

Stock Code: 2605

Sincere Navigation Corporation

Annual Report 2020

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

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

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

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Chapter 1. Letter to Shareholders

I. Introduction

In 2020, the global economic activity screeched to a halt as the COVID-19 pandemic ravaged the world. The volume of worldwide maritime trade shrank by 4.0% in 2020, almost similar to the 4.1% decline after the financial crisis of 2009. Except for a few countries whose GDP growth remained in positive, the overall global economy reported negative growth in 2020. COVID-19 has put an indelible stamp on human history. To secure the economy from a downward tendency, central banks around the world have adopted quantitative easing, in an attempt to boost economic activity and reduce unemployment. As a variety of COVID-19 vaccines have been successfully developed at the end of 2020, people are expecting that the global economy will pick up soon in 2021.

To prevent the COVID-19 pandemic from spreading, countries around the world have adopted various levels of lockdown since March 2020, making it extremely difficult for shipping companies to replace the crew members. At the beginning of the outbreak, the maritime authorities of flag states exempted the crew members from the expiration of on-board service contracts; some developed countries later opened up and approved the replacement of the crew members, enabling the Company to successfully make replacements of the crew members despite a string of unforeseen situations such as flight schedules and special port requirements and to avoid the expiration of the crew's on-board service contracts.

Apart from and preceding the COVID-19 pandemic, the global economy had been in a state of suspension due to the China-U.S. trade war and Brexit. However, with the uncertainty of Brexit now behind us, and the Joe Biden's presidency ushering in the China-U.S. trade war 2.0, we adjust our focus on their global economic impact into the future. In addition, the deterioration of the political relationship between China and Australia has affected Australian exports into China, including lobster, coal, red wine, and wheat. By the end of December 2020, an estimate of more than 70 bulk vessels carrying Australian coal mines were held up at the ports in China.

In 2020, the overall bulk carrier fleet grew by 3.6% while the global dry bulk trade growth in ton-miles demand remained flat. Although freight rates rebounded briefly in June and September 2020 respectively, the overall bulk carrier market was oversupplied. Of particular relevance to us, the Capesize market grew by 112 vessels in 2020, equivalent 24,995,040 dwt, which represents about a 40% increase, when compared to 80 vessels growth in 2019. The number of Capesize vessels in the global market totaled 1,700 with 346,996,000 dwt. In 2020, scrapping activity remained gloomy with only 46 Capesize vessels taken out of the market.

On the part of the crude carrier market, the large demand for low sulphur fuel drove more and more fuel suppliers to charter in very large fuel carriers (VLCC) as floating tanks to store low sulphur fuel. In addition, many VLCCs continued to berth at the shipyards to install scrubbers, causing the supply of VLCC to decrease and the charter hire climbed to a record high in nearly a decade in the fourth quarter of 2019. Then market share battle between Saudi Arabia and Russia toward end Q1 then lead to a perfect storm of VLCC demand tightness through shippers securing tankers as floating storage, thus sending spot rates skyward. The rapid spread of the COVID-19 pandemic hit the global economy badly in 2020, causing the demand for crude oil to plummet. Eventually the crude carrier market declined from the second half of 2020 onward, and still remains at bottom until now.

In response to the need to protect the global environment, the International Maritime Organization (IMO) enforced relevant regulations in accordance with established protocols. One of those regulations, which is considered the biggest change ever in marine fuel standards, 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 vessels which have installed exhaust gas cleaning systems (known as scrubbers), most vessels will burn the required low-sulfur compliant fuel. Meantime, for each grade of oil supply in our group vessels, we submit bunker samples to onshore laboratories for testing. As the low sulphur content of marine fuel has less lubricity to the vessel main engine, the Company has adopted the use of chemical protection additives combined into the fuel oil to reduce wear and tear on the main engine. In addition, to prevent the low sulphur fuel oil (LSFO) to be out of specific to damage the vessels, vessels are supplied with an adequate amount of low sulphur marine gas oil (LSMGO) as a contingency measure. This is the Company's consistent approach to risk management.

The fluctuations in the maritime freight market are closely linked to the demand supply dynamics of the global macroeconomic climate. How national governments and authorities respond (or fail to respond) to the ongoing COVID-19 pandemic developments, especially in relation to the more virulent mutated variants, and the efficacy of the existing COVID-19 vaccines, and the entirety of the consequences of the foregoing, will be the key focal points for 2021, in terms of the trends that will impact global macroeconomic growth.

II. Annual Results of 2020

For 2020, the Company maintained our current fleet size of 17 vessels, composed of 3 very large crude carriers (VLCC) and 14 dry bulk carriers of various tonnages (including 1 very large ore carrier (VLOC), 9 Capesize carriers, 2 Kamsarmax carriers, and 2 Handysize carriers). Our dry bulk ownership days were fixed on timecharter or trip timecharter contracts, and we also carried cargoes on freight. The Company has managed its fleet steadily in order to maximize profitability. Due to the freight rate rebound in September 2020, the Group disposed of a Capesize vessel built in 2003 in

early November.

The consolidated revenue (including discontinued operations) for 2020 was reported at NT\$4,182,306 thousand, down 3.13% from the previous year; the net profit attributable to the parent company was NT\$141,296 thousand, with EPS reported at NT\$0.24.

III. Summary Business Plan for 2021

In 2021, the Company will continue to maintain its prudent approach to asset management and cash flow generation while striving to achieve the following objectives:

- I. 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.
- II. 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.
- III. Closely monitor developments in marine technologies, including implementations of very low sulphur fuel oil (VLSFO), scrubbers, ballast water treatment systems (BWTS), new fuel & engine technologies, and others.
- IV. 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.
- V. Improve engagement throughout our offices through better collaboration and internal training, breakdown silos of data and internal knowledge, and improve onboard/onshore connectivity.

As the Company weathers a downward cycle 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 international deep see shipping, it is important to have sufficient financial resources and strong balance sheet to survive a downturn, as the Company will use this adversity to enhance and further create value for all our stakeholders.

IV. Market Variables and Their Impacts

- I. In 2021, the overall trading fleet is forecast to grow by 1.8%, about a half of the 3.6% growth rate seen in 2020. 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.
- II. 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. And last but not least, IMO regulations are increasingly taking aim at green-house gas (ie: CO₂) emissions, which need to be reduced with ambitious aspirational targets set for 2030 and 2050. The industry is now at an important cross roads into new alternative fuels, however the direction is still very unclear. In short, these factors not only impact the cost of daily operation, maintenance, and repair, but also require more careful planning for future growth and re-investment into our fleet.

V. Future Development and Strategy

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. Numerous challenges facing the dry bulk shipping market are expected in 2021. As opportunities for transformation often coexist alongside crises, the Company must change with the times. Diversification of the fleet, to include VLCC and VLOCs, is the first step to avoid excessive concentration of market risks. In addition to diversifying the fleet, the Company will continue exploring other types of vessels to maintain the steady development of business. With professional leadership from the management team, outstanding vessel management, and new technologies, we are confident that we will maintain a competitive advantage in a fluctuating shipping market and deliver long-term and optimal profits for the Company and its shareholders.

VI. Conclusion

Adhering to our corporate principles of credibility, decisiveness, diligence, prudence, and continuous improvement, we remain committed to our role as the first-class owner/operator 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. By providing quality operations and continually improving our people, our assets, and our relationship with major customers around the world, we strive to maximize the profit for all shareholders. Although an unforeseen economic cycle awaits the marine market, we are confident of tackling the challenges facing us.

Sincere Navigation Corporation

Chapter 2. Company Profile

I. Date of Incorporation: February 27, 1968.

II. Company History

Sincere Navigation Corporation ("the Company") was incorporated in 1968. It was launched with one 10,000-ton Handysize bulk carrier and has continued its development over the last 50 years. The Company has operated a series of bulk carriers such as Handysize, Panamax, Capesize, and self-discharge bulk carriers in addition to crude carriers. The deadweight tonnage (DWT) of the Company's current fleet is approximately 2.8 million, and the main types of vessels are extra-large Capesize bulk carriers and very large crude carriers (VLCC).

Given the reduction of operating costs, all of the Company's vessels are currently foreign-flag vessels.

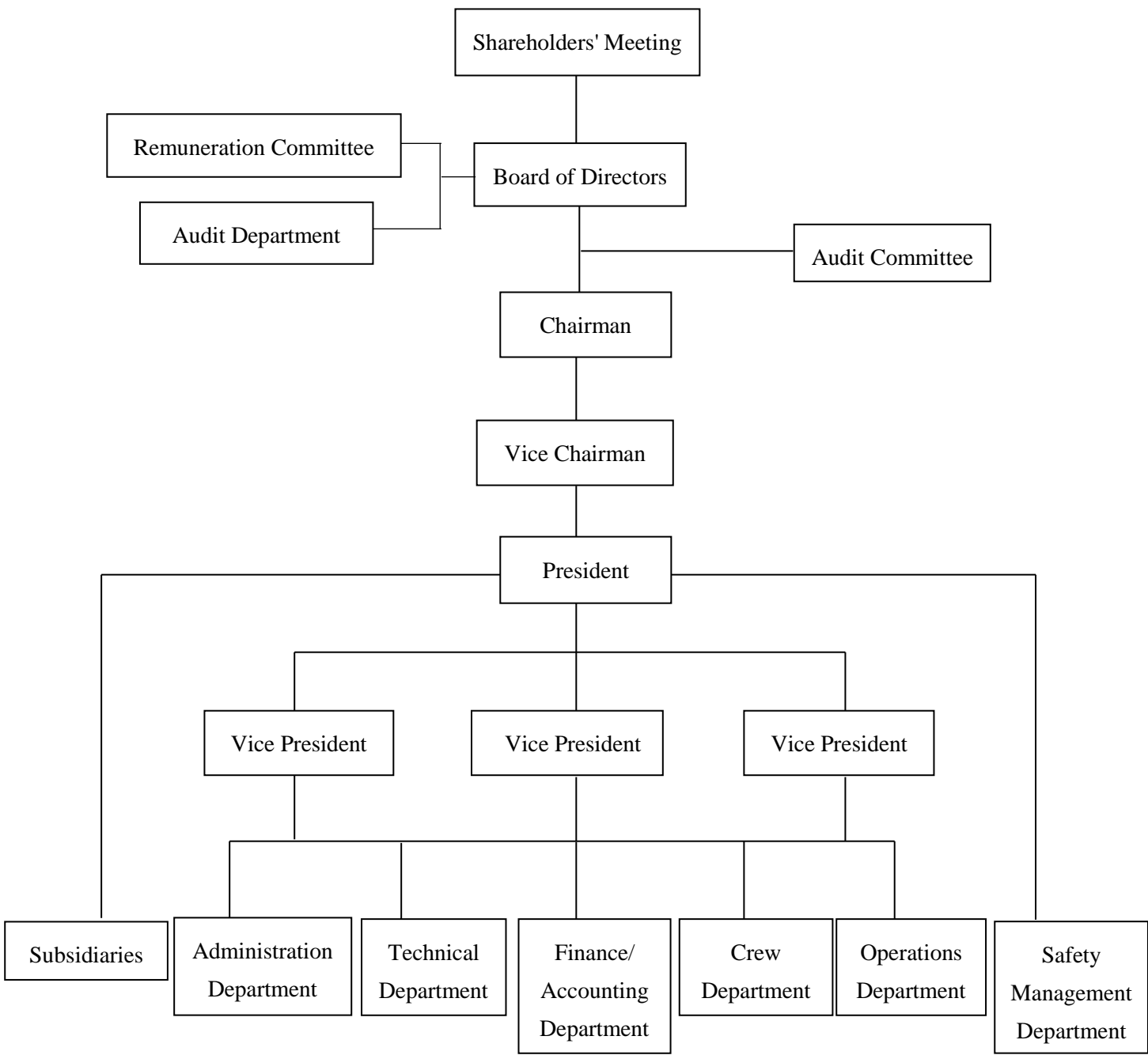
There are two subsidiaries of the Company, namely Norley Corporation Inc. (Norley) and Heywood Limited (Heywood). Norley was incorporated in 1989 in Liberia, while Heywood was incorporated in 2001 in Marshall Islands. Both subsidiaries are 100% funded by the Company. The purpose of their establishment is to expand market scopes to build up a global shipping network. The Company currently has eight Capesize vessels that flies foreign national flags: Chou Shan, Bao Shan, Heng Shan, Huang Shan, Chin Shan, Yue Shan, Mineral Oak, and Tai Shan, as well as Georgiana and Madonna III, two multi-purpose Handysize bulk carriers, 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 in the fleet is 16, with the total DWT reaching approximately 2.8 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 auditing based on the Company's "Internal Control System," "Internal Auditing System and Enforcement Rules," and self-inspection procedures.
2. Operation Department: Handling vessel operation, contracting cargo transport, 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/Account 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

April 19, 2021

| Title | Nationality/ place of registration | Name | Gender | Date of election | Term (years) | Date first elected | Shareholding when elected | | Current shareholding | | Spouse and minor shareholding | | Shareholding by nominees | | Experience (education) | Other positions concurrently held at the Company or other companies | Executives, directors or supervisors who are spouses or within the second degree of kinship | | |
|--|--|-------------------------------------|--------|---------------------|-----------------|-----------------------|---------------------------|---------------------------|----------------------|---------------------------|----------------------------------|---------------------------|-----------------------------|---------------------------|--|--|--|------------------|------------------------|
| | | | | | | | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | | | Title | Name | Relationship |
| Chairman and 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, Clarendon McKenna College, USA Vice Chairman and President, Sincere Navigation Corporation | Director and President, Norley Corporation Inc. and Director and President, Heywood Limited | Director | Hsu, Gee-King | Father and son |
| Director | 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, Norley Corporation Inc. | Chairman | Hsu, Chi-Kao | Father and son |
| Director | 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 |
| Director | Hong Kong | Orient Dynasty Ltd. | - | 2019.6.28 | 3 | 2006.6.20 | 9,261,904 | 1.63% | 9,539,761 | 1.63% | - | - | - | - | - | - | - | - | - |

| Title | Nationality /place of registration | Name | Gender | Date of election | Term (years) | Date first elected | Shareholding when elected | | Current shareholding | | Spouse and minor shareholding | | Shareholding by nominees | | Experience (education) | Other positions concurrently held at the Company or other companies | Executives, directors or supervisors who are spouses or within the second degree of kinship | | |
|--|------------------------------------|----------------|--------|------------------|--------------|--------------------|---------------------------|------------------------|----------------------|------------------------|-------------------------------|------------------------|--------------------------|------------------------|--|---|---|-----------------|---------------------|
| | | | | | | | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | Number of | Shareholding ratio (%) | Number of | Shareholding ratio (%) | | | Title | Name | Relationship |
| 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, Certified Public Accountant R.O.C. Deputy Territory Senior Partner, PwC Taiwan Lecturer, Dept. of Accounting, College of Management, National Taiwan University | Independent Director, Charoen Pokphand Enterprise (Taiwan) Independent Director, Taiwan FamilyMart Co., Ltd. Independent Director, 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, Credit Agricole Asia Shipfinance Limited Member, Hong Kong Maritime and Port Board (MPB) and Chairman, the Promotion and External Relations Committee under MPB | Independent Director, Singamas Container Holdings Limited Independent Director, Minicor Enterprises Holdings Limited Independent Director, Grandland Shipping 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 directors are listed below:

April 19, 2021

| Name of corporate director | Shareholders whose shareholding ratio is at the top ten of the corporate director and supervisor | Shareholding percentage |
|----------------------------|--|-------------------------|
| 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

| Qualifications | Meeting one of the following professional qualifications, 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 | Having 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 | |
| Name | | | | | | | | | | | | | | | | |
| Chairman Hsu, Chi-Kao | -- | -- | ✓ | -- | -- | ✓ | -- | ✓ | ✓ | -- | -- | ✓ | ✓ | ✓ | ✓ | 0 |
| Director Hsu, Gee-King | -- | -- | ✓ | -- | -- | -- | -- | ✓ | ✓ | ✓ | -- | ✓ | ✓ | ✓ | ✓ | 0 |
| Director Solar Shipping Agency Ltd. (Representative: Tsai, Ching-Pen) | -- | -- | ✓ | ✓ | -- | ✓ | -- | -- | ✓ | ✓ | ✓ | ✓ | -- | ✓ | -- | 0 |
| Director Orient Dynasty Ltd. (Representative: Tsai, Su-Lee) | -- | -- | ✓ | ✓ | ✓ | ✓ | -- | ✓ | ✓ | ✓ | ✓ | ✓ | -- | ✓ | -- | 0 |
| Independent Director Lee, Yen-Sung | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3 |
| Independent Director Fan, Kuang-Nan | -- | -- | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Independent Director Cheng, Fu-Kwok | -- | -- | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 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

April 19, 2021

| Title | Nationality | Name | Gender | Date taking office | Shareholding | | Spouse and minor shareholding | | Shareholding by nominees | | Experience (education) | Other positions concurrently held at the Company or other companies | Managers who are spouses or within the second degree of kinship | | |
|---|-------------------|-----------------|--------|--------------------|------------------|------------------------|-------------------------------|------------------------|--------------------------|------------------------|--|---|---|------|--------------|
| | | | | | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | | | Title | Name | Relationship |
| President | Republic of China | Hsu, Chi-Kao | Male | 105.06.29 | 515,000 | 0.09% | -- | -- | -- | -- | B.S., Biological and Economy, Claremont McKenna College, USA | Director and President, Norley Corporation Inc. and Heywood Limited | -- | -- | -- |
| Vice President | Republic of China | Lee, Yih-Ren | Male | 96.07.01 | 1,796 | 0.00% | 817 | 0.00% | -- | -- | Master, Marine Research Institute, Chinese Culture University | None | -- | -- | -- |
| Vice President | Republic of China | Ko, Hsiu-Yen | Female | 103.11.13 | 4,660 | 0.00% | -- | -- | -- | -- | Bachelor, Department of Shipping and Transportation Management, National Taiwan Ocean University | Director, Haihu Maritime Co., Ltd. and Heywood Limited | -- | -- | -- |
| Vice President | Republic of China | Luan, Wen-Pin | Male | 107.09.03 | 18,720 | 0.00% | 41,253 | 0.00% | -- | -- | Master, Department of Merchant Marine, National Taiwan Ocean University | None | -- | -- | -- |
| Manager, Safety Management Department | Republic of China | Hu, Jui-Chin | Male | 107.03.28 | 2,061 | 0.00% | 10,300 | 0.00% | -- | -- | Master, The Institute of Naval Architecture, National Taiwan University | None | -- | -- | -- |
| Manager, Crew Department | Republic of China | Lu, Jing-Cheng | Male | 107.09.03 | -- | -- | -- | -- | -- | -- | China Maritime College | None | -- | -- | -- |
| Manager, Operation Department (Note) | Republic of China | Kuo, Sung-Hui | Female | 110.01.26 | 13,141 | 0.00% | -- | -- | -- | -- | Bachelor, Department of Shipping and Transportation Management, National Taiwan Ocean University | None | -- | -- | -- |
| Manager, Finance/Account Department | Republic of China | Chen, Lan-Fang | Female | 88.01.01 | 369 | 0.00% | -- | -- | -- | -- | Bachelor, Department of Accounting, National Chengchi University Assistant Manager, PWC | None | -- | -- | -- |
| Assistant Manager, Finance/Account Department | Republic of China | Fan, Hsiao-Ting | Female | 106.02.08 | -- | -- | -- | -- | -- | -- | Bachelor, Department of Accounting, Fu Jen Catholic University Assistant Manager, PWC | None | -- | -- | -- |

Note: Ms. Kuo, Sung-Hui was promoted to operation department manager on Jan. 26th, 2021.

III. Remuneration Paid During the Most Recent Fiscal Year to Directors, 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) | |
| | | 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 | | The Company | All companies in the consolidated financial statements |
| Chairman | Hsu, Chi-Kao | | | | | | | | | | | | | | | | | |
| Director | Hsu, Gee-King | | | | | | | | | | | | | | | | | |
| Director | Solar Shipping Agency Ltd. | | | | | | | | | | | | | | | | | |
| | (Representative : Tsai, Ching-Pen) | -- | -- | 3,017 | 3,017 | 790 | 790 | 2.69% | 2.69% | 4,500 | 7,147 | 109 (Note 1) | 109 (Note 1) | -- | -- | -- | 5.96% | 7.83% |
| Director | Orient Dynasty (Representative : Tsai, Su-Lee) | | | | | | | | | | | | | | | | | |
| Independent Director | Lee, Yen-Sung | | | | | | | | | | | | | | | | | |
| Independent Director | Cheng, Fu-Kwok | -- | -- | 2,100 | 2,100 | 1,080 | 1,080 | 2.25% | 2.25% | -- | -- | -- | -- | -- | -- | -- | 2.25% | 2.25% |
| Independent Director | Fan, Kuang-Nan | | | | | | | | | | | | | | | | | |
| 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 | | | | | | | | | | | | | | | | | | |

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

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, Tsai, Su-Lee, Orient Dynasty, Lee, Yen-Sung, Solar Shipping Agency, Fan, Kuang-Nan, and Cheng, Fu-Kwok | Tsai, Ching-Pen, Hsu, Gee-King, Hsu, Chi-Kao, Tsai, Su-Lee, Orient Dynasty, Lee, Yen-Sung, Solar Shipping Agency, Fan, Kuang-Nan, and Cheng, Fu-Kwok | Tsai, Ching-Pen, Hsu, Gee-King, Tsai, Su-Lee, Orient Dynasty, Lee, Yen-Sung, Solar Shipping Agency, Fan, Kuang-Nan, and Cheng, Fu-Kwok | Tsai, Ching-Pen, Hsu, Gee-King, Tsai, Su-Lee, Orient Dynasty, Lee, Yen-Sung, Solar Shipping Agency, Fan, Kuang-Nan, and Cheng, Fu-Kwok |
| 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 | 9 | 9 | 9 | 9 |

(II). 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 | Cash | Stock | | |
| President | Hsu, Chi-Kao | | 9,963 | 216 | 216 | 3,099 | 3,099 | 1,151 | 1,151 | - | - | 10.21% | |
| Vice President | Lee, Yih-Ren | | 9,963 | 216 | 216 | 3,099 | 3,099 | 1,151 | 1,151 | - | - | 10.21% | |
| | Ko, Hsiu-Yen | | 9,963 | 216 | 216 | 3,099 | 3,099 | 1,151 | 1,151 | - | - | 10.21% | |
| | Luan, Wen-Pin | | 9,963 | 216 | 216 | 3,099 | 3,099 | 1,151 | 1,151 | - | - | 10.21% | None |

Note: 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 |

(III). Remuneration to Managerial Officers

Unit: Thousand NTD

| | Title | Name | Stock | Cash | Total | Ratio of total amount to net income (%) |
|--------------------|---|-----------------|-------|-------|-------|---|
| Managerial Officer | President | Hsu, Chi-Kao | - | 2,277 | 2,277 | 1.61% |
| | 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 | | | | |

(IV). Separate Comparisons and Descriptions of Total Remuneration, as a Percentage of Net Income, Paid by the Company and All Other Companies Included in the Consolidated Financial Statements during the Past Two Fiscal Years to Directors, 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, as a percentage of net income, paid by the Company and all companies in the consolidated financial statements for the most recent two fiscal years to the Company's directors, President, and Vice Presidents

Unit: Thousand NTD

| Year | Remuneration paid to Directors, President and Vice Presidents | As percentage of net income |
|------|---|-----------------------------|
| 2019 | \$17,728 | 20.07% |
| 2020 | \$21,416 | 15.16% |

2. Description of remuneration policies, standards and packages
 - (1) The Remuneration Committee formulates and regularly reviews the policies, systems, standards and structure of performance evaluation and remuneration for directors and managerial officers, and submits its opinions to the Board of Directors for discussion. The remuneration packages are set based on the prevailing market conditions and the Company's operational results and organizational structure, and are adjusted in a timely manner according to the market trends, changes in the overall economy and industry environment, and relevant laws and regulations.

- (2) Except for annual fixed travel allowances and remuneration distributed in accordance with the Company's Articles of Incorporation, no variable remuneration was paid to directors. In the process of setting remuneration for directors, the Company's business goals, financial position, and directors' duties are fully considered; the Remuneration Committee also links remuneration to the profitability of the business operations and reports to the Board of Directors for resolution.
 - (3) The remuneration packages for managerial officers are determined on the basis of their educational background, professional knowledge and skills, years of service, and individual performances. The remuneration packages are also adjusted based on the Company's overall operational results on a yearly basis.
 - (4) The Company distributes year-end bonuses based on the operational results and sets side employee remuneration based on its profit before tax. The Remuneration Committee links employee remuneration to the operational results and reports to the Board of Directors for resolution.
3. Procedures for determining remuneration

The Company's compensation policy for directors 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) 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 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. Linkage to operating performance and future risk exposure

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 5 (A) Board of Directors meetings were held in 2020. The attendance of the directors and supervisors is as follows:

| Title | Name | Attendance in person (B) | Attendance by proxy | Attendance rate (%) (B/A) | Remark |
|-------------------------|--|--------------------------------|------------------------|---------------------------------|---|
| Chairman | Hsu, Chi-Kao | 5 | 0 | 100.00 | Newly elected after the election on June 28, 2019 |
| Director | Hsu, Gee-King | 3 | 2 | 60.00 | Re-elected after the election on June 28, 2019 |
| Director | Solar Shipping Agency Ltd. (Representative: Tsai, Ching-Pen) | 5 | 0 | 100.00 | Newly elected after the election on June 28, 2019 |
| Director | Orient Dynasty Ltd. (Representative: Tsai, Su-Lee) | 3 | 0 | 60.00 | Newly elected after the election on June 28, 2019 |
| Independent Director | Lee, Yen-Sung | 5 | 0 | 100.00 | Re-elected after the election on June 28, 2019 |
| Independent Director | Fan, Kuang-Nan | 5 | 0 | 100.00 | Newly elected after the election on June 28, 2019 |
| Independent Director | Cheng, Fu-Kwok | 5 | 0 | 100.00 | Newly elected after the election 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 |
|---------------------|--------|---|---|
| 2020/3/27 | 1 | (a) The resolution that Heywood Limited, a subsidiary of the Company, offers loans to the Company as working capital, is adopted. (b) The resolution that Norley Corporation Inc., a subsidiary of the Company, offers loans to the Company as working capital, is adopted. (c) The resolution that an amendment shall be made to the Company's Ethical Corporate Management Best Practice Principles is adopted. | None. |
| 2020/6/19 | 3 | (1) The resolution that an amendment shall be made to the Company's Regulations for the Evaluation of the Board of Directors is adopted. | None. |
| 2020/11/10 | 5 | (1) The resolution that the appointment of the 2021 financial and tax CPAs is adopted. (2) The resolution that an amendment shall be made to the Company's Corporate Governance Best Practice Principles 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. The evaluation of the Board of Directors and functional committees.

| Evaluation cycle | Evaluation period | Evaluation scope | Evaluation method | Evaluation content | Evaluation results |
|------------------|-------------------|---|---|--|--------------------|
| Annually | 2020.1.1~12.31 | 1. The Board 2. The Board members 3. Remuneration Committee 4. Audit Committee | 1. Self-evaluation of the Board of Directors 2. Self-evaluation of the Board members | 1. Participation of the Company's operation 2. Improvement in the Board's and functional committees' decision-making 3. Composition and structure of the Board and functional committees 4. Selection and continuing education of the Board and functional committees 5. Awareness of the duties of the Board and functional committees 6. Internal control | Good |

Please refer to the company website for detailed evaluation criteria and the implementation status.

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 the PowerPoint files 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 after the 2019 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 internal audit manager regularly sends audit reports to independent directors for review. The CPAs regularly report the audit results of the Company to the independent directors, and issue the "Communication Letters to Governance Units" 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 2020 are as follows:

Excerpts between Independent Directors and the Internal Audit Manager

| Date | Main points of communication topics | Results |
|------------|---|--|
| 2020/3/27 | The audit work for January to March 2020. The 2020 internal audit work that shall be declared and the accounting personnel's capacity for preparing financial statements. The 2019 Statement of Internal Control System. | Upon discussion and communication, the independent directors raised no objection against the audit work and resolved to pass the accounting personnel's capacity for preparing financial statements and the 2019 Statement of Internal Control System and submitted the same to the Board. |
| 2020/5/13 | The audit work for April to May 2020. The 2019 internal audit work that shall be declared and the accounting personnel's capacity for preparing financial statements. | Upon discussion and communication, the independent directors raised no objection against the audit work and resolved to pass the accounting personnel's capacity for preparing financial statements and submitted the same to the Board. |
| 2020/8/12 | The audit work for May to August 2020. Major deficiencies in insider equity transfer declaration, and the definition of preparation for financial statements and internal control over self-assessment of adjustments on the preparation procedure, as announced by Taiwan Stock Exchange Corporation. | Upon discussion and communication, the independent directors raised no objection against the audit work. |
| 2020/11/10 | The audit work for August to November 2020. The accounting personnel's capacity for preparing financial statements. The 2021 internal audit plan. | Upon discussion and communication, the independent directors raised no objection against the audit work and resolved to pass the accounting personnel's capacity for preparing financial statements and the 2021 internal audit plan and submitted the same to the Board. |

Excerpts of Communication between Independent Directors and CPAs

| Date | Main points of communication topics | Results |
|------------|--|--|
| 2020/3/27 | Financial statements (including consolidated and parent company only financial statements) for 2019. | The financial statements for 2019 were adopted by the Audit Committed and the Board of Directors and reported to the competent authority as scheduled. |
| 2020/5/13 | Consolidated financial statements for the first quarter of 2020. | The financial statements for the first quarter of 2020 were adopted by the Audit Committed and the Board of Directors and reported to the competent authority as scheduled. |
| 2020/8/12 | Consolidated financial statements for the second quarter of 2020. | The financial statements for the second quarter of 2020 were adopted by the Audit Committed and the Board of Directors and reported to the competent authority as scheduled. |
| 2020/11/10 | Consolidated financial statements for the third quarter of 2020. | The financial statements for the third quarter of 2020 were adopted by the Audit Committed and the Board of Directors and reported to the competent authority as scheduled. |

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

A total of 4 (A) Audit Committee meetings were held in 2020. The attendance of the independent directors is as follows:

| Title | Name | Attendance in person (B) | Attendance by proxy | Attendance rate (%) (B/A) | Remark |
|----------------------|----------------|--------------------------|---------------------|---------------------------|--------------------------------|
| Independent Director | Lee, Yen-Sung | 4 | 0 | 100.00 | Newly elected on June 28, 2019 |
| Independent Director | Fan, Kuang-Nan | 4 | 0 | 100.00 | Newly elected on June 28, 2019 |
| Independent Director | Cheng, Fu-Kwok | 4 | 0 | 100.00 | Newly elected on June 28, 2019 |

Audit Committee Meeting Items include:

Financial statements:

- Audit and accounting policies and procedures
- Internal control system and related policies and procedures
- Material assets or derivatives trading
- Material loaning of funds and provision of endorsements/guarantees
- Placement or issuance of securities
- Derivatives and cash investments
- Compliance with laws and regulations
- Related party transactions and potential conflicts of interests involving managerial officers and directors

Grievance reports:

- Fraud prevention and investigation reports
- Information security
- Risk management
- Evaluation of the CPAs' qualifications, independence, and performances
- Appointment, dismissal, or compensation of the CPAs
- Appointment or dismissal of the finance manager, accounting manager, or chief internal auditor
- Review of the Audit Committee's performances
- Audit Committee self-evaluation questionnaire, etc.

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 |
|---------------------|--------|--|---|
| 2020/11/10 | 5 | (3) The resolution that the appointment of the 2021 financial and tax CPAs 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 | |
| 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 established the Corporate Governance Best Practice Principles and disclosed them on the company website and the MOPS. |
| 2. Shareholding structure & shareholders' rights | | | |
| (1) Does the Company establish 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 website for related stock affairs. |
| (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. |
| (3) Does the Company establish, 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. |
| (4) Does the Company establish 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 website. |
| 3. Composition and responsibilities of the Board of Directors | | | |
| (1) Does the Board develop, 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. The professional disciplines of directors span numerous fields, including accounting, 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. |

| Evaluation item | Implementation status | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof |
|--|-----------------------|--|--|
| | Yes | No | |
| (2) In addition to the legally required Remuneration Committee and Audit Committee, does the Company voluntarily establish other functional committees? | V | The Company has established the Compensation 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. A nomination committee will be established this year. | No deviation. |
| (3) Does the Company establish 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. Does the Company establish 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 | |
| 5. Does the Company establish communication channels and build 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. |
| 6. Does the Company appoint 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. |
| 7. Information disclosure (1) Does the Company have a corporate website to disclose both the Company's financial standing and corporate governance status? (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)? (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 V V | | No deviation. No deviation. Same as the description on the left. |
| 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/casualty insurance. |

| Evaluation item | Implementation status | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof |
|--|-----------------------|----|--|
| | Yes | No | |
| 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)? | | | <p>The seafarers' employment contract and the living and working environment on the vessel are implemented in accordance with the Maritime Labor 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.</p> <p>(2) Investor relations</p> <p>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.</p> <p>(3) Supplier relations</p> <p>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.</p> <p>(4) Stakeholder rights</p> <p>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.</p> <p>(5) Participation in liability insurance by directors</p> <p>Since 2014, the Company has insured all directors with "Liability Insurance for Directors and Managers" to establish a sound corporate governance mechanism.</p> <p>Relevant information can be found on the Company's website and MOPS.</p> |

| Evaluation item | Implementation status | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof |
|---|-----------------------|--|--|
| | Yes | No | |
| 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. | V | | The Company's explanations for the results of the Corporate Governance Assessment of 2020 are as follows: (1) Items which have been improved |
| | | Indicator | Improvement description |
| | | Does the Company upload the English version of the meeting notice 30 days prior to the annual shareholders' meeting? | Relevant English meeting notices and annual financial statements are uploaded to MOPS within the deadlines stated on the left. |
| | | Does the Company set up an Audit Committee that meets the requirements? | The Company has established the Audit Committee since 2019. For the annual work priorities of the Audit Committee, please refer to Page 24. |
| | | Does the Company disclose in detail in the annual report the discussions and resolutions of the Remuneration Committee and the Company's handling of the members' opinions? | For the annual work priorities of the Remuneration Committee, please refer to Page 32-34. |
| | | Does the Company disclose information relating to finance, business, and corporate governance on the company website? | For the composition and operations of the Audit Committee, please refer to the company website. |
| | | (2) Priority improvements and measures that have been proposed for items not yet improved: | |
| | | Indicator | Improvement description |
| | | 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? | 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. For the supplier management policy, please refer to the Corporate Governance section on the company website. |

Note: Evaluation Standards for the Independence of CPAs

| Item | Evaluation results | | Independence of the CPAs |
|---|--------------------|----------|--------------------------|
| | Normal | Abnormal | |
| 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 and managers. The Remuneration Committee shall regularly assess and determine the compensation of directors and managers, and proposals regarding compensation will be submitted to the Board of Directors for discussion.

2. Professional qualifications and independence analysis of the Remuneration Committee members:

| Title | Qualifications | Meeting one of the following professional qualifications, 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 | Remark |
|----------------------|---|--|------------------------------|---|---|---|---|---|---|---|---|----|--|---|
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| | 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 | Having work experience in the areas of commerce, law, finance, or accounting, or | | | | | | | | | | | | |
| | 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 | | | | | | | | | | | | | |
| Independent Director | Lee, Yen-Sung | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3 | Re-elected 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 Paragraph 1 or 2, Article 27 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 and managerial officers.
- (2) Regularly evaluate and formulate remuneration of directors and managerial officers.

3. Operational status of the Remuneration Committee

(1) The Remuneration Committee is 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 2020. The qualifications and attendance of the members are as follows:

| Title | Name | Attendance in Person (B) | Attendance by proxy | Attendance rate (%) (B/A) | Remark |
|----------|----------------|--------------------------|---------------------|---------------------------|---|
| 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 | Cheng, Fu-Kwok | 2 | 0 | 100.00 | Newly elected after the election on June 28, 2019 |

Summary of Remuneration Committee Meetings

| Date | Period | Proposals | Members' opinions and actions |
|------------|--------|---|---|
| 2020/3/27 | 2 | 1. The 2019 remuneration for directors and supervisors. 2. The 2019 remuneration for managerial officers. | Approved by the unanimous decision of the committee members present |
| 2020/11/10 | 3 | 1. The 2020 year-end bonuses for employees (including managerial officers). 2. The adjustment of 2021 compensation packages for managerial officers. | Approved by the unanimous decision of the committee members present |

Other matters:

1. 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.
2. 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 | |
| 1. Does the Company assess the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and establish 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. |
| 2. Does the Company establish exclusively (or concurrently) dedicated units to implement CSR, and does the Board of Directors appoint 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. |
| 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? | 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 |

| Evaluation item | Implementation status | | | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof |
|---|-----------------------|----|---|---|
| | Yes | No | Description | |
| (2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? | V | | 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. | |
| (3) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change? | V | | Please refer to Chapter III of the Company's Corporate Social Responsibility Report for disclosure and descriptions. | |
| (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 consumption, carbon and greenhouse gas emissions, and waste production? | V | | | |
| 4. Social Issues | | | | |
| (1) Does the Company formulate 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) Does the Company establish and offer proper employee benefits (including compensation, leave, and other benefits) and reflect 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-rest balance, health care, and proper care of the family of crew members. In addition, employee tours and holiday gatherings are held to enhance the harmonious relationship between the labor and the management. 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. |

| Evaluation item | Implementation status | | | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof |
|---|-----------------------|----|---|---|
| | Yes | No | Description | |
| (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 environments of ships are implemented in accordance with the provisions of the Maritime Labor 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. |
| (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? Does the Company receive 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. |

| | |
|--|--|
| <p>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.</p> | |
| <p>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.</p> | |

(VI). Implementation of 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 | |
| 1. Establishment of ethical corporate management policies and programs | | | |
| (1) Does the Company establish the ethical corporate management policies approved by the Board of Directors and specify 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 | | No deviation. |
| (2) Does the Company establish 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, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"? | V | | No deviation. |
| (3) Does the Company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the aforementioned prevention programs on a regular basis? | V | | No deviation. |
| 2. Fulfillment of ethical corporate management | | | |
| (1) Does the Company evaluate the business counterpart's ethical records and include ethics-related clauses in business contracts? | V | | No deviation. |
| (2) Does 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 prevention programs against unethical conduct? | V | | No deviation. |

| Evaluation item | Implementation status | | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof |
|---|-----------------------|----|--|
| | Yes | No | |
| (3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? | V | | No deviation. |
| (4) Does the Company establish effective accounting systems and internal control systems to implement ethical corporate management and have 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 entrust a CPA to conduct the audit? | V | | No deviation. |
| (5) Does the Company regularly hold internal and external educational training on ethical corporate management? | V | | No deviation. |
| 3. Operation of the Whistle-blowing System | V | | No deviation. |
| (1) Does the Company establish both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party to handle the case? | V | | No deviation. |
| (2) Does the Company establish standard operating procedures for the reported matters and the relevant confidential mechanism? | V | | 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 website and MOPS? | V | | 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). Inquiry Methods for the Corporate Governance Best Practice Principles or Related Bylaws: Please refer to the company website and make inquiries at the corporate governance section of MOPS.
- (VIII). Other Important Information on Corporate Governance: Please make inquiries at MOPS for further training records of the Company's directors in 2020.

(IX). Implementation Status of Internal Control System

1. Statement of internal control system

Sincere Navigation Corporation

Statement of Internal Control System

Date: March 23, 2021

The Company hereby states the results of the self-evaluation of the internal control system for 2020 as follows:

1. 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.
2. 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.
3. 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.
4. 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.
5. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2020, 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.
6. 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.
7. This statement was approved by the Board of Directors on March 23, 2021, and out of the six 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 and during the Current 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 (2020 and during the Current Fiscal Year Up to the Date of Publication of the Annual Report
1. Major resolutions of 2020 shareholders' meeting and their implementation
The Company held the 2020 shareholders' meeting at 9 a.m., June 19, 2020, at the Banquet Hall, B2 Floor, The Howard Plaza Hotel Taipei (Address: No. 160, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City). The attended shareholders have resolved and approved the following proposals, and their status of implementation is as follows:
 - (1) Approve the Company's 2019 Business Report and Financial Statements.
Status of implementation: The resolution is accepted as per the case.
 - (2) Approve the Company's 2019 earnings distribution plan.
Status of implementation: The resolution is accepted as per the case.
 2. The Company's material resolutions of the Board meetings for 2020 up to the date of publication of the Annual Report
 - (2) The Board meeting held on March 27, 2020:
 - (a) The resolution that the convention of the Company's 2020 shareholders' meeting is adopted.
 - (b) The resolution that the 2019 remuneration for directors and supervisors and remuneration for employees (including managerial officers) proposed by the Remuneration Committee is adopted.
 - (c) The resolution that the Company's 2019 business report and financial statements proposed by the Audit Committee is adopted.
 - (d) The resolution that the Company's 2019 earnings distribution proposed by the Audit Committee is adopted.
 - (e) The resolution that the Company's 2019 cash dividends distribution proposed by the Audit Committee is adopted.
 - (f) The resolution that Heywood Limited, a subsidiary of the Company, offers loans to the Company as working capital, is adopted.
 - (g) The resolution that Norley Corporation Inc., a subsidiary of the Company, offers loans to the Company as working capital, is adopted.
 - (h) The resolution concerning the Company's 2019 Statement of Internal Control System is adopted.
 - (i) The resolution that an amendment shall be made to the Company's Ethical Corporate Management Best Practice Principles is adopted.
 - (j) The resolution concerning the appointment of employees in charge of the company/chairman seals and the dedicated seal for endorsements/guarantees is adopted.

(3) The Board meeting held on May 13, 2020

- (a) The consolidated financial statements for the first quarter of 2020 are reported.
- (b) The resolution concerning the Chairman's authority to change the venue of the annual shareholders' meeting due to the COVID-19 pandemic is adopted.

(4) The Board meeting held on June 19, 2020

- (a) The evaluation results of the Board performance in 2019 are reported.
 - (b) The resolution concerning the ex-dividend date for 2019 cash dividends distribution is adopted.
 - (c) The resolution that an amendment shall be made to the Company's Regulations for the Evaluation of the Board of Directors is adopted.
- (5) The Board meeting held on August 12, 2020

- (a) The consolidated financial statements for the second quarter of 2020 are reported.
- (b) The resolution that an amendment shall be made to the Company's Operational Procedures for Financial Statements Preparation Process is adopted.

(6) The Board meeting held on November 10, 2020

- (a) The consolidated financial statements for the third quarter of 2020 are reported.
- (b) The Company's renewal and insurance coverage of the "Liability Insurance for Directors, Supervisors, and Managers" is reported.
- (c) The resolution that the year-end bonuses for employees (including managerial officers) for 2020 and the compensation adjustment for managerial officers for 2021 proposed by the Remuneration Committee is adopted.
- (d) The resolution that the 2021 internal audit plan and the appointment of 2021 financial and tax CPAs is adopted.
- (e) The resolution that the flag state of Madonna III shall be changed to Marshall Islands is adopted.
- (f) The resolution that an amendment shall be made to the Company's Corporate Governance Best Practice Principles is adopted.

(XII). Any Dissenting Opinion Expressed by a Director with Respect to a Major Resolution Passed by the Board of Directors during the Most Recent Fiscal Year and during the Current Fiscal Year 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 Chairman, President, Accounting Manager, Financial Manager, Chief Internal Auditor, or Research and Development Officer during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

V. Information on CPA Professional Fees

Range of CPA Professional Fees

| CPA firm | Name of CPA | | Audit period | Remark |
|------------|--------------------|-------------|-------------------------|--------|
| PwC Taiwan | Weng, Shih-Jung | Lin, Yi-Fan | 2020/01/01 ~ 2020/12/31 | |

| Category of fees | | Audit fees | Non-audit fees | Total |
|------------------|---|------------|----------------|-------|
| Range of fees | | | | |
| 1 | Less than NT\$2,001 thousand | V | V | |
| 2 | NT\$2,000 thousand (inclusive) ~ NT\$4,000 thousand | | | 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) Where Non-audit Fees Paid to the CPAs, to the Accounting Firm of the CPAs, and/or to Any Affiliate of Such Accounting Firm Are One Quarter or More of the Audit Fees Paid Thereto

Unit: Thousand NTD

| CPA firm | Name of CPA | Audit fees | Non-audit fees | | | | | Audit period | Remark |
|------------|--------------------|------------|----------------|-----------------------|-----------------|---------------|----------|----------------------------|--------|
| | | | System design | Business registration | Human resources | Others (Note) | Subtotal | | |
| PwC Taiwan | Weng, Shih-Jung | 1,850 | - | 31 | - | 600 | 631 | 2020/01/01 ~ 2020/12/31 | |
| | Lin, Yi-Fan | | | | | | | 2020/01/01 ~ 2020/12/31 | |

Note: NT\$600 thousand for the transfer pricing report.

(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) Where the Audit Fees Paid for the Current Fiscal Year Are Lower than Those for the Previous Fiscal Year by Ten Percent or More: Not applicable.

VI. Information on Replacement of CPAs

Not applicable.

VII. Chairperson, 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 Firm or at an Affiliate 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 (2020) and during the Current Fiscal Year Up to the Date of Publication of the Annual Report) by a Director, Managerial Officer, or Shareholder with a Stake of More than Ten Percent:

(I) Share Changes by Directors, Managers, and Shareholders with a Stake of More than Ten Percent

| Title | Name | 2020 | | As of April 19, 2021 | |
|---|---|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| | | Shareholding increase (decrease) | Pledged share increase (decrease) | Shareholding increase (decrease) | Pledged share increase (decrease) |
| Chairman and President | Hsu, Chi-Kao | - | - | - | - |
| Director | Hsu, Gee-King | - | - | - | - |
| Director | CTBC Bank Co., Ltd. in Custody for Orient Dynasty Ltd. | - | - | - | - |
| Director | CTBC Bank Co., Ltd. in Custody for Solar Shipping Agency Ltd. | - | - | - | - |
| Independent Director | Lee, Yen-Sung | - | - | - | - |
| Independent Director | Fan, Kuang-Nan | - | - | - | - |
| Independent Director | Cheng, Fu-Kwok | - | - | - | - |
| Vice President | Lee, Yih-Ren | - | - | - | - |
| Vice President | Ko, Hsiu-Yen | - | - | - | - |
| Vice President | Luan, Wen-Pin | - | - | - | - |
| Manager, Safety Management Department | Hu, Jui-Chin | - | - | - | - |
| Manager, Crew Department | Lu, Jing-Cheng | - | - | - | - |
| Manager, Operation Department (Note 1) | Kuo, Sung-Hui | - | - | - | - |
| Manager, Finance/Account Department | Chen, Lan-Fang | - | - | - | - |
| Assistant Manager, Finance/Account Department | Fan, Hsiao-Ting | - | - | - | - |

Note 1: Newly appointed on January 26, 2021.

(II) Information on Share Transfers: None.

(III) Information on Share Pledges: None.

IX. Relationship among the Company's Ten Largest Shareholders Who Are Identified as Related Parties, Spouse or Relative within Second Degree of Kinship

April 19, 2021

| 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 | | Remark |
|---|----------------------|-----------------------------|-------------------------------|-----------------------------|--------------------------|-----------------------------|---|--------------|--------|
| | Number of shares | Shareholding percentage (%) | Number of shares | Shareholding percentage (%) | Number of shares | Shareholding percentage (%) | Title (or Name) | Relationship | |
| CTBC Bank Co., Ltd. in Custody for Hemao Investment Co., Ltd. | 58,060,800 | 9.91% | -- | -- | -- | -- | | | |
| 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% | -- | -- | -- | -- | | | |
| JPMorgan Chase in Custody for Norges Bank | 8,724,010 | 1.49% | -- | -- | -- | -- | | | |
| CTBC Bank Co., Ltd. in Custody for MacDowell Limited | 7,624,575 | 1.30% | -- | -- | -- | -- | | | |
| Hsu, Gee-King | 4,431,183 | 0.76% | -- | -- | -- | -- | | | |

X. Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its Directors and Managers, and Any Companies Controlled Either Directly or Indirectly by the Company

| Invested company | Investment by the Company | | Investment by directors/managers and by companies directly or indirectly controlled by the Company | | Total investment | |
|-------------------------|---------------------------|-------------------------|--|-------------------------|------------------|-------------------------|
| | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage |
| 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, 2021

| Year/ Month | Par Value (NTD) | Authorized capital | | Paid-in capital | | Remark | | |
|----------------|-----------------------|---------------------|---------------|---------------------|-----------------|---|---|--|
| | | Number of shares | Amount (NTD) | Number of shares | Amount (NTD) | Source of capital (NTD) | Capital increase by assets other than cash | Date of approval and official letter number |
| 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 2: 1991.09.10 Order No. (80) Taiwan-Finance-Securities-(I) 02574
 Note 3: 1992.11.03 Order No. (81) Taiwan-Finance-Securities-(I) 02851
 Note 4: 1993.07.21 Order No. (82) Taiwan-Finance-Securities-(I) 30667
 Note 5: 1993.10.28 Order No. (82) Taiwan-Finance-Securities-(I) 40153
 Note 6: 1995.06.23 Order No. (84) Taiwan-Finance-Securities-(I) 37195
 Note 7: 1996.06.26 Order No. (85) Taiwan-Finance-Securities-(I) 39833
 Note 8: 1997.06.27 Order No. (86) Taiwan-Finance-Securities-(I) 51678
 Note 9: 1998.06.25 Order No. (87) Taiwan-Finance-Securities-(I) 55244
 Note 10: 1999.07.06 Order No. (88) Taiwan-Finance-Securities-(I) 61517

Note 11: 2000.07.12 Order No. (89) Taiwan-Finance-Securities-(I) 59331
 Note 12: 2000.11.21 Order No. (89) Taiwan-Finance-Securities-(III) 95365
 Note 13: 2002.02.04 Order No. (91) Taiwan-Finance-Securities-(III) 106717
 Note 14: 2002.07.04 Taiwan-Finance-Securities-(I) 0910136690
 Note 15: 2003.07.08 Taiwan-Finance-Securities-(I) 0920130021
 Note 16: 2004.06.23 Taiwan-Finance-Securities-(I) 0930127384
 Note 17: 2006.07.14 Financial-Supervisory-Securities-I- 095013054
 Note 18: 2008.07.10 Financial-Supervisory-Securities-I- 0970034522
 Note 19: 2019.10.18 Economic-Affairs-Commerce-10801143060

May 13, 2021

| Types of stock | Authorized share capital (Unit: share) | | | Remark |
|----------------|--|-----------------|-------------|--------|
| | 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 19, 2021

| Shareholder structure Quantity | Government agencies | Financial institutions | Other institutional shareholders | Foreign institutions and foreign natural persons | Domestic natural persons | Total |
|-----------------------------------|---------------------|------------------------|----------------------------------|--|--------------------------|-------------|
| Number of shareholders | 3 | 6 | 206 | 208 | 82,749 | 83,172 |
| Shares held | 297 | 2,749,100 | 13,921,483 | 211,178,721 | 357,503,696 | 585,353,297 |
| Shareholding percentage | 0.00% | 0.47% | 2.38% | 36.08% | 61.07% | 100% |

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

(III). Shareholding Distribution Status

April 19, 2021

| Shareholding range | Number of shareholders | Shares held | Shareholding percentage |
|---------------------|------------------------|-------------|-------------------------|
| 1 ~ 999 | 38,092 | 2,840,954 | 0.49% |
| 1,000 ~ 5,000 | 31,633 | 66,658,634 | 11.39% |
| 5,001 ~ 10,000 | 6,688 | 49,891,743 | 8.52% |
| 10,001 ~ 15,000 | 2,400 | 28,659,298 | 4.90% |
| 15,001 ~ 20,000 | 1,321 | 23,986,511 | 4.10% |
| 20,001 ~ 30,000 | 1,168 | 28,648,238 | 4.89% |
| 30,001 ~ 40,000 | 489 | 17,020,213 | 2.91% |
| 40,001 ~ 50,000 | 347 | 15,846,149 | 2.71% |
| 50,001 ~ 100,000 | 601 | 43,026,686 | 7.35% |
| 100,001 ~ 200,000 | 240 | 33,819,839 | 5.78% |
| 200,001 ~ 400,000 | 99 | 28,042,841 | 4.79% |
| 400,001 ~ 600,000 | 30 | 14,685,503 | 2.51% |
| 600,001 ~ 800,000 | 15 | 10,481,260 | 1.79% |
| 800,001 ~ 1,000,000 | 14 | 12,632,026 | 2.16% |
| 1,000,001 or more | 35 | 209,113,402 | 35.71% |
| Total | 83,172 | 585,353,297 | 100.00% |

(IV).List of Major Shareholders

April 19, 2021

| Shareholding Name of major shareholders | Shares held | Shareholding ratio |
|---|-------------|--------------------|
| CTBC Bank Co., Ltd. in Custody for Hemao Investment Co., Ltd. | 58,060,800 | 9.91% |
| 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% |
| JPMorgan Chase in Custody for Norges Bank | 8,724,010 | 1.49% |
| CTBC Bank Co., Ltd. in Custody for MacDowell Limited | 7,624,575 | 1.30% |
| Hsu, Gee-King | 4,431,183 | 0.76% |

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

Unit: NTD

| Item | | Year | 2019 | 2020 | As of May 13, 2021 |
|------------------------------|--|----------------------------------|---------|----------------|--------------------|
| Market price per share | Highest (before retrospectively adjusted) (Note 7) | | 18.20 | 25.15 | 36.60 |
| | Highest (after retrospectively adjusted) (Note 7) | | 17.67 | 25.15 | 36.60 |
| | Lowest (before retrospectively adjusted) (Note 7) | | 15.05 | 9.45 | 17.10 |
| | Lowest (after retrospectively adjusted) (Note 7) | | 14.61 | 9.45 | 17.10 |
| | Average (before retrospectively adjusted) (Note 7) | | 16.22 | 14.73 | 22.71 |
| | Average (after retrospectively adjusted) (Note 7) | | 15.75 | 14.73 | 22.71 |
| Net worth per share | Before distribution | | 26.48 | 24.74 | 24.41 (Note 6) |
| | After distribution | | 25.98 | 24.24 (Note 1) | (Note 5) |
| Earnings per share | Weighted average shares (thousand shares) | Before retrospectively adjusted | 585,353 | 585,353 | 585,353 (Note 6) |
| | | After retrospectively adjusted | | | |
| | Earnings per share | Before retrospectively adjusted | 0.15 | 0.24 | 0.11 (Note 6) |
| | | After retrospectively adjusted | | | |
| Dividends per share (Note 1) | Cash dividends | | 0.50 | 0.50 | (Note 5) |
| | Stock dividends | Dividends from retained earnings | - | - | " |
| | | Dividends from capital surplus | - | - | " |
| | Accumulated undistributed dividends | | - | - | " |
| Return on Investment | Price/Earnings ratio (Note 2) | | 108.13 | 61.38 | " |
| | Price/Dividend ratio (Note 3) | | 32.44 | 29.46 | " |
| | Cash dividend yield rate (Note 4) | | 0.03 | 0.03 | " |

Note 1: Apart from the of 2020 earnings distribution plan proposed by the Board of Directors in 2021 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: 2021 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: If the Company's final accounts see surpluses, in addition to tax payment and make-up for the loss of the previous year, 10% of the balances should be appropriated as legal reserve; if the legal reserve reaches the Company's total capital, the aforementioned provision does not apply. Then, after the appropriated retained earnings are listed or reversed pursuant to related laws and regulations, its balance and the accumulated undistributed earnings of the previous year will be deemed as the distributable earnings. The Board of Directors then devises the distribution plan and proposes it to the shareholders' meeting for a resolution to distribute the said distributable earnings. When all or part of dividend and bonus, capital reserve, and legal reserve are distributed in the form of cash, the provisions of the preceding paragraph that the Board of Directors shall propose the plan to the shareholders' meeting and obtain a resolution from it shall not apply.

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 | 2021 (Estimate) |
|--|--|--|---------------------------|
| Initial paid-up capital | | | NT\$5,853,533 thousand |
| Share dividend per year | Cash dividend per share | | NT\$0.50 |
| | Earnings allocated to increase capital dividend per share | | - |
| | 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 |
| Proposed earnings per share and P/E ratio | If capital increase by retained earnings is entirely replaced by cash dividend distribution | Proposed earnings per share | Note |
| | | Proposed average annual return on investment | Note |
| | If capital reserve is not used for capital increase | Proposed earnings per share | Note |
| | | Proposed average annual return on investment | Note |
| | If capital surplus is not processed and capital increase by retained earnings are redistributed as cash dividend | Proposed earnings per share | Note |
| | | Proposed average annual return on investment | Note |

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

(VIII). Remuneration for Employees and Directors

- Percentage or range of remuneration paid to the employees and directors as set forth in the Company's Articles of Incorporation
The Company's pre-tax profit for the year (i.e., profit before deducting the distribution of remuneration for the employees and for the directors) shall be resolved by the Board of Directors in a Board meeting where more than two-thirds of the directors must attend and the majority of the attending directors shall approve that the remuneration for the employees shall be no less than 1% of the profit and no more than 5% for the directors and supervisors, then, 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 the losses in advance.
- 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 remuneration 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' remuneration 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.
- Information on any approval by the Board of Directors of distribution of remuneration
(1) The Company's Board of Directors has approved the 2020 cash remuneration of NT\$5,117,207 for employees and NT\$5,117,207 for directors and supervisors, which is no different from the estimated amount.
(2) The ratio of employee remuneration in the form of stock to the net profit after tax in the parent company only financial statements and the total amount of employee remuneration: Not applicable as no employee remuneration is distributed in stocks.
- The actual distribution of employee, director, and supervisor remuneration 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 remuneration, 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) | | |
| Cash bonuses for employees | 0 | 3,904,868 | 0 | 3,904,868 | -- | -- |
| Remuneration for directors and supervisors | 0 | 3,904,868 | 0 | 3,904,868 | -- | -- |

(IX). Company Share Repurchase Status: None.

- II. Corporate Bonds (Including Overseas Corporate Bonds)
None.
- III. Preferred Shares
None.
- IV. Global Depository Receipts (GDRs)
None.
- V. Employee Stock Options
None.
- VI. New Restricted Employee Shares
None.
- VII. Execution of Merger and Acquisition (Including Merger, Acquisition, and Partition)
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

| Type | Year | 2020 | | 2019 | |
|--|------|--------------|-------|--------------|-------|
| | | Amount | % | Amount | % |
| Operating revenue | | | | | |
| Bulk carrier | | \$ 2,295,864 | 54.89 | \$ 3,191,840 | 73.93 |
| Oil tanker | | 1,865,172 | 44.60 | 1,103,222 | 25.55 |
| Revenue from vessel management | | 21,270 | 0.51 | 22,179 | 0.52 |
| Revenue from supervision of construction | | -- | -- | -- | -- |
| Total | | \$ 4,182,306 | 100 | \$ 4,317,241 | 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) Industry Overview

1. Current shipping status and development

In 2020, economic activity screeched to a halt as the COVID-19 pandemic raged the world. The volume of global maritime trade shrank by 4.0% in 2020, almost similar to the 4.1% decline after the financial crisis of 2009. Except for a few countries whose GDP

remained in positive growth, the overall global economy reported negative growth in 2020. COVID-19 has put an indelible stamp on human history. To save the economy from a downward tendency, central banks around the world have adopted quantitative easing, in an attempt to boost economic activity and reduce unemployment. As a variety of COVID-19 vaccines have been successfully developed at the end of 2020, people are assured that the global economy will pick up soon in 2021.

To prevent the COVID-19 pandemic from spreading, countries around the world have adopted various levels of lockdown since March 2020, making it extremely difficult for shipping companies to replace the crew members. At the beginning of the outbreak, the maritime authorities of flag states exempted the crew members from the expiration of on-board service contracts; some developed countries later opened up and approved the replacement of the crew members, enabling the Company to successfully make replacements of the crew members despite a string of unforeseen situations such as flight schedules and special port requirements and to avoid the expiration of the crew's on-board service contracts.

Apart from the COVID-19 pandemic, the global economy has hinged on the China-U.S. trade war and Brexit for the past two years. With the uncertainty of Brexit, which officially took effect at the end of 2020, smoothed away, Joe Biden's becoming the new president of the U.S. ushered in the China-U.S. trade war 2.0. The Company will pay attention to its economic impact in the future. The deterioration of the relationship between China and Australia has affected the entry of a number of Australian commodities into China, including lobster, coal, red wine, and wheat. By the end of December 2020, an estimate of more than 70 bulk vessels carrying Australian coal mines were held up at coal import ports in China.

In 2020, the overall bulk carrier fleet grew by 3.6% while the global dry bulk trade growth in ton-miles demand remained flat. Although freight rates rebounded briefly in June and September 2020, the overall bulk carrier market was oversupplied. Of particular relevance to us, the Capesize market grew by 112 vessels, or 40%, and 24,995,040 dwt in fleet capacity in 2020 from 80 vessels in 2019. The number of Capesize vessels in the global market totaled 1,700 with 346,996,000 dwt in fleet capacity. In 2020, scrapping activity remained muted with only 46 Capesize vessels taken out of the market.

On the part of the crude carrier market, the large demand for low sulphur fuel drove more and more fuel suppliers to rent very large fuel carriers (VLCC) as floating tanks to store low sulphur fuel; in addition, many VLCCs continued to berth at the shipyards to install scrubbers, causing the supply of vessels to decrease and fuel carrier rents to rise to a record high in nearly a decade in the fourth quarter of 2019. The rapid spread of the COVID-19 pandemic hit the global economy badly in 2020, causing the demand for crude oil to plummet. The crude carrier market has been declining since the second half of 2020 and remains bottom up to now.

In response to the need to protect the global environment, the International Maritime Organization (IMO) enforces relevant regulations in accordance with established

protocols. One of those regulations, which is considered the biggest change ever in marine fuel standards, is the 2020 sulfur cap regulation, which stipulates that all marine fuels onboard and in use must contain less than 0.5% sulfur by 1 January 2020. With the exception of a very limited percentage of vessel which will install exhaust gas cleaning systems (known as scrubbers), most vessels will burn the required low-sulfur compliant fuel as an option.

2. Relevance between upstream to downstream shipping

The shipping market is closely related to global overall economy. Shipping is greatly demanded when the global economy booms and is low in demand during the economic downturn when transports are stalemated. 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 rates 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. If oil producing nations under OPEC reach an agreement in reducing production, it will boost oil prices; however, OPEC concerns in the competitive disadvantage due to resumption of shale oil production resulting from the increase in oil prices have staved off a continuously climb, which relieves pressure on shipping costs.

The shipping industry has currently come across multiple challenges, including a difficult business market and responsibilities in reducing pollution. In September 2017, the International Maritime Organization (IMO) postponed the implementation of the environmental regulations for the ballast water treatment system (BWTS) for two years. As it is expensive to install BWTS, the subsequent operation and maintenance will become costly. If the shipping market remains stagnant, it is difficult for the ship owners to cover such huge costs. Ship owners may have to advance the time of scrapping activity to balance the supply and demand of vessels.

Shipping is a labor exporting industry, where business profits 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 trends

In 2020, economic activity screeched to a halt as the COVID-19 pandemic raged the world. Except for a few countries whose GDP remained in positive growth, the overall global economy reported negative growth in 2020. Bulk shipping is very much entwined with the global economy. In 2020, challenges faced the global bulk carrier market due to the economic recession and depression. At present, COVID-19 vaccines have been successfully developed and are expected to be widely administered worldwide. With quantitative easing having been adopted by countries around the world, we believe that the global economy, along with the bulk shipping market, will brisk up.

The United States and China are two superpowers which have become the world's two largest economic entities. 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 United States' being the world's sole hegemonic power, 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 March 2018. China's Ministry of Commerce immediately made counter measures. After the trade talks, the two countries have reached a phase one trade agreement. The business strategies of the shipping industry worldwide will pivot on the effect on the overall global economy of the subsequent trade negotiations.

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; 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 and 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 | 53,411 | 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 |
| 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 | 15 | 2,769,878 | | |

2. Shipping routes

The Group's fleet focuses on 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

| <u>Name of clients</u> | <u>Shipping content</u> |
|--------------------------------------|-------------------------|
| 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 industry with higher loan ratios are often faced with 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 (Newcastle Max) 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 2020 and develop into a "supply over demand" scenario.

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 (2021) 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. 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 Ten 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:

| Item | 2019 | | | | 2020 | | | | 2021 Q1 | | | |
|------|---------------------------|-----------------------|---|------------------------------|-------------------------------|-----------------------|---|------------------------------|-------------------------------|-----------------------|--|------------------------------|
| | 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 the total net sales of goods up to the end of the previous quarter of the current year (%) | Relationship with the issuer |
| 1 | Tankers International | \$1,103,222 | 25.55 | None | Tankers International | \$1,200,438 | 28.70 | None | Oceanic Marine Transport Ltd. | \$197,892 | 25.08 | None |
| 2 | BHP Singapore | 771,536 | 17.87 | None | BHP Singapore | 702,137 | 16.79 | None | BHP Singapore | 106,061 | 13.44 | None |
| 3 | Rio Tinto Shipping (Asia) | 484,520 | 11.22 | None | Oceanic Marine Transport Ltd. | 664,735 | 15.89 | None | Rio Tinto Shipping (Asia) | 83,829 | 10.62 | None |
| | Net sales | 2,359,278 | 54.64 | | Net sales | 2,567,310 | 61.38 | | Net sales | 387,782 | 49.14 | |

Reason for change: At present, bulk carriers mainly operate in spot markets, and there are no major changes in key clients. Because some oil tankers entered into the time charter contract with Oceanic Marine Transport Ltd. when the market freight rate rose, this contract contributed to stable income from rates higher than the average market prices. Therefore, the sales rank jumped sharply.

(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:

| | 2019 | 2020 |
|----------------|------------------|------------------|
| Voyage charter | 8,504,284.71 DWT | 6,875,486.00 DWT |
| Time charter | 3,642.87 days | 4,008.10 days |

III. Employee Information

Information on Employees during the Most Recent Two Fiscal Years and during the Current Fiscal Year Up to the Date of Publication of the Annual Report

| | | 2019 | 2020 | As of May 13, 2021 |
|------------------------------|--------------------------------|-------|-------|--------------------|
| Number of employees | Staff member | 25 | 26 | 26 |
| | Crew member | 308 | 276 | 256 |
| | Total | 333 | 302 | 282 |
| Average age | | 40.77 | 42.08 | 41.28 |
| Average year of service | | 15.59 | 17.38 | 16.38 |
| Education level distribution | Ph.D. | 0.00 | 0.00 | 0.00 |
| | Master | 2.52 | 2.65 | 2.84 |
| | Bachelor and associate degrees | 49.21 | 50.33 | 44.68 |
| | High school | 21.77 | 19.87 | 19.86 |
| | Below high school | 26.50 | 27.15 | 32.62 |

IV. Disbursements for Environmental Protection

(I) Total Losses for Environmental Pollution during 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

- (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. 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.
- (3) The Group's vessels are successively equipped with energy-saving and eco-friendly equipment such as ballast water treatment systems and scrubbers.
- (4) The Company 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.

(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 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 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. Health examinations are provided for staff members on a regular basis to care for their physical health.

2. Employee retirement system

From January 1, 1987, the 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 appropriated annually in consideration of operational status and deposited in financial institution accounts specifically for the purpose retirement pension disbursement. From July 1, 2005, employees 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 the Bureau of Labor Insurance.

Haihu Maritime Service (Shanghai) Co., Ltd., the Company's third-tier subsidiary in mainland China, appropriates 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 appropriation.

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.

5. Measures to fulfill corporate governance, environmental sustainability, and public welfare

- (1) The Company has established relevant responsible units to promote corporate social responsibility, and compiles corporate social responsibility reports in accordance

with GRI standards.

- (2) In order to protect the environment and reduce personal injuries, 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 the use of hazardous substances is prohibited or restricted.
- (3) The International Safety Management Code formulated according to the industry characteristics clearly states that the vessels comply with the relevant regulations and procedures for international environmental protection.
- (4) The Company complies with relevant labor laws and regulations, and the appointment and dismissal and remuneration of employees are in accordance with the Human Resources Management Procedures to protect the basic rights and interests of employees.
- (5) The Company trains employees with detailed plans and encourages the employees to participate in external relevant training sessions to enhance the development of employees' career capabilities.

(II) List Any Loss Sustained as A Result of Labor Disputes in the Most Recent Fiscal Year and in 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 Contracts with Effective Duration: None.

(II) Long-term Loan Contracts: Please refer to Page 110 for details.

Chapter 6. Financial Information

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

(I) Condensed Balance Sheets and Statements of Comprehensive Income

1. Condensed balance sheets (consolidated) - International Financial Reporting Standards (IFRSs)

Unit: Thousand NTD

| Item \ Year | Financial summary for the last five years (Note 1) | | | | | Financial summary as of March 31, 2021 (Note 2) |
|---|---|-------------|------------|-------------|-------------|--|
| | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Current assets | 5,942,916 | 4,769,643 | 4,903,256 | 5,283,761 | 5,569,408 | 5,606,005 |
| Property, plant and equipment | 19,630,667 | 19,118,693 | 19,457,434 | 17,919,541 | 15,545,535 | 15,299,583 |
| Intangible assets | - | - | - | - | - | - |
| Other assets | 13,353 | 13,358 | 67,788 | 99,583 | 30,620 | 34,793 |
| Total assets | 25,586,936 | 23,901,694 | 24,428,478 | 23,302,885 | 21,145,563 | 20,940,381 |
| Current liabilities | Before distribution | 2,625,709 | 2,513,366 | 2,406,994 | 2,077,457 | 1,998,735 |
| | After distribution | 3,023,522 | 2,854,349 | 2,520,655 | 2,370,134 | 2,291,412 |
| Non-current liabilities | 4,392,982 | 4,297,182 | 4,518,033 | 4,522,731 | 3,508,403 | 3,122,235 |
| Total liabilities | Before distribution | 7,018,691 | 6,810,548 | 6,925,027 | 6,600,188 | 5,507,138 |
| | After distribution | 7,416,504 | 7,151,531 | 7,038,688 | 6,892,865 | 5,799,815 |
| Equity attributable to owners of the parent | 16,817,244 | 15,480,710 | 15,759,806 | 15,497,836 | 14,480,818 | 14,286,364 |
| Share capital | 5,683,042 | 5,683,042 | 5,683,042 | 5,853,533 | 5,853,533 | 5,853,533 |
| Capital surplus | 49,593 | 51,025 | 52,247 | 241,989 | 242,611 | 243,203 |
| Retained earnings | Before distribution | 11,114,779 | 11,226,252 | 10,948,787 | 10,752,245 | 10,600,747 |
| | After distribution | 10,716,966 | 10,885,269 | 10,835,126 | 10,459,568 | 10,308,070 |
| Other equity interest | (30,170) | (1,479,609) | (924,270) | (1,349,931) | (2,216,073) | (2,180,833) |
| Treasury stock | - | - | - | - | - | - |
| Non-controlling interests | 1,751,001 | 1,610,436 | 1,743,645 | 1,204,861 | 1,157,607 | 1,163,749 |
| Total equity | Before distribution | 18,568,245 | 17,091,146 | 17,503,451 | 16,702,697 | 15,638,425 |
| | After distribution | 18,170,432 | 16,750,163 | 17,389,790 | 16,410,020 | 15,345,748 |

Note 1: All financial information for 2016~2020 have been audited by the CPAs.

Note 2: All financial information as of 2021 Q1 have been reviewed by the CPAs.

Note 3: No earnings have been distributed up to date.

Note 4: Except for the cash dividends distribution, which has been approved by the Board of Directors and only required to be reported at the shareholders' meeting, the 2020 earnings distribution plan has not yet been resolved by the shareholders' meeting.

2. Condensed statements of comprehensive income (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 summary as of March 31, 2021 (Note 2) |
|--|---|--------------|------------|------------|------------|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Operating revenue | 3,580,467 | 3,331,863 | 3,773,082 | 4,116,692 | 3,985,650 | 789,049 |
| Gross profit | 959,325 | 870,872 | 512,927 | 563,674 | 882,505 | 169,270 |
| Operating profit (loss) | 832,940 | 745,387 | 353,832 | 343,951 | 695,907 | 122,280 |
| Non-operating income and expenses | (71,866) | (13,753) | (233,014) | (168,713) | (331,940) | (28,358) |
| Net income (loss) before tax | 761,074 | 731,634 | 102,818 | 175,238 | 363,967 | 93,922 |
| Net income from continuing operations | 583,525 | 650,476 | 84,847 | 141,202 | 306,947 | 94,443 |
| Net gain and loss from discontinued operations | 325,231 | 6,835 | - | 19,736 | (51,855) | - |
| Net income (loss) | 908,756 | 657,311 | 84,847 | 160,938 | 255,092 | 94,443 |
| Other comprehensive income (loss) after tax | (385,026) | (1,589,998) | 611,386 | (455,733) | (928,288) | 37,780 |
| Total comprehensive income | 523,730 | (932,687) | 696,233 | (294,795) | (673,196) | 132,223 |
| Net income (loss) attributable to owners of the parent | 600,146 | 511,396 | 61,777 | 88,316 | 141,296 | 62,391 |
| Net income (loss) attributable to non-controlling interests | 308,610 | 145,915 | 23,070 | 72,622 | 113,796 | 32,052 |
| Total comprehensive income attributable to owners of the parent | 256,798 | (940,153) | 618,857 | (338,051) | (724,963) | 97,631 |
| Total comprehensive income attributable to non-controlling interests | 266,932 | 7,466 | 77,376 | 43,256 | 51,767 | 34,592 |
| Earnings per share (NTD) | 1.02 | 0.87 | 0.11 | 0.15 | 0.24 | 0.11 |

Note 1: All financial information for 2016~2020 have been audited by the CPAs.

Note 2: All financial information as of 2021 Q1 have been reviewed by the CPAs.

3. Condensed balance sheets (parent company only) - International Financial Reporting Standards (IFRSs)

Unit: Thousand NTD

| Year Item | | Financial summary for the last five years (Note 1) | | | | | Financial summary as of March 31, 2021 |
|---|----------------------|--|--------------|------------|--------------|--------------|--|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Current assets | | 274,195 | 292,250 | 274,746 | 411,505 | 110,508 | |
| Property, plant and equipment | | 682,560 | 639,523 | 579,463 | 519,323 | 484,460 | |
| Intangible assets | | - | - | 306 | 204 | 102 | |
| Other assets | | 18,824,302 | 17,218,904 | 17,509,038 | 17,282,617 | 16,499,498 | |
| Total assets | | 19,781,057 | 18,150,677 | 18,363,553 | 18,213,649 | 17,094,568 | |
| Current liabilities | Before distributi on | 2,706,651 | 2,547,529 | 2,528,002 | 2,616,629 | 896,264 | |
| | After distributi on | 3,104,464 | 2,888,512 | 2,641,663 | 2,909,306 | 1,188,941 | |
| Non-current liabilities | | 257,162 | 122,438 | 75,745 | 99,184 | 1,717,486 | |
| Total liabilities | Before distributi on | 2,963,813 | 2,669,967 | 2,603,747 | 2,715,813 | 2,613,750 | |
| | After distributi on | 3,361,626 | 3,010,950 | 2,717,408 | 3,008,490 | 2,906,427 | |
| Equity attributable to owners of the parent | | - | - | - | - | - | |
| Share capital | | 5,683,042 | 5,683,042 | 5,683,042 | 5,853,533 | 5,853,533 | |
| Capital surplus | | 49,593 | 51,025 | 52,247 | 241,989 | 242,611 | |
| Retained earnings | Before distributi on | 11,114,997 | 11,226,252 | 10,948,787 | 10,752,245 | 10,600,747 | |
| | After distributi on | 10,717,184 | 10,885,269 | 10,835,126 | 10,459,568 | 10,308,070 | |
| Other equity interest | | (30,170) | (1,479,609) | (924,270) | (1,349,931) | (2,216,073) | |
| Treasury stock | | - | - | - | - | - | |
| Non-controlling interests | | - | - | - | - | - | |
| Total equity | Before distributi on | 16,817,244 | 15,480,710 | 15,759,806 | 15,497,836 | 14,480,818 | |
| | After distributi on | 16,419,431 | 15,139,727 | 15,646,145 | 15,205,159 | 14,188,141 | |

Not applicable because no parent company only financial statements have been issued.

Note 1: All financial information for 2016~2020 have been audited by the CPAs.

Note 2: Except for the cash dividends distribution, which has been approved by the Board of Directors and only required to be reported at the shareholders' meeting, the 2020 earnings distribution plan has not yet been resolved by the shareholders' meeting.

4. Condensed statements of comprehensive income (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 summary as of March 31, 2021 |
|--|--|--------------|------------|------------|------------|--|
| | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Operating revenue | 58,968 | 78,667 | 97,242 | 78,976 | 48,255 | Not applicable because no parent company only financial statements have been issued. |
| Gross loss | (73,604) | (54,292) | (28,054) | (61,315) | (109,470) | |
| Operating loss | (183,849) | (166,450) | (117,739) | (154,659) | (195,463) | |
| Non-operating income and expenses | 961,544 | 759,004 | 215,487 | 276,907 | 393,779 | |
| Net income before tax | 777,695 | 592,554 | 97,748 | 122,248 | 198,316 | |
| Net income from continuing operations | 600,146 | 511,396 | 61,777 | 88,316 | 141,296 | |
| Profit from discontinued operations | - | - | - | - | - | |
| Net profit for this period | 600,146 | 511,396 | 61,777 | 88,316 | 141,296 | |
| Other comprehensive income (loss) after tax | (343,348) | (1,451,549) | 557,080 | (426,367) | (866,259) | |
| Total comprehensive income | 256,798 | (940,153) | 618,857 | (338,051) | (724,963) | |
| Net income attributable to owners of the parent | 600,146 | 511,396 | 61,777 | 88,316 | 141,296 | |
| Net income attributable to non-controlling interests | - | - | - | - | - | |
| Total comprehensive income attributable to owners of the parent | 256,798 | (940,153) | 618,857 | (338,051) | (724,963) | |
| Total comprehensive income attributable to controlling interests | - | - | - | - | - | |
| Earnings per share (NTD) | 1.02 | 0.87 | 0.11 | 0.15 | 0.24 | |

Note: All financial information for 2016~2020 have been audited by the CPAs.

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

| <u>Year</u> | <u>CPA</u> | <u>Opinion</u> |
|-------------|-----------------------------------|--------------------|
| 2016 | Weng, Shih-Jung and Lin, Chun-Yao | Unmodified opinion |
| 2017 | Weng, Shih-Jung and Lin, Chun-Yao | Unmodified opinion |
| 2018 | Weng, Shih-Jung and Lin, Yi-Fan | Unmodified opinion |
| 2019 | Weng, Shih-Jung and Lin, Yi-Fan | Unmodified opinion |
| 2020 | Weng, Shih-Jung and Lin, Yi-Fan | Unmodified opinion |

II. Financial Analyses for the Past Five Fiscal Years

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

| Item (Note 3) \ Year | | Financial Analyses for the Past Five Fiscal Years (Note 1) | | | | | Financial analysis as of March 31, 2021 (Note 2) |
|--------------------------|---|---|--------|--------|--------|--------|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Financial structure (%) | Ratio of liabilities to assets | 27.43 | 28.49 | 28.35 | 28.32 | 26.04 | 26.22 |
| | Ratio of long-term capital to property, plant and equipment | 116.97 | 111.87 | 113.18 | 118.45 | 123.17 | 121.39 |
| Debt service ability (%) | Current ratio | 226.34 | 189.77 | 203.71 | 254.34 | 278.65 | 236.74 |
| | Quick ratio | 222.71 | 184.84 | 189.73 | 239.35 | 271.76 | 230.78 |
| | Times interest earned ratio (Explanation 1) | 658.00 | 522.33 | 154.61 | 173.15 | 296.70 | 453.25 |
| Operating ability | Accounts receivable turnover rate (times) (Explanation 2) | 10.56 | 12.78 | 11.38 | 10.04 | 13.19 | 16.48 |
| | Average days for cash receipts (Explanation 2) | 34.56 | 28.56 | 32.07 | 36.35 | 27.67 | 22.15 |
| | Turnover rate for property, plant and equipment (%) | 17.25 | 17.20 | 19.56 | 23.10 | 25.00 | 20.46 |
| | Total asset turnover rate (times) | 13.27 | 13.47 | 15.61 | 18.09 | 18.82 | 15.00 |
| Profitability | Asset return ratio (%) | 3.79 | 3.24 | 1.08 | 1.57 | 1.72 | 0.55 |
| | Equity return ratio (%) (Explanation 3) | 4.77 | 3.69 | 0.49 | 0.94 | 1.58 | 0.61 |
| | Ratio of income before tax to paid-in capital (%) (Explanation 3) | 13.39 | 12.87 | 2.13 | 3.33 | 5.33 | 1.60 |
| | Net profit ratio (%) (Explanation 3) | 25.38 | 19.73 | 2.25 | 3.73 | 6.10 | 11.97 |
| | Earnings per share (NTD) (Explanation 3) | 1.06 | 0.90 | 0.11 | 0.15 | 0.24 | 0.11 |
| Cash flows | Cash flow sufficiency ratio (%) (Explanation 3) | 93.38 | 74.68 | 49.51 | 89.66 | 121.89 | 19.40 |
| | Cash flow sufficiency ratio (%) | 161.04 | 135.16 | 116.83 | 143.04 | 146.54 | 152.24 |
| | Cash reinvestment ratio (%) (Explanation 3) | 8.20 | 6.92 | 3.86 | 8.25 | 11.20 | 2.47 |
| Leverage | Operating leverage (Explanation 4) | 2.55 | 2.64 | 4.77 | 4.76 | 2.95 | 3.53 |
| | Financial leverage (Explanation 4) | 1.20 | 1.30 | 2.67 | 3.74 | 1.30 | 1.28 |

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

1. As a result of growth in profitability of oil tankers, coupled with quantitative easing and lowered benchmark rates around the world due to the COVID-19 pandemic, the times interest earned ratio increased significantly.
2. Average receivables decreased as a result of the majority of charter-in shipping contracts received in advance at the end of the period, increasing the turnover and therefore shortening days for cash receipts.
3. 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.
4. The operating profit for the period grew, but the overall financing loan decreased due to normal contractual repayment. Therefore, leverage dropped.

Note 1: All financial information for 2016~2020 have been audited by the CPAs.

Note 2: All financial information as of 2021 Q1 have been reviewed by the CPAs.

Note 3: The calculation formulas for financial analysis are on Page 75

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

| Item \ Year | | Financial analysis for the last five years (Note 1) | | | | | Financial analysis |
|--|---|---|----------|----------|----------|----------|--|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | as of March 31, 2021 |
| Financial structure (%) | Ratio of liabilities to assets | 14.98 | 14.71 | 14.18 | 14.91 | 15.29 | Not applicable because no parent company only financial statements have been issued. |
| | Ratio of long-term capital to property, plant and equipment | 2,501.52 | 2,439.81 | 2,732.80 | 3,003.34 | 3,343.58 | |
| Debt service ability (%) | Current ratio (Explanation 1) | 10.13 | 11.47 | 10.87 | 15.73 | 12.33 | |
| | Quick ratio | 9.70 | 11.32 | 10.74 | 14.45 | 11.95 | |
| | Times interest earned ratio (Explanation 2) | 6,323.55 | 5,149.03 | 1,029.16 | 1,309.66 | 2,067.42 | |
| Operating ability | Accounts receivable turnover rate (times) (Explanation 3) | 66.90 | 26.95 | 38.46 | 53.38 | 31.02 | |
| | Average days for cash receipts (Explanation 3) | 5.46 | 13.54 | 9.49 | 6.84 | 11.77 | |
| | Turnover rate for property, plant and equipment (times) (Explanation 4) | 8.29 | 11.90 | 15.95 | 14.38 | 9.61 | |
| | Total asset turnover rate (times) (Explanation 4) | 0.29 | 0.41 | 0.53 | 0.43 | 0.27 | |
| Profitability | Asset return ratio (%) (Explanation 2) | 3.05 | 2.75 | 0.38 | 0.53 | 0.85 | |
| | Equity return ratio (%) (Explanation 2) | 3.54 | 3.17 | 0.40 | 0.57 | 0.94 | |
| | Ratio of income before tax to paid-in capital (%) (Explanation 2) | 13.68 | 10.43 | 1.72 | 2.09 | 3.39 | |
| | Net profit ratio (%) (Explanation 2) | 1,071.75 | 650.08 | 63.53 | 111.83 | 292.81 | |
| | Earnings per share (NTD) (Explanation 2) | 1.06 | 0.90 | 0.11 | 0.15 | 0.24 | |
| Cash flows | Cash flow ratio (%) (Explanation 1) | 31.46 | 25.14 | 11.30 | 1.38 | 22.21 | |
| | Cash flow sufficiency ratio (%) | 79.20 | 85.94 | 79.45 | 102.30 | 114.68 | |
| | Cash reinvestment ratio (%) | 1.66 | 1.81 | 1.79 | (0.50) | (0.48) | |
| Leverage | Operating leverage | 0.69 | 0.65 | 0.49 | 0.61 | 0.70 | |
| | Financial leverage | 0.94 | 0.93 | 0.92 | 0.94 | 0.95 | |
| Explain changes in financial ratios over the past two fiscal years. (Not required if the difference does not exceed 20%.) | | | | | | | |
| <div>1. Although the profitability of Madonna III was eroded by the freight rate, net cash flows generated from operating activities increased due to the decrease in receivables at the end of the period. The term of loans to investee companies was changed to five years, resulting in a decrease in current liabilities, an increase in the cash flow ratio and a decrease in short-term cash flow risk; however, a decrease in cash flows from financing activities decreased resulted in a decrease in cash and a slight drop in the current ratio.</div> <div>2. Relevant financial data showed positive growth mainly due to the substantial growth in profits from investments during the period.</div> <div>3. In the wake of the COVID-19 pandemic, the global average freight rate dropped slightly in the first half of 2020; in addition, the exchange rate of the New Taiwan dollar against the U.S. dollar rose sharply, causing freight revenue and accounts receivable of Madonna III to decrease at the end of the period. The overall accounts receivable turnover rate declined and the number of turnover days increased accordingly.</div> <div>4. Due to the decrease in freight revenue of Madonna III, the property, plant and equipment turnover rate and return on total assets both declined.</div> | | | | | | | |

Note 1: All financial information for 2016~2020 have been audited by the CPAs.

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 \times (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 flows

- (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.
- (2) Financial leverage = Operating income/(Operating income - Interest expenses).

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

The Board of Directors has prepared the Company's 2020 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. The 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 2021

Sincere Navigation Corporation

Audit Committee Convener: LEE, YEN-SUNG

March 23, 2021

IV. Financial Statements for the Most Recent Fiscal Year

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying consolidated balance sheets of Sincere Navigation Corporation and subsidiaries (the “Group”) as at December 31, 2020 and 2019, 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, 2020 and 2019, 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 Auditors’ responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountant of 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 2020 consolidated financial statements are as follows:

Impairment of vessels and equipment

Description

Refer to Notes 4(14), 5(2) and 6(3), for the accounting policy, accounting estimates and assumptions applied on impairment of property, plant and equipment and related impairment explanation.

The Group engages in bulk and crude oil 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 assessed by management by comparing the book value to the recoverable amount based on the analysis of industry dynamics and the Group's operating plan. As of December 31, 2020, vessel equipment amounted to NT\$15,443,096 thousand, constituting 73% 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 in determining the recoverable amount. Therefore, we considered the impairment of vessels and equipment as a key audit matter.

How our audit addressed the matter

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

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

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

Description

Refer to Notes 4(22) and 6(14), for the accounting policy on revenue recognition and related details of revenue.

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 considered the cut-off of V/C revenue as a key audit matter.

How our audit addressed the matter

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

1. Obtained an understanding of the procedures of management in recognising V/C revenue, and confirmed the evidence of revenue recognition and the appropriateness of approval procedures.
2. Checked the contracts for V/C around the period of balance sheet date, and based on our understanding of the client's operating conditions, assessed the reasonableness of voyage planning developed by management.
3. Obtained the location information reported by the crew of each vessel on the 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, 2020 and 2019.

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

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

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

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

Auditors’ 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 auditors’ 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 the generally accepted auditing standards in the Republic of China 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 the generally accepted auditing standards in the Republic of China, 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 auditors' 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 auditors' 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 auditors' 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 23, 2021

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
DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| Assets | | Notes | December 31, 2020 | | December 31, 2019 | |
|--------------------|--|------------------------|-------------------|-----|-------------------|-----|
| | | | AMOUNT | % | AMOUNT | % |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 4,665,858 | 22 | \$ 3,945,656 | 17 |
| 1136 | Current financial assets at amortised cost | 6(2) | 1,300 | - | 1,409 | - |
| 1140 | Current contract assets | 6(14) | 81,626 | - | 99,113 | 1 |
| 1170 | Accounts receivable | | 180,524 | 1 | 453,453 | 2 |
| 1200 | Other receivables | | 166,967 | 1 | 41,750 | - |
| 1210 | Other receivables - related parties | 7 | 233 | - | 509 | - |
| 1220 | Current tax assets | | 251 | - | 106 | - |
| 130X | Bunker inventories | | 99,810 | - | 254,486 | 1 |
| 1410 | Prepayments | | 37,739 | - | 56,946 | - |
| 1470 | Other current assets | 8 | 335,100 | 2 | 430,333 | 2 |
| 11XX | Total current assets | | 5,569,408 | 26 | 5,283,761 | 23 |
| Non-current assets | | | | | | |
| 1600 | Property, plant and equipment | 6(3)(5)(6)(7)(9) and 8 | 15,545,535 | 74 | 17,919,541 | 77 |
| 1755 | Right-of-use assets | 6(4) | 15,181 | - | 21,828 | - |
| 1840 | Deferred income tax assets | 6(21) | 6,858 | - | 11,087 | - |
| 1900 | Other non-current assets | 8 | 8,581 | - | 66,668 | - |
| 15XX | Total non-current assets | | 15,576,155 | 74 | 18,019,124 | 77 |
| 1XXX | Total assets | | \$ 21,145,563 | 100 | \$ 23,302,885 | 100 |

(Continued)

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| Liabilities and Equity | | | Notes | December 31, 2020 | | December 31, 2019 | | | | |
|---|---|-------|-------|-------------------|-----|-------------------|------------|------------|---|----|
| | | | | AMOUNT | % | AMOUNT | % | | | |
| Current liabilities | | | | | | | | | | |
| 2100 | Short-term borrowings | 6(7) | \$ | 840,000 | 4 | \$ | 800,000 | 4 | | |
| 2130 | Current contract liabilities | 6(14) | | 92,144 | - | | 35,616 | - | | |
| 2200 | Other payables | 6(8) | | 198,589 | 1 | | 273,920 | 1 | | |
| 2220 | Other payables - related parties | 7 | | 22,246 | - | | 22,940 | - | | |
| 2230 | Current income tax liabilities | | | 541 | - | | 104 | - | | |
| 2280 | Current lease liabilities | | | 5,746 | - | | 5,881 | - | | |
| 2320 | Long-term liabilities, current portion | 6(9) | | 839,469 | 4 | | 938,996 | 4 | | |
| 21XX | Total current liabilities | | | 1,998,735 | 9 | | 2,077,457 | 9 | | |
| Non-current liabilities | | | | | | | | | | |
| 2540 | Long-term borrowings | 6(9) | | 3,346,686 | 16 | | 4,406,634 | 19 | | |
| 2570 | Deferred income tax liabilities | 6(21) | | 118,233 | 1 | | 66,617 | - | | |
| 2580 | Non-current lease liabilities | | | 10,631 | - | | 16,913 | - | | |
| 2600 | Other non-current liabilities | 6(10) | | 32,853 | - | | 32,567 | - | | |
| 25XX | Total non-current liabilities | | | 3,508,403 | 17 | | 4,522,731 | 19 | | |
| 2XXX | Total liabilities | | | 5,507,138 | 26 | | 6,600,188 | 28 | | |
| Equity attributable to owners of parent | | | | | | | | | | |
| | Share capital | 6(11) | | | | | | | | |
| 3110 | Share capital - common stock | | | 5,853,533 | 28 | | 5,853,533 | 25 | | |
| | Capital surplus | 6(12) | | | | | | | | |
| 3200 | Capital surplus | | | 242,611 | 1 | | 241,989 | 1 | | |
| | Retained earnings | 6(13) | | | | | | | | |
| 3310 | Legal reserve | | | 3,171,779 | 15 | | 3,163,018 | 14 | | |
| 3320 | Special reserve | | | 1,349,931 | 6 | | 924,270 | 4 | | |
| 3350 | Unappropriated retained earnings | | | 6,079,037 | 29 | | 6,664,957 | 29 | | |
| | Other equity interest | | | | | | | | | |
| 3400 | Other equity interest | | (| 2,216,073) | (| 10) | (| 1,349,931) | (| 6) |
| 31XX | Equity attributable to owners of the parent | | | 14,480,818 | 69 | | 15,497,836 | 67 | | |
| 36XX | Non-controlling interest | 4(3) | | 1,157,607 | 5 | | 1,204,861 | 5 | | |
| 3XXX | Total equity | | | 15,638,425 | 74 | | 16,702,697 | 72 | | |
| | Significant contingent liabilities and unrecognised contractual commitments | 9 | | | | | | | | |
| | Significant events after balance sheet date | 11 | | | | | | | | |
| 3X2X | Total liabilities and equity | | \$ | 21,145,563 | 100 | \$ | 23,302,885 | 100 | | |

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

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | Items | Notes | Year ended December 31 | | | |
|------|---|-----------------|------------------------|-----------|-------------------|-----------|
| | | | 2020 | | 2019 | |
| | | | AMOUNT | % | AMOUNT | % |
| 4000 | Operating revenue | 6(14) and 7 | \$ 3,985,650 | 100 | \$ 4,116,692 | 100 |
| 5000 | Operating costs | 6(19)(20) and 7 | (3,103,145) | (78) | (3,553,018) | (86) |
| 5900 | Net operating margin | | <u>882,505</u> | <u>22</u> | <u>563,674</u> | <u>14</u> |
| | Operating expenses | 6(19)(20) | | | | |
| 6200 | General and administrative expenses | | (186,598) | (5) | (219,389) | (6) |
| 6450 | Impairment loss determined in accordance with IFRS 9 | | <u>-</u> | <u>-</u> | <u>(334)</u> | <u>-</u> |
| 6000 | Total operating expenses | | (186,598) | (5) | (219,723) | (6) |
| 6900 | Operating profit | | <u>695,907</u> | <u>17</u> | <u>343,951</u> | <u>8</u> |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(15) | 16,001 | 1 | 57,344 | 1 |
| 7010 | Other income | 6(16) | 39,901 | 1 | 5,647 | - |
| 7020 | Other gains and losses | 6(17) | (229,167) | (6) | 34,847 | 1 |
| 7050 | Finance costs | 6(18) | (158,675) | (4) | (266,551) | (6) |
| 7000 | Total non-operating income and expenses | | (331,940) | (8) | (168,713) | (4) |
| 7900 | Profit before income tax | | <u>363,967</u> | <u>9</u> | <u>175,238</u> | <u>4</u> |
| 7950 | Income tax expense | 6(21) | (57,020) | (2) | (34,036) | (1) |
| 8000 | Profit for the year from continuing operations | | <u>306,947</u> | <u>7</u> | <u>141,202</u> | <u>3</u> |
| 8100 | (Loss) profit for the year from discontinued operations | 6(6) | (51,855) | (1) | 19,736 | 1 |
| 8200 | Profit for the year | | <u>\$ 255,092</u> | <u>6</u> | <u>\$ 160,938</u> | <u>4</u> |

(Continued)

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | | Year ended December 31 | | | | | | | |
|---|--|------------------------|----------|--------|------|---------|----------|---|-----|
| | | 2020 | | 2019 | | | | | |
| Items | Notes | AMOUNT | % | AMOUNT | % | | | | |
| Other comprehensive income | | | | | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | | | | | |
| 8311 | Actuarial losses on defined benefit plans | 6(10) | | | | | | | |
| | | (\$ | 146) | - | (\$ | 882) | - | | |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(21) | | | | | | | |
| | | | 29 | - | | 176 | - | | |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | | | | | |
| 8361 | Financial statements translation differences of foreign operations | | | | | | | | |
| | | (| 928,171) | (| 23) | (| 455,027) | (| 11) |
| 8500 | Total comprehensive loss for the year | | | | | | | | |
| | | (\$ | 673,196) | (| 17) | (\$ | 294,795) | (| 7) |
| Profit attributable to: | | | | | | | | | |
| 8610 | Owners of the parent | | | | | | | | |
| | | \$ | 141,296 | 3 | \$ | 88,316 | 2 | | |
| 8620 | Non-controlling interest | | | | | | | | |
| | | | 113,796 | 3 | | 72,622 | 2 | | |
| | | \$ | 255,092 | 6 | \$ | 160,938 | 4 | | |
| Comprehensive income (loss) attributable to: | | | | | | | | | |
| 8710 | Owners of the parent | | | | | | | | |
| | | (\$ | 724,963) | (| 18) | (\$ | 338,051) | (| 8) |
| 8720 | Non-controlling interest | | | | | | | | |
| | | | 51,767 | 1 | | 43,256 | 1 | | |
| | | (\$ | 673,196) | (| 17) | (\$ | 294,795) | (| 7) |
| Earnings per share | | | | | | | | | |
| | | 6(22) | | | | | | | |
| 9710 | Basic earnings per share from continuing operations | | | | | | | | |
| | | \$ | | 0.33 | \$ | | 0.12 | | |
| 9720 | Basic (loss) earnings per share from discontinued operations | | | | | | | | |
| | | (| 0.09) | | | 0.03 | | | |
| 9750 | Total basic earnings per share (in dollars) | | | | | | | | |
| | | \$ | 0.24 | \$ | 0.15 | | | | |
| Diluted earnings per share | | | | | | | | | |
| | | 6(22) | | | | | | | |
| 9810 | Diluted earnings per share from continuing operations | | | | | | | | |
| | | \$ | | 0.33 | \$ | | 0.12 | | |
| 9820 | Diluted (loss) earnings per share from discontinued operations | | | | | | | | |
| | | (| 0.09) | | | 0.03 | | | |
| 9850 | Total diluted earnings per share (in dollars) | | | | | | | | |
| | | \$ | 0.24 | \$ | 0.15 | | | | |

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

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | Equity attributable to owners of the parent | | | | | | | | | | Non-controlling interest | Total equity |
|---|---|-----------------------------|---|----------|-------------------|-----------------|----------------------------------|-----------------|--|--------------|--------------------------|--------------|
| | Share capital - common stock | Treasury stock transactions | Capital Reserves | | Retained Earnings | | | | Financial statements translation differences of foreign operations | | | |
| | | | Difference between carrying amount of subsidiaries acquired | Others | Legal reserve | Special reserve | Unappropriated retained earnings | Total | | | | |
| 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) | (455,733) | (455,733) | |
| Total comprehensive income (loss) | - | - | - | - | - | - | 87,610 | (425,661) | (338,051) | 43,256 | (294,795) | |
| Appropriations of 2018 earnings: | | | | | | | | | | | | |
| 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 | - | - | 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 | |
| For the year ended December 31, 2020 | | | | | | | | | | | | |
| Balance at January 1, 2020 | \$ 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 | |
| Profit for the year | - | - | - | - | - | - | 141,296 | - | 141,296 | 113,796 | 255,092 | |
| Other comprehensive loss for the year | - | - | - | - | - | - | (117) | (866,142) | (866,259) | (62,029) | (928,288) | |
| Total comprehensive income (loss) | - | - | - | - | - | - | 141,179 | (866,142) | (724,963) | 51,767 | (673,196) | |
| Appropriations of 2019 earnings: | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | 8,761 | - | (8,761) | - | - | - | - | |
| Special reserve | - | - | - | - | - | 425,661 | (425,661) | - | - | - | - | |
| Cash dividends | - | - | - | - | - | - | (292,677) | - | (292,677) | - | (292,677) | |
| Change in non-controlling interest | - | - | - | - | - | - | - | - | - | (99,021) | (99,021) | |
| Overdue unclaimed cash dividends | - | - | - | 622 | - | - | - | - | 622 | - | 622 | |
| Balance at December 31, 2020 | \$ 5,853,533 | \$ 39,243 | \$ 199,339 | \$ 4,029 | \$ 3,171,779 | \$ 1,349,931 | \$ 6,079,037 | (\$ 2,216,073) | \$ 14,480,818 | \$ 1,157,607 | \$ 15,638,425 | |

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

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | | For the Years ended December 31, | |
|---|-------|----------------------------------|---------------|
| | Notes | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit from continuing operations before tax | | \$ 363,967 | \$ 175,238 |
| (Loss) profit from discontinued operations before tax | 6(6) | (51,855) | 19,736 |
| Profit before tax | | 312,112 | 194,974 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(19) | 1,331,465 | 1,366,676 |
| Amortisation | 6(19) | 102 | 102 |
| Interest income | | (16,058) | (57,355) |
| Interest expense | 6(18) | 158,675 | 266,551 |
| Loss on disposal of non-current assets classified as held for sale | 6(6) | 3,518 | - |
| Impairment loss recognised in profit or loss, property, plant and equipment | 6(5) | 340,017 | - |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Current contract assets | | 17,487 | 47,142 |
| Accounts receivable | | 272,929 | (46,926) |
| Other receivables | | (127,350) | 43,544 |
| Other receivables - related parties | | 276 | 9,042 |
| Bunker inventories | | 139,937 | 32,907 |
| Prepayments | | 19,207 | (7,514) |
| Changes in operating liabilities | | | |
| Current contract liabilities | | 56,528 | 7,963 |
| Other payables | | (89,363) | 34,633 |
| Other payables - related parties | | (694) | 7,111 |
| Accrued pension liabilities | | 140 | 177 |
| Cash inflow generated from operations | | 2,418,928 | 1,899,027 |
| Interest received | | 18,055 | 57,543 |
| Income tax paid | | (749) | (93,917) |
| Net cash flows from operating activities | | 2,436,234 | 1,862,653 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Increase in financial assets at amortised cost - current | | - | (1,409) |
| Decrease in other current assets | | 95,233 | 188,070 |
| Acquisition of property, plant and equipment | 6(24) | (302,119) | (247,112) |
| Proceeds from disposal of non-current assets classified as held for sale | 6(6) | 296,460 | - |
| Business combination | | - | (359) |
| Increase in non-current assets | | (1,079) | (20,242) |
| Decrease in refundable deposits | | 59 | - |
| Net cash flows from (used in) investing activities | | 88,554 | (81,052) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from short-term borrowings | 6(25) | 40,000 | - |
| Repayment of principal of lease liability | 6(25) | (5,700) | (3,204) |
| Proceeds from long-term borrowings | 6(25) | - | 1,833,568 |
| Repayment of long-term borrowings | 6(25) | (925,528) | (1,945,583) |
| Interest paid | | (174,953) | (289,586) |
| Cash dividends paid | 6(13) | (292,677) | (113,661) |
| Change in non-controlling interests | | (99,021) | (54,747) |
| Net cash flow from acquisition of subsidiaries | | - | (338,304) |
| Overdue unclaimed cash dividends | | 622 | 753 |
| Net cash flows used in financing activities | | (1,457,257) | (910,764) |
| Effect of changes in foreign exchange rate | | (347,329) | (226,054) |
| Net increase in cash and cash equivalents | | 720,202 | 644,783 |
| Cash and cash equivalents at beginning of year | | 3,945,656 | 3,300,873 |
| Cash and cash equivalents at end of year | | \$ 4,665,858 | \$ 3,945,656 |

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

SINCERE NAVIGATION CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(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 23, 2021.

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 2020 are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| 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 |
| Amendment to IFRS 16, ‘Covid-19-related rent concessions’ | June 1, 2020 (Note) |

Note: Earlier application from January 1, 2020 is allowed by the FSC.

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

(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 2021 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|--|
| Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9' | January 1, 2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2' | January 1, 2021 |

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

(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 3, 'Reference to the conceptual framework' | January 1, 2022 |
| 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, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2023 |
| Amendments to IAS 1, 'Disclosure of accounting policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of accounting estimates' | January 1, 2023 |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract' | January 1, 2022 |
| Annual improvements to IFRS Standards 2018-2020 | 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, a wholly-owned subsidiary of Sincere Navigation Corporation, was established in Liberia and is engaged in investment holdings. The following are the subsidiaries of Norley:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | Description |
|------------------|------------------------------------|--------------------------|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| 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% | 100% | Note 1 |
| " | Kingswood Co., Ltd. (Kingswood) | Investment holdings | - | 50% | Note 2, 3 |
| " | 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% | |
| " | Elroy Maritime Services Inc. | Maritime service | 100% | 100% | |
| Kingswood | Seven Seas Shipping Ltd. | Oil tanker | - | 100% | Note 3 |
| 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% | 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(23).

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: Kingswood Co., Ltd. and Seven Seas Shipping Ltd. ceased operations and were

liquidated on April 20, 2020.

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(26).

(b) Heywood Limited (Heywood)

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

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | Description |
|------------------|---|--------------------------|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Heywood | 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% | |

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, 2020 and 2019, the non-controlling interest amounted to \$1,157,607 and \$1,204,861, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

| Name of subsidiary | Principal place of business | Non-controlling interest | | | |
|--------------------------|-----------------------------|--------------------------|---------------|-------------------|---------------|
| | | December 31, 2020 | | December 31, 2019 | |
| | | Amount | Ownership (%) | Amount | Ownership (%) |
| Jetwall Co. Ltd. | Marshall Islands | \$ 382,653 | 20 | \$ 373,726 | 20 |
| Victory Navigation Inc. | Marshall Islands | 321,121 | 45 | 347,576 | 45 |
| Sky Sea Maritime Limited | Marshall Islands | 453,833 | 45 | 471,743 | 45 |

Summarised financial information of the subsidiaries:

Balance sheets

| | Jetwall Co. Ltd. | |
|-------------------------|---------------------|---------------------|
| | December 31, 2020 | December 31, 2019 |
| Current assets | \$ 429,631 | \$ 225,767 |
| Non-current assets | 1,945,086 | 2,218,399 |
| Current liabilities | (139,085) | (123,079) |
| Non-current liabilities | (322,365) | (452,458) |
| Total net assets | <u>\$ 1,913,267</u> | <u>\$ 1,868,629</u> |

| | Victory Navigation Inc. | |
|-------------------------|-------------------------|-------------------|
| | December 31, 2020 | December 31, 2019 |
| Current assets | \$ 240,859 | \$ 217,536 |
| Non-current assets | 497,625 | 582,912 |
| Current liabilities | (24,881) | (28,057) |
| Non-current liabilities | - | - |
| Total net assets | <u>\$ 713,603</u> | <u>\$ 772,391</u> |

| | Sky Sea Maritime Limited | |
|-------------------------|--------------------------|---------------------|
| | December 31, 2020 | December 31, 2019 |
| Current assets | \$ 118,922 | \$ 211,370 |
| Non-current assets | 1,816,601 | 1,925,135 |
| Current liabilities | (149,502) | (143,818) |
| Non-current liabilities | (777,504) | (944,370) |
| Total net assets | <u>\$ 1,008,517</u> | <u>\$ 1,048,317</u> |

Statements of comprehensive income

| | Jetwall Co. Ltd | |
|---|----------------------------------|------------------|
| | For the years ended December 31, | |
| | 2020 | 2019 |
| Revenue | \$ 889,419 | \$ 330,885 |
| Profit before income tax | 586,571 | 58,316 |
| Income tax expense | - | - |
| Profit for the year | 586,571 | 58,316 |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive income for the year | <u>\$ 586,571</u> | <u>\$ 58,316</u> |
| Comprehensive income attributable to non-controlling interest | <u>\$ 117,314</u> | <u>\$ 11,663</u> |
| Dividends paid to non-controlling interest | <u>\$ -</u> | <u>\$ -</u> |

| Victory Navigation Inc. | | |
|--|-------------|------------|
| For the years ended December 31, | | |
| | 2020 | 2019 |
| Revenue | \$ 212,227 | \$ 212,119 |
| (Loss) profit before income tax | (20,900) | 9,205 |
| Income tax expense | - | - |
| (Loss) profit for the year | (20,900) | 9,205 |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive (loss) income for the year | (\$ 20,900) | \$ 9,205 |
| Comprehensive (loss) income attributable to non-controlling interest | (\$ 9,405) | \$ 4,142 |
| Dividends paid to non-controlling interest | \$ - | \$ - |

| Sky Sea Maritime Limited | | |
|---|------------|------------|
| For the years ended December 31, | | |
| | 2020 | 2019 |
| Revenue | \$ 351,208 | \$ 518,240 |
| Profit before income tax | 13,126 | 120,537 |
| Income tax expense | - | - |
| Profit for the year | 13,126 | 120,537 |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive income for the year | \$ 13,126 | \$ 120,537 |
| Comprehensive income attributable to non-controlling interest | \$ 5,907 | \$ 54,242 |
| Dividends paid to non-controlling interest | \$ - | \$ - |

Statements of cash flows

| Jetwall Co. Ltd | | |
|---|------------|------------|
| For the years ended December 31, | | |
| | 2020 | 2019 |
| Net cash provided by operating activities | \$ 893,535 | \$ 225,058 |
| Net cash used in investing activities | (1,219) | (109,856) |
| Net cash used in financing activities | (567,136) | (145,357) |
| Effect of exchange rates on cash and cash equivalents | (14,380) | (1,100) |
| Increase (decrease) in cash and cash equivalents | 310,800 | (31,255) |
| Cash and cash equivalents, beginning of the year | 52,062 | 83,317 |
| Cash and cash equivalents, end of the year | \$ 362,862 | \$ 52,062 |

| Victory Navigation Inc. | | | |
|---|-------------------|-----------|----------------|
| For the years ended December 31, | | | |
| | 2020 | | 2019 |
| Net cash provided by operating activities | \$ 7,475 | \$ | 80,719 |
| Net cash provided by investing activities | - | | - |
| Net cash provided by financing activities | - | | 1,989 |
| Effect of exchange rates on cash and cash equivalents | (7,640) | (| 4,145) |
| (Decrease) increase in cash and cash equivalents | (165) | | 78,563 |
| Cash and cash equivalents, beginning of the year | 147,301 | | 68,738 |
| Cash and cash equivalents, end of the year | <u>\$ 147,136</u> | <u>\$</u> | <u>147,301</u> |

| Sky Sea Maritime Limited | | | |
|---|------------------|-----------|----------------|
| For the years ended December 31, | | | |
| | 2020 | | 2019 |
| Net cash provided by operating activities | \$ 59,255 | \$ | 204,924 |
| Net cash used in investing activities | (36,520) | | - |
| Net cash used in financing activities | (150,577) | (| 299,952) |
| Effect of exchange rates on cash and cash equivalents | (2,839) | (| 3,101) |
| Decrease in cash and cash equivalents | (130,681) | (| 98,129) |
| Cash and cash equivalents, beginning of the year | 149,278 | | 247,407 |
| Cash and cash equivalents, end of the year | <u>\$ 18,597</u> | <u>\$</u> | <u>149,278</u> |

(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) 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.

(6) Cash equivalents

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) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(12) 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 |

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

- 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.

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.

(14) 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.

(15) 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.

(16) 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.

(17) Derecognition of financial liabilities

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

(18) 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.

(19) 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.

(20) 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.

(21) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are

resolved by the Board of Directors.

(22) 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.

(23) 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

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash on hand and revolving funds | \$ 485 | \$ 308 |
| Checking accounts and demand deposits | 1,692,874 | 1,763,964 |
| Time deposit | 2,972,499 | 2,181,384 |
| | <u>\$ 4,665,858</u> | <u>\$ 3,945,656</u> |

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

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

(2) Financial assets at amortised cost

| <u>Items</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Current items: | | |
| Time deposits with maturity over three months | <u>\$ 1,300</u> | <u>\$ 1,409</u> |

The Group has no financial assets at amortised cost pledged to others as collateral.

(3) Property, plant and equipment

| | Land | Buildings and structures | Vessels and equipment | Office equipment | Total |
|---------------------------------------|------------------|-----------------------------|--------------------------|---------------------|----------------------|
| <u>At January 1, 2020</u> | | | | | |
| 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) |
| | <u>\$ 90,215</u> | <u>\$ 11,582</u> | <u>\$ 17,816,743</u> | <u>\$ 1,001</u> | <u>\$ 17,919,541</u> |
| <u>2020</u> | | | | | |
| Opening net book amount | \$ 90,215 | \$ 11,582 | \$ 17,816,743 | \$ 1,001 | \$ 17,919,541 |
| Additions | - | - | 391,494 | 667 | 392,161 |
| Disposals (Note) | - | - | 285,239) | - | (285,239) |
| Retirement - cost | - | - | (106,090) | (399) | (106,489) |
| Retirement - accumulated depreciation | - | - | 106,090 | 399 | 106,489 |
| Impairment loss | - | - | 340,017) | - | (340,017) |
| Depreciation | - | 655) | (1,324,493) | (362) | (1,325,510) |
| Net exchange differences | - | - | (815,392) | (9) | (815,401) |
| Closing net book amount | <u>\$ 90,215</u> | <u>\$ 10,927</u> | <u>\$ 15,443,096</u> | <u>\$ 1,297</u> | <u>\$ 15,545,535</u> |
| <u>At December 31, 2020</u> | | | | | |
| Cost | \$ 90,215 | \$ 28,191 | \$ 27,459,100 | \$ 8,536 | \$ 27,586,042 |
| Accumulated depreciation | - | (17,264) | (11,495,972) | (7,239) | (11,520,475) |
| Accumulated impairment | - | - | (520,032) | - | (520,032) |
| | <u>\$ 90,215</u> | <u>\$ 10,927</u> | <u>\$ 15,443,096</u> | <u>\$ 1,297</u> | <u>\$ 15,545,535</u> |

| | Land | Buildings and structures | Vessels and equipment | Office equipment | Total |
|---------------------------------------|------------------|--------------------------|-----------------------|------------------|----------------------|
| <u>At January 1, 2019</u> | | | | | |
| Cost | \$ 90,215 | \$ 28,191 | \$ 30,209,579 | \$ 3,214 | \$ 30,331,199 |
| Accumulated depreciation | - | (15,953) | (10,609,695) | (2,357) | (10,628,005) |
| Accumulated impairment | - | - | (245,760) | - | (245,760) |
| | <u>\$ 90,215</u> | <u>\$ 12,238</u> | <u>\$ 19,354,124</u> | <u>\$ 857</u> | <u>\$ 19,457,434</u> |
| <u>2019</u> | | | | | |
| 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 | <u>\$ 90,215</u> | <u>\$ 11,582</u> | <u>\$ 17,816,743</u> | <u>\$ 1,001</u> | <u>\$ 17,919,541</u> |
| <u>At December 31, 2019</u> | | | | | |
| 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) |
| | <u>\$ 90,215</u> | <u>\$ 11,582</u> | <u>\$ 17,816,743</u> | <u>\$ 1,001</u> | <u>\$ 17,919,541</u> |

Note: Information about the disposal of the property, plant and equipment is provided in Note 6(6).

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. Impairment information about the property, plant and equipment is provided in Note 6(5).

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

(4) Leasing arrangements – lessee

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:

| | December 31, 2020 | December 31, 2019 |
|-----------------|----------------------------------|---------------------|
| | Carrying amount | Carrying amount |
| Buildings | \$ 11,901 | \$ 16,007 |
| Other equipment | 3,280 | 5,821 |
| | <u>\$ 15,181</u> | <u>\$ 21,828</u> |
| | For the years ended December 31, | |
| | 2020 | 2019 |
| | Depreciation charge | Depreciation charge |
| Buildings | \$ 3,613 | \$ 2,862 |
| Other equipment | 2,342 | 1,315 |
| | <u>\$ 5,955</u> | <u>\$ 4,177</u> |

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$0 and \$24,041, respectively.

D. Except for the depreciation, other information on income and expense accounts relating to lease contracts is as follows:

| | For the years ended December 31, | |
|---------------------------------------|----------------------------------|--------|
| | 2020 | 2019 |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 924 | \$ 815 |
| Expense on short-term lease contracts | 4,896 | 6,458 |

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were

\$11,520 and \$10,477, respectively.

(5) Impairment of non-financial assets

- A. The Group recognised impairment loss amounting to \$340,017 for the year ended December 31, 2020. Details of the loss are as follows:

| | For the year ended December 31, 2020 | |
|---|--------------------------------------|--|
| | Recognised in profit or loss | Recognised in other comprehensive income |
| Impairment loss-Vessels and equipment-net | \$ 340,017 | \$ - |

- B. The impairment loss reported by operating segments is as follows:

| | For the year ended December 31, 2020 | |
|-------------------------|--------------------------------------|--|
| | Recognised in profit or loss | Recognised in other comprehensive income |
| Bulk carrier | \$ 303,170 | \$ - |
| Discontinued operations | 36,847 | - |
| | <u>\$ 340,017</u> | <u>\$ -</u> |

- C. A vessel “Mineral Antwerpen” held by the Group’s third-tier subsidiary “Peg Shipping Company Limited”, whose recoverable amount was lower than the book value, resulted in the recognition of impairment loss of the Group’s property, plant and equipment. The Group wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss of \$36,847 (USD 1,247 thousand) in the third quarter of 2020. The Group had completed the sale of the vessel in the fourth quarter of 2020.

- D. A vessel “Georgiana” held by the Group’s second subsidiary “Crimson Marine Company”, whose recoverable amount was lower than the book value, resulted in impairment in the Group’s property, plant and equipment. The Group wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss of \$303,170 (USD 10,260 thousand) in the fourth quarter of 2020.

(6) Non-current assets held for sale and discontinued operations

- A. On October 8, 2020, the Board of Directors of the fourth-tier subsidiary, Peg Shipping Company Limited, resolved to sell the vessel named “Mineral Antwerpen” and entered into a sale agreement with the buyer – Nicholas G. Moundreas Shipping SA or nominee. On November 6, 2020, the disposal of the vessel met the definition of discontinued operations and was classified as a discontinued operation. On November 10, 2020, the vessel was sold, and the transaction was settled.

B. The cash flow information of the discontinued operation, Mineral Antwerpen, is as follows:

| | For the years ended December 31, | |
|----------------------|----------------------------------|-------------------|
| | 2020 | 2019 |
| Operating cash flows | \$ 25,223 | \$ 108,680 |
| Investing cash flows | 296,460 | - |
| Financing cash flows | - | - |
| Total cash flows | <u>\$ 321,683</u> | <u>\$ 108,680</u> |

C. The financial performance information of the discontinued operation, Mineral Antwerpen, is as follows:

| | For the years ended December 31, | |
|--|----------------------------------|------------------|
| | 2020 | 2019 |
| Profit or loss for the year from discontinued operations | | |
| Revenue | \$ 196,656 | \$ 200,549 |
| Cost | (202,831) | (175,273) |
| Gross (loss) profit from discontinued operations | (6,175) | 25,276 |
| Operating expenses | (5,372) | (5,551) |
| Operating (loss) profit from discontinued operations | (11,547) | 19,725 |
| Interest income | 57 | 11 |
| Impairment loss | (36,847) | - |
| (Loss) profit for the year from discontinued operations | <u>(\$ 48,337)</u> | <u>\$ 19,736</u> |
| Gain (loss) on disposal of assets from discontinued operations | | |
| Loss on disposal of assets from discontinued operations | (3,518) | - |
| Total (loss) profit from discontinued operations | <u>(\$ 51,855)</u> | <u>\$ 19,736</u> |
| (Loss) profit attributable to: | | |
| Owners of the parent | (51,855) | 19,736 |
| Non-controlling interest | - | - |
| | <u>(\$ 51,855)</u> | <u>\$ 19,736</u> |

D. Profit and earnings per share from continuing and discontinued operations attributable to owners of the parent: Please refer to Note 6(22).

(7) Short-term borrowings

| Type of borrowings | December 31, 2020 | Interest rate range | Collateral |
|----------------------|----------------------|---------------------|---|
| Bank borrowings | | | |
| Secured borrowings | \$ 120,000 | 1.20% | Land, buildings and structures, and promissory notes |
| Unsecured borrowings | 720,000 | 1.10%~1.30% | Promissory notes |
| | <u>\$ 840,000</u> | | |

| 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 |
| | <u>\$ 800,000</u> | | |

Guarantees for the credit line of the Company's short-term borrowings provided by related parties are as follows:

| | December 31, 2020 | December 31, 2019 | Footnote |
|-----------|-------------------|-------------------|----------------------------|
| Fred Tsai | \$ - | \$ 200,000 | Promissory notes |
| Jack Hsu | 900,000 | 700,000 | Promissory notes/Guarantee |
| | <u>\$ 900,000</u> | <u>\$ 900,000</u> | |

(8) Other payables

| | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Wages and salaries payable | \$ 30,222 | \$ 34,967 |
| Fuel expense payable | 29,381 | 98,601 |
| Commissions payable | 7,791 | 14,200 |
| Interest payable | 10,564 | 27,612 |
| Insurance expense payable | 15,506 | 21,318 |
| Accrued despatch payable | - | 6,542 |
| Employees' compensation and directors' and supervisors' remuneration payable | 10,234 | 7,810 |
| Others | 31,081 | - |
| | <u>63,810</u> | <u>62,870</u> |
| | <u>\$ 198,589</u> | <u>\$ 273,920</u> |

(9) Long-term borrowings

| Bank | Collateral | December 31, 2020 | December 31, 2019 |
|---|--------------------|------------------------------------|-----------------------------------|
| Mega Bank | Vessel-Maxim | \$ 429,820 (USD15,092 thousand) | \$ 565,573 (USD18,865thousand) |
| ING Bank | Vessel-Kondor | 623,000 (USD21,875 thousand) | 760,742 (USD25,375 thousand) |
| Mega Bank (and syndicate) | Vessel-Mineral Oak | - - | 63,168 (USD2,107 thousand) |
| Mega Bank (and syndicate) | Vessel-Tai Shan | 102,118 (USD3,586 thousand) | 214,994 (USD7,171 thousand) |
| Mega Bank (and syndicate) | Vessel-Oceana | 215,309 (USD7,560 thousand) | 283,311 (USD9,450 thousand) |
| Mega Bank (and syndicate) | Vessel-Palona | 215,309 (USD7,560 thousand) | 283,311 (USD9,450 thousand) |
| Mega Bank (and syndicate) | Vessel-Elbhoff | 1,069,068 (USD37,538 thousand) | 1,298,509 (USD43,313 thousand) |
| Mega Bank (and syndicate) | Vessel-Tien Shan | 897,120 (USD31,500 thousand) | 1,070,286 (USD35,700 thousand) |
| Sea 86 Leasing Co. Limited (Note) | Vessel-Chou Shan | 313,924 (USD11,023 thousand) | 401,151 (USD13,381 thousand) |
| Sea 87 Leasing Co. Limited (Note) | Vessel-Chin Shan | 320,487 (USD11,253 thousand) | 404,585 (USD13,495 thousand) |
| | | 4,186,155 | 5,345,630 |
| Less: Current portion-due within one year (shown as other current liabilities) | | (839,469) | (938,996) |
| | | \$ 3,346,686 | \$ 4,406,634 |
| Interest rates | | 1.41% ~ 6.23% | 3.14% ~ 6.23% |

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 in the balance sheet. The entity should account for proceeds as a financial liability in accordance with IFRS 9.

(10) 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:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | (\$ 58,762) | (\$ 60,177) |
| Fair value of plan assets | <u>25,909</u> | <u>27,610</u> |
| Net defined benefit liability | <u>(\$ 32,853)</u> | <u>(\$ 32,567)</u> |

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

| | <u>Present value of defined benefit obligations</u> | <u>Fair value of plan assets</u> | <u>Net defined benefit liability</u> |
|--------------------------------|---|--------------------------------------|--|
| Year ended December 31, 2020 | | | |
| Balance at January 1 | (\$ 60,177) | \$ 27,610 | (\$ 32,567) |
| Current service cost | (391) | - | (391) |
| Interest (expense) income | (421) | 193 | (228) |
| | <u>(60,989)</u> | <u>27,803</u> | <u>(33,186)</u> |
| Remeasurements: | | | |
| Return on plan assets | | | |
| (excluding amounts included | | | |
| in interest income or expense) | - | 944 | 944 |
| Change in financial | | | |
| assumptions | (1,519) | - | (1,519) |
| Experience adjustments | <u>429</u> | <u>-</u> | <u>429</u> |
| | <u>(1,090)</u> | <u>944</u> | <u>(146)</u> |
| Pension fund contribution | - | 479 | 479 |
| Paid pension | <u>3,317</u> | <u>(3,317)</u> | <u>-</u> |
| Balance at December 31 | <u>(\$ 58,762)</u> | <u>\$ 25,909</u> | <u>(\$ 32,853)</u> |

| | 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 |
| Balance at December 31 | (\$ 60,177) | \$ 27,610 | (\$ 32,567) |

- (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, 2020 and 2019 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, | |
|-------------------------|----------------------------------|-------|
| | 2020 | 2019 |
| Discount rate | 0.30% | 0.70% |
| 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, 2020 | | | | |
| Effect on present value of defined benefit obligation | (\$ 958) | \$ 986 | \$ 811 | (\$ 793) |
| December 31, 2019 | | | | |
| Effect on present value of defined benefit obligation | (\$ 1,141) | \$ 1,177 | \$ 996 | (\$ 972) |

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, 2021 amount to \$467.

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, 2020 and 2019 were \$2,556 and \$2,539, 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, 2020 and 2019 were \$625 and \$1,377, respectively.

(11) Share capital-common stock

- A. As of December 31, 2020, 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.

(12) 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.

(13) 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 2019 and 2018 earnings had been resolved at the stockholders' meeting on June 19, 2020 and June 28, 2019, respectively. Details are summarised below:

| | 2019 | | 2018 | |
|--------------------------------|-------------------|--|---------------------|--|
| | Amount | Dividends per share (in dollars) | Amount | Dividends per share (in dollars) |
| Legal reserve | \$ 8,761 | | \$ 6,178 | |
| Special reserve | 425,661 | | - | |
| Cash dividends | 292,677 | \$ 0.50 | 113,661 | \$ 0.20 |
| Stock dividends | - | - | 170,491 | 0.30 |
| | <u>\$ 727,099</u> | | <u>\$ 290,330</u> | |
| Reversal of special reserve | <u>\$ -</u> | | <u>(\$ 555,339)</u> | |

- (b) Subsequent events: the appropriation of 2020 earnings has been proposed by the Board of Directors on March 23, 2021. Details are summarised below:

| | 2020 | |
|------------------------------|---------------------|-------------------------------------|
| | Amount | Dividends per share (in dollars) |
| Legal reserve | \$ 14,118 | |
| Special reserve appropriated | 866,142 | |
| Cash dividends | 292,677 | \$ 0.50 |
| | <u>\$ 1,172,937</u> | |

As of March 23, 2021, aforementioned appropriation of 2020 earnings has not yet been resolved at the stockholders' meeting, except for cash and stock dividends which had already been decided by the Board of Directors and only need to be reported at the stockholders' meeting.

(14) Operating revenue

| | For the years ended December 31, | |
|---------------------------------------|----------------------------------|---------------------|
| | 2020 | 2019 |
| Revenue from contracts with customers | <u>\$ 3,985,650</u> | <u>\$ 4,116,692</u> |

A. Disaggregation of revenue from contracts with customers

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

| For the year ended December 31, 2020 | Bulk carrier | Oil tanker | Management service | Total |
|--|--------------|--------------|-----------------------|--------------|
| Revenue from external customer contracts | \$ 2,099,208 | \$ 1,865,172 | \$ 21,270 | \$ 3,985,650 |
| Timing of revenue recognition Over time | \$ 2,099,208 | \$ 1,865,172 | \$ 21,270 | \$ 3,985,650 |
| For the year ended December 31, 2019 | Bulk carrier | Oil tanker | Management service | Total |
| Revenue from external customer contracts | \$ 2,991,291 | \$ 1,103,222 | \$ 22,179 | \$ 4,116,692 |
| Timing of revenue recognition Over time | \$ 2,991,291 | \$ 1,103,222 | \$ 22,179 | \$ 4,116,692 |

B. Contract assets and liabilities

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

| | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|----------------------|-------------------|-------------------|-----------------|
| Contract assets | | | |
| - bulk carrier | \$ 81,626 | \$ 99,113 | \$ 146,255 |
| Contract liabilities | | | |
| - bulk carrier | \$ 67,613 | \$ 35,616 | \$ 27,653 |
| Contract liabilities | | | |
| - oil tanker | \$ 24,531 | \$ - | \$ - |

C. Contract liabilities at the beginning of 2020 and 2019 amounting to \$35,616 and \$27,653, respectively, were all recognised as operating revenue for the years ended December 31, 2020 and 2019, respectively.

(15) Interest income

| | For the years ended December 31, | |
|------------------------------------|----------------------------------|-----------|
| | 2020 | 2019 |
| Interest income from bank deposits | \$ 16,001 | \$ 57,344 |

(16) Other income

| | For the years ended December 31, | |
|------------------|----------------------------------|-----------------|
| | 2020 | 2019 |
| Rent income | \$ 366 | \$ 366 |
| Insurance claims | 38,415 | - |
| Others | 1,120 | 5,281 |
| | <u>\$ 39,901</u> | <u>\$ 5,647</u> |

(17) Other gains and losses

| | For the years ended December 31, | |
|--|----------------------------------|------------------|
| | 2020 | 2019 |
| Net currency exchange gains | \$ 74,005 | \$ 35,149 |
| Impairment loss recognised in profit or loss, property, plant and equipment | (303,170) | - |
| Other losses | (2) | (302) |
| | <u>(\$ 229,167)</u> | <u>\$ 34,847</u> |

(18) Finance costs

| | For the years ended December 31, | |
|-------------------|----------------------------------|-------------------|
| | 2020 | 2019 |
| Interest expense | \$ 157,751 | \$ 265,736 |
| Lease liabilities | 924 | 815 |
| | <u>\$ 158,675</u> | <u>\$ 266,551</u> |

(19) Expenses by nature

| Function Nature | For the years ended December 31, | | | | | |
|--------------------------|----------------------------------|--------------------|------------|-----------------|--------------------|------------|
| | 2020 | | | 2019 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefit expense | \$ 542,576 | \$ 121,057 | \$ 663,633 | \$ 549,509 | \$ 119,832 | \$ 669,341 |
| Depreciation | 1,326,747 | 4,718 | 1,331,465 | 1,362,761 | 3,915 | 1,366,676 |
| Amortisation | - | 102 | 102 | - | 102 | 102 |

(20) Employee benefit expense

| Function Nature | For the years ended December 31, | | | | | |
|---------------------------------|----------------------------------|--------------------|------------|-----------------|--------------------|------------|
| | 2020 | | | 2019 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Wages and salaries | \$ 433,154 | \$ 108,333 | \$ 541,487 | \$ 444,099 | \$ 104,611 | \$ 548,710 |
| Labor and health insurance fees | 2,507 | 3,058 | 5,565 | 2,604 | 3,137 | 5,741 |
| Pension costs | 1,254 | 2,546 | 3,800 | 1,217 | 3,470 | 4,687 |
| Other personnel expenses | 105,661 | 7,120 | 112,781 | 101,589 | 8,614 | 110,203 |
| Total | \$ 542,576 | \$ 121,057 | \$ 663,633 | \$ 549,509 | \$ 119,832 | \$ 669,341 |

- 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, 2020 and 2019, employees' compensation was accrued at \$5,117 and \$3,905, respectively; while directors' and supervisors' remuneration was accrued at \$5,117 and \$3,905, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 1% of distributable profit of current year for the year ended December 31, 2020. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were both \$5,117, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2019 were both \$3,905 as resolved by the Board of Directors and were in agreement with those amounts recognised in the 2019 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.

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | For the years ended December 31, | |
|---|----------------------------------|-----------|
| | 2020 | 2019 |
| Current tax: | | |
| Current tax on profits for the year | \$ 562 | \$ 104 |
| Prior year income tax underestimation | 584 | 902 |
| Total current tax | 1,146 | 1,006 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | \$ 55,874 | \$ 33,030 |
| Total deferred tax | 55,874 | 33,030 |
| Income tax expense | \$ 57,020 | \$ 34,036 |

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

| | For the years ended December 31, | |
|--|----------------------------------|----------|
| | 2020 | 2019 |
| Remeasurement of defined benefit obligations | (\$ 29) | (\$ 176) |

B. Reconciliation between income tax expense and accounting profit:

| | For the years ended December 31, | |
|---|----------------------------------|-----------|
| | 2020 | 2019 |
| Tax calculated based on profit before tax and statutory tax rate (Note) | \$ 39,663 | \$ 24,553 |
| Expenses disallowed by tax regulation | 6 | - |
| Tax exempt income by tax regulation | (64,858) | (48,871) |
| Effect from loss carryforwards | 67 | - |
| Prior year income tax underestimation | 584 | 902 |
| Effects from backward remittance of earnings | 81,582 | 57,452 |
| Effect of different tax rates in countries in which the group operates | (24) | - |
| Income tax expenses | \$ 57,020 | \$ 34,036 |

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:

| 2020 | | | | |
|-------------------------------|-------------|---------------------------------|--|--------------|
| | 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) | \$ - | \$ - |
| Unfunded pension expense | 6,513 | 28 | 29 | 6,570 |
| Unused compensated absences | 387 | (99) | - | 288 |
| Subtotal | 11,087 | (4,258) | 29 | 6,858 |
| - Deferred tax liabilities: | | | | |
| Unrealised investments income | (56,962) | (34,174) | - | (91,136) |
| Unrealised exchange gain | (9,655) | (17,442) | - | (27,097) |
| Subtotal | (66,617) | (51,616) | - | (118,233) |
| Total | (\$ 55,530) | (\$ 55,874) | \$ 29 | (\$ 111,375) |
| 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) |

D. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(22) Earnings per share

| For the year ended December 31, 2020 | | | |
|--|-------------------------|---|--|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (shares in thousands)</u> | <u>Earnings per share (in dollars)</u> |
| <u>Basic earnings per share</u> | | | |
| Profit from continuing operations attributable to ordinary shareholders of the parent | \$ 193,151 | 585,353 | \$ 0.33 |
| Loss from discontinued operations attributable to the parent | (51,855) | - | (0.09) |
| Profit attributable to ordinary shareholders | <u>\$ 141,296</u> | <u>585,353</u> | <u>\$ 0.24</u> |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 193,151 | 585,353 | \$ 0.33 |
| Loss from discontinued operations attributable to the parent | (51,855) | - | (0.09) |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| - employees' compensation | - | 230 | - |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 141,296</u> | <u>585,583</u> | <u>\$ 0.24</u> |

| 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) |
| <u>Basic earnings per share</u> | | | |
| Profit from continuing operations attributable to ordinary shareholders of the parent | \$ 68,580 | 585,353 | \$ 0.12 |
| Profit from discontinued operations attributable to the parent | 19,736 | - | 0.03 |
| Profit attributable to ordinary shareholders | <u>\$ 88,316</u> | <u>585,353</u> | <u>\$ 0.15</u> |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 68,580 | 585,353 | \$ 0.12 |
| Profit from discontinued operations attributable to the parent | 19,736 | - | 0.03 |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| - employees' compensation | - | 232 | - |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 88,316</u> | <u>585,585</u> | <u>\$ 0.15</u> |

(23) 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 \$188,989 (USD \$6,135 thousand) and all payments were made on March 6, 2019.

| | <u>December 31, 2019</u> | |
|---|--------------------------|------------------------|
| 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 | <u>\$ 188,989</u> | |

(24) Supplemental cash flow information

Investing activities with partial cash payments:

| | <u>For the year ended December 31, 2020</u> |
|--|---|
| Purchase of property, plant and equipment | \$ 392,161 |
| Less: Beginning balance of prepayment on equipment | (58,961) |
| Less: Ending balance of payable on equipment | (31,081) |
| Cash paid during the year | <u>\$ 302,119</u> |

(25) Changes in liabilities from financing activities

| | <u>Short-term borrowings</u> | <u>Long-term borrowings</u> | <u>Lease liabilities</u> | <u>Liabilities from financing activities-gross</u> |
|--|----------------------------------|---------------------------------|------------------------------|--|
| At January 1, 2020 | \$ 800,000 | \$ 5,345,630 | \$ 22,794 | \$ 6,168,424 |
| Proceeds from borrowings | 40,000 | - | - | 40,000 |
| Repayment of borrowings | - | (925,528) | - | (925,528) |
| Payment of principal | - | - | (5,700) | (5,700) |
| Impact of changes in foreign exchange rate | - | (233,947) | (717) | (234,664) |
| At December 31, 2020 | <u>\$ 840,000</u> | <u>\$ 4,186,155</u> | <u>\$ 16,377</u> | <u>\$ 5,042,532</u> |

| | <u>Short-term borrowings</u> | <u>Long-term borrowings</u> | <u>Lease liabilities</u> | <u>Liabilities from financing activities-gross</u> |
|--|----------------------------------|---------------------------------|------------------------------|--|
| 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 | <u>\$ 800,000</u> | <u>\$ 5,345,630</u> | <u>\$ 22,794</u> | <u>\$ 6,168,424</u> |

(26) Business combinations

- A. On January 1, 2019, the Group acquired 100% of the share capital of Oak Maritime (Canada) Inc. (Oak Canada) from Universal Mariners S.A. (U.M.S.A) for \$3,948 (USD 128 thousand) and obtained the control over Oak Canada.
- B. The following table summarises the consideration paid for Oak Canada and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

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

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

| <u>Name of related parties</u> | <u>Relationship with the Group</u> |
|--|------------------------------------|
| Oak Agencies Limited (OAL) | Other related party |
| Asia Century Navigation Co., Ltd. (Asia Century) | Other related party |
| Diamonds Ocean Limited (Diamonds Ocean) | Other related party |
| World Sea Navigation Limited (World Sea) | Other related party |

(2) Significant related party transactions and balances

A. Operating revenue

| | <u>For the years ended December 31,</u> | |
|---------------------|---|------------------|
| | <u>2020</u> | <u>2019</u> |
| Management revenue: | | |
| Other related party | <u>\$ 21,270</u> | <u>\$ 22,179</u> |

Management revenue is the agent revenue arising from vessel agent contract. 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, | |
|---------------------|----------------------------------|-----------|
| | 2020 | 2019 |
| Commission fee: | | |
| Other related party | \$ 38,116 | \$ 41,113 |

C. Other receivables

Amounts prepaid on behalf of related parties and agents:

| | December 31, 2020 | December 31, 2019 |
|---------------------|-------------------|-------------------|
| Other receivables: | | |
| Other related party | \$ 233 | \$ 509 |

D. Other payables

Advances from related parties and agency payable:

| | December 31, 2020 | December 31, 2019 |
|---------------------|-------------------|-------------------|
| Other payables: | | |
| Other related party | \$ 22,246 | \$ 22,940 |

E. The Group was contracted to render transportation services for the year ended December 31, 2020 and executed the contract by sub-contracting it to its other related parties 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 of transactions are as follows:

| | For the year ended December 31, 2020 |
|-----------------------|---|
| | Amount |
| Other related parties | \$ 29,435 |

F. Other guarantee transactions

Please refer to Note 6(7) for details.

(3) Key management compensation

| | For the years ended December 31, | |
|---|----------------------------------|-----------|
| | 2020 | 2019 |
| Salaries and other short-term employee benefits | \$ 23,591 | \$ 22,847 |
| Post-employment benefits | 473 | 464 |
| | \$ 24,064 | \$ 23,311 |

8. PLEDGED ASSETS

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

| Pledged assets | Book value | | Pledge purpose |
|--|----------------------|----------------------|--|
| | December 31, 2020 | December 31, 2019 | |
| Bank deposits (shown as "other current assets") | \$ 335,100 | \$ 430,333 | Long-term loans |
| Guarantee deposits paid (shown as "other non-current assets") | 7,439 | 7,503 | Deposit of golf certificates and others |
| Property, plant and equipment | | | |
| Vessels and equipment-net | 10,920,298 | 13,003,098 | Long-term loans |
| Land and building and structures-net | | | Credit lines of short-term borrowings |
| | 99,682 | 100,250 | |
| | <u>\$ 11,362,519</u> | <u>\$ 13,541,184</u> | |

9. CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingent liabilities

None.

(2) Commitments

A. The Company has outstanding notes payable for bank financing amounting to \$1,074,000.

B. As of December 31, 2020, outstanding balance amount arising from acquisition of vessel's equipment amounted to \$10,879 (US \$382 thousand).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

A. The Company's Board of Directors proposed for the appropriation of 2020 earnings. Please refer to Note 6(13)D.

B. The third-tier subsidiary of the Group, Crimson Marine Company, wrote down the carrying amount of Georgiana based on the recoverable amount and recognised an impairment loss of \$303,170 (USD 10,260 thousand) accordingly. Information relating to impairment loss is provided in Note 6(5)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

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | \$ 4,665,858 | \$ 3,945,656 |
| Financial assets at amortised cost - current | 1,300 | 1,409 |
| Accounts receivable, net | 180,524 | 453,453 |
| Other receivables | 166,967 | 41,750 |
| Other receivables - related parties | 233 | 509 |
| Other financial assets | 335,100 | 430,333 |
| Guarantee deposits paid (shown as "other non-current assets") | 7,439 | 7,503 |
| | <u>\$ 5,357,421</u> | <u>\$ 4,880,613</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | \$ 840,000 | \$ 800,000 |
| Other payables | 198,589 | 273,920 |
| Other payables - related parties | 22,246 | 22,940 |
| Long-term borrowings (including current portion) | 4,186,155 | 5,345,630 |
| | <u>\$ 5,246,990</u> | <u>\$ 6,442,490</u> |
| Lease liabilities | <u>\$ 16,377</u> | <u>\$ 22,794</u> |

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. 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, 2020 | | | |
|---|--|---------------|---------------------|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 3,541 | 28.48 | \$ 100,641 |
| NTD : USD | 7,272 | 0.04 | 7,307 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 55,214 | 28.48 | \$ 1,572,599 |
| | | | |
| December 31, 2019 | | | |
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 11,995 | 29.98 | \$ 360,074 |
| NTD : USD | 9,585 | 0.03 | 9,503 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 55,430 | 29.98 | \$ 1,661,773 |

- 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 Decemebr 31, 2020 | | | |
|--|---------------|---------|------------|
| Exchange gain (loss) | | | |
| Foreign currency | | | |
| amount | Exchange rate | | Book value |
| (In thousands) | | | (NTD) |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ | - 28.48 | \$ 4,713 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ | - 28.48 | \$ 82,498 |
| For the year ended Decemebr 31, 2019 | | | |
| Exchange gain (loss) | | | |
| Foreign currency | | | |
| amount | Exchange rate | | Book value |
| (In thousands) | | | (NTD) |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ | - 29.98 | (\$ 7,844) |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ | - 29.98 | \$ 130,707 |

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

| For the year ended December 31, 2020 | | | |
|---|---------------------|--------------------------|--------------------------------------|
| Sensitivity analysis | | | |
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | \$ 1,006 | \$ - |
| NTD:USD | 1% | 73 | - |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | \$ 15,726 | \$ - |
| 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) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | \$ 3,601 | \$ - |
| NTD:USD | 1% | 95 | - |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | \$ 16,618 | \$ - |

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019 would have been \$35,517 and \$45,399 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 and by the clients or counterparties of financial instruments. The 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 regional economic conditions that are expected to cause a default.o their financial difficulties;crease in credit risk on that instrument since credit loss.
- 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, 2020 and 2019, the Group's written-off financial assets that are still under recourse procedures amounted to \$0 and \$334, 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, 2020 and 2019, the provision matrix is as follows:

| December 31, 2020 | Not past due | Total |
|--------------------|-------------------|------------|
| Expected loss rate | Approximately 0 % | |
| Total book value | \$ 180,524 | \$ 180,524 |
| Loss allowance | \$ - | \$ - |

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

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

| | December 31, 2020 | December 31, 2019 |
|--------------|-------------------|-------------------|
| Not past due | \$ 180,524 | \$ 453,453 |

(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, 2020 | Less than one year | Between one and five years | Over five years |
|--|-----------------------|-------------------------------|-----------------|
| Short-term borrowings | \$ 840,000 | \$ - | \$ - |
| Other payables (including related parties) | 220,835 | - | - |
| Lease liability | 6,410 | 11,214 | - |
| Long-term borrowings (including current portion) | 930,118 | 2,802,522 | 679,998 |

| Non-derivative financial liabilities December 31, 2019 | Less than one year | Between one and five years | Over five 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 |

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.

(4) Major shareholders information

Name, number of shares and shareholding ratio of shareholders whose ownership reached 5%: Please refer to table 7.

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, 2020 | | | |
|-----------------------------|--------------------------------------|--------------|----------------|--------------|
| | Bulk carrier | Oil tanker | Other segments | Total |
| Revenues from third parties | \$ 2,099,208 | \$ 1,865,172 | \$ 21,270 | \$ 3,985,650 |
| Segment (loss) income | (\$ 843,089) | \$ 1,071,882 | \$ 21,270 | \$ 250,063 |

| | For the year ended December 31, 2019 | | | |
|-----------------------------|--------------------------------------|--------------|----------------|--------------|
| | Bulk carrier | Oil tanker | Other segments | Total |
| Revenues from third parties | \$ 2,991,291 | \$ 1,103,222 | \$ 22,179 | \$ 4,116,692 |
| Segment (loss) income | (\$ 136,316) | \$ 250,924 | \$ 22,179 | \$ 136,787 |

(4) Reconciliation for segment income (loss)

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

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

| | For the years ended December 31, | |
|--|----------------------------------|------------|
| | 2020 | 2019 |
| Reportable segment income (loss) | \$ 228,793 | \$ 114,608 |
| Other segment income | 21,270 | 22,179 |
| Total operating segment income (loss) | 250,063 | 136,787 |
| Others | 113,904 | 38,451 |
| Income from continuing operations before tax | \$ 363,967 | \$ 175,238 |

- (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, 2020 and 2019, major customers with revenue representing 10% or above of the Group's total revenue are as follows:

| | For the years ended December 31, | | | |
|------------|----------------------------------|--------------|--------------|--------------|
| | 2020 | | 2019 | |
| | Revenues | Segment | Revenues | Segment |
| Customer A | \$ 1,200,438 | Oil tanker | \$ 1,103,222 | Oil tanker |
| Customer B | 702,137 | Bulk carrier | 771,536 | Bulk carrier |
| Customer C | 664,735 | Oil tanker | - | - |
| Customer D | - | - | 484,520 | Bulk carrier |

Sincere Navigation Corporation and Subsidiaries

Loans to others

For the year ended December 31, 2020

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, 2020 | Balance at December 31, 2020 | 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 | | Limit on loans granted to a single party (Note 2) | Ceiling on total loans granted (Note 2) | Footnote |
|-----------------|--------------------------------|--------------------------------|-------------------------------------|--------------------|---|------------------------------|--------------------------|---------------|-------------------------|--|---------------------------------|---------------------------------|-------|---|---|--|
| | | | | | | | | | | | | Item | Value | | | |
| 0 | Sincere Navigation Corporation | None | | | | | | | | | | | | \$ 4,344,245 | \$ 5,792,327 | |
| 1 | Norley Corporation Inc. | Sincere Navigation Corporation | Other receivables - related parties | Y | \$ 1,058,750 | \$ 996,800 | \$ 996,800 | - | 2 | - | Working capital | - | - | 11,978,770 | 11,978,770 | The Maximum amount amounted to USD 35,000,000 for the current period, and the actual amount was USD 35,000,000 at the end of year. |
| 2 | Heywood Limited | Sincere Navigation Corporation | Other receivables - related parties | Y | 605,000 | 569,600 | 569,600 | - | 2 | - | Working capital | - | - | 4,506,948 | 4,506,948 | The Maximum amount amounted to USD 20,000,000 for the current period, and the actual amount 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 and Subsidiaries
Provision of endorsements and guarantees to others
For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | | 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, 2020 (Note 4) | Outstanding endorsement/ guarantee amount at December 31, 2020 (Note 5) | Actual amount drawn down (Note 6) | Amount of endorsements/ guarantees secured with collateral (Note 6) | 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 |
|--------------------|--------------------------------|------------------------------------|------------------------------|--|---|---|---|---|--|--|--|--|--|---|---|
| | | Endorser/ guarantor | Company name | | | | | | | | | | | | |
| 0 | Sincere Navigation Corporation | | Helmsman Navigation Co. Ltd. | 2 | \$ 14,480,818 (Note 3) | \$ 428,794 (Note 4) | \$ 242,223 (Note 5) | \$ 215,309 (Note 6) | \$ - | 27.11% | \$ 36,202,045 (Note 3) | Y (Note 7) | N (Note 7) | N (Note 7) | Guarantee balance is US\$ 8,505 thousand |
| 0 | - | | Keystone Shipping Co. Ltd. | 2 | 14,480,818 | 428,794 | 403,704 | 215,309 | - | 27.11% | 36,202,045 | Y | N | N | Guarantee balance is US\$ 14,175 thousand |
| 0 | - | | Ocean Wise Limited | 2 | 14,480,818 | 127,473 | - | - | - | 27.11% | 36,202,045 | Y | N | N | Guarantee balance is US\$ 0 thousand |
| 0 | - | | Maxson Shipping Inc. | 2 | 14,480,818 | 488,093 | 153,178 | 102,118 | - | 27.11% | 36,202,045 | Y | N | N | Guarantee balance is US\$ 5,378 thousand |
| 0 | - | | Everwin Maritime Limited | 2 | 14,480,818 | 684,800 | 644,730 | 429,820 | - | 27.11% | 36,202,045 | Y | N | N | Guarantee balance is US\$ 22,638 thousand |
| 0 | - | | Pacifica Maritime Limited | 2 | 14,480,818 | 1,310,203 | 1,233,540 | 1,069,068 | - | 27.11% | 36,202,045 | Y | N | N | Guarantee balance is US\$ 43,313 thousand |
| 0 | - | | Ocean Grace Limited | 2 | 14,480,818 | 1,079,925 | 1,016,736 | 897,120 | - | 27.11% | 36,202,045 | Y | N | N | Guarantee balance is US\$ 35,700 thousand |
| 0 | - | | Brighton Shipping Inc. | 2 | 14,480,818 | 218,149 | 121,239 | 121,239 | - | 27.11% | 36,202,045 | Y | N | N | Guarantee balance is US\$ 4,257 thousand |
| 0 | Sincere Navigation Corporation | | Rockwell Shipping Limited | 2 | 14,480,818 | \$ 207,778 | \$ 110,553 | \$ 110,553 | \$ - | 27.11% | \$ 36,202,045 | Y | N | N | Guarantee balance is US\$ 3,882 thousand |

| 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, 2020 (Note 4) | Outstanding endorsement/guarantee amount at December 31, 2020 (Note 5) | Actual amount drawn down (Note 6) | Amount of endorsements/guarantees secured with collateral (Note 6) | Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company 5.20% | 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 |
|---------------------------------|-------------------------|---|---|---|--|-----------------------------------|--|--|--|---|---|--|---|
| Number (Note 1) | Endorser/guarantor | | | | | | | | | | | | |
| 1 | Norley Corporation Inc. | 2 | 11,978,770 (Note 3) | 760,742 (Note 4) | 623,000 (Note 5) | 623,000 (Note 6) | - | 5.20% | 29,946,925 (Note 3) | Y (Note 7) | N (Note 7) | N (Note 7) | Guarantee balance is US\$ 21,875 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 and Subsidiaries

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

December 31, 2020

Table 3

Table 3

| Expressed in thousands of NTDT (Except as otherwise indicated) | | | | | | | | |
|---|--------------------------------|---------------------------------------|-------------------------------------|---------------|---------------------|--------------|---|------------------------------------|
| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2020 | 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 | \$ 996,800 (USD 35,000 thousand) | - | - | - | - | - |
| Heywood Limited (Heywood) | Sincere Navigation Corporation | Heywood's parent company | \$ 569,600 (USD 20,000 thousand) | - | - | - | - | - |

Table 3

Sincere Navigation Corporation and Subsidiaries

Significant inter-company transactions during the reporting period

For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Percentage of consolidated total operating revenues or total assets (Note 3) |
|--------------------|--------------------------------|--------------------------------|--------------------------|------------------------|------------|-----------------------------|---|
| | | | | General ledger account | Amount | Transaction terms | |
| 0 | Sincere Navigation Corporation | Helmsman Navigation Co. Ltd. | 1 | Guarantees | \$ 242,223 | As per the Company's policy | 1.15% |
| 0 | " | Keystone Shipping Co. Ltd. | 1 | " | 403,704 | " | 1.91% |
| 0 | " | Everwin Maritime Limited | 1 | " | 644,730 | " | 3.05% |
| 0 | " | Pacifica Maritime Limited | 1 | " | 1,233,540 | " | 5.83% |
| 0 | " | Ocean Grace Limited | 1 | " | 1,016,736 | " | 4.81% |
| 1 | Norley Corporation Inc. | Kenmore Shipping Inc. | 1 | " | 623,000 | " | 2.95% |
| 1 | " | Sincere Navigation Corporation | 2 | Other receivables | 996,800 | " | 4.71% |
| 2 | Heywood Limited | Sincere Navigation Corporation | 2 | " | 569,600 | " | 2.69% |

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.

Table 4

Sincere Navigation Corporation and Subsidiaries

Information on investees

For the year ended December 31, 2020

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, 2020 (Note 2) | | | Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2) | Investment income (loss) recognised by the Company for the year ended December 31, 2020 | Footnote |
|--------------------------------|-------------------------|---------------------|--------------------------|---------------------------------------|------------------------------------|--|---------------|---------------|--|--|------------------------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | | | |
| Sincere Navigation Corporation | Norley Corporation Inc. | Republic of Liberia | Investment holdings | \$ 28,480 (USD 1,000 thousand) | \$ 29,980 (USD 1,000 thousand) | 500 | 100% | \$ 11,978,770 | \$ 747,091 | 747,091 | Subsidiary |
| " | Heywood Limited | Marshall Islands | " | 28,480 (USD 1,000 thousand) | 29,980 (USD 1,000 thousand) | 500 | 100% | 4,506,948 | (422,799) | (422,799) | Subsidiary |
| Norley Corporation Inc. | Kenmore Shipping Inc. | Marshall Islands | Oil tanker | 1,313,213 (USD 46,110 thousand) | 1,382,378 (USD 46,110 thousand) | 500 | 100% | 1,979,063 | 231,263 | - | Second-tier subsidiary |
| " | Winnington Limited | " | Investment holdings | 295,548 (USD 10,377 thousand) | 311,115 (USD 10,377 thousand) | 500 | 100% | 14,027 | (51,951) | - | Second-tier subsidiary |
| " | Jetwall Co. Ltd. | " | " | 882,196 (USD 30,976 thousand) | 1,288,420 (USD 42,976 thousand) | 400 | 80% | 1,530,614 | 586,571 | - | Second-tier subsidiary |
| " | Victory Navigation Inc. | " | " | 157 (USD 6 thousand) | 165 (USD 6 thousand) | 275 | 55% | 392,482 | (20,900) | - | Second-tier subsidiary |
| " | Kingswood Co., Ltd. | " | " | - (USD 0 thousand) | 150 (USD 5 thousand) | - | - | - | 39 | - | Second-tier subsidiary |
| " | Poseidon Marine Ltd | " | Shipping | 228,125 (USD 8,010 thousand) | 240,140 (USD 8,010 thousand) | 500 | 100% | 1,604,008 | 48,004 | - | Second-tier subsidiary |
| " | Maxxon Shipping Inc. | " | " | 299,040 (USD 10,500 thousand) | 314,790 (USD 10,500 thousand) | 500 | 100% | 1,084,173 | (38,687) | - | Second-tier subsidiary |
| " | Ocean Wise Limited | Republic of Liberia | " | 637,097 (USD 20,370 thousand) | 610,692 (USD 20,370 thousand) | 500 | 100% | 1,030,907 | (61,389) | - | Second-tier subsidiary |

| Investor | Investee | Location | Main business activities | Initial investment amount (Note 1) | | Shares held as at December 31, 2020 (Note 2) | | | Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2) | Investment income (loss) recognised by the Company for the year ended December 31, 2020 | Footnote |
|-----------------------------|---------------------------------|---------------------|--------------------------|---------------------------------------|---------------------------------------|--|---------------|--------------|--|--|------------------------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | | | |
| Norley Corporation Inc. | Pacifica Maritime Limited | Marshall Islands | Oil tanker | \$ 1,389,539 (USD 48,790 thousand) | \$ 1,462,724 (USD 48,790 thousand) | 500 | 100% | \$ 1,761,990 | \$ 254,115 | - | Second-tier subsidiary |
| " | Sky Sea Maritime Limited | " | Investment holdings | 455,979 (USD 16,011 thousand) | 479,995 (USD 16,011 thousand) | 275 | 55% | 554,684 | 13,126 | - | Second-tier subsidiary |
| " | Elroy Maritime Service Inc. | " | Maritime service | 5,696 (USD 200 thousand) | 300 (USD 10 thousand) | 500 | 100% | 6,238 | (36) | - | Second-tier subsidiary |
| Winnington Limited | Peg Shipping Company Limited | Republic of Liberia | Shipping | 285 (USD 10 thousand) | 300 (USD 10 thousand) | 500 | 100% | 9,341 | (51,855) | - | Third-tier subsidiary |
| Kingswood Co., Ltd. | Seven Seas Shipping Ltd. | Marshall Islands | Oil tanker | - (USD 0 thousand) | 300 (USD 10 thousand) | - | - | - | 24) | - | Third-tier subsidiary |
| Jetwall Co. Ltd. | Everwin Maritime Limited | " | " | 1,102,746 (USD 38,720 thousand) | 1,610,526 (USD 53,720 thousand) | 500 | 100% | 1,913,985 | 586,670 | - | Third-tier subsidiary |
| Victory Navigation Inc. | Everprime Shipping Limited | " | Shipping | 285 (USD 10 thousand) | 300 (USD 10 thousand) | 500 | 100% | 710,350 | (20,876) | - | Third-tier subsidiary |
| Sky Sea Maritime Limited | Ocean Grace Limited | " | " | 829,053 (USD 29,110 thousand) | 872,718 (USD 29,110 thousand) | 500 | 100% | 1,008,768 | 13,181 | - | Third-tier subsidiary |
| Elroy Maritime Service Inc. | Oak Maritime (Canada) Inc. | Canada | Maritime service | 3,661 (USD 128 thousand) | 3,867 (USD 128 thousand) | 1,000 | 100% | 3,551 | (575) | - | Third-tier subsidiary |
| Heywood Limited | Clifford Navigation Corporation | Marshall Islands | Shipping | 285 (USD 10 thousand) | 300 (USD 10 thousand) | 500 | 100% | 497,094 | 49,692 | - | Second-tier subsidiary |
| " | Brighton Shipping Inc. | " | " | 285 (USD 10 thousand) | 300 (USD 10 thousand) | 500 | 100% | 419,524 | (30,729) | - | Second-tier subsidiary |

Table 5, Page 2

| Investor | Investee | Location | Main business activities | Initial investment amount (Note 1) | | Shares held as at December 31, 2020 (Note 2) | | | Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2) | | Investment income (loss) recognised by the Company for the year ended December 31, 2020 | | Footnote |
|-----------------|------------------------------|------------------|--------------------------|---------------------------------------|------------------------------------|--|---------------|------------|--|---|--|------------------------|----------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | | | | | |
| Heywood Limited | Rockwell Shipping Limited | Marshall Islands | Shipping | \$ (USD 10 thousand) | \$ (USD 10 thousand) | 300 (USD 10 thousand) | 100% | \$ 279,309 | (\$ 45,031) | - | - | Second-tier subsidiary | |
| " | Howells Shipping Inc. | " | " | 342,045 (USD 12,010 thousand) | 360,060 (USD 12,010 thousand) | 500 | 100% | 742,299 | 11,508 | - | - | Second-tier subsidiary | |
| " | Crimson Marine Company | " | " | 1,093,575 (USD 33,398 thousand) | 1,001,272 (USD 33,398 thousand) | 500 | 100% | 283,812 (| 383,426) | - | - | Second-tier subsidiary | |
| " | Century Shipping Limited | HongKong | Investment holdings | 14,240 (USD 500 thousand) | 14,990 (USD 500 thousand) | 50,000 | 100% | 2,407 | 1,491 | - | - | Second-tier subsidiary | |
| " | Helmsman Navigation Co. Ltd. | Marshall Islands | Shipping | 601,213 (USD 21,110 thousand) | 512,958 (USD 17,110 thousand) | 500 | 100% | 490,868 | 6,730 | - | - | Second-tier subsidiary | |
| " | Keystone Shipping Co. Ltd. | " | " | 558,493 (USD 19,610 thousand) | 467,988 (USD 15,610 thousand) | 500 | 100% | 465,272 (| 26,684) | - | - | Second-tier subsidiary | |

Note 1: The above balances of initial investments as at December 31, 2020 and 2019 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, 2020 and net profit (loss) of the investee for the year ended December 31, 2020 were translated at the closing exchange rates at the balance sheet and the average exchange rates for the year ended December 31, 2020, respectively.

Note 3: The liquidation of Kingswood Co., Ltd. and Seven Seas Shipping Ltd. was completed on April 20, 2020.

Sincere Navigation Corporation and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 6

| 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, 2020 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020 | | Net income of investee for the year ended December 31, 2020 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 2) | Book value of investments in Mainland China as of December 31, 2020 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020 | Footnote |
|--|-----------------------------|------------------------------------|----------------------------------|--|--|----------------------------|---|---|---|---|--|----------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | |
| Haihu Maritime Service (Shanghai) Co., Ltd. | Maritime service | \$ 15,855 (USD 500 thousand) | 2 | \$ 15,855 (USD 500 thousand) | - \$ | - \$ | \$ 1,491 (RMB 348 thousand) | 100% | \$ 1,491 (RMB 348 thousand) | \$ 2,407 (RMB551 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.

Table 6

| Company name | 31, 2020 | Accumulated amount of remittance from Taiwan to Mainland China as of December | Investment amount approved by the Investment Commission 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 | \$ 8,688,491 | |

Sincere Navigation Corporation and Subsidiaries
Major shareholders information
December 31, 2020

Table 7

| Number of major shareholders | | Shares | |
|--|---------------------|---------------|-------|
| CTBC BANK CO., LTD. IN CUSTODY FOR HO MAO INVESTMENT CORPORATION | Name of shares held | Ownership (%) | |
| | 58,359,800 | | 9.97% |
| <p>Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in calculation basis.</p> <p>Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as a insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.</p> | | | |

V. Parent Company Only Financial Statements for the Most Recent Fiscal Year, Certified by the CPAs

INDEPENDENT AUDITORS' REPORT 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, 2020 and 2019, 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, financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its 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. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with those requirements. 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 Company's 2020 parent company only financial statements. 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 the Company's 2020 parent company only financial statements are as follows:

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

Description

As of December 31, 2020, the Company's subsidiaries recorded as investments accounted for using equity method amounted to NT\$16,485,718 thousand, constituting 96% of the Company's total assets, while the share of profit of the investments constituted 164% of the Company's profit before tax for the year then ended. Given that the investments significantly affect 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, refer to Notes 4(22) and 6(14) in the financial statements.

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

How our audit addressed the matter

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

1. Obtained an understanding of the procedures of management in recognising V/C revenue, and confirmed the evidence of revenue recognition and the appropriateness of approval procedures.
2. Checked the contracts for V/C around the period of the 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 the balance sheet date, and compared it with management's voyage planning to verify whether revenue has been recognised properly in accordance with the completion of voyage.
4. Obtained the related settlement vouchers in subsequent period to evaluate the reasonableness of revenue recognition.

Impairment of vessels and equipment

Description

For accounting policy, accounting estimates and assumptions applied on impairment of property, plant and equipment and related impairment explanation, refer to Notes 4(10) and 5(2) of parent company only financial statements and Notes 4(14), 5(2) and 6(3) 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 is 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, 2020, the Group's vessel equipment amounted to NT\$15,443,096 thousand, constituting 73% of total assets.

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

How our audit addressed the matter

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

1. Obtained the information that management used to assess whether there was an indication that the assets were impaired. Inspected the accuracy of the information which was obtained from internal and external sources, and assessed the reasonableness of the assessment result.
2. Obtained the valuation information used by management in determining recoverable amount. Discussed the operating plan with management about the income and expenses that may occur in the future and reviewed performance conditions of previous operating plan to assess management's performance intention and ability. Obtained subsequent information within a certain period and compared 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.

Auditors' 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 auditors' 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 the generally accepted auditing standards in the Republic of China 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 the generally accepted auditing standards in the Republic of China, 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 auditors' 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 auditors' 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 group to express an opinion on the 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 auditors' 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 23, 2021

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, 2020 AMOUNT | December 31, 2019 AMOUNT |
|---------------------------|---|------------|-----------------------------|-----------------------------|
| Current assets | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 63,943 | \$ 232,583 |
| 1140 | Current contract assets | 6(9) | 26,106 | 96,022 |
| 1170 | Accounts receivable, net | | 726 | 29,951 |
| 1200 | Other receivables | | 13,473 | 12,457 |
| 1210 | Other receivables - related parties | 7 | 2,776 | 6,974 |
| 1220 | Current income tax assets | | 106 | 106 |
| 1410 | Prepayments | | 3,378 | 33,412 |
| 11XX | Total current Assets | | <u>110,508</u> | <u>411,505</u> |
| Non-current assets | | | | |
| 1550 | Investments accounted for under equity method | 6(2) | 16,485,718 | 17,264,608 |
| 1600 | Property, plant and equipment | 6(3) and 8 | 484,460 | 519,323 |
| 1780 | Intangible assets | | 102 | 204 |
| 1840 | Deferred income tax assets | 6(16) | 6,858 | 11,087 |
| 1900 | Other non-current assets | 8 | 6,922 | 6,922 |
| 15XX | Total non-current assets | | <u>16,984,060</u> | <u>17,802,144</u> |
| 1XXX | Total assets | | <u>\$ 17,094,568</u> | <u>\$ 18,213,649</u> |

(Continued)

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

| Liabilities and Equity | | Notes | December 31, 2020 AMOUNT | December 31, 2019 AMOUNT |
|--------------------------------|--|------------|-----------------------------|-----------------------------|
| Current liabilities | | | | |
| 2100 | Short-term borrowings | 6(4) and 8 | \$ 840,000 | \$ 800,000 |
| 2130 | Current contract liabilities | 6(9) | 1,077 | 24,131 |
| 2200 | Other payables | | 27,222 | 31,145 |
| 2220 | Other payables - related parties | 7 | 27,424 | 1,761,353 |
| 2230 | Current income tax liabilities | | 541 | - |
| 21XX | Total current liabilities | | <u>896,264</u> | <u>2,616,629</u> |
| Non-current liabilities | | | | |
| 2570 | Deferred income tax liabilities | 6(16) | 118,233 | 66,617 |
| 2620 | Long-term notes and accounts payable | 7 | | |
| | - related parties | | 1,566,400 | - |
| 2640 | Net defined benefit liability, | 6(5) | | |
| | non-current | | <u>32,853</u> | <u>32,567</u> |
| 25XX | Total non-current liabilities | | <u>1,717,486</u> | <u>99,184</u> |
| 2XXX | Total liabilities | | <u>2,613,750</u> | <u>2,715,813</u> |
| Equity | | | | |
| | Share capital | 6(6) | | |
| 3110 | Common stock | | 5,853,533 | 5,853,533 |
| | Capital surplus | 6(7) | | |
| 3200 | Capital surplus | | 242,611 | 241,989 |
| | Retained earnings | 6(8) | | |
| 3310 | Legal reserve | | 3,171,779 | 3,163,018 |
| 3320 | Special reserve | | 1,349,931 | 924,270 |
| 3350 | Unappropriated retained earnings | | 6,079,037 | 6,664,957 |
| | Other equity interest | | | |
| 3400 | Other equity interest | | (2,216,073) | (1,349,931) |
| 3XXX | Total equity | | <u>14,480,818</u> | <u>15,497,836</u> |
| | Significant contingent liabilities and | 9 | | |
| | unrecognised contractual commitments | | | |
| | Significant events after balance sheet | 11 | | |
| | date | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 17,094,568</u> | <u>\$ 18,213,649</u> |

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

SINCERE NAVIGATION CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

| | | | Year ended December 31 | |
|---|-----------------|-----|------------------------|--------------|
| | | | 2020 | 2019 |
| Items | Notes | | AMOUNT | AMOUNT |
| 4000 Operating revenue | 6(9) and 7 | \$ | 48,255 | \$ 78,976 |
| 5000 Operating costs | 6(14)(15) and 7 | (| 157,725) | (140,291) |
| 5900 Net operating loss | | (| 109,470) | (61,315) |
| Operating expenses | 6(14)(15) | | | |
| 6200 General and administrative expenses | | (| 85,993) | (93,010) |
| 6450 Impairment loss determined in accordance with IFRS 9 | | | - | (334) |
| 6000 Total operating expenses | | (| 85,993) | (93,344) |
| 6900 Operating loss | | (| 195,463) | (154,659) |
| Non-operating income and expenses | | | | |
| 7100 Interest income | 6(10) | | 246 | 1,081 |
| 7010 Other income | 6(11) and 7 | | 4,635 | 5,382 |
| 7020 Other gains and losses | 6(12) | | 74,686 | 36,193 |
| 7050 Finance costs | 6(13) | (| 10,080) | (10,106) |
| 7070 Share of profit of associates and joint ventures accounted for using equity method, net | 6(2) | | 324,292 | 244,357 |
| 7000 Total non-operating income and expenses | | | 393,779 | 276,907 |
| 7900 Profit before income tax | | | 198,316 | 122,248 |
| 7950 Income tax expense | 6(16) | (| 57,020) | (33,932) |
| 8200 Profit for the year | | \$ | 141,296 | \$ 88,316 |
| Other comprehensive income | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | |
| 8311 Actuarial loss on defined benefit plan | 6(5) | (\$ | 146) | (\$ 882) |
| 8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(16) | | 29 | 176 |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | |
| 8361 Financial statements translation differences of foreign operations | | (| 866,142) | (425,661) |
| 8500 Total comprehensive loss for the year | | (\$ | 724,963) | (\$ 338,051) |
| Earnings per share | | | | |
| 9750 Basic earnings per share (in dollars) | 6(17) | \$ | 0.24 | \$ 0.15 |
| 9850 Diluted earnings per share (in dollars) | 6(17) | \$ | 0.24 | \$ 0.15 |

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 | Retained Earnings | | | | | Financial statements translation differences of foreign operations | Total equity |
|---|-------|------------------------------|-------------------|---------------------|---------------------|----------------------------------|--|----------------------|
| | | Share capital - common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | | |
| <u>For the year ended December 31, 2019</u> | | | | | | | | |
| Balance at January 1, 2019 | | \$ 5,683,042 | \$ 52,247 | \$ 3,156,840 | \$ 1,479,609 | \$ 6,312,338 | (\$ 924,270) | \$ 15,759,806 |
| Profit for the year | | - | - | - | - | 88,316 | - | 88,316 |
| Other comprehensive loss for the year | | - | - | - | - | (706) | (425,661) | (426,367) |
| Total comprehensive income (loss) | | - | - | - | - | 87,610 | (425,661) | (338,051) |
| Appropriations of 2018 earnings: | 6(8) | | | | | | | |
| Legal reserve | | - | - | 6,178 | - | (6,178) | - | - |
| Special reserve | | - | - | - | (555,339) | 555,339 | - | - |
| Cash dividends | | - | - | - | - | (113,661) | - | (113,661) |
| Stock dividends | | 170,491 | - | - | - | (170,491) | - | - |
| Overdue unclaimed cash dividends | 6(7) | - | 753 | - | - | - | - | 753 |
| Difference between consideration and carrying amount of subsidiaries acquired | 6(7) | - | 188,989 | - | - | - | - | 188,989 |
| Balance at December 31, 2019 | | <u>\$ 5,853,533</u> | <u>\$ 241,989</u> | <u>\$ 3,163,018</u> | <u>\$ 924,270</u> | <u>\$ 6,664,957</u> | <u>(\$ 1,349,931)</u> | <u>\$ 15,497,836</u> |
| <u>For the year ended December 31, 2020</u> | | | | | | | | |
| Balance at January 1, 2020 | | \$ 5,853,533 | \$ 241,989 | \$ 3,163,018 | \$ 924,270 | \$ 6,664,957 | (\$ 1,349,931) | \$ 15,497,836 |
| Profit for the year | | - | - | - | - | 141,296 | - | 141,296 |
| Other comprehensive loss for the year | | - | - | - | - | (117) | (866,142) | (866,259) |
| Total comprehensive income (loss) | | - | - | - | - | 141,179 | (866,142) | (724,963) |
| Appropriations of 2019 earnings: | 6(8) | | | | | | | |
| Legal reserve | | - | - | 8,761 | - | (8,761) | - | - |
| Special reserve | | - | - | - | 425,661 | (425,661) | - | - |
| Cash dividends | | - | - | - | - | (292,677) | - | (292,677) |
| Overdue unclaimed cash dividends | 6(7) | - | 622 | - | - | - | - | 622 |
| Balance at December 31, 2020 | | <u>\$ 5,853,533</u> | <u>\$ 242,611</u> | <u>\$ 3,171,779</u> | <u>\$ 1,349,931</u> | <u>\$ 6,079,037</u> | <u>(\$ 2,216,073)</u> | <u>\$ 14,480,818</u> |

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)

| | | For the years ended December 31, | |
|---|----------|----------------------------------|-------------|
| | Notes | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | \$ 198,316 | \$ 122,248 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(3)(14) | 58,144 | 60,140 |
| Amortisation | 6(14) | 102 | 102 |
| Interest income | 6(10) | (246) | (1,081) |
| Interest expense | 6(13) | 10,080 | 10,106 |
| Investment income accounted for using the equity method | 6(2) | (324,292) | (244,357) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Current contract assets | | 69,916 | (72,917) |
| Accounts receivable | | 29,225 | (9,275) |
| Other receivables | | (1,016) | 2,551 |
| Other receivables - related party | | 4,198 | (790) |
| Prepayment | | 30,034 | (30,149) |
| Changes in operating liabilities | | | |
| Current contract liabilities | | (23,054) | 23,964 |
| Other payables | | (4,179) | 2,323 |
| Other payables - related party | | (85,029) | 42,378 |
| Accrued pension liabilities | | 140 | 177 |
| Cash outflow generated from operations | | (37,661) | (94,580) |
| Interest received | | 246 | 1,081 |
| Income tax paid | | (605) | (93,917) |
| Dividends received | 7 | 237,040 | 223,632 |
| Net cash flows from operating activities | | 199,020 | 36,216 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | 6(3) | (23,281) | - |
| Net cash flows used in investing activities | | (23,281) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase in short-term loans | 6(18) | 40,000 | - |
| Increase in other payables - related party | | - | 149,900 |
| Interest paid | | (9,824) | (10,135) |
| Cash dividends paid | 6(8) | (292,677) | (113,661) |
| Overdue unclaimed cash dividends | | 622 | 753 |
| Net cash flows (used in) from financing activities | | (261,879) | 26,857 |
| Effect of change in foreign exchange rate | | (82,500) | (37,000) |
| Net (decrease) increase in cash and cash equivalents | | (168,640) | 26,073 |
| Cash and cash equivalents at beginning of year | | 232,583 | 206,510 |
| Cash and cash equivalents at end of year | | \$ 63,943 | \$ 232,583 |

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
DECEMBER 31, 2020 AND 2019
(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 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 the Board of Directors on March 23, 2021.

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 2020 are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| 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 |
| Amendment to IFRS 16, ‘Covid-19-related rent concessions’ | June 1, 2020 (Note) |

Note: Earlier application from January 1, 2020 is allowed by the FSC.

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 2021 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|--|--|
| Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9' | January 1, 2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform-Phase 2' | January 1, 2021 |

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 3, 'Reference to the conceptual framework' | January 1, 2022 |
| 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, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2023 |
| Amendments to IAS 1, 'Disclosure of accounting policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of accounting estimates' | January 1, 2023 |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract' | January 1, 2022 |
| Annual improvements to IFRS Standards 2018–2020 | 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

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) 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.

(9) 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 |

(10) 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.

(11) 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.

(12) 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.

(13) Derecognition of financial liabilities

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

(14) 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.

(15) 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.

(16) 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.

(17) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Board of Directors.

(18) Revenue recognition

A. Revenue recognition of services

Revenue from providing services is recognised in the accounting period in which the services are rendered. For contracts, 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:

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

None.

(2) 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

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash on hand and petty cash | \$ 12 | \$ 10 |
| Checking accounts and demand deposits | <u>63,931</u> | <u>232,573</u> |
| | <u>\$ 63,943</u> | <u>\$ 232,583</u> |

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

(2) Investments accounted for using equity method

- A. The details of investments are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Republic of Liberia - Norley Corporation Inc. | \$ 11,978,770 | \$ 11,851,642 |
| Marshall Islands - Heywood Limited | <u>4,506,948</u> | <u>5,412,966</u> |
| | <u>\$ 16,485,718</u> | <u>\$ 17,264,608</u> |

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

| | <u>For the years ended December 31,</u> | |
|---|---|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Republic of Liberia - Norley Corporation Inc. | \$ 747,091 | \$ 199,469 |
| Marshall Islands - Heywood Limited | <u>(422,799)</u> | <u>44,888</u> |
| | <u>\$ 324,292</u> | <u>\$ 244,357</u> |

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, 2020.

(3) Property, plant and equipment

| | Land | Buildings and structures | Vessels and equipment | Office equipment | Total |
|-----------------------------|------------------|-----------------------------|--------------------------|---------------------|-------------------|
| <u>At January 1, 2020</u> | | | | | |
| Cost | \$ 90,215 | \$ 28,191 | \$ 931,500 | \$ 1,608 | \$ 1,051,514 |
| Accumulated depreciation | - | (16,609) | (514,532) | (1,050) | (532,191) |
| | <u>\$ 90,215</u> | <u>\$ 11,582</u> | <u>\$ 416,968</u> | <u>\$ 558</u> | <u>\$ 519,323</u> |
| <u>2020</u> | | | | | |
| Opening net book amount | \$ 90,215 | \$ 11,582 | \$ 416,968 | \$ 558 | \$ 519,323 |
| Additions | - | - | 22,831 | 450 | 23,281 |
| Retirement - cost | - | - | (15,400) | (250) | (15,650) |
| - accumulated depreciation | - | - | 15,400 | 250 | 15,650 |
| Depreciation | - | (655) | (57,303) | (186) | (58,144) |
| Closing net book amount | <u>\$ 90,215</u> | <u>\$ 10,927</u> | <u>\$ 382,496</u> | <u>\$ 822</u> | <u>\$ 484,460</u> |
| <u>At December 31, 2020</u> | | | | | |
| Cost | \$ 90,215 | \$ 28,191 | \$ 938,931 | \$ 1,808 | \$ 1,059,145 |
| Accumulated depreciation | - | (17,264) | (556,435) | (986) | (574,685) |
| | <u>\$ 90,215</u> | <u>\$ 10,927</u> | <u>\$ 382,496</u> | <u>\$ 822</u> | <u>\$ 484,460</u> |

| | Land | Buildings and structures | Vessels and equipment | Office equipment | Total |
|-----------------------------|------------------|-----------------------------|--------------------------|---------------------|-------------------|
| <u>At January 1, 2019</u> | | | | | |
| Cost | \$ 90,215 | \$ 28,191 | \$ 931,500 | \$ 2,358 | \$ 1,052,264 |
| Accumulated depreciation | - | (15,953) | (455,223) | (1,625) | (472,801) |
| | <u>\$ 90,215</u> | <u>\$ 12,238</u> | <u>\$ 476,277</u> | <u>\$ 733</u> | <u>\$ 579,463</u> |
| <u>2019</u> | | | | | |
| 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 | <u>\$ 90,215</u> | <u>\$ 11,582</u> | <u>\$ 416,968</u> | <u>\$ 558</u> | <u>\$ 519,323</u> |
| <u>At December 31, 2019</u> | | | | | |
| Cost | \$ 90,215 | \$ 28,191 | \$ 931,500 | \$ 1,608 | \$ 1,051,514 |
| Accumulated depreciation | - | (16,609) | (514,532) | (1,050) | (532,191) |
| | <u>\$ 90,215</u> | <u>\$ 11,582</u> | <u>\$ 416,968</u> | <u>\$ 558</u> | <u>\$ 519,323</u> |

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, 2020 | Interest rate range | Collateral |
|----------------------|-------------------|---------------------|--------------------------------------|
| Bank borrowings | | | |
| Secured borrowings | \$ 120,000 | 1.2% | Land, buildings and promissory notes |
| Unsecured borrowings | 720,000 | 1.10%~1.30% | Promissory notes |
| | <u>\$ 840,000</u> | | |

| Type of borrowings | December 31, 2019 | Interest rate range | Collateral |
|----------------------|-------------------|---------------------|--------------------------------------|
| Bank borrowings | | | |
| Secured borrowings | \$ 120,000 | 1.2% | Land, buildings and promissory notes |
| Unsecured borrowings | 680,000 | 1.20%~1.30% | Promissory notes |
| | <u>\$ 800,000</u> | | |

Guarantees for the credit line of the Company's short-term borrowings provided by related parties are as follows:

| | December 31, 2020 | December 31, 2019 | Footnote |
|-----------|-------------------|-------------------|------------------|
| Fred Tsai | \$ - | \$ 200,000 | Promissory notes |
| Jack Hsu | 900,000 | 700,000 | Promissory notes |
| | <u>\$ 900,000</u> | <u>\$ 900,000</u> | /Guarantee |

(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:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | (\$ 58,762) | (\$ 60,177) |
| Fair value of plan assets | <u>25,909</u> | <u>27,610</u> |
| Net defined benefit liability | <u>(\$ 32,853)</u> | <u>(\$ 32,567)</u> |

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

| | <u>Present value of defined benefit obligations</u> | <u>Fair value of plan assets</u> | <u>Net defined benefit liability</u> |
|--|---|--------------------------------------|--|
| Year ended December 31, 2020 | | | |
| Balance at January 1 | (\$ 60,177) | \$ 27,610 | (\$ 32,567) |
| Current service cost | (391) | - | (391) |
| Interest (expense) income | (421) | <u>193</u> | (228) |
| | <u>(60,989)</u> | <u>27,803</u> | <u>(33,186)</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 944 | 944 |
| Change in financial assumptions | (1,519) | - | (1,519) |
| Experience adjustments | <u>429</u> | <u>-</u> | <u>429</u> |
| | <u>(1,090)</u> | <u>944</u> | <u>(146)</u> |
| Pension fund contribution | - | 479 | 479 |
| Paid pension | <u>3,317</u> | <u>(3,317)</u> | <u>-</u> |
| Balance at December 31 | <u>(\$ 58,762)</u> | <u>\$ 25,909</u> | <u>(\$ 32,853)</u> |

| | 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) |
| | <u>(58,290)</u> | <u>26,011</u> | <u>(32,279)</u> |
| 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) |
| | <u>(1,887)</u> | <u>1,005</u> | <u>(882)</u> |
| Pension fund contribution | - | 594 | 594 |
| Balance at December 31 | <u>(\$ 60,177)</u> | <u>\$ 27,610</u> | <u>(\$ 32,567)</u> |

- (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, 2020 and 2019 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, | |
|-------------------------|----------------------------------|-------|
| | 2020 | 2019 |
| Discount rate | 0.30% | 0.70% |
| 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, 2020 | | | | |
| Effect on present value of defined benefit obligation | (\$ 958) | \$ 986 | \$ 811 | (\$ 793) |
| December 31, 2019 | | | | |
| Effect on present value of defined benefit obligation | (\$ 1,141) | \$ 1,177 | \$ 996 | (\$ 972) |

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, 2021 amount to \$467.

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 plan of the Company for the years ended December 31, 2020 and 2019 were \$2,556 and \$2,539, respectively.

(6) Share capital

- A. As of December 31, 2020, 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 has been 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.

| 2020 | | | |
|---|-------------------|-------------------------------------|-------------------|
| | 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 | 199,339 | - | 199,339 |
| Other | 3,407 | 622 | 4,029 |
| | <u>\$ 241,989</u> | <u>\$ 622</u> | <u>\$ 242,611</u> |

| 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 |
| | <u>\$ 52,247</u> | <u>\$ 753</u> | <u>\$ 188,989</u> | <u>\$ 241,989</u> |

(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 appropriations of 2019 and 2018 earnings had been resolved at the stockholders' meeting on June 19, 2020 and June 28, 2019, respectively. Details are summarised below:

| | 2019 | | 2018 | |
|-----------------------------|-------------------|--|---------------------|--|
| | Amount | Dividends per share (in dollars) | Amount | Dividends per share (in dollars) |
| Legal reserve | \$ 8,761 | | \$ 6,178 | |
| Special reserve | 425,661 | | - | |
| Cash dividends | 292,677 | \$ 0.50 | 113,661 | \$ 0.20 |
| Stock dividends | - | - | 170,491 | 0.30 |
| | <u>\$ 727,099</u> | | <u>\$ 290,330</u> | |
| Reversal of special reserve | <u>\$ -</u> | | <u>(\$ 555,339)</u> | |

(b) Subsequent events: the appropriations of 2020 earnings had been proposed by the Board of Directors on March 23, 2021. Details are summarised below:

| | 2020 | |
|-----------------|---------------------|--|
| | Amount | Dividends per share (in dollars) |
| Legal reserve | \$ 14,118 | |
| Special reserve | 866,142 | |
| Cash dividends | 292,677 | \$ 0.50 |
| | <u>\$ 1,172,937</u> | |

As of March 23, 2021, aforementioned appropriations of 2020 earnings have 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.

(9) Operating revenue

| | For the years ended December 31, | |
|---------------------------------------|----------------------------------|------------------|
| | 2020 | 2019 |
| Revenue from contracts with customers | <u>\$ 48,255</u> | <u>\$ 78,976</u> |

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, 2020 | Bulk carrier | Management service | Total |
|---|------------------|-----------------------|------------------|
| Revenue from external customer contracts | <u>\$ 45,654</u> | <u>\$ 2,601</u> | <u>\$ 48,255</u> |
| Timing of revenue recognition | | | |
| Over time | <u>\$ 45,654</u> | <u>\$ 2,601</u> | <u>\$ 48,255</u> |
| For the year ended December 31, 2019 | Bulk carrier | Management service | Total |
| Revenue from external customer contracts | <u>\$ 76,327</u> | <u>\$ 2,649</u> | <u>\$ 78,976</u> |
| Timing of revenue recognition | | | |
| Over time | <u>\$ 76,327</u> | <u>\$ 2,649</u> | <u>\$ 78,976</u> |

B. Contract assets and liabilities

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

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>January 1, 2019</u> |
|---------------------------------------|--------------------------|--------------------------|------------------------|
| Contract assets- bulk carrier | <u>\$ 26,106</u> | <u>\$ 96,022</u> | <u>\$ 23,105</u> |
| Contract liabilities- bulk carrier | <u>\$ 1,077</u> | <u>\$ 24,131</u> | <u>\$ 167</u> |

C. For the years ended December 31, 2020 and 2019, contract liabilities at the beginning of the year amounted to \$24,131 and \$167, respectively, which were fully recognised as operating revenue in the same year.

(10) Interest income

| | <u>For the years ended December 31,</u> | |
|------------------------------------|---|-----------------|
| | <u>2020</u> | <u>2019</u> |
| Interest income from bank deposits | <u>\$ 246</u> | <u>\$ 1,081</u> |

(11) Other income

| | <u>For the years ended December 31,</u> | |
|---|---|-----------------|
| | <u>2020</u> | <u>2019</u> |
| Fee income from endorsements and guarantees | \$ 3,160 | \$ 4,205 |
| Rent income | 366 | 366 |
| Other income - others | 1,109 | 811 |
| | <u>\$ 4,635</u> | <u>\$ 5,382</u> |

(12) Other gains and losses

| | <u>For the years ended December 31,</u> | |
|-----------------------------|---|------------------|
| | <u>2020</u> | <u>2019</u> |
| Net currency exchange gains | \$ 74,688 | \$ 36,193 |
| Other losses | (2) | - |
| | <u>\$ 74,686</u> | <u>\$ 36,193</u> |

(13) Finance costs

| | <u>For the years ended December 31,</u> | |
|-------------------|---|------------------|
| | <u>2020</u> | <u>2019</u> |
| Interest expense: | | |
| Bank borrowings | <u>\$ 10,080</u> | <u>\$ 10,106</u> |

(14) Expenses by nature

| | For the years ended December 31, | | | | | |
|--------------------------|----------------------------------|--------------------|------------|-----------------|--------------------|------------|
| | 2020 | | | 2019 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefit expense | \$ 41,212 | \$ 62,954 | \$ 104,166 | \$ 41,495 | \$ 59,051 | \$ 100,546 |
| Depreciation | 57,303 | 841 | 58,144 | 59,309 | 831 | 60,140 |
| Amortisation | - | 102 | 102 | - | 102 | 102 |

(15) Employee benefit expense

| | For the years ended December 31, | | | | | |
|---------------------------------|----------------------------------|--------------------|-------------------|------------------|--------------------|-------------------|
| | 2020 | | | 2019 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Wages and salaries | \$ 34,981 | \$ 49,411 | \$ 84,392 | \$ 34,938 | \$ 46,193 | \$ 81,131 |
| Labor and health insurance fees | 1,886 | 3,058 | 4,944 | 1,840 | 3,137 | 4,977 |
| Pension costs | 1,254 | 1,921 | 3,175 | 1,217 | 2,093 | 3,310 |
| Directors' remuneration | - | 6,987 | 6,987 | - | 5,675 | 5,675 |
| Other personnel expenses | 3,091 | 1,577 | 4,668 | 3,500 | 1,953 | 5,453 |
| Total | <u>\$ 41,212</u> | <u>\$ 62,954</u> | <u>\$ 104,166</u> | <u>\$ 41,495</u> | <u>\$ 59,051</u> | <u>\$ 100,546</u> |

- 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, 2020 and 2019, employees' compensation was accrued at \$5,117 and \$3,905, respectively; while directors' and supervisors' remuneration was accrued at \$5,117 and \$3,905, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 1% of distributable profit of current year for the year ended December 31, 2020. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were both \$5,117, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2019 was \$3,905, as resolved by the Board of Directors which was in agreement with the amount recognised in the 2019 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 the years ended December 31, 2020 and 2019, the average number of the Company's employees per month were 53 and 54 employees, of which 6 and 6 directors were not the Company's employees, respectively.
- D. (a) For the years ended December 31, 2020 and 2019, the average employee benefit expense was \$2,068 and \$1,976, respectively.
(b) For the years ended December 31, 2020 and 2019, the average employee salary expense was \$1,796 and \$1,690, respectively.
(c) Changes in adjustments of the average employee salaries and wages was 6.27%.
- E. The Company adopts an independent director system and has no supervisor.
- F. The Company's salary and compensation policy (including directors, supervisors, managers and employees) is as follows:
 - (a) The remuneration committee established the policy and periodically reviewed the performance assessment of directors and managers as well as the policy, system, standard and structure of remuneration, and shall report the recommendations, if any, to the Board of Directors for discussion. Salaries were paid by reference to the industry salary standard, the Company's operational situation and organisational structure, and the necessary adjustments shall be made according to the market salary dynamics, changes in the overall economic and industrial climate, and in comply with the laws and regulations.
 - (b) The directors' remuneration shall not be distributed for variable remuneration other than the annual fixed transportation allowance and the remuneration according to the Articles of Incorporation of the Company. The Company's operating objectives, financial position and directors' responsibilities were fully considered for the directors' remuneration which were linked to the business performance and profit, then shall be reported to the Board of Directors for resolution after the review by the remuneration committee.
 - (c) The salary and compensation of managers and employees are based on their education and work background, professional knowledge and expertise, professional seniority as well as personal performance. The salary will be adjusted annually, corresponding to individual performance, according to the overall operating situation of the Company.

- (d) The Company shall distribute year-end bonus according to operating performance and distribute employees' compensation according to pre-tax profit situation, the amount distributed shall be linked to the operating performance and profit, and shall be reported to the Board of Directors for resolution after the review by the remuneration committee.

(16) Income tax

A. Income tax expense

- (a) Components of income tax expense:

| | For the years ended December 31, | |
|---|----------------------------------|------------------|
| | 2020 | 2019 |
| Current tax: | | |
| Current tax on profits for the year | \$ 562 | \$ - |
| Prior year income tax underestimation | 584 | 902 |
| Total current tax | <u>1,146</u> | <u>902</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 55,874 | 33,030 |
| Total deferred tax | <u>55,874</u> | <u>33,030</u> |
| Income tax expense | <u>\$ 57,020</u> | <u>\$ 33,932</u> |

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

| | For the years ended December 31, | |
|--|----------------------------------|-----------------|
| | 2020 | 2019 |
| Remeasurement of defined benefit obligations | <u>(\$ 29)</u> | <u>(\$ 176)</u> |

B. Reconciliation between income tax expense and accounting profit:

| | For the years ended December 31, | |
|--|----------------------------------|------------------|
| | 2020 | 2019 |
| Tax calculated based on profit before tax and statutory tax rate | \$ 39,663 | \$ 24,449 |
| Expenses disallowed by tax regulation | 6 | - |
| Tax exempt income by tax regulation | (64,858) | (48,871) |
| Effects from loss carryforward | 67 | - |
| Prior year income tax underestimation | 584 | 902 |
| Effects from backward remittance of earnings | 81,582 | 57,452 |
| Others | (24) | - |
| Income tax expense | <u>\$ 57,020</u> | <u>\$ 33,932</u> |

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

| 2020 | | | | |
|----------------------------------|--------------------|---------------------------------|---|---------------------|
| | 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) | \$ - | \$ - |
| Unfunded pension expense | 6,513 | 28 | 29 | 6,570 |
| Unused compensated absences | 387 | (99) | - | 288 |
| | <u>11,087</u> | <u>(4,258)</u> | <u>29</u> | <u>6,858</u> |
| — Deferred tax liabilities: | | | | |
| Unrealised investments income | (56,962) | (34,174) | - | (91,136) |
| Unrealised exchange gain | (9,655) | (17,442) | - | (27,097) |
| | <u>(66,617)</u> | <u>(51,616)</u> | <u>-</u> | <u>(118,233)</u> |
| | <u>(\$ 55,530)</u> | <u>(\$ 55,874)</u> | <u>\$ 29</u> | <u>(\$ 111,375)</u> |
| 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 |
| | <u>21,561</u> | <u>(10,650)</u> | <u>176</u> | <u>11,087</u> |
| — Deferred tax liabilities: | | | | |
| Unrealised investments income | (44,237) | (12,725) | - | (56,962) |
| Unrealised exchange gain | - | (9,655) | - | (9,655) |
| | <u>(44,237)</u> | <u>(22,380)</u> | <u>-</u> | <u>(66,617)</u> |
| | <u>(\$ 22,676)</u> | <u>(\$ 33,030)</u> | <u>\$ 176</u> | <u>(\$ 55,530)</u> |

D. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(17) Earnings per share

| For the year ended December 31, 2020 | | | |
|--|------------------|---|------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 141,296 | 585,353 | \$ 0.24 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 141,296 | 585,353 | |
| Assumed conversion of all dilutive potential ordinary shares - employees' compensation | - | 230 | - |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | \$ 141,296 | 585,583 | \$ 0.24 |
| 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) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 88,316 | 585,353 | \$ 0.15 |
| <u>Diluted earnings per share</u> | | | |
| 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 |

(18) Changes in liabilities from financing activities

| | 2020 | | |
|--|-----------------------|--|---|
| | Short-term borrowings | Long-term notes and accounts payable - related parties | Liabilities from financing activities-gross |
| At January 1 | \$ 800,000 | \$ - | \$ 800,000 |
| Changes in cash flow from financing activities | 40,000 | - | 40,000 |
| Reclassification | - | 1,648,900 | 1,648,900 |
| Impact of changes in foreign exchange rate | - | (82,500) | (82,500) |
| At December 31 | <u>\$ 840,000</u> | <u>\$ 1,566,400</u> | <u>\$ 2,406,400</u> |

| | 2019 | | |
|--|-----------------------|----------------------------------|---|
| | Short-term borrowings | Other payables - related parties | 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 | <u>\$ 800,000</u> | <u>\$ 1,648,900</u> | <u>\$ 2,448,900</u> |

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

| <u>Names of related parties</u> | <u>Relationship with the Company</u> |
|--|--------------------------------------|
| Oak Maritime (Hong Kong) Inc. Limited (Oak HK) | 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 names and relationship of subsidiaries, second-tier subsidiaries and third-tier subsidiaries, 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, | |
|-----------------------|----------------------------------|----------|
| | 2020 | 2019 |
| Management revenue: | | |
| Other related parties | \$ 2,601 | \$ 2,649 |

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, | |
|---------------------|----------------------------------|--------|
| | 2020 | 2019 |
| Cost of services: | | |
| Heywood Limited | \$ 1,504 | \$ - |
| Commission expense: | | |
| Other related party | \$ 592 | \$ 985 |

C. Other income

| | For the years ended December 31, | |
|--|----------------------------------|----------|
| | 2020 | 2019 |
| Fee income from endorsements and guarantees: | | |
| Pacifica Maritime Limited | \$ 1,069 | \$ 1,299 |
| Ocean Grace Limited | 897 | 1,124 |
| Everwin Maritime Limited | 430 | 566 |
| Second-tier subsidiaries | 764 | 1,216 |
| | \$ 3,160 | \$ 4,205 |

D. 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, 2020 | December 31, 2019 |
|-------------------------|-------------------|-------------------|
| Receivables: | | |
| Norley Corporation Inc. | \$ 2,558 | \$ 3,298 |
| Heywood Limited | - | 3,443 |
| Other related parties | 218 | 233 |
| | \$ 2,776 | \$ 6,974 |

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------------|--------------------------|--------------------------|
| Payables: | | |
| Heywood Limited | 690 | - |
| Other related parties | 663 | 883 |
| | <u>\$ 1,353</u> | <u>\$ 883</u> |

E. On July 21, 2020 and July 16, 2019, the stockholders of subsidiaries during their meeting resolved to distribute dividends amounting to \$237,040 (US\$8,000 thousand) and \$223,632 (US\$7,200 thousand), respectively and the Company received the above dividends from subsidiaries in July 2020 and 2019, respectively.

F. Financing (shown as ‘long-term notes and accounts payable - related parties’ and ‘other payables - related parties’)

| <u>For the year ended December 31, 2020</u> | | | | |
|---|----------------------------|---------------------------|----------------------|-----------------------------------|
| | <u>Maximum balance</u> | <u>Ending balance</u> | <u>Interest rate</u> | <u>Total interest expense</u> |
| Norley Corporation Inc. | \$ 1,058,750 | \$ 996,800 | - | - |
| Heywood Limited | 605,000 | 569,600 | - | - |
| | <u>\$ 1,663,750</u> | <u>\$ 1,566,400</u> | | |
| | (US\$ 55,000 thousand) | (US\$ 55,000 thousand) | | |

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

G. The Company contracted to render transportation services for the years ended December 31, 2020 and 2019 and executed the contract by sub-contracting it to its second-tier subsidiary who provides chartered ship services 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, 2020 | | | |
|--------------------------------------|---------------------|-------------------------------|----------------------------------|
| | Amount | Ending balance of payables | Ending balance of prepayments |
| Ocean Grace Limited | \$ 348,300 | \$ 14,385 | \$ - |
| Brighton Shipping Inc. | 96,611 | - | - |
| Everprime Shipping Limited | 156,535 | - | - |
| Ocean Wise Limited | 187,218 | - | - |
| Poseidon Marine Ltd. | 74,178 | 11,686 | - |
| Maxson Shipping Inc. | 102,440 | - | - |
| Second-tier subsidiaries | 223,120 | - | - |
| Other related parties | 29,435 | - | - |
| | <u>\$ 1,217,837</u> | <u>\$ 26,071</u> | <u>\$ -</u> |

| 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 |
| | <u>\$ 1,957,806</u> | <u>\$ 111,570</u> | <u>\$ 10,831</u> |

H. 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)

| Investees (Note) | Nature | Outstanding guaranteed balance | |
|------------------------|-------------------------|--------------------------------|-------------------|
| | | December 31, 2020 | December 31, 2019 |
| Second-tier subsidiary | Guarantee for financing | \$ 71,371 | \$ 92,012 |
| Third-tier subsidiary | Guarantee for financing | 58,338 | 58,338 |
| | | <u>\$ 129,709</u> | <u>\$ 150,350</u> |

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

I. Other guarantee transactions

Please refer to Note 6(4) for details.

(3) Key management compensation

| | For the years ended December 31, | |
|---|----------------------------------|------------------|
| | 2020 | 2019 |
| Salaries and other short-term employee benefits | \$ 23,591 | \$ 22,847 |
| Post-employment benefits | 473 | 464 |
| | <u>\$ 24,064</u> | <u>\$ 23,311</u> |

8. PLEDGED ASSETS

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

| | December 31, 2020 | December 31, 2019 | Purpose |
|---|-------------------|-------------------|--|
| Guarantee deposits paid (shown as other non-current assets) | \$ 6,922 | \$ 6,922 | Deposit of golf certificates |
| Land, building and structures | 99,682 | 100,250 | Credit lines of short-term borrowings |
| | <u>\$ 106,604</u> | <u>\$ 107,172</u> | |

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) H.

B. The Company has outstanding notes payable for bank financing amounting to \$1,074,000.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For the details of the appropriation of 2020 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

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | \$ 63,943 | \$ 232,583 |
| Accounts receivable, net | 726 | 29,951 |
| Other receivables | 13,473 | 12,457 |
| Other receivables - related parties | 2,776 | 6,974 |
| Guarantee deposits paid (recorded as other non-current assets') | 6,922 | 6,922 |
| | <u>\$ 87,840</u> | <u>\$ 288,887</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | \$ 840,000 | \$ 800,000 |
| Other payables | 27,222 | 31,145 |
| Other payables - related parties | 27,424 | 1,761,353 |
| Long-term notes and accounts payable - related parties | 1,566,400 | - |
| | <u>\$ 2,461,046</u> | <u>\$ 2,592,498</u> |

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 cooperation 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 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). 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, 2020 | | |
|---|--|---------------|---------------------|
| | Foreign currency amount (In thousands) | | Book value (NTD) |
| | | Exchange rate | |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ | 3,631 | 28.48 \$ 103,199 |
| <u>Long-term equity investments accounted for using the equity method</u> | | | |
| USD : NTD | \$ | 578,852 | 28.48 \$ 16,485,718 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ | 56,155 | 28.48 \$ 1,599,321 |
| | December 31, 2019 | | |
| | Foreign currency amount (In thousands) | | Book value (NTD) |
| | | Exchange rate | |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ | 12,400 | 29.98 \$ 372,538 |
| <u>Long-term equity investments accounted for using the equity method</u> | | | |
| USD:NTD | \$ | 575,871 | 29.98 \$ 17,264,608 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ | 59,265 | 29.98 \$ 1,777,065 |

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, 2020 | | | |
|---|----------------|---------------|------------|
| Exchange gain (loss) | | | |
| Foreign currency | amount | Exchange rate | Book value |
| | (In thousands) | | (NTD) |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ - | 28.48 | \$ 4,713 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ - | 28.48 | \$ 82,498 |
| For the year ended December 31, 2019 | | | |
| Exchange gain (loss) | | | |
| Foreign currency | amount | Exchange rate | Book value |
| | (In thousands) | | (NTD) |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ - | 29.98 | (\$ 7,844) |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ - | 29.98 | \$ 130,707 |

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

| For the year ended December 31, 2020 | | | |
|---|---------------------|--------------------------|--------------------------------------|
| Sensitivity analysis | | | |
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | \$ 1,032 | \$ - |
| <u>Long-term equity investments accounted for using the equity method</u> | | | |
| USD:NTD | 1% | - | 164,857 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | \$ 15,993 | \$ - |
| 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) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | \$ 3,725 | \$ - |
| <u>Long-term equity investments accounted for using the equity method</u> | | | |
| USD:NTD | 1% | - | 172,646 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | \$ 17,771 | \$ - |

(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 its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, the Company is responsible for managing and analysing the credit risk for each of the 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 the provision matrix to estimate expected credit loss.
- 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, 2020 and 2019, the Company's written-off financial assets that are still under recourse procedures amounted to \$0 and \$334, 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, 2020 and 2019, the provision matrix is as follows:

| <u>December 31, 2020</u> | <u>Not past due</u> | <u>Total</u> |
|--------------------------|---------------------|--------------|
| Expected loss rate | Approximately 0% | |
| Total book value | \$ 726 | \$ 726 |
| Loss allowance | \$ - | \$ - |

| <u>December 31, 2019</u> | <u>Not past due</u> | <u>Total</u> |
|--------------------------|---------------------|--------------|
| Expected loss rate | Approximately 0% | |
| Total book value | \$ 29,951 | \$ 29,951 |
| Loss allowance | \$ - | \$ - |

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

| | <u>December 31, 2020</u> | <u>December 31, 2018</u> |
|--------------|--------------------------|--------------------------|
| Not past due | \$ 726 | \$ 29,951 |

(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, 2020 | | Up to 1 year | Between 1 year and 5 years | Over 5 years |
|--|----|--------------|-------------------------------|--------------|
| Short-term borrowings | \$ | 840,000 | \$ - | \$ - |
| Other payables | | 27,222 | - | - |
| Other payables - related parties | | 27,424 | - | - |
| Long-term notes and accounts payable - related parties | | 1,566,400 | - | - |

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 | - | - |

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.

(4) Major shareholders information

Name, number of shares and shareholding ratio of shareholders whose ownership reached 5%: Please refer to table 7.

14. SEGMENT INFORMATION

Not applicable.

Sincere Navigation Corporation

Loans to others

For the year ended December 31, 2020

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, 2020 | Balance at December 31, 2020 | 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 | | Limit on loans granted to a single party (Note 2) | Ceiling on total loans granted (Note 2) | Footnote | |
|-----------------|--------------------------------|--------------------------------|-------------------------------------|--------------------|---|------------------------------|--------------------------|---------------|----------------------------|--|---------------------------------|---------------------------------|------|--|--|--|-------|
| | | | | | | | | | | | | Collateral | Item | | | | Value |
| | | | | | | | | | | | | | | | | | |
| 0 | Sincere Navigation Corporation | None | | | | | | | | | | | | \$ 4,344,245 | \$ 5,792,327 | | |
| 1 | Norley Corporation Inc. | Sincere Navigation Corporation | Other receivables - related parties | Y | \$ 1,058,750 | \$ 996,800 | \$ 996,800 | - | 2 | - | Working capital | - | - | 11,978,770 | 11,978,770 | The Maximum amount was USD 35,000,000 for the current period, and the actual amount was USD 35,000,000 at the end of year. | |
| 3 | Heywood Limited | Sincere Navigation Corporation | Other receivables - related parties | Y | 605,000 | 569,600 | 569,600 | - | 2 | - | Working capital | - | - | 4,506,948 | 4,506,948 | The Maximum amount was USD 20,000,000 for the current period, and the actual amount was 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.

Table 1

Sincere Navigation Corporation

Provision of endorsements and guarantees to others

For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| 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, 2020 (Note 4) | | Outstanding endorsement/guarantee amount at December 31, 2020 (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 |
|---------------------------------|--------------------------------|------------------------------|---|---|---|---|------------|--|----|-----------------------------------|---|--|----|--|---|---|--|----------|
| Number (Note 1) | Endorser/guarantor | Company name | | | | \$ | \$ | \$ | \$ | | | \$ | \$ | | | | | |
| 0 | Sincere Navigation Corporation | Helmsman Navigation Co. Ltd. | 2 | \$ 14,480,818 | \$ 428,794 | \$ 242,223 | \$ 215,309 | \$ - | - | 27.11% | \$ 36,202,045 | Y | N | N | N | Guarantee balance is US\$ 8,505 thousand | | |
| 0 | - | Keystone Shipping Co. Ltd. | 2 | 14,480,818 | 428,794 | 403,704 | 215,309 | - | - | 27.11% | 36,202,045 | Y | N | N | N | Guarantee balance is US\$ 14,175 thousand | | |
| 0 | - | Ocean Wise Limited | 2 | 14,480,818 | 127,473 | - | - | - | - | 27.11% | 36,202,045 | Y | N | N | N | Guarantee balance is US\$ 0 thousand | | |
| 0 | - | Maxson Shipping Inc. | 2 | 14,480,818 | 488,093 | 153,178 | 102,118 | - | - | 27.11% | 36,202,045 | Y | N | N | N | Guarantee balance is US\$ 5,378 thousand | | |
| 0 | - | Everwin Maritime Limited | 2 | 14,480,818 | 684,800 | 644,730 | 429,820 | - | - | 27.11% | 36,202,045 | Y | N | N | N | Guarantee balance is US\$ 22,638 thousand | | |
| 0 | - | Pacifica Maritime Limited | 2 | 14,480,818 | 1,310,203 | 1,233,540 | 1,069,068 | - | - | 27.11% | 36,202,045 | Y | N | N | N | Guarantee balance is US\$ 43,313 thousand | | |
| 0 | - | Ocean Grace Limited | 2 | 14,480,818 | 1,079,925 | 1,016,736 | 897,120 | - | - | 27.11% | 36,202,045 | Y | N | N | N | Guarantee balance is US\$ 35,700 thousand | | |
| 0 | - | Brighton Shipping Inc. | 2 | 14,480,818 | 218,149 | 121,239 | 121,239 | - | - | 27.11% | 36,202,045 | Y | N | N | N | Guarantee balance is US\$ 4,257 thousand | | |

| 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, 2020 (Note 4) | Outstanding endorsement/guarantee amount at December 31, 2020 (Note 5) | Actual amount drawn down (Note 6) | Amount of endorsements/guarantees secured with collateral (Note 6) | Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company (Note 7) | 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 |
|---------------------------------|--------------------------------|---|---|---|--|-----------------------------------|--|---|--|---|---|--|---|
| Number (Note 1) | Endorser/guarantor | | | | | | | | | | | | |
| 0 | Sincere Navigation Corporation | Rockwell Shipping Limited | 2 | 14,480,818 | \$ 207,778 | \$ 110,553 | \$ 110,553 | \$ - | \$ 27.11% | \$ 36,202,045 | Y | N | Guarantee balance is US\$ 3,882 thousand |
| 1 | Norley Corporation Inc. | Kenmore Shipping Inc. | 2 | 11,978,770 | 760,742 | 623,000 | 623,000 | - | 5.20% | 29,946,925 | Y | N | Guarantee balance is US\$ 21,875 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 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, 2020

Table 3

| Expressed in thousands of NTD (Except as otherwise indicated) | | | | | | | | |
|--|--------------------------------|---------------------------------------|-------------------------------------|---------------|---------------------|--------------|---|------------------------------------|
| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2020 | 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 | \$ 996,800 (USD 35,000 thousand) | - | - | - | - | - |
| Heywood Limited (Heywood) | Sincere Navigation Corporation | Heywood's parent company | \$ 569,600 (USD 20,000 thousand) | - | - | - | - | - |

Table 3

Sincere Navigation Corporation

Significant inter-company transactions during the reporting period
For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Percentage of consolidated total operating revenues or total assets (Note 3) |
|--------------------|--------------------------------|--------------------------------|--------------------------|------------------------|------------|-----------------------------|---|
| | | | | General ledger account | Amount | Transaction terms | |
| 0 | Sincere Navigation Corporation | Helmsman Navigation Co. Ltd. | 1 | Guarantees | \$ 242,223 | As per the Company's policy | 1.15% |
| 0 | " | Keystone Shipping Co. Ltd. | 1 | " | 403,704 | " | 1.91% |
| 0 | " | Everwin Maritime Limited | 1 | " | 644,730 | " | 3.05% |
| 0 | " | Pacifica Maritime Limited | 1 | " | 1,233,540 | " | 5.83% |
| 0 | " | Ocean Grace Limited | 1 | " | 1,016,736 | " | 4.81% |
| 1 | Norley Corporation Inc. | Kenmore Shipping Inc. | 1 | " | 623,000 | " | 2.95% |
| 1 | " | Sincere Navigation Corporation | 2 | Other receivables | 996,800 | " | 4.71% |
| 2 | Heywood Limited | Sincere Navigation Corporation | 2 | " | 569,600 | " | 2.69% |

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.

Table 4

Sincere Navigation Corporation
Information on investees

For the year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 5

| Investor | Investee | Location | Main business activities | Initial investment amount (Note 1) | | Shares held as at December 31, 2020 (Note 2) | | | Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2) | Investment income (loss) recognised by the Company for the year ended December 31, 2020 | Footnote |
|--------------------------------|-------------------------|---------------------|--------------------------|---------------------------------------|------------------------------------|--|---------------|---------------|--|--|------------------------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | | | |
| Sincere Navigation Corporation | Norley Corporation Inc. | Republic of Liberia | Investment holdings | \$ 28,480 (USD 1,000 thousand) | \$ 29,980 (USD 1,000 thousand) | 500 | 100% | \$ 11,978,770 | 747,091 | 747,091 | Subsidiary |
| " | Heywood Limited | Marshall Islands | " | 28,480 (USD 1,000 thousand) | 29,980 (USD 1,000 thousand) | 500 | 100% | 4,506,948 | (422,799) | (422,799) | Subsidiary |
| Norley Corporation Inc. | Kenmore Shipping Inc. | Marshall Islands | Oil tanker | 1,313,213 (USD 46,110 thousand) | 1,382,378 (USD 46,110 thousand) | 500 | 100% | 1,979,063 | 231,263 | - | Second-tier subsidiary |
| " | Winnington Limited | " | Investment holdings | 295,548 (USD 10,377 thousand) | 311,115 (USD 10,377 thousand) | 500 | 100% | 14,027 | (51,951) | - | Second-tier subsidiary |
| " | Jetwall Co. Ltd. | " | " | 882,196 (USD 30,976 thousand) | 1,288,420 (USD 42,976 thousand) | 400 | 80% | 1,530,614 | 586,571 | - | Second-tier subsidiary |
| " | Victory Navigation Inc. | " | " | 157 (USD 6 thousand) | 165 (USD 6 thousand) | 275 | 55% | 392,482 | (20,900) | - | Second-tier subsidiary |
| " | Kingswood Co., Ltd. | " | " | - (USD 0 thousand) | 150 (USD 5 thousand) | - | - | - | 39 | - | Second-tier subsidiary |
| " | Poseidon Marine Ltd | " | Shipping | 228,125 (USD 8,010 thousand) | 240,140 (USD 8,010 thousand) | 500 | 100% | 1,604,008 | 48,004 | - | Second-tier subsidiary |
| " | Maxxon Shipping Inc. | " | " | 299,040 (USD 10,500 thousand) | 314,790 (USD 10,500 thousand) | 500 | 100% | 1,084,173 | (38,687) | - | Second-tier subsidiary |
| " | Ocean Wise Limited | Republic of Liberia | " | 637,097 (USD 20,370 thousand) | 610,692 (USD 20,370 thousand) | 500 | 100% | 1,030,907 | (61,389) | - | Second-tier subsidiary |

| Investor | Investee | Location | Main business activities | Initial investment amount (Note 1) | | Shares held as at December 31, 2020 (Note 2) | | | Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2) | | Investment income (loss) recognised by the Company for the year ended December 31, 2020 | Footnote |
|-----------------------------|---------------------------------|---------------------|--------------------------|---------------------------------------|---------------------------------------|--|---------------|--------------|--|---|--|------------------------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | | | | |
| Norley Corporation Inc. | Pacifica Maritime Limited | Marshall Islands | Oil tanker | \$ 1,389,539 (USD 48,790 thousand) | \$ 1,462,724 (USD 48,790 thousand) | 500 | 100% | \$ 1,761,990 | \$ 254,115 | - | - | Second-tier subsidiary |
| " | Sky Sea Maritime Limited | " | Investment holdings | 455,979 (USD 16,011 thousand) | 479,995 (USD 16,011 thousand) | 275 | 55% | 554,684 | 13,126 | - | - | Second-tier subsidiary |
| " | Elroy Maritime Service Inc. | " | Maritime service | 5,696 (USD 200 thousand) | 300 (USD 10 thousand) | 500 | 100% | 6,328 | (36) | - | - | Second-tier subsidiary |
| Winnington Limited | Peg Shipping Company Limited | Republic of Liberia | Shipping | 285 (USD 10 thousand) | 300 (USD 10 thousand) | 500 | 100% | 9,341 | (51,855) | - | - | Third-tier subsidiary |
| Kingswood Co., Ltd. | Seven Seas Shipping Ltd. | Marshall Islands | Oil tanker | - (USD 0 thousand) | 300 (USD 10 thousand) | - | - | - | 24) | - | - | Third-tier subsidiary |
| Jetwall Co. Ltd. | Everwin Maritime Limited | " | " | 1,102,746 (USD 38,720 thousand) | 1,610,526 (USD 53,720 thousand) | 500 | 100% | 1,913,985 | 586,670 | - | - | Third-tier subsidiary |
| Victory Navigation Inc. | Everprime Shipping Limited | " | Shipping | 285 (USD 10 thousand) | 300 (USD 10 thousand) | 500 | 100% | 710,350 | (20,876) | - | - | Third-tier subsidiary |
| Sky Sea Maritime Limited | Ocean Grace Limited | " | " | 829,053 (USD 29,110 thousand) | 872,718 (USD 29,110 thousand) | 500 | 100% | 1,008,768 | 13,181 | - | - | Third-tier subsidiary |
| Elroy Maritime Service Inc. | Oak Maritime (Canada) Inc. | Canada | Maritime service | 3,661 (USD 128 thousand) | 3,867 (USD 128 thousand) | 1,000 | 100% | 3,551 | (575) | - | - | Third-tier subsidiary |
| Heywood Limited | Clifford Navigation Corporation | Marshall Islands | Shipping | 285 (USD 10 thousand) | 300 (USD 10 thousand) | 500 | 100% | 497,094 | 49,692 | - | - | Second-tier subsidiary |
| " | Brighton Shipping Inc. | " | " | 285 (USD 10 thousand) | 300 (USD 10 thousand) | 500 | 100% | 419,524 | (30,729) | - | - | Second-tier subsidiary |

| Investor | Investee | Location | Main business activities | Initial investment amount (Note 1) | | Shares held as at December 31, 2020 (Note 2) | | Book value | Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2) | Investment income (loss) recognised by the Company for the year ended December 31, 2020 | Footnote |
|-----------------|------------------------------|------------------|--------------------------|---------------------------------------|------------------------------------|--|---------------|------------|--|--|------------------------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | | | | |
| Heywood Limited | Rockwell Shipping Limited | Marshall Islands | Shipping | \$ (USD 10 thousand) | \$ (USD 10 thousand) | 500 | 100% | \$ 279,309 | \$ 45,031 | - | Second-tier subsidiary |
| " | Howells Shipping Inc. | " | " | 342,045 (USD 12,010 thousand) | 360,060 (USD 12,010 thousand) | 500 | 100% | 742,299 | 11,508 | - | Second-tier subsidiary |
| " | Crimson Marine Company | " | " | 1,093,575 (USD 38,398 thousand) | 1,001,272 (USD 33,398 thousand) | 500 | 100% | 283,812 | 383,426 | - | Second-tier subsidiary |
| " | Century Shipping Limited | HongKong | Investment holdings | 14,240 (USD 500 thousand) | 14,990 (USD 500 thousand) | 50,000 | 100% | 2,407 | 1,491 | - | Second-tier subsidiary |
| " | Helmsman Navigation Co. Ltd. | Marshall Islands | Shipping | 601,213 (USD 21,110 thousand) | 512,958 (USD 17,110 thousand) | 500 | 100% | 490,868 | 6,730 | - | Second-tier subsidiary |
| " | Keystone Shipping Co. Ltd. | " | " | 558,493 (USD 19,610 thousand) | 467,988 (USD 15,610 thousand) | 500 | 100% | 465,272 | 26,684 | - | Second-tier subsidiary |

Note 1: The above balances of initial investments as at December 31, 2020 and 2019 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, 2020 and net profit (loss) of the investee for the year ended December 31, 2020 were translated at the closing exchange rates at the balance sheet and the average exchange rates for the year ended December 31, 2020, respectively.

Note 3: The liquidation of Kingswood Co., Ltd. and Seven Seas Shipping Ltd. was completed on April 20, 2020.

Sincere Navigation Corporation
Information on investments in Mainland China
For the year ended December 31, 2020

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, 2020 | Amount remitted from Taiwan to Mainland China/ | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | Net income of investee for the year ended December 31, 2020 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 2) | Book value of investments in Mainland China as of December 31, 2020 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020 |
|---|--------------------------|------------------------------|----------------------------|--|--|-------------------------|--|---|--|--|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | |
| Haihu Maritime Service (Shanghai) Co., Ltd. | Maritime service | \$ 15,855 (USD 500 thousand) | 2 | \$ 15,855 (USD 500 thousand) | - | - | \$ 15,855 (USD 500 thousand) | \$ 1,491 (RMB 348 thousand) | 100% | \$ 1,491 (RMB 348 thousand) | \$ 2,407 (RMB 551 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 the financial statements audited by the Company's CPA.

Table 6

| Company name | 31, 2020 | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | 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 | \$ 8,688,491 | |

Sincere Navigation Corporation
Major shareholders information
December 31, 2020

Table 7

| Number of major shareholders | Shares | |
|--|---------------------|---------------|
| | Name of shares held | Ownership (%) |
| CTBC BANK CO., LTD. IN CUSTODY FOR HO MAO INVESTMENT CORPORATION | 58,359,800 | 9.97% |

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.
The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.

Note 2 If the aforementioned data contains shares which were held in trust by the shareholders, the data was disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio include the self-owned shares and shares held in trust, at the same time, the shareholder who has the power to decide how to allocate the trust assets. For the information on reported share equity of insider, please refer to Market Observation Post System.

VI. Any Financial Difficulties Experienced by the Company or Its Affiliates during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report

None.

Chapter 7. Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

I Financial Position

Comparison and Analysis of Financial Position - International Financial Reporting Standards (IFRSs)

Unit: Thousand NTD

| Item \ Year | December 31, 2020 | December 31, 2019 | Difference | |
|---------------------------------------|-------------------|-------------------|--------------|----------|
| | | | Amount | % |
| Current assets | 5,569,408 | 5,283,761 | 285,647 | 5.41 |
| Property, plant and equipment | 15,545,535 | 17,919,541 | (2,374,006) | (13.25) |
| Other assets (Explanation 1) | 30,620 | 99,583 | (68,963) | (69.25) |
| Total assets | 21,145,563 | 23,302,885 | (2,157,322) | (9.26) |
| Current liabilities | 1,998,735 | 2,077,457 | (78,722) | (3.79) |
| Long-term liabilities (Explanation 2) | 3,346,686 | 4,406,634 | (1,059,948) | (24.05) |
| Other liabilities (Explanation 3) | 161,717 | 116,097 | 45,620 | 39.29 |
| Total liabilities | 5,507,138 | 6,600,188 | (1,093,050) | (16.56) |
| Share capital | 5,853,533 | 5,853,533 | - | - |
| Capital surplus (Explanation 3) | 242,611 | 241,989 | 622 | 0.26 |
| Retained earnings | | | | |
| Legal reserve | 3,171,779 | 3,163,018 | 8,761 | 0.28 |
| Special reserve | 1,349,931 | 924,270 | 425,661 | 46.05 |
| Unappropriated retained earnings | 6,079,037 | 6,664,957 | (585,920) | (8.79) |
| Other equity (Explanation 4) | (2,216,073) | (1,349,931) | (866,142) | (64.16) |
| Non-controlling interests | 1,157,607 | 1,204,861 | (47,254) | (3.92) |
| Total shareholders' equity | 15,638,425 | 16,702,697 | (1,064,272) | (6.37) |

Note: Analyses are provided only for deviations over 20%.

Explanation:

1. Last year's prepayment of equipment has been transferred to additions of property, plant, and equipment for the period.
2. This was normal repayment of long-term loans.
3. This was mainly due to the increase in the effect of deferred income tax from the expected repatriation of earnings.
4. Exchange losses on translation of financial statements of foreign operations were recognized due to the appreciation of the NTD to USD exchange rate.

II Financial Performance

Review and Analysis of Financial Performance - International Financial Reporting Standards (IFRSs)

Unit: Thousand NTD

| Item \ Year | 2020 | 2019 | Amount of increase (decrease) | Percentage of change (%) | Analysis of deviation |
|--|--------------|--------------|-------------------------------|--------------------------|-------------------------------|
| Operating revenue | \$ 3,985,650 | \$ 4,116,692 | (\$ 131,042) | (3.18) | |
| Operating costs | (3,103,145) | (3,553,018) | (449,873) | (12.66) | |
| Gross profit (loss) | 882,505 | 563,674 | 318,831 | 56.56 | Please refer to Explanation 1 |
| Operating expenses | (186,598) | (219,723) | (33,125) | (15.08) | |
| Other losses and gains – net | - | - | - | - | |
| Operating profit | 695,907 | 343,951 | 351,956 | 102.33 | Please refer to Explanation 1 |
| Non-operating income and expenses | | | | | |
| Interest income | 16,001 | 57,344 | (41,343) | (72.10) | Please refer to Explanation 2 |
| Other income | 39,901 | 5,647 | 34,254 | 606.59 | Please refer to Explanation 3 |
| Other gains and losses | (229,167) | 34,847 | (264,014) | (757.64) | Please refer to Explanation 4 |
| Finance costs | (158,675) | (266,551) | (107,876) | (40.47) | Please refer to Explanation 2 |
| Total non-operating income and expenses | (331,940) | (168,713) | (163,227) | (96.75) | |
| Pre-tax net profit from continuing operations | 363,967 | 175,238 | 188,729 | 107.70 | |
| Income tax expenses | (57,020) | (34,036) | 22,984 | 67.53 | Please refer to Explanation 5 |
| Net profit from continuing operations | 306,947 | 141,202 | 165,745 | 117.38 | |
| Net gain and loss from discontinued operations | (51,855) | 19,736 | (71,591) | (362.74) | Please refer to Explanation 6 |
| Net profit for this period | 255,092 | 160,938 | 94,154 | 58.50 | |
| Other comprehensive income - net | (928,288) | (455,733) | (472,555) | (103.69) | Please refer to Explanation 7 |
| Total comprehensive income | (673,196) | (294,795) | (378,401) | (128.36) | |
| | | | | | |
| Net profit attributable to: | | | | | |
| Owners of the parent company | \$ 141,296 | \$ 88,316 | \$ 52,980 | 59.99 | |
| Non-controlling interests | 113,796 | 72,622 | 41,174 | 56.70 | |
| | \$ 255,092 | \$ 160,938 | | | |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent company | (\$ 724,963) | (\$ 338,051) | (\$ 386,912) | (114.45) | |
| Non-controlling interests | 51,767 | 43,256 | 8,511 | 19.68 | |
| | (\$ 673,196) | (\$ 294,795) | | | |

Note: Analyses are only provided for deviations over 20% and amount over NT\$10,000 thousand.

Explanation:

1. In addition to the growth in profits of oil tankers, the gross profit and operating profit increased as fuel costs and port charges in relation to voyage charters decreased from the same period last year.
2. Due to the COVID-19 pandemic, central banks around the world adopted quantitative easing to lower the benchmark rates for deposits and loans, resulting in a decrease in interest income and finance costs.
3. This was mainly due to insurance claims from damaged equipment of Tien Shan recognized for the period.
4. This was mainly due to impairment losses on Georgiana recognized for the period.
5. The deferred income tax increased as a result of the increase in the expected repatriation of earnings from the same period last year.
6. This was mainly due to impairment losses on Mineral Antwerpen recognized and its sale completed in the fourth quarter of the period.
7. Exchange losses on translation of financial statements of foreign operations were recognized due to the appreciation of the NTD to USD exchange rate.

III Cash Flows

(I) Cash Flow Analysis for the Two Most Recent Years

| Item \ Year | December 31, 2020 | December 31, 2019 | Increase (decrease) ratio |
|---|-------------------|-------------------|---------------------------|
| Cash flow ratio | 121.89% | 89.66% | 32.23% |
| Cash flow adequacy ratio | 146.54% | 143.04% | 3.50% |
| Cash reinvestment ratio (%) | 11.20% | 8.25% | 2.96% |
| 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 (Note1) (3) | Estimated cash surplus (deficit) (1)+(2)-(3) | Remedial measures for projected cash deficit | |
|---|---|---|--|--|-------------------------|
| | | | | Investment plan (Note 2) | Financial plan (Note 3) |
| \$4,665,858 | \$987,742 | \$1,629,464 | \$4,024,136 | \$284,658 | \$10,025 |

Note 1: Significant cash flows used were mostly due to the distribution of cash dividends, bank loans repayment, vessel overhauls, dry-docking maintenance, and additions of ballast water equipment.

Note 2: Estimated disposal of ship prices.

Note 3: New bank facilities.

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 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 the 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

Risks in the most recent year and in the current year up to the publication date of the Annual Report are analyzed and assessed as follows:

- (I). Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

| Item | 2020 (Thousand NTD) |
|------------------|---------------------|
| Interest expense | \$ 158,675 |
| Exchange gain | \$ 74,005 |

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 2020. 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 Ten 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.

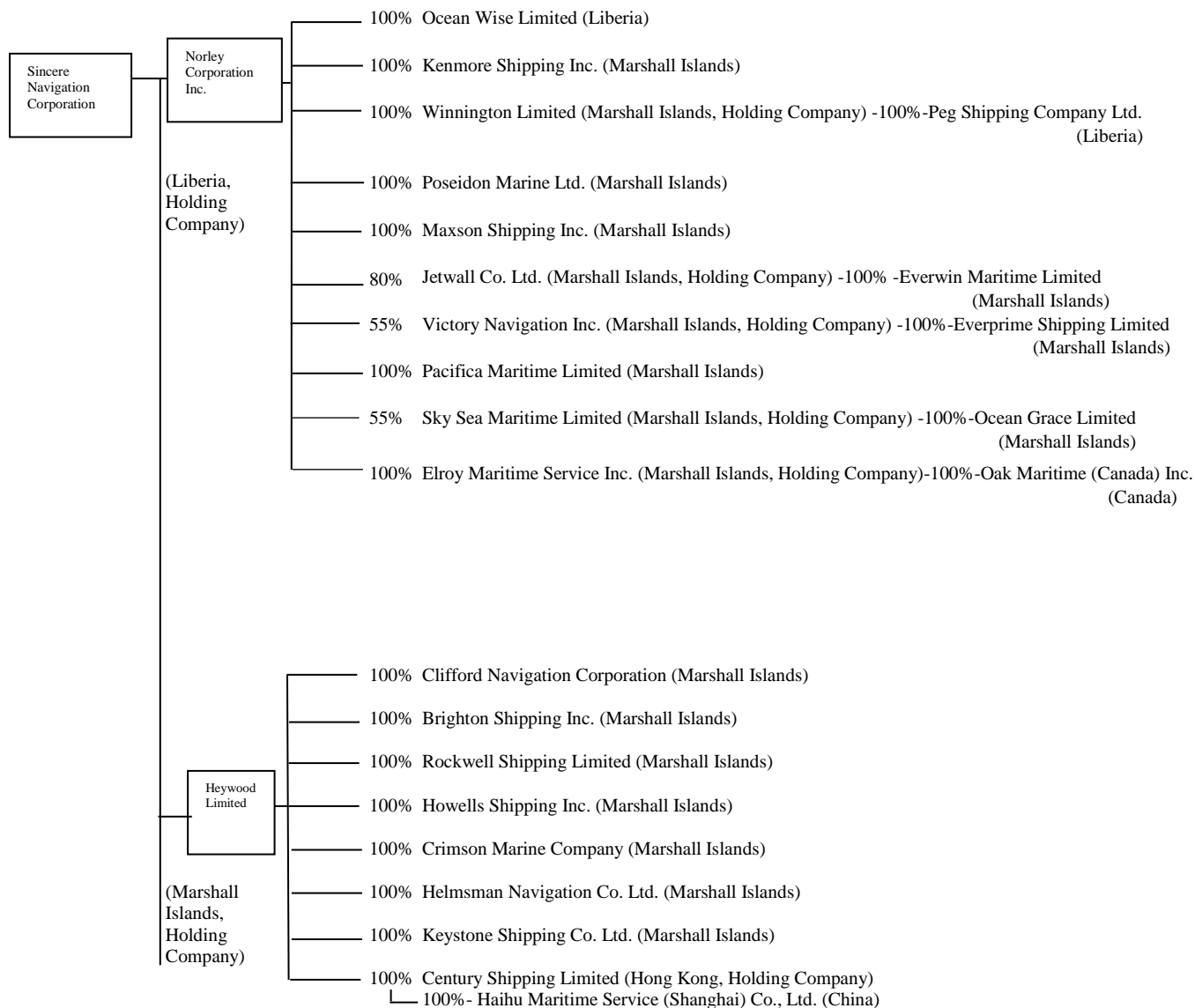
Chapter 8. Special Disclosure

I Information on Affiliates

(I) Consolidated Business Report of Affiliates

1. Profiles and status of affiliates

(1) Organizational structure of affiliates



2. Basic information on affiliates

| Company name | Date of incorporation | Address | Paid-in capital | Main business or production activities |
|---------------------------------|-----------------------|---|---------------------|--|
| Norley Corporation Inc. | 1988.12.8 | 80 Broad Street, City of Monrovia, Republic of Liberia | US\$1,000 thousand | Investment holding |
| Winnington Limited | 2000.12.28 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$10 thousand | Investment holding |
| Peg Shipping Company Ltd. | 1999.11.1 | 80 Broad Street, City of Monrovia, Republic of Liberia | US\$10 thousand | Vessel shipping |
| Jetwall Co. Ltd. | 2000.12.28 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$38,720 thousand | Investment holding |
| Everwin Maritime Limited | 2002.9.26 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$38,720 thousand | Oil tanker shipping |
| Victory Navigation Inc. | 2002.9.26 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$10 thousand | Investment holding |
| Everprime Shipping Limited | 2002.9.17 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$10 thousand | Vessel shipping |
| Kenmore Shipping Inc. | 2006.3.1 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$46,110 thousand | Oil tanker shipping |
| Ocean Wise Limited | 2006.12.4 | 80 Broad Street, City of Monrovia, Republic of Liberia | US\$22,370 thousand | Vessel shipping |
| Poseidon Marine Ltd. | 2007.10.19 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$8,010 thousand | Vessel shipping |
| Maxson Shipping Inc. | 2002.3.26 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$10,500 thousand | Vessel shipping |
| Heywood Limited | 2000.9.11 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$1,000 thousand | Investment holding |
| Brighton Shipping Inc. | 2002.5.15 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$10 thousand | Vessel shipping |
| Rockwell Shipping Limited | 2002.7.4 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$10 thousand | Vessel shipping |
| Clifford Navigation Corporation | 2001.8.22 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$10 thousand | Vessel shipping |
| Howells Shipping Inc. | 2004.3.22 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$12,010 thousand | Vessel shipping |

| Company name | Date of incorporation | Address | Paid-in capital | Main business or production activities |
|---|-----------------------|---|---------------------|--|
| Crimson Marine Company | 2007.8.3 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$38,400 thousand | Vessel shipping |
| Helmsman Navigation Co. Ltd. | 2012.5.30 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$21,110 thousand | Vessel shipping |
| Keystone Shipping Co. Ltd. | 2012.5.30 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$19,610 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 MH96960 | US\$48,790 thousand | Oil tanker shipping |
| Sky Sea Maritime Limited | 2014.1.2 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | US\$16,010 thousand | Investment holding |
| Ocean Grace Limited | 2014.1.2 | Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 | 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 | US\$200 thousand | Investment holding |
| Oak Maritime (Canada) Inc. | 1993.1.11 | Suite 1500-1111 West Georgia St. Vancouver BC V6E 4M3 Canada | C\$100 | Maritime service consulting |

Note: Exchange rate as of December 31, 2020: US\$/NT\$ = 28.48.

(3) Overall business scope of affiliates

The businesses operated by the Company and its affiliates include: investment holding, vessel and oil tanker shipping, and maritime service consulting.

(4) Information on directors, supervisors, and presidents of affiliates

December 31, 2020

| Company name | Title | Name or representative | Shareholding | |
|----------------------------|-------------|--|------------------|------------------------|
| | | | Number of shares | Shareholding ratio (%) |
| Norley Corporation Inc. | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Ocean Wise Limited | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Kenmore Shipping Inc. | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Winnington Limited | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Peg Shipping Company Ltd. | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Jetwall Co. Ltd. | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 400 | 80 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Everwin Maritime Limited | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Victory Navigation Inc. | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 275 | 55 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Everprime Shipping Limited | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Poseidon Marine Ltd. | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Maxson Shipping Inc. | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 500 | 100 |
| | Supervisors | - | | |

| | | | | |
|---------------------------------|-------------|--|--------|-----|
| | President | Hsu, Chi-Kao | | |
| Heywood Limited | Director | Hsu, Chi-Kao, Tsai, Ching-Pen, and Ko, Hsiu-Yen | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Clifford Navigation Corporation | Director | Hsu, Chi-Kao, Tsai, Ching-Pen, and Ko, Hsiu-Yen | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Crimson Marine Company | Director | Hsu, Chi-Kao, Tsai, Ching-Pen, and Ko, Hsiu-Yen | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Howells Shipping Inc. | Director | Hsu, Chi-Kao, Tsai, Ching-Pen, and Ko, Hsiu-Yen | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Brighton Shipping Inc. | Director | Hsu, Chi-Kao, Tsai, Ching-Pen, and Ko, Hsiu-Yen | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Rockwell Shipping Limited | Director | Hsu, Chi-Kao, Tsai, Ching-Pen, and Ko, Hsiu-Yen | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Helmsman Navigation Co. Ltd. | Director | Hsu, Chi-Kao, Tsai, Ching-Pen, and Ko, Hsiu-Yen | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Keystone Shipping Co. Ltd. | Director | Hsu, Chi-Kao, Tsai, Ching-Pen, and Ko, Hsiu-Yen | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Century Shipping Limited | Director | Hsu, Chi-Kao and Tsai, Ching-Pen | 50,000 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Pacifica Maritime Limited | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Sky Sea Maritime Limited | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 275 | 55 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Ocean Grace Limited | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |

| | | | | |
|---|-------------|--|-------|-----|
| Haihu Maritime Service (Shanghai) Co., Ltd. | Director | Hsu, Chi-Kao, Chang, Fong-Chou, and Ko, Hsiu-Yen | - | 100 |
| | Supervisors | - | | |
| | President | Chang, Fong-Chou | | |
| Elroy Maritime Service Inc. | Director | Hsu, Gee-King, Tsai, Ching-Pen, and Hsu, Chi-Kao | 500 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |
| Oak Maritime (Canada) Inc. | Director | Tsai, Ching-Pen and Tsai, Su-Lee | 1,000 | 100 |
| | Supervisors | - | | |
| | President | Hsu, Chi-Kao | | |

2. Operational overview of affiliates

Unit: Thousand NTD (except for EPS, NTD)

| Company name | Capital | Total assets | Total liabilities | Net value | Operating revenue | Operating profit | Gain (loss) during this period | Earnings per share |
|---------------------------------|-----------|--------------|-------------------|------------|-------------------|------------------|--------------------------------|--------------------|
| Norley Corporation Inc. | 28,480 | 11,978,985 | 215 | 11,978,770 | - | (3,360) | 747,091 | 1,494,182 |
| Heywood Limited | 28,480 | 4,751,247 | 244,299 | 4,506,948 | - | (13,130) | (422,799) | (845,598) |
| Kenmore Shipping Inc. | 1,313,213 | 2,644,277 | 665,214 | 1,979,063 | 501,176 | 245,280 | 231,263 | 462,526 |
| Winnington Limited | 285 | 19,328 | 5,301 | 14,027 | - | (96) | (51,951) | (103,902) |
| Jetwall Co., Ltd. | 1,102,745 | 1,954,338 | 41,071 | 1,913,267 | - | (120) | 586,571 | 1,173,142 |
| Victory Navigation Inc. | 285 | 764,436 | 50,833 | 713,603 | - | (115) | (20,900) | (41,800) |
| Kingswood Co., Ltd. | - | - | - | - | - | (15) | (39) | N/A |
| Poseidon Marine Limited | 228,125 | 1,623,608 | 19,600 | 1,604,008 | 220,035 | (48,012) | (48,004) | (96,008) |
| Maxson Shipping Inc. | 299,040 | 1,208,889 | 124,716 | 1,084,173 | 174,126 | (35,754) | (38,687) | (77,374) |
| Ocean Wise Limited | 637,097 | 1,035,688 | 4,781 | 1,030,907 | 225,269 | (61,071) | (61,389) | (122,778) |
| Pacifica Maritime Limited | 1,389,539 | 2,843,270 | 1,081,280 | 1,761,990 | 474,577 | 246,578 | 254,115 | 508,230 |
| Elroy Maritime Service Inc. | 5,696 | 20,275 | 14,037 | 6,238 | 62,392 | 547 | (36) | (72) |
| Sky Sea Maritime Limited | 829,053 | 1,042,003 | 33,486 | 1,008,517 | - | (120) | 13,126 | 26,252 |
| Peg Shipping Company Ltd. | 285 | 12,420 | 3,079 | 9,341 | 196,656 | (11,547) | (51,855) | (103,710) |
| Seven Seas Shipping Ltd. | - | - | - | - | - | (25) | (24) | N/A |
| Everwin Maritime Limited | 1,102,746 | 2,375,386 | 461,401 | 1,913,985 | 889,419 | 600,976 | 586,670 | 1,173,340 |
| Everprime Shipping Limited | 285 | 735,182 | 24,832 | 710,350 | 212,227 | (20,910) | (20,876) | (41,752) |
| Ocean Grace Limited | 829,053 | 1,935,725 | 926,957 | 1,008,768 | 351,208 | 37,565 | 13,181 | 26,362 |
| Oak Maritime (Canada) Inc. | 3,661 | 22,041 | 18,490 | 3,551 | 59,409 | 315 | (575) | (575) |
| Clifford Navigation Corporation | 285 | 507,326 | 10,232 | 497,094 | 148,391 | 47,734 | 49,692 | 99,384 |
| Brighton Shipping Inc. | 285 | 756,667 | 337,143 | 419,524 | 170,674 | (9,637) | (30,729) | (61,458) |

| Company name | Capital | Total assets | Total liabilities | Net value | Operating revenue | Operating profit | Gain (loss) during this period | Earnings per share |
|---|-----------|--------------|-------------------|-----------|-------------------|------------------|--------------------------------|--------------------|
| Rockwell Shipping Limited | 285 | 603,902 | 324,593 | 279,309 | 139,161 | (25,499) | (45,031) | (90,062) |
| Howells Shipping Inc. | 342,045 | 750,666 | 8,367 | 742,299 | 140,163 | 10,552 | 11,508 | 23,016 |
| Crimson Marine Company | 1,093,632 | 291,374 | 7,562 | 283,812 | 56,523 | (80,182) | (383,426) | (766,852) |
| Century Shipping Limited | 14,240 | 2,407 | - | 2,407 | - | - | 1,491 | 30 |
| Helmsman Navigation Co. Ltd. | 601,213 | 717,669 | 226,801 | 490,868 | 112,956 | 14,005 | 6,730 | 13,460 |
| Keystone Shipping Co. Ltd. | 558,493 | 700,142 | 234,870 | 465,272 | 102,820 | (19,356) | (26,684) | (53,368) |
| Haihu Maritime Service (Shanghai) Co., Ltd. | 15,855 | 2,613 | 206 | 2,407 | 11,708 | 1,515 | 1,491 | N/A |

Note: The data above are all converted from the original U.S. dollar to the New Taiwan dollar. The exchange rate on December 31, 2020 and the annual average exchange rate were US\$1:NT\$28.48 and US\$1:NT\$29.55, respectively.

(II) Consolidated Financial Statements 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, 2020 (from January 1, 2020 to December 31, 2020), 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

Person in Charge: Hsu, Chi-Kao

- II Private Placement of Securities during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report
None.
- III Holding or Disposal of Shares in the Company by the Company's Subsidiaries during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report
None.
- IV Other Supplementary Information
None.

Chapter 9. Situations which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities

No situations that might materially affect shareholders' equity or the price of the Company's securities, as specified in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, occurred in the most recent fiscal year and in the current fiscal year up to the date of publication of the Annual Report.

Sincere Navigation Corporation

Chairman: Hsu, Chi-Kao