Customer A	$ 1,103,222	Oil tanker	$ 669,194	Oil tanker
Customer B	771,536	Bulk carrier	770,690	Bulk carrier
Customer C	484,520	Bulk carrier	647,482	Bulk carrier

Sincere Navigation Corporation and subsidiaries

Loans to others

For the year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)	Footnote
0	Sincere Navigation Corporation	None													$ 4,649,351	$ 6,199,134	
1	Norley Corporation Inc.	Sincere Navigation Corporation	Other receivables - related parties	Y	$ 2,008,500	$ 1,049,300	$ 1,049,300	-	2	-	Working capital	-	-	-	3,555,493	4,740,657	The Maximun amount amounted to USD 65,000,000 for the current period, and the actural amount to USD 35,000,000 in the end of year.
2	Norley Corporation Inc.	Kenmore Shipping Inc.	Other receivables - related parties	Y	684,272	-	-	-	2	-	Repayment of loan	-	-	-	3,555,493	4,740,657	The Maximun amount amounted to USD 22,260,000 for the current period, and the actural amount to USD 0 in the end of year.
3	Heywood Limited	Sincere Navigation Corporation	Other receivables - related parties	Y	1,236,000	599,600	599,600	-	2	-	Working capital	-	-	-	1,623,890	2,165,186	The Maximun amount amounted to USD 40,000,000 for the current period, and the actural amount to USD 20,000,000 in the end of year.

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1)The Company is '0'.
(2)The subsidiaries are numbered in order starting from '1'.

Note 2: In accordance with the finance procedures of the Company, for business transaction purposes, maximum financing to each subsidiary and total financing is limited to 30% and 40% of the Company's net value, respectively.
For short-term lending purpose, maximum financing to each subsidiary and total financing is limited 30% to 40% of the Company's net value, respectively. The maximum financing between the subsidiaries which are directly or indirectly 100% owned by the Company or between the subsidiaries which are directly or indirectly 100% owned by the Company and the Company is limited to 100% of the lender's net value.

Note 3: Nature of loans is filled as follows:
(1) Fill in 1 for business transactions.
(2) Fill in 2 for short-term financing.

Sincere Navigation Corporation and subsidiaries

Provision of endorsements and guarantees to others

For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	Sincere Navigation Corporation	Helmsman Navigation Co. Ltd.	3	$ 15,497,836	$ 447,930	$ 424,967	$ 283,311	$ -	31.83%	$ 38,744,590	Y	N	N	Guarantee balance is US$ 14,175 thousand
0	〃	Keystone Shipping Co. Ltd.	3	15,497,836	447,930	424,967	283,311	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 14,175 thousand
0	〃	Ocean Wise Limited	3	15,497,836	599,231	126,336	63,168	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 4,214 thousand
0	〃	Maxson Shipping Inc.	3	15,497,836	509,875	483,736	214,994	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 16,135 thousand
0	〃	Poseidon Marine Ltd.	3	15,497,836	938,520	-	-	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 0 thousand
0	〃	Everwin Maritime Limited	3	15,497,836	715,361	678,687	565,573	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 22,638 thousand
0	〃	Kenmore Shipping Inc.	3	15,497,836	1,025,741	-	-	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 0 thousand
0	〃	Pacifica Maritime Limited	3	15,497,836	2,101,400	1,298,509	1,298,509	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 43,313 thousand
0	〃	Ocean Grace Limited	3	15,497,836	1,411,256	1,070,286	1,070,286	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 35,700 thousand
0	〃	Brighton Shipping Inc.	3	15,497,836	308,384	218,149	218,149	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 7,277 thousand

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	Sincere Navigation Corporation	Rockwell Shipping Limited	3	$ 15,497,836	$ 298,571	$ 207,778	$ 207,778	$ -	31.83%	$ 38,744,590	Y	N	N	Guarantee balance is US$ 6,931 thousand
1	Norley Corporation Inc.	Kenmore Shipping Inc.	3	11,851,642	862,960	760,742	760,742	-	6.42%	29,629,105	Y	N	N	Guarantee balance is US$ 25,375 thousand

Note 1: The numbers filled in for the endorsements/ guarantees provided by the Company or subsidiaries are as follows:
(1)The Company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.
Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:
(1) Having business relationship.
(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.
Note 3: According to the Company’s “Procedures for Provision of Endorsements and Guarantees”:
[The Company]
(1) The limit on endorsements and guarantees provided for aan individual party shall not exceed the Company's equity.
Those which are provided for an individual party due to business relationship, shall not exceed the total amount of transactions with the Company in the most recent year.
(2) The ceiling on total endorsements and guarantees shall not exceed 250% of the Company's equity.
[The Company and subsidiaries]
(1) The limit on endorsements and guarantees provided for aan individual party shall not exceed the Company's equity.
(2) The ceiling on total endorsements and guarantees shall not exceed 300% of the Company's equity.
Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.
Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.
Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.
Note 7: Fill in ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Sincere Navigation Corporation and subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Sincere Navigation Corporation	None		-	-	$ -	-	$ -	$ -
Norley Corporation Inc. (Norley)	Sincere Navigation Corporation	Norley's parent company	$ 1,049,300 (USD 35,000 thousand)	-	-	-	-	-
Heywood Limited (Heywood)	Sincere Navigation Corporation	Heywood's parent company	$ 599,600 (USD 20,000 thousand)	-	-	-	-	-

Sincere Navigation Corporation and subsidiaries

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	Sincere Navigation Corporation	Helmsman Navigation Co. Ltd.	1	Guarantees	$ 424,967	As per the Company's policy	1.82%
0	〃	Keystone Shipping Co. Ltd.	1	〃	424,967	〃	1.82%
0	〃	Everwin Maritime Limited	1	〃	678,687	〃	2.91%
0	〃	Maxson Shipping Inc.	1	〃	483,736	〃	2.08%
0	〃	Pacifica Maritime Limited	1	〃	1,298,509	〃	5.57%
0	〃	Ocean Grace Limited	1	〃	1,070,286	〃	4.59%
1	Norley Corporation Inc.	Kenmore Shipping Inc.	1	〃	760,742	〃	3.26%
1	〃	Sincere Navigation Corporation	2	Other receivables	1,049,300	〃	4.50%
2	Heywood Limited	Sincere Navigation Corporation	2	〃	599,600	〃	2.57%

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

(1)Parent company is ‘0’.

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

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

(1)Parent company to subsidiary is numbered ‘1’.

(2)Subsidiary to parent company is numbered ‘2’.

(3)Subsidiary to subsidiary is numbered ‘3’.

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

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

Sincere Navigation Corporation and subsidiaries

Information on investees

For the year ended December 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount (Note 1) Balance as at December 31, 2019	Initial investment amount (Note 1) Balance as at December 31, 2018	Shares held as at December 31, 2019 (Note 2) Number of shares	Shares held as at December 31, 2019 (Note 2) Ownership (%)	Shares held as at December 31, 2019 (Note 2) Book value	Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2)	Investment income(loss) recognised by the Company for the year ended December 31, 2019	Footnote
Sincere Navigation Corporation	Norley Corporation Inc.	Republic of Liberia	Investment holdings	$ 29,980 (USD 1,000 thousand)	$ 30,720 (USD 1,000 thousand)	500	100%	$ 11,851,642	$ 199,469	$ 199,469	Subsidiary
〃	Heywood Limited	Marshall Islands	〃	29,980 (USD 1,000 thousand)	30,720 (USD 1,000 thousand)	500	100%	5,412,966	44,888	44,888	Subsidiary
Norley Corporation Inc.	Kenmore Shipping Inc.	Marshall Islands	Oil tanker	1,382,378 (USD 46,110 thousand)	1,416,499 (USD 46,110 thousand)	500	100%	1,848,668	70,415	-	Indirectly owned subsidiary
〃	Winnington Limited	〃	Investment holdings	311,115 (USD 10,377 thousand)	318,794 (USD 10,377 thousand)	500	100%	583,129	19,652	-	Indirectly owned subsidiary
〃	Jetwall Co. Ltd.	〃	〃	1,288,420 (USD 42,976 thousand)	1,320,223 (USD 42,976 thousand)	400	80%	1,494,903	58,316	-	Indirectly owned subsidiary
〃	Victory Navigation Inc.	〃	〃	165 (USD 6 thousand)	169 (USD 6 thousand)	275	55%	424,815	9,205	-	Indirectly owned subsidiary
〃	Kingswood Co., Ltd.	〃	〃	150 (USD 5 thousand)	154 (USD 5 thousand)	250	50%	11,817	92	-	Indirectly owned subsidiary
〃	Poseidon Marine Ltd	〃	Shipping	240,140 (USD 8,010 thousand)	61,747 (USD 2,010 thousand)	500	100%	1,737,191	(118,898)	-	Indirectly owned subsidiary
〃	Maxson Shipping Inc.	〃	〃	314,790 (USD 10,500 thousand)	322,560 (USD 10,500 thousand)	500	100%	1,180,524	14,693	-	Indirectly owned subsidiary
〃	Ocean Wise Limited	Republic of Liberia	〃	610,693 (USD 20,370 thousand)	205,397 (USD 6,686 thousand)	790,500	100%	1,087,526	(26,124)	-	Indirectly owned subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount (Note 1) Balance as at December 31, 2019	Initial investment amount (Note 1) Balance as at December 31, 2018	Shares held as at December 31, 2019 (Note 2) Number of shares	Shares held as at December 31, 2019 (Note 2) Ownership (%)	Shares held as at December 31, 2019 (Note 2) Book value	Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2)	Investment income(loss) recognised by the Company for the year ended December 31, 2019	Footnote
Norley Corporation Inc.	Pacifica Maritime Limited	Marshall Islands	Oil tanker	$ 1,462,724 (USD 48,790 thousand)	$ 1,498,829 (USD 48,790 thousand)	500	100%	$ 1,596,979	$ 122,102	$ -	Indirectly owned subsidiary
〃	Sky Sea Maritime Limited	〃	Investment holdings	479,995 (USD 16,011 thousand)	559,427 (USD 18,211 thousand)	275	55%	576,574	120,537	-	Indirectly owned subsidiary
〃	New Frontier Navigation Ltd.	〃	Holding in shipbuilding	-	307 (USD 10 thousand)	-	0%	-	-	-	Indirectly owned subsidiary
〃	Elroy Maritime Service Inc.	〃	Maritime service	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	838	587	-	Indirectly owned subsidiary
Winnington Limited	Peg Shipping Company Limited	Republic of Liberia	Shipping	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	578,098	19,736	-	Indirectly owned subsidiary
Kingswood Co., Ltd.	Seven Seas Shipping Ltd.	Marshall Islands	Oil tanker	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	8,219	170	-	Indirectly owned subsidiary
Jetwall Co. Ltd.	Everwin Maritime Limited	〃	〃	1,610,526 (USD 53,720 thousand)	1,650,278 (USD 53,720 thousand)	500	100%	1,869,285	58,023	-	Indirectly owned subsidiary
Victory Navigation Inc.	Everprime Shipping Limited	〃	Shipping	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	768,943	9,106	-	Indirectly owned subsidiary
Sky Sea Maritime Limited	Ocean Grace Limited	〃	〃	872,718 (USD 29,110 thousand)	1,017,139 (USD 33,110 thousand)	500	100%	1,048,525	120,472	-	Indirectly owned subsidiary
Elroy Maritime Service Inc.	Oak Maritime (Canada) Inc.	Canada	Martime serive	3,867 (USD 128 thousand)	-	1,000	100%	4,252	401	-	Indirectly owned subsidiary
Heywood Limited	Clifford Navigation Corporation	Marshall Islands	Shipping	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	742,679	20,888	-	Indirectly owned subsidiary
〃	Newton Navigation Limited	〃	〃	-	307 (USD 10 thousand)	-	0%	-	3,955	-	Indirectly owned subsidiary
〃	Brighton Shipping Inc.	〃	〃	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	472,795	21,892	-	Indirectly owned subsidiary

				Initial investment amount (Note 1)		Shares held as at December 31, 2019 (Note 2)			Net profit (loss) of the investee for the year ended December 31, 2019 （Note 2）	Investment income(loss) recognised by the Company for the year ended December 31, 2019	
Investor	Investee	Location	Main business activities	Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			Footnote
Heywood Limited	Rockwell Shipping Limited	Marshall Islands	Shipping	$ 300 (USD 10 thousand)	$ 307 (USD 10 thousand)	500	100%	$ 339,706	$ 48,639	$ -	Indirectly owned subsidiary
〃	Howells Shipping Inc.	〃	〃	360,060 (USD 12,010 thousand)	368,947 (USD 12,010 thousand)	500	100%	889,639	10,725	-	Indirectly owned subsidiary
〃	Crimson Marine Company	〃	〃	1,001,272 (USD 33,398 thousand)	749,507 (USD 24,398 thousand)	500	100%	537,865	(39,220)	-	Indirectly owned subsidiary
〃	Century Shipping Limited	HongKong	Investment holdings	14,990 (USD 500 thousand)	15,360 (USD 500 thousand)	50,000	100%	874	4,688	-	Indirectly owned subsidiary
〃	Helmsman Navigation Co. Ltd.	Marshall Islands	Shipping	512,958 (USD 17,110 thousand)	249,139 (USD 8,110 thousand)	500	100%	389,973	(22,329)	-	Indirectly owned subsidiary
〃	Keystone Shipping Co. Ltd.	〃	〃	467,988 (USD 15,610 thousand)	249,139 (USD 8,110 thousand)	500	100%	396,930	(3,788)	-	Indirectly owned subsidiary

Note 1: The above balances of initial investments as at December 31, 2019 and 2018 were translated at the closing exchange rates at the balance sheet date.
Note 2: The above carrying amounts of shares held as at December 31, 2019 and net profit (loss) of the investee for the year ended December 31, 2019 were translated at the closing exchange rates at the balance sheet and the average exchange rates for the year ended December 31, 2018, respectively.
Note 3: The liquidation of New Frontier Navigation Ltd. was completed on May 27, 2019.
Note 4: The liquidation of Newton Navigation Limited was completed on July 30, 2019.

Sincere Navigation Corporation and subsidiaries

Information on investments in Mainland China

For the year ended December 31, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
Haihu Maritime Service (Shanghai) Co., Ltd.	Maritime service	$ 15,855 (USD 500 thousand)	2	$ 15,855 (USD 500 thousand)	$ -	$ -	$ 15,855 (USD 500 thousand)	$ 4,688 (RMB1,048 thousand)	100%	$ 4,688 (RMB1,048 thousand)	$ 874 (RMB203 thousand)	$ -	

Note 1: Investment methods are classified into the following three categories.
(1)Directly invest in a company in Mainland China.
(2)Through investing in an existing company in the third area, which then invested in the investee in Mainland China. (The investee in the third area is Century Shipping Limited)
(3)Others.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Haihu Maritime Service (Shanghai) Co., Ltd.	$ 15,855	$ 95,130	$ 9,298,702

V. Parent Company-Only Financial Statement for the Most Recent Fiscal Year, Certified by the CPA

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:

(1) 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.

15. 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.

<u>How our audit addressed the matter</u>

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.

(2) <u>Impairment of vessels and equipment</u>

<u>Description</u>

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.

<u>How our audit addressed the matter</u>

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.

(3) Weng, Shih-Jung (4) Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan
March 27, 2020

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
	Current assets			
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	**Total current Assets**		411,505	274,746
	Non-current assets			
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	**Total non-current assets**		17,802,144	18,088,807
1XXX	**Total assets**		$ 18,213,649	$ 18,363,553

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	December 31, 2018 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 and unrecognised contractual commitments	9		
	Significant events after balance sheet date	11		
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 AMOUNT	2018 AMOUNT
4000	**Operating revenue**	6(9) and 7	$ 78,976	$ 97,242
5000	**Operating costs**	6(13)(14) and 7	(140,291)	(125,296)
5900	**Net operating margin**		(61,315)	(28,054)
	Operating expenses	6(13)(14) and 7		
6200	General & administrative expenses		(93,010)	(89,685)
6450	Impairment loss determined in accordance with IFRS 9		(334)	-
6000	**Total operating expenses**		(93,344)	(89,685)
6900	**Operating loss**		(154,659)	(117,739)
	Non-operating income and expenses			
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	**Total non-operating revenue and expenses**		276,907	215,487
7900	**Profit before income tax**		122,248	97,748
7950	Income tax expense	6(15)	(33,932)	(35,971)
8200	**Profit for the year**		$ 88,316	$ 61,777
	Other comprehensive income			
	Components of other comprehensive income that will not be reclassified to profit or loss			
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)
	Components of other comprehensive income that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations		(425,661)	555,339
8500	**Total comprehensive (loss) income for the year**		($ 338,051)	$ 618,857
	Earnings per share			
9750	**Basic earnings per share (in dollars)**	6(16)	$ 0.15	$ 0.11
9850	**Diluted earnings per share (in dollars)**	6(16)	$ 0.15	$ 0.11

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)

	Notes	Share capital - common stock	Capital surplus	Retained Earnings: Legal reserve	Retained Earnings: Special reserve	Retained Earnings: Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total equity
For the year ended December 31, 2018								
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
For the year ended December 31, 2019								
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

(1)

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

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

	Notes	For the years ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
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 the equity method	6(2)	(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 partiy		(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
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(3)	-	(114)
Increase in intangible assets		-	(408)
Net cash flows used in investing activities		-	(522)
CASH FLOWS FROM FINANCING ACTIVITIES			
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.

SINCERE NAVIGATION CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

1. HISTORY AND ORGANISATION

Sincere Navigation Corporation (the "Company") was incorporated in 1968 with an original capital of $1,000. On December 31, 1988, the Company was the surviving company in the merger with Karson and Tai Hsing Navigation Corporation to meet operating demands and further improve capital structure. The Company's shares have been listed on the Taiwan Stock Exchange since December 1989. The Company is engaged in bulk shipping, tug and barge services, and operating a shipping agency.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by to the Board of Directors on March 27, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Company's presentation currency.

Foreign currency transactions and balances

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
   (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
   (b) Assets held mainly for trading purposes;
   (c) Assets that are expected to be realised within twelve months from the balance sheet date;
   (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
   (a) Liabilities that are expected to be settled within the normal operating cycle;
   (b) Liabilities arising mainly from trading activities;
   (c) Liabilities that are to be settled within twelve months from the balance sheet date;
   (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Accounts receivable

A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(6) Impairment of financial assets

For debt instruments measured at financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(7) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(8) Inventories

Inventories are bunker inventories remaining on vessel at year end. The vessel of bunker inventory is determined using the first-in, first-out (FIFO) method.

(9) Investments accounted for using equity method / subsidiaries

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Inter-company transactions, balances and unrealised gains or losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise the losses in proportion to the ownership.

D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

E. Pursuant to the "Rules Governing the Preparation of Financial Statements by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(10) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	42 years
Vessels and equipment	2.5 ~ 20 years
Office equipment	3 ~ 7 years

(11) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(12) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(13) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

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

(14) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(15) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(16) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(17) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(18) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are resolved by the Board of Directors. Cash dividends are recorded as liabilities.

(19) Revenue recognition

A. Revenue recognition of services:

Revenue from providing services is recognised in the accounting period in which the services are rendered. For contract, revenue is recognised based on the percentage of completion of service rendered. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

B. Incremental costs of obtaining a contract

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

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(3) Critical judgements in applying the Company's accounting policies

None.

(4) Critical accounting estimates and assumptions

Impairment assessment of tangible assets

The Company assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause material impairment on assets in the future.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Checking accounts and demand deposits	$ 232,583	$ 206,510

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash pledged to others.

(2) Investments accounted for using equity method

A. The details of investments are as follows:

	December 31, 2019	December 31, 2018
Republic of Liberia-Norley Corporation Inc.	$ 11,851,642	$ 11,978,611
Marshall Islands-Heywood Limited	5,412,966	5,501,944
	$ 17,264,608	$ 17,480,555

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

	For the years ended December 31,	
	2019	2018
Republic of Liberia-Norley Corporation Inc.	$ 199,469	$ 4,898
Marshall Islands-Heywood Limited	44,888	238,244
	$ 244,357	$ 243,142

Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements for the year ended December 31, 2019.

(3) Property, plant and equipment

	Land	Buildings and structures	Vessels and equipment	Office equipment	Total
At January 1, 2019					
Cost	$ 90,215	$ 28,191	$ 931,500	$ 2,358	$ 1,052,264
Accumulated depreciation	-	(15,953)	(455,223)	(1,625)	(472,801)
	$ 90,215	$ 12,238	$ 476,277	$ 733	$ 579,463
2019					
Opening net book amount	$ 90,215	$ 12,238	$ 476,277	$ 733	$ 579,463
Retirement - cost	-	-	-	(750)	(750)
- accumulated depreciation	-	-	-	750	750
Depreciation	-	(656)	(59,309)	(175)	(60,140)
Closing net book amount	$ 90,215	$ 11,582	$ 416,968	$ 558	$ 519,323
At December 31, 2019					
Cost	$ 90,215	$ 28,191	$ 931,500	$ 1,608	$ 1,051,514
Accumulated depreciation	-	(16,609)	(514,532)	(1,050)	(532,191)
	$ 90,215	$ 11,582	$ 416,968	$ 558	$ 519,323

	Land	Buildings and structures	Vessels and equipment	Office equipment	Total
At January 1, 2018					
Cost	$ 90,215	$ 28,191	$ 931,500	$ 2,244	$ 1,052,150
Accumulated depreciation	-	(15,297)	(395,914)	(1,416)	(412,627)
	$ 90,215	$ 12,894	$ 535,586	$ 828	$ 639,523
2018					
Opening net book amount	$ 90,215	$ 12,894	$ 535,586	$ 828	$ 639,523
Additions	-	-	-	114	114
Depreciation	-	(656)	(59,309)	(209)	(60,174)
Closing net book amount	$ 90,215	$ 12,238	$ 476,277	$ 733	$ 579,463
At December 31, 2018					
Cost	$ 90,215	$ 28,191	$ 931,500	$ 2,358	$ 1,052,264
Accumulated depreciation	-	(15,953)	(455,223)	(1,625)	(472,801)
	$ 90,215	$ 12,238	$ 476,277	$ 733	$ 579,463

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

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

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

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

(4) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 120,000	1.20%	Land, buildings and promissory notes
Unsecured borrowings	680,000	1.20%~1.30%	Promissory notes
	$ 800,000		

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

The credit lines for the Company's short-term borrowings are as follows:

	December 31, 2019	December 31, 2018	Footnote
Fred Tsai	$ -	$ 500,000	Promissory notes
Jack Hsu	500,000	-	
The Company	174,000	-	Promissory notes
Jointly guaranteed by Fred Tsai and the Company	200,000	574,000	Promissory notes
Jointly guaranteed by Jack Hsu and the Company	200,000	-	Promissory notes
	$ 1,074,000	$ 1,074,000	

(5) Pensions

A. Defined benefit pension plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units.

Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

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

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	($ 60,177)	($ 57,287)
Fair value of plan assets	27,610	25,779
Net defined benefit liability	($ 32,567)	($ 31,508)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	($ 57,287)	$ 25,779	($ 31,508)
Current service cost	(487)	-	(487)
Interest (expense) income	(516)	232	(284)
	(58,290)	26,011	(32,279)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,005	1,005
Change in financial assumptions	(915)	-	(915)
Experience adjustments	(972)	-	(972)
	(1,887)	1,005	(882)
Pension fund contribution	-	594	594
Paid pension	-	-	-
Balance at December 31	($ 60,177)	$ 27,610	($ 32,567)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 61,530)	$ 28,052	($ 33,478)
Current service cost	(778)	-	(778)
Interest (expense) income	(554)	252	(302)
	(62,862)	28,304	(34,558)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	934	934
Change in financial assumptions	-	-	-
Experience adjustments	908	-	908
	908	934	1,842
Pension fund contribution	-	1,027	1,027
Paid pension	4,667	(4,486)	181
Balance at December 31	($ 57,287)	$ 25,779	($ 31,508)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2019	2018
Discount rate	0.70%	0.90%
Future salary increases	3.25%	3.25%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 1,141)	$ 1,177	$ 996	($ 972)
December 31, 2018				
Effect on present value of defined benefit obligation	($ 1,181)	$ 1,219	$ 1,047	($ 1,021)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2020 amount to $537.

B. Defined contribution pension plan

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were $2,539 and $2,602, respectively.

(6) Share capital

A. As of December 31, 2019, the Company’s authorised capital was $7,000,000 and the paid-in capital was $5,853,533, consisting of 585,353,297 common shares with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. The stockholders at their stockholders’ meeting on June 28, 2019 adopted a resolution to increase its capital for 17,049,126 shares through capitalization of unappropriated retained earnings of $170,491. The capital increase was approved by the Financial Supervisory Commission, Securities and Futures Bureau on August 22, 2019. The effective date for the issuance of shares was set on September 28, 2019 and the registration was completed.

(7) Capital surplus

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

	2019			
	At January 1	Overdue unclaimed cash dividends	Difference between consideration and carrying amount of subsidiaries acquired	At December 31
Treasury share transactions	$ 39,243	$ -	$ -	$ 39,243
Difference between consideration and carrying amount of subsidiaries acquired or disposed	10,350	-	188,989	199,339
Other	2,654	753	-	3,407
Total	$ 52,247	$ 753	$ 188,989	$ 241,989

	2018		
	At January 1	Overdue unclaimed cash dividends	At December 31
Treasury share transactions	$ 39,243	$ -	$ 39,243
Difference between consideration and carrying amount of subsidiaries acquired or disposed	10,350	-	10,350
Others	1,432	1,222	2,654
Total	$ 51,025	$ 1,222	$ 52,247

(8) Retained earnings

A. Based on the Company's Articles of Incorporation, the Company's net income (less income taxes and prior years' losses, if any) is appropriated in the following order:

(a) 10% for legal reserve.

(b) Special reserve.

(c) Appropriation of remaining earnings according to the decision of the Board of Directors and stockholders.

Provided that full or part of the distributable dividends and bonus, capital surplus or legal reserve are distributed in the form of cash, the regulation in relation to approval from the stockholders for the above is not applicable.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. Appropriation of earnings

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

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

(b) Subsequent events: the appropriation of 2019 earnings had been proposed by the Board of Directors on March 27, 2020. Details are summarised below:

	2019	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 8,761	
Special reserve	425,661	
Cash dividends	292,677	$ 0.50
	$ 727,099	

As of March 27, 2020, aforementioned appropriation of 2019 earnings has not yet been resolved at the stockholders' meeting, except for cash dividends which had already been decided by the Board of Directors and only need to be reported at the stockholders' meeting.

E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(14).

(9) Operating revenue

	For the years ended December 31,	
	2019	2018
Revenue from contracts with customers	$ 78,976	$ 97,242

A. Disaggregation of revenue from contracts with customers

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

For the year ended December 31, 2019	Bulk carrier	Management service	Total
Revenue from external customer contracts	$ 76,327	$ 2,649	$ 78,976
Timing of revenue recognition			
Over time	$ 76,327	$ 2,649	$ 78,976

For the year ended December 31, 2018	Bulk carrier	Management service	Total
Revenue from external customer contracts	$ 94,674	$ 2,568	$ 97,242
Timing of revenue recognition			
Over time	$ 94,674	$ 2,568	$ 97,242

B. Contract assets and liabilities

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

	December 31, 2019	December 31, 2018	January 1, 21018
Contract assets-bulk carrier	$ 96,022	$ 23,105	$ 4,448
Contract liabilities-bulk carrier	$ 24,131	$ 167	$ 14,464

C. For the years ended December 31, 2019 and 2018, contract liabilities at the beginning of the year amounted to $167 and $14,464, respectively, which were fully recognised as operating revenue in the same year.

(10) Other income

	For the years ended December 31,	
	2019	2018
Interest income	$ 1,081	$ 804
Fee income from endorsements and guarantees	4,205	26,124
Rent income	366	366
Other income - others	811	1,157
Total	$ 6,463	$ 28,451

(11) Other gains and losses

	For the years ended December 31,	
	2019	2018
Net currency exchange gains (losses)	$ 36,193	($ 45,586)

(12) Finance costs

	For the years ended December 31,	
	2019	2018
Interest expense:		
Bank borrowings	$ 10,106	$ 10,520
Finance costs	$ 10,106	$ 10,520

(13) Expenses by nature

	For the years ended December 31,					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense	$ 41,495	$ 59,051	$ 100,546	$ 40,269	$ 52,946	$ 93,215
Depreciation	59,309	831	60,140	59,309	865	60,174
Amortisation	-	102	102	-	102	102

(14) Employee benefit expense

	For the years ended December 31,					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Wages and salaries	$ 34,938	$ 46,193	$ 81,131	$ 33,934	$ 41,122	$ 75,056
Labor and health insurance fees	1,840	3,137	4,977	1,854	3,213	5,067
Pension costs	1,217	2,093	3,310	1,300	2,382	3,682
Directors' remuneration	-	5,675	5,675	-	4,230	4,230
Other personnel expenses	3,500	1,953	5,453	3,181	1,999	5,180
Total	$ 41,495	$ 59,051	$ 100,546	$ 40,269	$ 52,946	$ 93,215

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at $3,905 and $3,120, respectively; while directors' and supervisors' remuneration was accrued at $3,905 and $3,120, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 3% of distributable profit of current year for the year ended December 31, 2019. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were both $3,905, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2018 were $3,120, as resolved by the Board of Directors and were in agreement with those amounts recognised in the 2018 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

C. For 2019 and 2018, the average number of the Company's employees per month were 54 and 53 employees, of which 6 and 7 directors were not the Company's employees, respectively.

D. (a) For the years ended December 31, 2019 and 2018, the average employee benefit expense was $1,976 and $1,934, respectively.

(b) For the years ended December 31, 2019 and 2018, the average employee salary expense was $1,690 and $1,632, respectively.

(c) Changes in adjustments of the average employee salaries and wages was 3.55%.

(15) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31, 2019	2018
Current tax:		
Current tax on profits for the year	$ -	$ 92,978
Prior year income tax underestimation	902	3,480
Total current tax	902	96,458
Deferred tax:		
Impact of change in tax rate	-	14,925
Origination and reversal of temporary differences	33,030	(75,412)
Total deferred tax	33,030	(60,487)
Income tax expense	$ 33,932	$ 35,971

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

	For the years ended December 31, 2019	2018
Remeasurement of defined benefit obligations	($ 176)	$ 101
Impact of change in tax rate	-	(267)
	($ 176)	($ 166)

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31, 2019	For the years ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate	$ 24,449	$ 19,549
Prior year income tax underestimation	902	3,480
Effects from estimated backward remittance of earnings	8,581	(1,983)
Impact of change in tax rate	-	14,925
Income tax expense	$ 33,932	$ 35,971

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

2019	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
－Deferred tax assets:				
Income tax loss	$ -	$ 4,187	$ -	$ 4,187
Unrealised exchange loss	14,917	(14,917)	-	-
Unfunded pension expense	6,302	35	176	6,513
Unused compensated absences	342	45	-	387
Subtotal	21,561	(10,650)	176	11,087
－Deferred tax liabilities:				
Unrealised investments income	(44,237)	(12,725)	-	(56,962)
Unrealised exchange gain	-	(9,655)	-	(9,655)
Subtotal	(44,237)	(22,380)	-	(66,617)
Total	($ 22,676)	($ 33,030)	$ 176	($ 55,530)

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
－Deferred tax assets:				
Unrealised exchange loss	$ -	$ 14,917	$ -	$ 14,917
Unfunded pension expense	5,674	729	(101)	6,302
Unused compensated absences	322	20	-	342
Subtotal	5,996	15,666	(101)	21,561
－Deferred tax liabilities:				
Unrealised investments income	(87,019)	42,782	-	(44,237)
Unrealised exchange gain	(2,039)	2,039	-	-
Subtotal	(89,058)	44,821	-	(44,237)
Total	($ 83,062)	$ 60,487	($ 101)	($ 22,676)

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2019 and 2018, the amounts of temporary differences unrecognised as deferred tax liabilities were $16,715,294 and $17,183,856, respectively.

E. The Company’s income tax returns through 2017 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company’s applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(16) Earnings per share

	For the year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 88,316	585,353	$ 0.15
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 88,316	585,353	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	232	-
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 88,316	585,585	$ 0.15

	For the year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 61,777	585,353	$ 0.11
Diluted earnings per share			
Profit attributable to ordinary shareholders	61,777	585,353	
Assumed conversion of all dilutive potential ordinary shares			
- employees' compensation	-	196	-
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 61,777	585,549	$ 0.11

(17) Changes in liabilities from financing activities

	2019		
	Short-term borrowings	Other payables - related party	Liabilities from financing activities-gross
At January 1	$ 800,000	$ 1,536,000	$ 2,336,000
Changes in cash flow from financing activities	-	149,900	149,900
Impact of changes in foreign exchange rate	-	(37,000)	(37,000)
At December 31	$ 800,000	$ 1,648,900	$ 2,448,900

	2018			
	Short-term borrowings	Other payables - related party	Long-term borrowings	Liabilities from financing activities-gross
At January 1	$ 760,000	$ 1,488,000	$ 75,114	$ 2,323,114
Changes in cash flow from financing activities	40,000	-	(75,997)	(35,997)
Impact of changes in foreign exchange rate	-	48,000	883	48,883
At December 31	$ 800,000	$ 1,536,000	$ -	$ 2,336,000

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

Note: For related party transactions of subsidiaries, second-tier subsidiaries and third-tier subsidiaries and names and relationship of related parties, please refer to Note 4(3) in the consolidated financial statements.

(2) Significant related party transactions and balances

A. Operating revenue

	For the years ended December 31,	
	2019	2018
Management revenue:		
Other related parties	$ 2,649	$ 2,568

Management revenue is the agent revenue arising from vessel agent contract. Sales of services are based on the price lists in force and terms that would be available to the third parties.

B. Operating costs

	For the years ended December 31,	
	2019	2018
Commission expense:		
Other related party	$ 985	$ 1,238

C. Operating expense

	For the years ended December 31,	
	2019	2018
Agency fee:		
Other related party	$ -	$ 288

D. Other income

	For the years ended December 31,	
	2019	2018
Fee income from endorsements and guarantees:		
Pacifica Maritime Limited	$ 1,299	$ 1,508
Kenmore Shipping Inc.	-	4,177
Everwin Maritime Limited	566	3,638
Second-tier subsidiaries	2,340	16,801
	$ 4,205	$ 26,124

E. Other receivables / payables

Other receivables / payables arising from agent revenue, prepayments on behalf of other related parties or agents, advances and fee income from endorsements and guarantees, are as follows:

	December 31, 2019	December 31, 2018
Receivables:		
Norley Corporation Inc.	$ 3,298	$ 5,202
Heywood Limited	3,443	982
Other related parties	233	-
	$ 6,974	$ 6,184
Payables:		
Other related parties	$ 883	$ 925

F. On July 16, 2019 and July 3, 2018, the stockholders of subsidiaries during their meeting resolved to distribute dividends amounting to $223,632 (US$7,200 thousand) and $523,912 (US$17,200 thousand), respectively and the Company received the above dividends from subsidiaries in July 2019 and 2018, respectively.

G. Financing (shown as 'other payables to related parties')

	For the year ended December 31, 2019			
	Maximum balance	Ending balance	Interest rate	Total interest expense
Norley Corporation Inc.	$ 2,008,500	$ 1,049,300	-	-
Heywood Limited	1,236,000	599,600	-	-
	$ 3,244,500	$ 1,648,900		
	(US$ 105,000 thousand)	(US$ 55,000 thousand)		

	For the year ended December 31, 2018			
	Maximum balance	Ending balance	Interest rate	Total interest expense
Norley Corporation Inc.	$ 1,892,150	$ 921,600	-	-
Heywood Limited	1,164,400	614,400	-	-
	$ 3,056,550	$ 1,536,000		
	(US $105,000 thousand)	(US $50,000 thousand)		

H. The Company contracted to render transportation services for the year ended December 31, 2019 and 2018 and executed the contract by sub-contracting it to its second-tier subsidiary who provides chartered ship service with the same contractual terms. The revenue and costs arising from this transaction are expressed as a consolidated net amount in the financial statements. The details on transactions are as follows:

	For the year ended December 31, 2019		
	Amount	Ending balance of payables	Ending balance of prepayments
Ocean Grace Limited	$ 517,314	$ 6,084	$ -
Clifford Navigation Corporation	112,917	-	-
Brighton Shipping Inc.	305,199	43,239	-
Everprime Shipping Limited	112,088	6,990	-
Ocean Wise Limited	185,523	17,162	-
Poseidon Marine Ltd.	161,752	-	-
Maxson Shipping Inc.	333,624	38,095	-
Second-tier subsidiaries	229,389	-	10,831
	$ 1,957,806	$ 111,570	$ 10,831

	For the year ended December 31, 2018		
	Amount	Ending balance of payables	Ending balance of prepayments
Ocean Grace Limited	$ 407,921	$ 21,511	$ -
Clifford Navigation Corporation	189,183	-	-
Everprime Shipping Limited	181,989	-	-
Ocean Wise Limited	179,048	-	-
Poseidon Marine Ltd.	142,027	3,932	-
Maxson Shipping Inc.	84,098	38,111	-
Second-tier subsidiaries	281,886	5,596	-
	$ 1,466,152	$ 69,150	$ -

I. The Company issued promissory notes to Mega Bank as collateral for the indirect investees as resolved by the Board of Directors. Details are as follows:

(In Thousands Of US Dollars)

		Outstanding guaranteed balance	
Investees (Note)	Nature	December 31, 2019	December 31, 2018
Second-tier subsidiary	Guarantee for financing	$ 92,012	$ 193,038
Third-tier subsidiary	Guarantee for financing	58,338	67,298
		$ 150,350	$ 260,336

Note: For the details on outstanding guarantee balance of second-tier subsidiary and third-tier subsidiary, please refer to Note 13(1)B.

(3) Key management compensation

	For the years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 22,847	$ 21,871
Post-employment benefits	464	524
Total	$ 23,311	$ 22,395

8. PLEDGED ASSETS

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

	December 31, 2019	December 31, 2018	Purpose
Guarantee deposits paid (shown as other non-current assets)	$ 6,922	$ 6,922	Deposit of golf certificates
Land, building and structures	100,250	100,818	Credit lines of short-term borrowings
	$ 107,172	$ 107,740	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. For the details on the endorsements and guarantees provided by the Company to the indirect investees, please refer to Note 7(2) I.

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For the details of the appropriation of 2019 earnings as proposed by the Board of Directors, please refer to Note 6(8) D.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019		December 31, 2018	
Financial assets				
Financial assets at amortised cost				
Cash and cash equivalents	$	232,583	$	206,510
Accounts receivable, net		29,951		20,676
Other receivables		12,457		15,008
Other receivables - related parties		6,974		6,184
Guarantee deposits paid (recorded as other non-current assets')		6,922		6,922
	$	288,887	$	255,300
Financial liabilities				
Financial liabilities at amortised cost				
Short-term borrowings	$	800,000	$	800,000
Other payables		31,145		28,851
Other payables - related parties		1,761,353		1,606,075
	$	2,592,498	$	2,434,926

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and JPY. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD：NTD	$ 12,400	29.98	$ 372,538
Long-term equity investments accounted for using the equity method			
USD：NTD	575,871	29.98	17,264,608
Financial liabilities			
Monetary items			
USD：NTD	$ 59,265	29.98	$ 1,777,065

	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 8,701	30.72	$ 267,298
Long-term equity investments accounted for using the equity method			
USD:NTD	569,028	30.72	17,480,555
Financial liabilities			
Monetary items			
USD:NTD	$ 52,691	30.72	$ 1,618,634

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

	For the year ended December 31, 2019		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD：NTD	$ -	29.98	($ 7,844)
Financial liabilities			
Monetary items			
USD：NTD	$ -	29.98	$ 130,707

	For the year ended December 31, 2018		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	30.72	$ 6,084
Financial liabilities			
Monetary items			
USD:NTD	$ -	30.72	($ 92,672)

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

	For the year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 3,725	$ -
Long-term equity investments accounted for using the quity mehtod			
USD:NTD	1%	-	172,646
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 17,771	$ -

	For the year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 2,673	$ -
Long-term equity investments accounted for using the quity mehtod			
USD:NTD	1%	-	174,806
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 16,186	$ -

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the contract cash flows of the accounts receivable based on the agreed terms.

ii. The Company manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms and obligation completed, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Company classifies customers' accounts receivable in accordance with customer types. The Company applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2019 and 2018, the Company's written-off financial assets that are still under recourse procedures amounted to $334 and $0, respectively.

viii. The Company used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable and lease payments receivable. On December 31, 2019 and 2018, the provision matrix is as follows:

December 31, 2019	Not past due	Total
Expected loss rate	Approximately 0%	
Total book value	$ 29,951	$ 29,951
Loss allowance	$ -	$ -

December 31, 2018	Not past due	Total
Expected loss rate	Approximately 0%	
Total book value	$ 20,676	$ 20,676
Loss allowance	$ -	$ -

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

	December 31, 2019	December 31, 2018
Not past due	$ 29,951	$ 20,676

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury.

iii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2019	Up to 1 year	Between 1 year and 5 years	Over 5 years
Short-term borrowings	$ 800,000	$ -	$ -
Other payables	31,145	-	-
Other payables - related parties	1,761,353	-	-

Non-derivative financial liabilities:

December 31, 2018	Up to 1 year	Between 1 year and 5 years	Over 5 years
Short-term borrowings	$ 800,000	$ -	$ -
Other payables	28,851	-	-
Other payables - related parties	1,606,075	-	-

13. SUPPLEMENTARY DISCLOSURES

(3) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

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

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(4) Information on investees

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

(5) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

14. SEGMENT INFORMATION

Not applicable.

Sincere Navigation Corporation

Loans to others

For the year ended December 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)	Footnote
0	Sincere Navigation Corporation	None													$ 4,649,351	$ 6,199,134	
1	Norley Corporation Inc.	Sincere Navigation Corporation	Other receivables - related parties	Y	$ 2,008,500	$ 1,049,300	$ 1,049,300	-	2	-	Working capital	-	-	-	3,555,493	4,740,657	The maximun amount amounted to USD 65,000,000 for the current period, and the actural amount was USD 35,000,000 at the end of year.
2	Norley Corporation Inc.	Kenmore Shipping Inc.	Other receivables - related parties	Y	684,272	-	-	-	2	-	Repayment of loan	-	-	-	3,555,493	4,740,657	The maximun amount amounted to USD 22,260,000 for the current period, and the actural was USD 0 at the end of year.
3	Heywood Limited	Sincere Navigation Corporation	Other receivables - related parties	Y	1,236,000	599,600	599,600	-	2	-	Working capital	-	-	-	1,623,890	2,165,186	The maximun amount amounted to USD 40,000,000 for the current period, and the actural was USD 20,000,000 at the end of year.

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1)The Company is ‘0’.
(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: In accordance with the finance procedures of the Company, for business transaction purposes, maximum financing to each subsidiary and total financing is limited to 30% and 40% of the Company's net value, respectively. For short-term lending purpose, maximum financing to each subsidiary and total financing is limited 30% to 40% of the Company's net value, respectively. The maximum financing between the subsidiaries which are directly or indirectly 100% owned by the Company or between the subsidiaries which are directly or indirectly 100% owned by the Company and the Company is limited to 100% of the lender's net value.

Note 3: Nature of loans is filled as follows:
(1) Fill in 1 for business transactions.
(2) Fill in 2 for short-term financing.

Sincere Navigation Corporation

Provision of endorsements and guarantees to others

For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	Sincere Navigation Corporation	Helmsman Navigation Co. Ltd.	3	$ 15,497,836	$ 447,930	$ 424,967	$ 283,311	$ -	31.83%	$ 38,744,590	Y	N	N	Guarantee balance is US$ 14,175 thousand
0	〃	Keystone Shipping Co. Ltd.	3	15,497,836	447,930	424,967	283,311	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 14,175 thousand
0	〃	Ocean Wise Limited	3	15,497,836	599,231	126,336	63,168	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 4,214 thousand
0	〃	Maxson Shipping Inc.	3	15,497,836	509,875	483,736	214,994	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 16,135 thousand
0	〃	Poseidon Marine Ltd.	3	15,497,836	938,520	-	-	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 0 thousand
0	〃	Everwin Maritime Limited	3	15,497,836	715,361	678,687	565,573	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 22,638 thousand
0	〃	Kenmore Shipping Inc.	3	15,497,836	1,025,741	-	-	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 0 thousand
0	〃	Pacifica Maritime Limited	3	15,497,836	2,101,400	1,298,509	1,298,509	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 43,313 thousand
0	〃	Ocean Grace Limited	3	15,497,836	1,411,256	1,070,286	1,070,286	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 35,700 thousand
0	〃	Brighton Shipping Inc.	3	15,497,836	308,384	218,149	218,149	-	31.83%	38,744,590	Y	N	N	Guarantee balance is US$ 7,277 thousand

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	〃	Rockwell Shipping Limited	3	$ 15,497,836	$ 298,571	$ 207,778	$ 207,778	$ -	31.83%	$ 38,744,590	Y	N	N	Guarantee balance is US$ 6,931 thousand
1	Norley Corporation Inc.	Kenmore Shipping Inc.	3	11,851,642	862,960	760,742	760,742	-	6.42%	29,629,105	Y	N	N	Guarantee balance is US$ 25,375 thousand

Note 1: The numbers filled in for the endorsements/ guarantees provided by the Company or subsidiaries are as follows:
(1)The Company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:
(1) Having business relationship.
(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: According to the Company's "Procedures for Provision of Endorsements and Guarantees":
[The Company]
(1) The limit on endorsements and guarantees provided for an individual party shall not exceed the Company's equity.
Those which are provided for an individual party due to business relationship, shall not exceed the total amount of transactions with the Company in the most recent year.
(2) The ceiling on total endorsements and guarantees shall not exceed 250% of the Company's equity.
[The Company and subsidiaries]
(1) The limit on endorsements and guarantees provided for an individual party shall not exceed the Company's equity.
(2) The ceiling on total endorsements and guarantees shall not exceed 300% of the Company's equity.

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

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

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

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

Sincere Navigation Corporation

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Sincere Navigation Corporation	None		-	-	$ -	-	$ -	$ -
Norley Corporation Inc. (Norley)	Sincere Navigation Corporation	Norley's parent company	$ 1,049,300 (USD 35,000 thousand)	-	-	-	-	-
Heywood Limited (Heywood)	Sincere Navigation Corporation	Heywood's parent company	$ 599,600 (USD 20,000 thousand)	-	-	-	-	-

Sincere Navigation Corporation

Significant inter-company transactions during the reporting period

For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	Sincere Navigation Corporation	Helmsman Navigation Co. Ltd.	1	Guarantees	$ 424,967	As per the Company's policy	1.82%
0	〃	Keystone Shipping Co. Ltd.	1	〃	424,967	〃	1.82%
0	〃	Everwin Maritime Limited	1	〃	678,687	〃	2.91%
0	〃	Maxson Shipping Inc.	1	〃	483,736	〃	2.08%
0	〃	Pacifica Maritime Limited	1	〃	1,298,509	〃	5.57%
0	〃	Ocean Grace Limited	1	〃	1,070,286	〃	4.59%
1	Norley Corporation Inc.	Kenmore Shipping Inc.	1	〃	760,742	〃	3.26%
1	〃	Sincere Navigation Corporation	2	Other receivables	1,049,300	〃	4.50%
2	Heywood Limited	Sincere Navigation Corporation	2	〃	599,600	〃	2.57%

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

(1) Parent company is ‘0’.

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

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

(1) Parent company to subsidiary is numbered ‘1’.

(2) Subsidiary to parent company is numbered ‘2’.

(3) Subsidiary to subsidiary is numbered ‘3’.

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

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

Sincere Navigation Corporation

Information on investees

For the year ended December 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount (Note 1)		Shares held as at December 31, 2019 (Note 2)			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Sincere Navigation Corporation	Norley Corporation Inc.	Republic of Liberia	Investment holdings	$ 29,980 (USD 1,000 thousand)	$ 30,720 (USD 1,000 thousand)	500	100%	$ 11,851,642	$ 199,469	$ 199,469	Subsidiary
〃	Heywood Limited	Marshall Islands	〃	29,980 (USD 1,000 thousand)	30,720 (USD 1,000 thousand)	500	100%	5,412,966	44,888	44,888	Subsidiary
Norley Corporation Inc.	Kenmore Shipping Inc.	Marshall Islands	Oil tanker	1,382,378 (USD 46,110 thousand)	1,416,499 (USD 46,110 thousand)	500	100%	1,848,668	70,415	-	Indirectly owned subsidiary
〃	Winnington Limited	〃	Investment holdings	311,115 (USD 10,377 thousand)	318,794 (USD 10,377 thousand)	500	100%	583,129	19,652	-	Indirectly owned subsidiary
〃	Jetwall Co. Ltd.	〃	〃	1,288,420 (USD 42,976 thousand)	1,320,223 (USD 42,976 thousand)	400	80%	1,494,903	58,316	-	Indirectly owned subsidiary
〃	Victory Navigation Inc.	〃	〃	165 (USD 6 thousand)	169 (USD 6 thousand)	275	55%	424,815	9,205	-	Indirectly owned subsidiary
〃	Kingswood Co., Ltd.	〃	〃	150 (USD 5 thousand)	154 (USD 5 thousand)	250	50%	11,817	92	-	Indirectly owned subsidiary
〃	Poseidon Marine Ltd	〃	Shipping	240,140 (USD 8,010 thousand)	61,747 (USD 2,010 thousand)	500	100%	1,737,191	(118,898)	-	Indirectly owned subsidiary
〃	Maxson Shipping Inc.	〃	〃	314,790 (USD 10,500 thousand)	322,560 (USD 10,500 thousand)	500	100%	1,180,524	14,693	-	Indirectly owned subsidiary
〃	Ocean Wise Limited	Republic of Liberia	〃	610,693 (USD 20,370 thousand)	205,397 (USD 6,686 thousand)	790,500	100%	1,087,526	(26,124)	-	Indirectly owned subsidiary

				Initial investment amount (Note 1)		Shares held as at December 31, 2019 (Note 2)					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019 （Note 2）	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
Norley Corporation Inc.	Pacifica Maritime Limited	Marshall Islands	Oil tanker	$ 1,462,724 (USD 48,790 thousand)	$ 1,498,829 (USD 48,790 thousand)	500	100%	$ 1,596,979	$ 122,102	$ -	Indirectly owned subsidiary
〃	Sky Sea Maritime Limited	〃	Investment holdings	479,995 (USD 16,011 thousand)	559,427 (USD 18,211 thousand)	275	55%	576,574	120,537	-	Indirectly owned subsidiary
〃	New Frontier Navigation Ltd.	〃	Holding in shipbuilding	-	307 (USD 10 thousand)	-	0%	-	-	-	Indirectly owned subsidiary
〃	Elroy Maritime Service Inc.	〃	Maritime service	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	838	587	-	Indirectly owned subsidiary
Winnington Limited	Peg Shipping Company Limited	Republic of Liberia	Shipping	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	578,098	19,736	-	Indirectly owned subsidiary
Kingswood Co., Ltd.	Seven Seas Shipping Ltd.	Marshall Islands	Oil tanker	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	8,219	170	-	Indirectly owned subsidiary
Jetwall Co. Ltd.	Everwin Maritime Limited	〃	〃	1,610,526 (USD 53,720 thousand)	1,650,278 (USD 53,720 thousand)	500	100%	1,869,285	58,023	-	Indirectly owned subsidiary
Victory Navigation Inc.	Everprime Shipping Limited	〃	Shipping	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	768,943	9,106	-	Indirectly owned subsidiary
Sky Sea Maritime Limited	Ocean Grace Limited	〃	〃	872,718 (USD 29,110 thousand)	1,017,139 (USD 33,110 thousand)	500	100%	1,048,525	120,472	-	Indirectly owned subsidiary
Elroy Maritime Service Inc.	Oak Maritime (Canada) Inc.	Canada	Martime serive	3,867 (USD 128 thousand)	-	1,000	100%	4,252	401	-	Indirectly owned subsidiary
Heywood Limited	Clifford Navigation Corporation	Marshall Islands	Shipping	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	742,679	20,888	-	Indirectly owned subsidiary
〃	Newton Navigation Limited	〃	〃	-	307 (USD 10 thousand)	-	0%	-	3,955	-	Indirectly owned subsidiary
〃	Brighton Shipping Inc.	〃	〃	300 (USD 10 thousand)	307 (USD 10 thousand)	500	100%	472,795	21,892	-	Indirectly owned subsidiary

				Initial investment amount (Note 1)		Shares held as at December 31, 2019 (Note 2)			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	
Investor	Investee	Location	Main business activities	Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			Footnote
Heywood Limited	Rockwell Shipping Limited	Marshall Islands	Shipping	$ 300 (USD 10 thousand)	$ 307 (USD 10 thousand)	500	100%	$ 339,706	$ 48,639	$ -	Indirectly owned subsidiary
〃	Howells Shipping Inc.	〃	〃	360,060 (USD 12,010 thousand)	368,947 (USD 12,010 thousand)	500	100%	889,639	10,725	-	Indirectly owned subsidiary
〃	Crimson Marine Company	〃	〃	1,001,272 (USD 33,398 thousand)	749,507 (USD 24,398 thousand)	500	100%	537,865	(39,220)	-	Indirectly owned subsidiary
〃	Century Shipping Limited	HongKong	Investment holdings	14,990 (USD 500 thousand)	15,360 (USD 500 thousand)	50,000	100%	874	4,688	-	Indirectly owned subsidiary
〃	Helmsman Navigation Co. Ltd.	Marshall Islands	Shipping	512,958 (USD 17,110 thousand)	249,139 (USD 8,110 thousand)	500	100%	389,973	(22,329)	-	Indirectly owned subsidiary
〃	Keystone Shipping Co. Ltd.	〃	〃	467,988 (USD 15,610 thousand)	249,139 (USD 8,110 thousand)	500	100%	396,930	(3,788)	-	Indirectly owned subsidiary

Note 1: The above balances of initial investments as at December 31, 2019 and 2018 were translated at the closing exchange rates at the balance sheet date.

Note 2: The above carrying amounts of shares held as at December 31, 2019 and net profit (loss) of the investee for the year ended December 31, 2019 were translated at the closing exchange rates at the balance sheet and the average exchange rates for the year ended December 31, 2018, respectively.

Note 3: The liquidation of New Frontier Navigation Ltd. was completed on May 27, 2019.

Note 4: The liquidation of Newton Navigation Limited was completed on July 30, 2019.

Sincere Navigation Corporation

Information on investments in Mainland China

For the year ended December 31, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year edned December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
Haihu Maritime Service (Shanghai) Co., Ltd.	Maritime service	$ 15,855 (USD 500 thousand)	2	$ 15,855 (USD 500 thousand)	$ -	$ -	$ 15,855 (USD 500 thousand)	$ 4,688 (RMB1,048 thousand)	100%	$ 4,688 (RMB1,048 thousand)	$ 874 (RMB203 thousand)	$ -	

Note 1: Investment methods are classified into the following three categories.
(1) Directly invest in a company in Mainland China.
(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China. (The investee in the third area is Century Shipping Limited)
(3) Others.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Haihu Maritime Service (Shanghai) Co., Ltd.	$ 15,855	$ 95,130	$ 9,298,702

VI. In the Most Recent Fiscal Year and Up to the Date of Publication of the Annual Report, Any Financial Difficulties Experienced by the Company or Its Affiliates and How Said Difficulties Will Affect the Company's Financial Situation: None.

Chapter 7 Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

I. Financial Position

Financial Status Comparison and Analysis - International Financial Reporting Standards (IFRSs)

Unit: Thousand NTD

Year / Item	December 31, 2019	December 31, 2018	Difference	
			Amount	%
Current assets	5,283,761	4,903,256	380,505	7.76
Property, plant and equipment	17,919,541	19,457,434	(1,537,893)	(7.90)
Other assets (Explanation 1)	99,583	67,788	31,795	46.90
Total assets	23,302,885	24,428,478	(1,125,593)	(4.61)
Current liabilities	2,077,457	2,406,994	(329,537)	(13.69)
Long-term liabilities	4,406,634	4,442,288	(35,654)	(0.80)
Other liabilities (Explanation 2)	116,097	75,745	40,352	53.27
Total liabilities	6,600,188	6,925,027	(324,839)	(4.69)
Share capital	5,853,533	5,683,042	170,491	3.00
Capital surplus (Explanation 3)	241,989	52,247	189,742	363.16
Retained earnings				
Legal reserve	3,163,018	3,156,840	6,178	0.20
Special reserve (Explanation 4)	924,270	1,479,609	(555,339)	(37.53)
Unappropriated retained earnings	6,664,957	6,312,338	352,619	5.59
Other equity interest (Explanation 5)	(1,349,931)	(924,270)	(425,661)	(46.05)
Non-controlling interest (Explanation 3)	1,204,861	1,743,645	(538,784)	(30.90)
Total shareholders' equity	16,702,697	17,503,451	(800,754)	(4.57)

Note: Analyses are provided only for deviations over 20%.

Explanation and analysis:

1. Mainly from the right-of-use asset of newly leased equipment.
2. Mainly from the recognition of the liabilities of leased equipment; the amount of overseas surplus repatriation estimated in the current capital operation plan is increased, thus the deferred income tax liabilities for temporary differences increase.
3. Mainly from the recognition adjustment of the difference between obtaining 100% of equity price of the second-tier subsidiary and book value from non-controlling interests.
4. Mainly from complying with the law to request the provision of special surplus reserves equal to other equity debits.
5. Listing of exchange rate loss from financial report of overseas operating entities due to the appreciation of NTD to USD exchange rate comparing with that in same period last year.

II. Financial Performance

Financial Performance Review and Analysis - International Financial Reporting Standards (IFRSs)

Unit: Thousand NTD

Item \ Year	2019	2018	Amount of increase (decrease)	Percentage of change (%)	Analysis of deviation
Operating revenue	$ 4,317,241	$ 3,773,082	544,159	14.42	
Operating costs	(3,728,291)	(3,260,155)	468,136	14.36	
Net operating margin	588,950	512,927	76,023	14.82	
Operating expenses	(225,274)	(159,095)	66,179	41.60	Please refer to Explanation 1
Other losses and gains – net	-	-	-	-	
Operating net income	363,676	353,832	9,844	2.78	
Non-operating income and expenses					
Other income	63,002	47,453	15,549	32.77	Please refer to Explanation 2
Other gains and losses	34,847	(59,242)	94,089	158.82	Please refer to Explanation 3
Finance costs	(266,551)	(221,225)	45,326	20.49	Please refer to Explanation 4
Total non-operating income and expenses	(168,702)	(233,014)	64,312	27.60	
Pre-tax net profit from continuing operations	194,974	120,818	74,156	61.38	
Income tax expenses	(34,036)	(35,971)	(1,935)	(5.38)	
Net profit from continuing operations	160,938	84,847	76,091	89.68	
Net gain and loss from discontinued operations	-	-	-	-	
Net profit for this period	160,938	84,847	76,091	89.68	
Other comprehensive income - net	(455,733)	611,386	(1,067,119)	(174.54)	Please refer to Explanation 5
Total comprehensive income	(294,795)	696,233	(991,028)	(142.34)	
Net profit attributable to:					
Owners of the parent company	$ 88,316	$ 61,777	$ 26,539	42.96	
Non-controlling interest	72,622	23,070	49,552	214.79	
	$ 160,938	$ 84,847			
Total comprehensive income attributable to:					
Owners of the parent company	($ 338,051)	$ 618,857	($ 956,908)	(154.63)	
Non-controlling interest	43,256	77,376	(34,120)	(44.10)	
	($ 294,795)	$ 696,233	($ 991,028)	(142.34)	

Note: Analyses are only provided for deviations over 20% and amount over NT$10,000 thousand.

Explanation:

1. Mainly from the newly added reinvestment companies in this period which is responsible for handling shipping consultation services. In addition, due to the arrangement of sales and leaseback and other transaction professional consultations, the expenses have increased.
2. Benefited from the increase of income from oil tanker freight, the cash inflow from operating activities is higher than that of the same period last year, and the related interest income has increased.
3. Mainly from the rise of exchange rate of the New Taiwan dollar against the US dollar compared with that of the same period last year, and the liabilities in the US dollar are greater than the assets in the US dollar in the books, resulting in net exchange benefit for foreign currency
4. As the implicit interest of the sales and leaseback is higher than that of general borrowings, interest expenses have increased.
5. Listing of exchange rate loss from financial report of overseas operating entities due to the appreciation of NTD to USD exchange rate comparing with that in same period last year.

III. Cash Flow

(I) Cash Flow Analysis for the Two Most Recent Years

Item \ Year	December 31, 2019	December 31, 2018	Increase (decrease) ratio
Cash flow ratio	89.66%	49.51%	40.15%
Cash flow adequacy ratio	143.04%	116.83%	26.21%
Cash reinvestment ratio	8.25%	3.86%	4.39%
Analysis of the changes in increase/decrease ratio: Benefiting from the profitable growth of oil tankers, the net cash inflow from operating activities increased from that of the same period last year, and the overall cash flow liquidity ratio improved from that of the same period last year.			

(II) Cash liquidity analysis for the coming fiscal year:

Cash balance at the beginning of the year (1)	Projected net cash flow from operating activities during the year (2)	Projected cash outflow amount during the year (Note) (3)	Estimated cash surplus (deficit) (1)+(2)-(3)	Remedial measures for projected cash deficit	
				Investment plan	Financial plan
$3,945,656	$1,319,510	$1,520,646	$3,744,520	$ -	$ -

Note: Significant cash outflow mostly due to distribution of cash dividends, bank loans repayment, major vessel maintenance, dry-docking, and adding desulfurization equipment.

IV. Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year

1. Major capital expenditure usage and source: None.
2. Projected benefits from the major capital expenditure: None.

V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for Coming Year

Item \ Description	Reinvestment amount	Policy	Main reason for profit	Improvement plan	Other investment plans in the future
Norley Corporation Inc.	$32,230	Long-term investment	Good operating performance	None	-
Heywood Limited	$32,935	Long-term investment	Good operating performance	None	-

VI. Risk Analysis and Assessment

Risk analysis and assessment of the most recent year up to the publication date of this report:

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

Item	2019 (Thousand NTD)
Interest expense	$ 266,551
Exchange gain	$ 35,149

The Company periodically assesses bank loan interest rate and pushes for favorable lending rates. Exchange rates fluctuations are monitored with definite foreign exchange operation strategies and strict control procedures.

(II) Policies, Main Causes of Gain or Loss, and Future Responsive Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:
The Company did not partake in high-risk investments, highly leveraged investments and derivatives transactions in 2019. Loans, endorsements and guarantees are made only for re-invested subsidiaries, and handled in accordance with the Company’s Procedures for Endorsement & Guarantee and Procedures for Lending Funds to Other Parties.

(III) Future Research & Development Projects and Corresponding Budget: Not applicable.

(IV) Effects of and Responses to Changes in Policies and Regulations Relating to Corporate Finance and Sales: None.

(V) Effects of and Responses to Changes in Technology and the Industry Relating to Corporate Finance and Sales: None.

(VI) Effects of and Responses to Changes in Corporate Image on Corporate Risk Management: None.

(VII) Expected Benefits, Potential Risks, and Response to Merger and Acquisition Plans: None.

(VIII) Expected Benefits, Potential Risks, and Response to Factory Expansion Plans: None.

(IX) Risks Relating to and Responses to Excessive Concentration of Suppliers and Clients: None.

(X) Effects of, Risks Relating to, and Responses to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.

(XI) Effects of, Risks Relating to, and Responses to the Changes in Management Rights of the Company: None.

(XII) For litigious and non-litigious matters, the Company shall list major litigious, non-litigious, or administrative disputes that: (1) involve the Company and/or any director, supervisor, the President, the de facto person-in-charge of the Company, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of commencement of the litigation, the main parties involved in the dispute, and the status of the dispute as of the date of publication of the annual report: None.

(XIII) Other major risks and their responsive measures: The Company's business focuses on the international ocean shipping routes, which calls for transactions with non-specific international clients, the main communication method is through e-mail with our stakeholders such as related clients, business brokers, suppliers, and agencies. However, the recent frequent blackmails and scam e-mails of malicious intent prompted the Company to conduct reverse IP domain check and the strengthening of firewalls. The program validates the web domain of e-mails and automatically blocks problematic e-mails. If any irregularities occur, aside from the aforementioned automatic blocking system, a double confirmation with our transaction counterparty will be conducted through phone calls made by the staff or any other non-email method. The Company intends to apply for e-mail SSL certificate for better information accuracy and security.

VII. Other Important Matters: None.

Chapter 8 Special Disclosure

I. Information on the Company Affiliates

(I) Consolidated business report of affiliates

1. Profiles and status of affiliated companies

(1) Organizational structure of affiliates

- Sincere Navigation
  - Norley Corporation Inc. (Liberia, Holding Company)
    - 100% Ocean Wise Limited (Liberia)
    - 100% Kenmore Shipping Inc. (Marshall Islands)
    - 100% Winnington Limited (Marshall Islands, Holding Company) -100%-Peg Shipping Company Ltd. (Liberia)
    - 100% Poseidon Marine Ltd. (Marshall Islands)
    - 100% Maxson Shipping Inc. (Marshall Islands)
    - 80% Jetwall Co. Ltd. (Marshall Islands, Holding Company) -100% -Everwin Maritime Limited (Marshall Islands)
    - 55% Victory Navigation Inc. (Marshall Islands, Holding Company) -100%-Everprime Shipping Limited (Marshall Islands)
    - 50% Kingswood Co. Ltd. (Marshall Islands, Holding Company) -100%-Seven Seas Shipping Ltd. (Marshall Islands)
    - 100% Pacifica Maritime Limited (Marshall Islands)
    - 55% Sky Sea Maritime Limited (Marshall Islands, Holding Company) -100%-Ocean Grace Limited (Marshall Islands)
    - 100% Elroy Maritime Service Inc. (Marshall Islands, Holding Company)-100%-Oak Maritime (Canada) Inc. (Canada)
  - Heywood Limited (Marshall Islands, Holding Company)
    - 100% Clifford Navigation Corporation (Marshall Islands)
    - 100% Brighton Shipping Inc. (Marshall Islands)
    - 100% Rockwell Shipping Limited (Marshall Islands)
    - 100% Howells Shipping Inc. (Marshall Islands)
    - 100% Crimson Marine Company (Marshall Islands)
    - 100% Helmsman Navigation Co. Ltd. (Marshall Islands)
    - 100% Keystone Shipping Co. Ltd. (Marshall Islands)
    - 100% Century Shipping Limited (Hong Kong, Holding Company)
      - 100%- Haihu Maritime Service (Shanghai) Co., Ltd. (China)

(2) Basic information on affiliates

Company name	Date of incorporation	Address	Paid-in capital	Main business or production activities
Norley Corporation Inc. (Norley Corporation Inc.)	1988.12.8	80 Broad Street80 Broad Street, City of Monrovia, Republic of LiberiaMonroviaRepublic	US$1,000 thousand	Investment holding
Winnington Limited	2000.12.28	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$10 thousand	Investment holding
Peg Shipping Company Ltd.	1999.11.1	80 Broad Street80 Broad Street, City of Monrovia, Republic of LiberiaMonroviaRepublic of Liberia	US$10 thousand	Vessel shipping
Kingswood Co., Ltd.	2004.8.12	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$10 thousand	Investment holding
Seven Seas Shipping Ltd.	2000.1.18	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$10 thousand	Oil tanker shipping
Jetwall Co. Ltd.	2000.12.28	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$53,720 thousand	Investment holding
Everwin Maritime Limited	2002.9.26	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$53,720 thousand	Oil tanker shipping
Victory Navigation Inc.	2002.9.26	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$10 thousand	Investment holding
Everprime Shipping Limited	2002.9.17	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$10 thousand	Vessel shipping
Kenmore Shipping Inc.	2006.3.1	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$46,110 thousand	Oil tanker shipping
Ocean Wise Limited	2006.12.4	80 Broad Street80 Broad Street, City of Monrovia, Republic of LiberiaMonroviaRepublic of Liberia	US$15,810 thousand	Vessel shipping
Poseidon Marine Ltd.	2007.10.19	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$8,010 thousand	Vessel shipping

Company name	Date of incorporation	Address	Paid-in capital	Main business or production activities
Maxson Shipping Inc.	2002.3.26	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$10,500 thousand	Vessel shipping
Heywood Limited (Heywood Limited)	2000.9.11	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$1,000 thousand	Investment holding
Brighton Shipping Inc.	2002.5.15	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$10 thousand	Vessel shipping
Rockwell Shipping Limited	2002.7.4	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$10 thousand	Vessel shipping
Clifford Navigation Corporation	2001.8.22	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$10 thousand	Vessel shipping
Howells Shipping Inc.	2004.3.22	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$12,010 thousand	Vessel shipping
Crimson Marine Company	2007.8.3	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$33,400 thousand	Vessel shipping
Helmsman Navigation Co. Ltd.	2012.5.30	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$17,110 thousand	Vessel shipping
Keystone Shipping Co. Ltd.	2012.5.30	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$15,610 thousand	Vessel shipping
Century Shipping Limited	2004.5.7	Room 703, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong	US$500 thousand	Investment holding
Pacifica Maritime Limited	2012.11.21	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$48,790 thousand	Oil tanker shipping
Sky Sea Maritime Limited	2014.1.2	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960Ajeltake RoadAjeltakeIslandMajuro, Marshall Islands	US$29,110 thousand	Investment holding

Company name	Date of incorporation	Address	Paid-in capital	Main business or production activities
Ocean Grace Limited	2014.1.2	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 Ajeltake Road Ajeltake Island Majuro, Marshall Islands	US$29,110 thousand	Vessel shipping
Haihu Maritime Service (Shanghai) Co., Ltd.	2003.10.16	Rm 801, No. 58 Changliu Rd, Pudong New Area, Shanghai, China	US$500 thousand	Maritime service consulting
Elroy Maritime Service Inc.	2018.7.24	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 Ajeltake Road Ajeltake Island Majuro, Marshall Islands	US$10 thousand	Investment holding
Oak Maritime (Canada) Inc.	1993.1.11	Suite 1500-1111 West Georgia St. Vancouver BC VGE 4M3 Canada	C$100	Maritime service consulting

Note: The exchange rate was US$1: NT$29.98 on December 31, 2019.

(3) Overall business scope of all affiliates

The businesses operated by the Company and its affiliates include: investment holding, vessel and oil tanker shipping, and maritime service consulting.

(4) Information of directors, supervisors, and presidents of affiliates

December 31, 2019

Company name	Title	Name or representative	Shareholding	
			Shares	Shareholding ratio (%)
Norley Corporation Inc.	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Ocean Wise Limited	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	790,500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Kenmore Shipping Inc.	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Winnington Limited	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Peg Shipping Company Ltd.	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Kingswood Co., Ltd.	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	250	50
	Supervisors	—		
	President	Hsu, Gee-King		
Seven Seas Shipping Ltd.	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Jetwall Co. Ltd.	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	400	80
	Supervisors	—		
	President	Hsu, Gee-King		
Everwin Maritime Limited	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Victory Navigation Inc.	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	275	55
	Supervisors	—		
	President	Hsu, Gee-King		
Everprime Shipping Limited	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Poseidon Marine Ltd.	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Maxson Shipping Inc.	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Heywood Limited	Directors	Hsu, Chi-Kao, Tsai, Ching-Pen, and Chang, Fong-Chou	500	100
	Supervisors	—		
	President	Hsu, Chi-Kao		
Clifford Navigation Corporation	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Chang, Fong-Chou	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Crimson Marine Company	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Chang, Fong-Chou	500	100
	Supervisors	—		
	President	Hsu, Gee-King		

Company name	Title	Name or representative	Shareholding	
			Shares	Shareholding ratio (%)
Howells Shipping Inc.	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Chang, Fong-Chou	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Brighton Shipping Inc.	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Chang, Fong-Chou	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Rockwell Shipping Limited	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Chang, Fong-Chou	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Helmsman Navigation Co. Ltd.	Directors	Hsu, Chi-Kao, Tsai, Ching-Pen, and Chang, Fong-Chou	500	100
	Supervisors	—		
	President	Hsu, Chi-Kao		
Keystone Shipping Co. Ltd.	Directors	Hsu, Chi-Kao, Tsai, Ching-Pen, and Chang, Fong-Chou	500	100
	Supervisors	—		
	President	Hsu, Chi-Kao		
Century Shipping Limited	Directors	Hsu, Gee-King and Tsai, Ching-Pen	50,000	100
	Supervisors	—		
	President	Hsu, Gee-King		
Pacifica Maritime Limited	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Sky Sea Maritime Limited	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	275	55
	Supervisors	—		
	President	Hsu, Gee-King		
	Supervisors	—		
	President	Hsu, Gee-King		
Pacifica Maritime Limited	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Sky Sea Maritime Limited	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	275	55
	Supervisors	—		
	President	Hsu, Gee-King		
Ocean Grace Limited	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Haihu Maritime Service (Shanghai) Co., Ltd.	Directors	Hsu, Chi-Kao, Chang, Fong-Chou, and Ko, Hsiu-Yen	-	100
	Supervisors	—		
	President	Chang, Fong-Chou		
Elroy Maritime Service Inc.	Directors	Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao	500	100
	Supervisors	—		
	President	Hsu, Gee-King		
Oak Maritime (Canada) Inc.	Directors	Tsai, Ching-Pen and Tsai, Su-Lee	1,000	100
	Supervisors	—		
	President	Tsai, Su-Lee		

2. Operational overview of affiliates

Unit: Thousand NTD
(Except the unit of earnings per share is NTD)

Company name	Capital	Total assets	Total liabilities	Total Equity	Operating revenue	Operating profit	Profit (loss) during this year	Earnings per share
Norley Corporation Inc.	29,980	11,851,905	263	11,851,642	-	(5,321)	199,469	398,938
Heywood Limited	29,980	5,560,822	147,856	5,412,966	-	(18,699)	44,888	89,776
Kenmore Shipping Inc.	1,382,378	2,624,471	775,803	1,848,668	371,885	97,216	70,415	140,830
Winnington Limited	300	598,760	15,631	583,129	-	(83)	19,652	39,304
Jetwall Co., Ltd.	1,610,525	1,890,849	22,220	1,868,629	-	(104)	58,316	116,632
Victory Navigation Inc.	300	791,667	19,276	772,391	-	(104)	9,205	18,410
Kingswood Co., Ltd.	300	23,946	312	23,634	-	(72)	92	184
Poseidon Marine Limited	240,140	1,767,419	30,228	1,737,191	271,945	(116,036)	(118,898)	(237,796)
Maxson Shipping Inc.	314,790	1,416,354	235,830	1,180,524	334,285	19,939	14,693	29,386
Ocean Wise Limited	610,693	1,192,705	105,179	1,087,526	235,759	(19,280)	(26,124)	(33)
Pacifica Maritime Limited	1,462,724	2,913,098	1,316,119	1,596,979	400,201	179,088	122,102	244,204
Elroy Maritime Service Inc.	300	9,439	8,601	838	65,263	253	587	1,174
Sky Sea Maritime Limited	872,718	1,072,611	24,294	1,048,317	-	(104)	120,537	241,074
Oak Maritime (Canada) Inc.	3,867	22,660	18,408	4,252	62,247	1,198	401	401
Peg Shipping Company Ltd.	300	587,024	8,926	578,098	200,549	19,725	19,736	39,472

Unit: Thousand NTD
(Except the unit of earnings per share is NTD)

Company name	Capital	Total assets	Total liabilities	Total Equity	Operating revenue	Operating profit	Profit (loss) during this year	Earnings per share
Seven Seas Shipping Ltd.	300	23,986	15,767	8,219	251	167	170	340
Everwin Maritime Limited	1,610,526	2,444,770	575,485	1,869,285	330,885	85,836	58,023	116,046
Everprime Shipping Limited	300	796,948	28,005	768,943	212,119	9,097	9,106	18,212
Ocean Grace Limited	872,718	2,136,662	1,088,137	1,048,525	518,240	163,741	120,472	240,944
Clifford Navigation Corporation	300	749,573	6,894	742,679	230,363	16,655	20,888	41,776
Brighton Shipping Inc.	300	890,662	417,867	472,795	334,750	39,149	21,892	43,784
Rockwell Shipping Limited	300	758,773	419,067	339,706	267,731	66,819	48,639	97,278
Howells Shipping Inc.	360,060	894,557	4,918	889,639	168,286	7,694	10,725	21,450
Crimson Marine Company	1,001,332	624,654	86,789	537,865	78,502	(39,179)	(39,220)	(78,440)
Century Shipping Limited	14,990	874	-	874	-	-	4,688	94
Helmsman Navigation Co. Ltd.	512,958	732,048	342,075	389,973	124,394	(9,272)	(22,329)	(44,658)
Keystone Shipping Co. Ltd.	467,988	748,059	351,129	396,930	138,590	10,144	(3,788)	(7,576)
Haihu Maritime Service (Shanghai) Co., Ltd.	15,855	3,483	2,609	874	16,167	4,978	4,688	N/A

Note: The data above are all converted from the original US dollars to the New Taiwan Dollar. The exchange rate on December 31, 2019 and the annual average exchange rate was US$1: NT$29.98 and US$1: NT$30.91, respectively.

(II) Consolidated financial statements and financial reports of affiliates: Please refer to the following declaration for details.

Declaration

The entities that are required to be included in the consolidated financial statements as of and for the year ended December 31, 2019 (from January 1, 2019 to December 31, 2019), under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements of affiliates has been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Sincere Navigation Corporation and subsidiaries do not prepare a separate consolidated financial statements of affiliates.

Very truly yours,

Name of the Company: Sincere Navigation Corporation

Responsible Person: Hsu, Chi-Kao

II. Private Placement of Securities During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

III. Holding or Disposal of the Company Shares by Its Subsidiaries in the Most Recent Fiscal Year and Up to the Publication Date of the Annual Report: None.

IV. Other Supplementary Information: None.

Chapter 9 Situations that Materially Affect Shareholders' Equity or the Price of the Company's Securities:

Situations which might materially affect shareholders' equity or the price of the company's securities:

No events has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities.