

Prime Oil Chemical Service Corporation
Standalone Financial Statements and Independent
Auditors' Report
for the Years Ended December 31, 2021 and 2020
(Stock Code: 2904)

Company Address: 5F, No. 131, Section 3, Minsheng East
Road, Taipei City
TEL: (02)2717-4347

Prime Oil Chemical Service Corporation
Standalone Financial Statements and Independent Auditors' Report for the Years Ended
December 31, 2021 and 2020
Table of Contents

Item	Page
I. Cover Page	1
II. Table of Contents	2 ~ 3
III. Independent Auditors' Report	4 ~ 9
IV. Standalone Balance Sheets	10 ~ 11
V. Standalone Statements of Comprehensive Income	12 ~ 13
VI. Standalone Statements of Changes in Equity	14
VII. Standalone Statements of Cash Flows	15 ~ 16
VIII. Notes to the Standalone Financial Statements	17 ~ 64
(I) Company History and Business Scope	17
(II) Date and Procedures for Approval of Financial Statements	17
(III) Newly-released and amended standards and interpretations	17 ~ 18
(IV) Summary of significant accounting policies	19 ~ 26
(V) Significant Accounting Estimations and Judgments, and Main Sources of Assumption Uncertainties	26
(VI) Statements of main accounting items	27 ~ 52
(VII) Related-party transactions	52 ~ 53

Item	Page
(VIII) Pledged assets	54
(IX) Significant contingent liabilities and unrecognized contract commitments	54
(X) Losses due to major disasters	54
(XI) Significant events after the balance sheet date	54
(XII) Others	54 ~ 64
(XIII) Additional disclosures	64
(XIV) Operating segments information	64
IX. Details of Significant Accounts	65 ~ 76

Independent Auditors' Report

(2022) Cai-Shen-Bao-Zi #21005204

To the Board of Directors and Shareholders of Prime Oil Chemical Service Corporation.:

Opinion

We have audited the accompanying Standalone Balance sheets of Prime Oil Chemical Service Corporation as of December 31, 2021 and 2020 and the related Standalone Statements of Comprehensive Income, Standalone Statements of Changes in Equity and Standalone Statements of Cash Flows for the periods then ended and the Notes to the Standalone Financial Statements (including a summary of significant accounting policies).

Based on our review, nothing has come to our attention that causes us to believe that the financial statements of Prime Oil Chemical Service Corporation are not prepared, in all material respects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and present fairly the standalone financial position of Prime Oil Chemical Service Corporation as of December 31, 2021 and 2020 as well as its standalone financial performance and standalone cash flow then ended.

Basis for Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Republic of China Generally Accepted Auditing Standards (ROC GAAS). Our responsibilities under such standards will be elaborated in the paragraph of Independent Accountants' responsibilities for audits of standalone financial statements. Our personnel subject to the independence requirements have complied with the Codes of Professional Ethics for Certified Public Accountants in the Republic of China (hereinafter referred to as the "Codes"), have been independent of Prime Oil Chemical Service Corporation, and have fulfilled other ethical responsibilities under such Codes. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

Key inspection items

Key inspection items refer to those matters that, in our professional judgment, are of most significance in relation to our audit of Prime Oil Chemical Service Corporation's Standalone Financial Statements as of 2021. These matters have been addressed in the process of our audit of the Standalone Financial Statements as a whole and forming our opinion thereon and we do not express an opinion on these matters individually.

Key inspection items of Prime Oil Chemical Service Corporation's Standalone Financial Statements as of 2021 are as follows:

Evaluation of other equipment impairment

Description

For property, plant and equipment, please refer the Note 6(7) of the Standalone Financial Statements. For accounting policies of impairment assessment and significant accounting judgments, assumptions and uncertainty of Estimations, please refer to Note 4(16) and 5 of the Standalone Financial Statements, respectively.

Prime Oil Chemical Service Corporation's other equipment (under property, plant and equipment) is the major asset related to the solar power generation division with a book value of NT\$498,871 thousand, accounting for 32% of the total standalone assets. Due to the scarcity of available solar power land and difficulty of developing large sites, Prime Oil Chemical Service Corporation estimates the amount recoverable of other equipment based on the value in use and applies it as the basis of the impairment assessment. Since the value-in-use evaluation process involves judgment of changes due to variations of economic environment or climate conditions and uncertainties to the future due to changes in estimation results brought by the conditions, which could have a significant impact on the recoverable amount measurement and in turn affects the assessment of impairment amount, we consider the impairment assessment of other equipment, a key inspection item.

Audit procedure in response

The audit procedures we performed are set out below:

1. Review management's estimates of recoverable amounts of other equipment at the balance

- sheet date and reassess the correctness of the related calculations.
2. Understand and evaluate that the Company's asset impairment assessment procedures and accounting policies are complied with the accounting principles and are consistently applied, including a review of the methods adopted by the management when determining recoverable amounts.
 3. Obtain assessment information used by management for determining recoverable amounts based on asset use patterns and industry characteristics and assess the reasonableness of the independent cash flows, the durable years of the assets and the potential future revenues and expenses.
 4. Compare the recoverable amount with the carrying amount to examine the correctness of the impairment calculation.

The management's and governance units' responsibilities to the Standalone Financial Statements

The management's responsibility is to prepare the Standalone Financial Statements that present fairly the Company's financial position in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and maintain the necessary internal controls relevant to the preparation of the Standalone Financial Statements to ensure that the Standalone Financial Statements are free from material misstatements, whether due to fraud or error.

In preparing the Standalone Financial Statements, the responsibility of the management also includes evaluating the ability of the Company's going concern, disclosure of related matters and adoption of the going concern basis of accounting, unless the management intends to liquidate Prime Oil Chemical Service Corporation or to cease its operations or has no practical alternative to liquidation or cessation of operations.

Prime Oil Chemical Service Corporation's governance unit is responsible for overseeing the financial reporting process.

Independent Auditors' responsibilities to auditing the Standalone Financial Statements.

The purpose of our audit is to obtain reasonable assurance about whether or not the Standalone Financial Statements as a whole are free from material misstatements resulting from fraud or error and to issue an audit report thereon. Reasonable assurance represents a high assurance, however the audit work conducted in accordance with the Republic of China Generally Accepted Auditing Standards does not provide assurance that material misstatements in the Standalone Financial Statements can be detected. Misstatements might result from fraud or error. If the individual amounts or aggregates of misstatements could reasonably be expected to affect economic decisions made by the users of the Financial Statements, such amounts are deemed material.

We applied our professional judgment and maintained our professional skepticism in our audit in accordance with the Republic of China's Generally Accepted Auditing Standards. We also conducted the following work:

1. Identify and assess the risk of material misstatements resulting from fraud or error; design and implement appropriate countermeasures for the assessed risks; and obtain sufficient and appropriate audit evidence as the basis of our audit opinion. Since fraud may involve conspiracy, forgery, intentional omission, misrepresentation or a breach of internal control, the risk of not detecting a material misstatement due to fraud is higher than what is due to error.
2. Obtain the necessary understanding of internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances, provided that the objective is not to express an opinion on the effectiveness of Prime Oil Chemical Service Corporation's internal control.
3. Evaluate the appropriateness of the accounting policies adopted by management and the reasonableness of the accounting estimates and related disclosures they made.
4. Based on the evidence obtained, draw conclusions regarding the appropriateness of management's adoption of accounting basis for a going concern and whether or not there is any material uncertainty regarding events or circumstances that may cast a significant doubt on Prime Oil Chemical Service Corporation's ability in continuing operations. If we believe that a material uncertainty exists with respect to any such events or circumstances, we shall draw the attention of users of the Standalone Financial Statements to the relevant

disclosures in the Standalone Financial Statements or amend our audit opinion when such disclosures are inappropriate. Our conclusion is based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances may cause Prime Oil Chemical Service Corporation to cease to have the ability of continuing operations.

5. Evaluate whether or not the overall presentation, structure and content of the Standalone Financial Statements (including the related notes) and the Standalone Financial Statements fairly present the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence on the financial information that constitutes Prime Oil Chemical Service Corporation's financial position to provide our opinion on the Standalone Financial Statements. We are responsible for the direction, supervision and execution of the standalone audit project and for developing standalone audit opinions.

Our communication with the governance units includes the planned scope and timing of our audits and significant audit findings (including any significant deficiencies in internal control identified during our audits)

We also provide the governing unit with a statement that the independence-regulated personnel of our firm have complied with the ROC Code of Professional Ethics with respect to independence and communicate with the governing unit concerning all relationships and other matters (including related safeguards) that may be perceived to affect the independence of the accountant.

From the matters communicated with the governance unit, we determine the key inspection items for Prime Oil Chemical Service Corporation's 2021 Standalone Financial Statements. We describe these matters in our audit report unless law or regulation precludes public disclosure about such matters or when, in extremely rare circumstances, we determine that a matter would not be communicated in our report since the adverse consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

PwC, Taiwan

Huang, Pei-Chuan

Accountant

Pan, Hui-Ling

Financial Supervisory Commission

Approval No.: Jin-Guan-Zheng-Shen-Zi No. 1100348083
Previously Securities and Futures Commission, Ministry of
Finance

Approval certification number: (1999) Tai-Cai-Zheng (VI)
No. 95577

March 24, 2022

Prime Oil Chemical Service Corporation
Standalone Balance Sheets
December 31, 2021 and December 31, 2020

Unit: Thousand NTD

Assets	Note	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6 (1)	\$ 109,317	7	\$ 125,413	8
1136	Financial assets measured at amortized cost - current	6 (4)	26,026	2	16,489	1
1150	Notes receivable, net	6 (5)	717	-	244	-
1170	Accounts receivable, net	6 (5)	38,559	2	41,849	3
1200	Other receivables		-	-	1,960	-
1210	Other receivables – related parties:	7 (3)	1,713	-	1,722	-
1410	Prepayments		8,154	1	14,123	1
11XX	Total current assets		<u>184,486</u>	<u>12</u>	<u>201,800</u>	<u>13</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6 (2)	83,109	6	67,074	5
1517	Financial assets at fair value through other comprehensive income - noncurrent	6(3)	36,214	2	42,980	3
1535	Financial assets measured at amortized cost - non-current	6(4) and 8	2,301	-	-	-
1550	Investments accounted for using equity method	6 (6)	292,980	19	296,822	19
1600	Property, Plant and Equipment	6(7) and 8	818,659	53	769,211	50
1755	Right-of-use assets	6(8)	47,957	3	84,557	6
1780	Intangible asset		4,241	-	5,408	-
1840	Deferred tax assets	6(25)	5,660	1	5,252	-
1920	Refundable deposits	8	63,358	4	58,228	4
15XX	Total non-current assets		<u>1,354,479</u>	<u>88</u>	<u>1,329,532</u>	<u>87</u>
1XXX	Total Assets		<u>\$ 1,538,965</u>	<u>100</u>	<u>\$ 1,531,332</u>	<u>100</u>

(Continued)

Prime Oil Chemical Service Corporation
Standalone Balance Sheets
December 31, 2021 and December 31, 2020

Unit: Thousand NTD

Liabilities and Stockholders' Equity	Note	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
Current liabilities						
2100	Short-term borrowings	6 (10)	\$ 42,000	3	\$ 30,000	2
2110	Short-term bills payable	6 (10)	20,000	1	27,000	2
2150	Notes payable		6,881	-	6,881	-
2200	Other payables	6 (12)	59,005	4	76,072	5
2230	Current income tax liabilities		15,478	1	26,696	2
2280	Current lease liabilities		23,363	2	53,070	4
2300	Other current liabilities	6 (11)	66,659	4	52,549	3
21XX	Total current liabilities		<u>233,386</u>	<u>15</u>	<u>272,268</u>	<u>18</u>
Non-current liabilities						
2540	Long-term borrowings	6 (11)	286,766	19	160,598	10
2550	Provisions for liabilities - non-current	6 (14)	21,790	1	18,528	1
2570	Deferred tax liabilities	6(25)	4,052	-	2,905	-
2580	Non-current lease liabilities		15,962	1	24,778	2
2640	Net defined benefit liabilities - noncurrent	6 (13)	8,552	1	7,856	1
2645	Guarantee deposits received		6,450	-	6,450	-
25XX	Total non-current liabilities		<u>343,572</u>	<u>22</u>	<u>221,115</u>	<u>14</u>
2XXX	Total liabilities		<u>576,958</u>	<u>37</u>	<u>493,383</u>	<u>32</u>
Equity						
Share capital						
3110	Share capital - common stock	6 (15)	690,344	45	690,344	45
Additional paid-in capital						
3200	Additional paid-in capital	6(16)	4,233	-	4,233	1
Retained earnings						
3310	Legal reserve	6(17)	187,193	12	171,221	11
3320	Special reserve		13,064	1	-	-
3350	Unappropriated retained earnings		85,951	6	185,215	12
Other equity interests						
3400	Other equity interests		(18,778)	(1)	(13,064)	(1)
3XXX	Total equity		<u>962,007</u>	<u>63</u>	<u>1,037,949</u>	<u>68</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 1,538,965</u>	<u>100</u>	<u>\$ 1,531,332</u>	<u>100</u>

The accompanying notes are an integral part of the Standalone Financial Statements and should be read in conjunction.

Chairperson: Liao Shu-chun

Managerial officer: Yeh Tang-jung

Accounting officer: Huang Yi-yin

Prime Oil Chemical Service Corporation
Standalone Statements of Comprehensive Income
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD
(Except for earnings per share)

Item	Note	2021		2020	
		Amount	%	Amount	%
4000 Operating income	6 (18)	\$ 434,328	100	\$ 505,193	100
5000 Operating cost	6 (23) (24)	(289,596)	(67)	(263,655)	(52)
5900 Operating gross profits		<u>144,732</u>	<u>33</u>	<u>241,538</u>	<u>48</u>
Operating expenses	6 (23) (24)				
6100 Selling and marketing expenses		(6,163)	(1)	(5,411)	(1)
6200 General and administrative expenses		(59,816)	(14)	(67,055)	(14)
6000 Total operating expenses		(65,979)	(15)	(72,466)	(15)
6900 Operating profit		<u>78,753</u>	<u>18</u>	<u>169,072</u>	<u>33</u>
Non-operating income and expenses					
7100 Interest income	6 (19)	252	-	341	-
7010 Other income	6(20) and 7 (3)	8,615	2	12,765	3
7020 Other gains or losses	6(21)	(1,696)	(1)	(2,469)	(1)
7050 Financial costs	6 (22)	(937)	-	(1,928)	-
7070 Share of profits and losses of subsidiaries, affiliates and joint ventures recognized under the equity method		<u>4,122</u>	<u>1</u>	<u>6,529</u>	<u>1</u>
7000 Total non-operating income and expenses		<u>10,356</u>	<u>2</u>	<u>15,238</u>	<u>3</u>
7900 Profit before income tax		89,109	20	184,310	36
7950 Income tax expense	6(25)	(17,681)	(4)	(24,586)	(5)
8200 Current period net profit		<u>\$ 71,428</u>	<u>16</u>	<u>\$ 159,724</u>	<u>31</u>
Other comprehensive income for the year (net)					
Items that will be reclassified to profit or loss					
8311 Re-measurements of the defined benefit liability	6 (13)	(\$ 1,980)	-	(\$ 1,040)	-
8316 Unrealized valuation gain or loss on equity instruments at fair value through other comprehensive income	6(3)	(3,346)	(1)	2,634	-
8349 Income tax related to components of other comprehensive income that is not reclassified to profit or loss	6(25)	<u>396</u>	<u>-</u>	<u>208</u>	<u>-</u>
8310 Total amount of items that will not be reclassified to profit or loss		(4,930)	(1)	1,802	-
Items that may be reclassified subsequently to profit or loss:					

The accompanying notes are an integral part of the Standalone Financial Statements and should be read in conjunction.

Chairperson: Liao Shu-chun

Managerial officer: Yeh Tang-jung

Accounting officer: Huang Yi-yin

Prime Oil Chemical Service Corporation
Standalone Statements of Comprehensive Income
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD
(Except for earnings per share)

8361	Exchange Differences in Translating the Financial Statements of Foreign Operations	6 (6)								
			(	5,464	(	1)	(	10,104	(	2)
8399	Income taxes related to items that may be reclassified	6(25)		<u>1,093</u>		-		<u>2,021</u>		<u>1</u>
8360	Total of Items that may be reclassified to profit or loss		(	<u>4,371</u>	(	<u>1</u>	(	<u>8,083</u>	(	<u>1</u>
8300	Other comprehensive income for the year (net)		(\$	<u>9,301</u>	(	<u>2</u>	(\$	<u>6,281</u>	(	<u>1</u>
8500	Total comprehensive income in the current period		\$	<u>62,127</u>		<u>14</u>	\$	<u>153,443</u>		<u>30</u>
	Earnings per share	6(26)								
9750	Basic		\$	<u>1.03</u>	\$	<u>2.31</u>				
9850	Diluted		\$	<u>1.03</u>	\$	<u>2.30</u>				

The accompanying notes are an integral part of the Standalone Financial Statements and should be read in conjunction.

Chairperson: Liao Shu-chun

Managerial officer: Yeh Tang-jung

Accounting officer: Huang Yi-yin

Prime Oil Chemical Service Corporation
Standalone Statements of Changes in Equity
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

Note	Share capital - common stock	Capital surplus	Retained earnings			Other equity interests		Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange Differences in Translating the Financial Statements of Foreign Operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income	
<u>2020</u>								
Balance at January 1, 2020	\$ 690,344	\$ 4,233	\$ 157,731	\$ -	\$ 153,720	(\$ 2,909)	(\$ 4,706)	\$ 998,413
Current period net profit	-	-	-	-	159,724	-	-	159,724
Other comprehensive income recognized for the period	-	-	-	-	(832)	(8,083)	2,634	(6,281)
Total comprehensive income in the current period	-	-	-	-	158,892	(8,083)	2,634	153,443
Appropriation and distribution of retained earnings for FY2019 6(17)								
Legal reserve allocated	-	-	13,490	-	(13,490)	-	-	-
Cash dividends	-	-	-	-	(113,907)	-	-	(113,907)
Balance as of December 31, 2020	<u>\$ 690,344</u>	<u>\$ 4,233</u>	<u>\$ 171,221</u>	<u>\$ -</u>	<u>\$ 185,215</u>	<u>(\$ 10,992)</u>	<u>(\$ 2,072)</u>	<u>\$ 1,037,949</u>
<u>2021</u>								
Balance at January 1, 2021	\$ 690,344	\$ 4,233	\$ 171,221	\$ -	\$ 185,215	(\$ 10,992)	(\$ 2,072)	\$ 1,037,949
Current period net profit	-	-	-	-	71,428	-	-	71,428
Other comprehensive income recognized for the period	-	-	-	-	(1,584)	(4,371)	(3,346)	(9,301)
Total comprehensive income in the current period	-	-	-	-	69,844	(4,371)	(3,346)	62,127
Appropriation and distribution of retained earnings for FY2020 6(17)								
Legal reserve allocated	-	-	15,972	-	(15,972)	-	-	-
Allocated special reserve	-	-	-	13,064	(13,064)	-	-	-
Cash dividends	-	-	-	-	(138,069)	-	-	(138,069)
Disposal of equity instruments at fair value through other comprehensive profit or loss 6(3)	-	-	-	-	(2,003)	-	2,003	-
Balance at December 31, 2021	<u>\$ 690,344</u>	<u>\$ 4,233</u>	<u>\$ 187,193</u>	<u>\$ 13,064</u>	<u>\$ 85,951</u>	<u>(\$ 15,363)</u>	<u>(\$ 3,415)</u>	<u>\$ 962,007</u>

The accompanying notes are an integral part of the Standalone Financial Statements and should be read in conjunction.

Chairperson: Liao Shu-chun

Managerial officer: Yeh Tang-jung

Accounting officer: Huang, Yi-Yin

Prime Oil Chemical Service Corporation
Standalone Statements of Cash Flows
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

	Note	January 1 to December 31, 2021	January 1 to December 31, 2020
<u>Cash flow from operating activities</u>			
Profit before income tax for the year		\$ 89,109	\$ 184,310
Adjustment for:			
Income and expenses having no effect on cash flows			
depreciation expense	6(7) (8)	(24)	140,634
Allocations	6 (24)	1,328	1,130
Gain on valuation of financial assets at fair value through profit or loss	6(2)(21)	(2,533)	(2,765)
Financial costs	6 (22)	937	1,928
Interest income	6 (19)	(252)	(341)
Dividends income	6 (20)	(445)	(650)
Exchange differences in Financial assets measured at amortized cost		463	2,593
Share of profits and losses of affiliated companies and joint ventures recognized under the equity method	6 (6)	(4,122)	(6,529)
Loss on disposal of property, plant and equipment	6(21)	2,405	2,141
Gain on lease modification	6(8)(21)	(31)	(474)
Change in assets/liabilities related to operating activities			
Changes in operating assets			
Notes receivable, net		(473)	(111)
Accounts receivable, net		3,290	(10,626)
Other receivables		1,960	(1,786)
Other receivables – related parties:		9	1,756
Prepayments		5,969	1,894
Changes in operating liabilities			
Notes payable		-	(511)
Other payables		(9,387)	4,535
Other current liabilities		3	(20)
Net defined benefit liabilities		(1,284)	(1,173)
Cash flow from operating activities		248,647	315,935
Interest received		252	341
Dividend received		445	650
Interest paid		(937)	(1,928)
Income tax paid		(26,671)	(14,435)
Net cash generated by operating activities		<u>221,736</u>	<u>300,563</u>
<u>Cash Flow from Investing Activities</u>			
Acquisition of financial assets at fair value through profit or loss	12 (3)	(28,141)	(31,877)
Refund of share price due to capital reduction of financial assets at fair value through profit or loss	12 (3)	14,639	7,661
Return of capital from financial assets at fair value through other comprehensive profit or loss		3,420	-
Dividends received from associates accounted for using equity method	6 (6)	-	10,420
Acquisition of financial assets measured at amortized cost		(12,301)	-
Purchase of property, plant and equipment	6(27)	(157,629)	(299,558)
Disposal of property, plant and equipment		95	1,271
Acquisition of intangible assets		(161)	(1,861)
Increase in refundable deposits		(5,130)	(12,461)
Net cash used in investing activities		<u>(185,208)</u>	<u>(326,405)</u>
<u>Cash Flow from Financing Activities</u>			
Increase (decrease) in short-term bills payable	6(28)	(7,000)	27,000
Increase in short-term borrowings		300,000	452,000
Decrease in short-term borrowings		(288,000)	(422,000)

The accompanying notes are an integral part of the Standalone Financial Statements and should be read in conjunction.

Chairperson: Liao Shu-chun

Managerial officer: Yeh Tang-jung

Accounting officer: Huang Yi-yin

Prime Oil Chemical Service Corporation
Standalone Statements of Cash Flows
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

	Note	January 1 to December 31, 2021	January 1 to December 31, 2020
Increase in long-term borrowings (including current portion)	6(28)	200,400	165,000
Decrease in long-term borrowings (including current portion)	6(28)	(60,125)	(25,810)
Amount of principal payments on lease liabilities	6(28)	(59,830)	(59,058)
Cash dividends paid	6(17)	(138,069)	(113,907)
Net cash (outflow) inflow from financing activities		(52,624)	23,225
Decrease in cash and cash equivalents		(16,096)	(2,617)
Beginning of year cash and cash equivalents		125,413	128,030
Cash and cash equivalents at the end of the year		\$ 109,317	\$ 125,413

The accompanying notes are an integral part of the Standalone Financial Statements and should be read in conjunction.

Chairperson: Liao Shu-chun

Managerial officer: Yeh Tang-jung

Accounting officer: Huang Yi-yin

Prime Oil Chemical Service Corporation
Notes to the Standalone Financial Statements
for the Years Ended December 31, 2021 and 2020

Unit: Thousand NTD
(Unless otherwise specified)

I. Company History and Business Scope

Prime Oil Chemical Service Corporation (hereinafter referred to as the "Company") was established on October 1, 1978 and was listed on the Taiwan Stock Exchange on January 5, 1983. The Company and its subsidiaries are mainly engaged in chemical, oil tank storage and delivery services and solar power generation business.

II. Date and Procedures for Approval of Financial Statements

The Standalone Financial Statements were approved and authorized for issuance by the Board of Directors on March 24, 2022.

III. Newly-released and amended standards and interpretations

(I) The impact from adopting the newly released and revised International Financial Reporting Standards recognized by the Financial Supervisory Commission.

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2021:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendment to IFRS 4 "Extension of Provisional Exemption for Application of IFRS 9"	January 1, 2021
Amendments to the IFRS 9, IAS 39, and IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase II."	January 1, 2021
Amendment to IFRS 16 "Rent Reduction associated with the COVID-19 pandemic after June 30, 2021."	April 1, 2021

The Company believes that adopting the aforementioned IFRSs will not constitute a significant effect on the Company's financial position and performance.

(II) Impact of the newly released and amended IFRS recognized by the FSC not yet adopted by the Company.

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards for 2022 issued by the IASB and recognized by the Financial Supervisory Commission:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendment to IFRS 3 "Update the index of the conceptual framework."	January 1, 2022
Amendment to IAS 16 "Property, plant and equipment: price before reaching the intended state of use"	January 1, 2022
Amendment to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract."	January 1, 2022
"Annual Improvements 2018 - 2020 Cycle"	January 1, 2022

The Company believes that adopting the aforementioned IFRSs will not constitute a significant effect on the Company's financial position and performance.

(III) IFRSs issued by the IASB but not yet recognized by the FSC.

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
IFRS 10 and IAS 28 amendments, Sale or contribution of assets between an investor and its associate or joint venture	To be decided by the IASB
IFRS 17 - Insurance contracts	January 1, 2023
Amendment to IFRS 17 "Insurance contracts."	January 1, 2023
Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information."	January 1, 2023
Amendment to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2023
Amendment to IAS 1 "Disclosure of Accounting Policies."	January 1, 2023
Amendment to IAS 8 "Disclosure of Accounting Policies."	January 1, 2023
Amendment to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

The Company believes that adopting the aforementioned IFRSs will not constitute a significant effect on the Company's financial position and performance.

IV. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Standalone Financial Statements are described below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance statement

The Standalone Financial Statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

1. The Standalone Financial Statements have been prepared on a historical cost basis, except for the following significant items:
 - (1) Financial assets at fair value through profit or loss are measured at fair value.
 - (2) Financial assets at fair value through other comprehensive income are measured at fair value.
 - (3) The defined benefit liability is recognized as the net of the present value of the pension fund assets less the defined benefit obligation.
2. The preparation of the financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, explanations and announcements of explanations (hereinafter referred to as “IFRSs”) that are recognized by FSC requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher level of judgment or complexity or related to significant assumptions and estimates to the Standalone Financial Statements are disclosed in Note 5.

(III) Foreign currency translation

The Company’s financial statements are presented in NTD, which is the major currency (i.e. the functional currency) of the Company’s underlying economic environment. The currency of this Standalone Financial Statements is presented in the Company’s functional currency “NTD.”

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using the prevailing exchange rates on the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the prevailing exchange rates at the balance sheet date. Exchange differences arising upon adjustments are recognized in profit or loss in the period in which they arise.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are adjusted at the prevailing exchange rates at the balance sheet date; their translation differences are recognized in profit or loss in the period in which they arise. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are adjusted at the prevailing exchange rates at the balance sheet date; differences resulting from such translations are recognized in other comprehensive income; for those that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(4) All foreign exchange gains and losses are presented in the Statements of Comprehensive Income under "other gains and losses."

2. Translation of foreign operations

The operating results and financial positions of all the group entities and associates that have different functional currencies and from the presentation currency is translated into the presentation currency in the following manner:

- (1) Assets and liabilities of each balance sheet presented are translated at the closing exchange rate on the date of that balance sheet;
- (2) Income and expenses of each Statements of Comprehensive Income are translated at the average exchange rates of the period; and
- (3) All differences resulting from exchanges are recognized in other comprehensive income.

(IV) Classification of current and non-current assets and liabilities

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized or are intended to be sold or consumed within the normal operating cycle.
- (2) Assets held mainly for trading purposes.
- (3) Assets that are expected to be realized within 12 months after the balance sheet date.
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities on at least 12 months after the balance sheet date.

The Company classifies all other assets that meet none of the above criteria as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle.
- (2) Assets held mainly for trading purposes.
- (3) Liabilities that are to be settled within 12 months after the balance sheet date;
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments do not affect its classification.

The Company classifies all other liabilities that meet none of the above criteria as noncurrent liabilities.

(V) Cash and cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and are held for the purposes of meeting short-term operating cash commitment are classified as cash equivalents.

(VI) Financial assets at fair value through profit and loss

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
2. The Company adopts trade date accounting for the financial assets at fair value through profit or loss that belong to regular transactions.
3. At initial recognition, the Company measures the financial assets at fair value and recognizes

their transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value and recognizes such asset's gain or loss in profit or loss.

(VII) Financial assets at fair value through other comprehensive income

1. Financial assets at fair value through other comprehensive income comprise equity instruments which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income or loss.
2. The Company adopts trade date accounting for the financial assets at fair value through other comprehensive income that belong to regular transactions.
3. At initial recognition, the Company measures the financial assets at fair value and recognizes their transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value and recognizes such asset's gain or loss in other comprehensive income. Cumulative gain or loss previously recognized in comprehensive income shall not be reclassified to profit or loss following the de-recognition of the instrument and shall be reclassified to retained earnings. The Company recognizes the dividends income in the profit or loss when the right to receive payment is established, future economic benefits associated with the dividends flow to the Company and the amount of the dividends can be measured reliably.

(VIII) Financial assets measured at amortized cost

1. Are those that meet all the following criteria:
 - (1) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (2) The assets' contractual cash flows solely represent payments of principal and interest on the principal amount outstanding
2. The Company adopts trade date accounting for the financial assets measured at amortized cost that belong to regular transactions.
3. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at the initial investment amount as the effect of discounting is immaterial.

(IX) Accounts and notes receivables

1. are those with an unconditional legal right to receive considerations in exchange for transferred goods or rendered services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial

(X) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, financial assets at amortized cost, and accounts receivable containing a significant financing component, the Company measures, at each balance sheet date, the impairment provision at 12 months expected credit losses if there has no significant increase in credit risk since initial recognition or measures 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 recognizes the impairment provision for ECLs over the lifetime

(XI) De-recognition of financial assets

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

(XII) Lessor Leasing Transaction - Operating lease

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in the profit or loss on a straight-line basis over the lease term.

(XIII) Investments/subsidiaries accounted for under the equity method

1. Subsidiaries are entities controlled by the Company (including structured entities). The Company controls the entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and can affect those returns through its power over the entity
2. All unrealized profit or loss resulting from transactions between the Company and its subsidiaries have been eliminated in full. Accounting policies of subsidiaries have been adjusted when necessary to be consistent with those of the Company.
3. The Company's share of profit or loss in subsidiaries after acquisition is recognized in the profit or loss, whereas its share of other comprehensive income in subsidiaries after acquisition is recognized in other comprehensive income. If the Company's recognized losses in a subsidiary equal to or exceed its equity in such subsidiary, the Company continues to recognize losses against its shareholding percentage.
4. According to Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss of the period and other comprehensive income presented in the Standalone Financial Statements shall be the same as the allocations of profit or loss of the period and of other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a standalone basis and the owners' equity presented in the Standalone Financial Statements shall be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a standalone basis.

(XIV) Property, Plant and Equipment

1. They are initially recorded at cost and relevant interests incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized 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 part of replacement should be derecognized. All other maintenance expenses are recognized as current profit or loss as incurred.
3. Subsequent evaluation of the equipment applies the cost model and such equipment is depreciated under the straight-line method. If the components of the equipment are significant, depreciation is provided separately.
4. The assets residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each fiscal year. If expectations for the assets residual

values and useful lives differ from previous estimates or patterns of consumption of the future economic benefits embodied in such assets have changed significantly, such change is handled according to IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors” from the date of such change. Useful life of each asset.

Warehouse facilities	2~35 years	Lease improvement	3~10 years
Transport Equipment	5~10 years	Lease assets	2~15 years
Office Equipment	3~5 years	Other Equipment	15~20 years

(XV) Lessee Leasing Transaction – Right-of-use Assets/Leasing liabilities

1. Leased assets are recognized as right-of-use assets and leasing liabilities as of the date they become available to the Company. When a lease contract is a short-term lease or a lease of a low-value asset, the lease payment is recognized as an expense over the leasing period using the straight-line method.
2. Leasing liabilities are recognized at the commencement date of such lease at the present value of unpaid lease payments discounted by the interest rate on the Company's incremental borrowings. Such leasing payments are fixed payments, less any lease incentives that are entitled to be received.

Subsequent evaluation applies interest method to measure at amortized cost and recognized interest expenses over the lease life. When changes in lease tenor or lease payment do not result from amendments of lease agreements, the lease liabilities are re-measured and the right-of-use asset will be adjusted against any amount of re-measurement of such leasing liabilities.

3. Right-of-use assets are recognized at cost at the commencement date of the lease. The cost is the initial measurement amount of such leasing liabilities.

(XVI) 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 recognized 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 its value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior periods no longer exist or diminish, the impairment loss is reversed, provided that the increased carrying amount resulting from such reversal should not exceed the face value prior to the impairment and net of depreciation or amortization.

(XVII) Loans

1. comprises of long-term and short-term bank borrowings. Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss over the period of the loans using the effective interest method.
2. Fees paid on the establishment of loan facilities are recognized as transaction costs of the

loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fees are deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, such fees are capitalized as a pre-payment and amortized over the respective period of the facilities.

(XVIII) De-recognition of financial liabilities

A financial liability is de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

(XIX) Provision

Provisions (de-commissioning liabilities) arise when the Company has a present legal or constructive obligation because of past events and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the amount of the expenditures required to settle underlying obligation on the balance sheet date. Provisions shall not be recognized for future operating losses.

(XX) Employee benefits

1. Short-term employee benefits

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

2. Pensions

(1) Defined contribution plans

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

(2) Defined benefit plans

A. 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 recognized 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 the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses the yield rates of government bonds (at the balance sheet date) instead.

B. Re-measurements arising from defined benefit plans are recognized in other comprehensive income of the period and presented in the retained earnings.

C. The related expenses for prior service costs are recognized immediately in the profit or loss.

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

Employees' compensation and directors' and supervisors' remuneration are recognized as

expense and liability, provided that such recognition is required under a 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 accounting estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price on the immediate day before the board meeting resolution.

(XXI) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the payment date and are recognized as compensation cost over the vesting period. The Company's equity is then adjusted accordingly. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that are eventually vested.

(XXII) Income tax

1. Income tax comprises of current and deferred income tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated based on the tax laws enacted or substantively enacted at the balance sheet date. The management periodically evaluates implementations 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 shareholders resolve to distribute the earnings.
3. Deferred income tax is recognized, 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. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, 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 be reversed in the foreseeable future. Deferred income tax is determined according to 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 income tax asset is realized, or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

(XXIII) Share capital

1. Ordinary shares are classified as equity.

2. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(XXIV) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(XXV) Revenue recognition

1. Rental income

The Company provides chemical and oil tanks for lease in accordance with operating lease standards and the rental income from such operating lease is recognized in the profit or loss on a straight-line basis according to rent determined by the leasing agreement.

2. Tank operations revenue

The Company provides chemical and oil tanks for lease and offers chemicals and oil loading services. Revenue is recognized in the reporting period in which the services are provided to customers based on actual loading and unloading capacity and contracted rates.

3. Electricity sales revenue

The Company recognizes revenue when the electricity generated from solar power generation equipment is transferred to customers. Once the electricity is generated, it is transmitted to the buyer through the distribution system. The buyer has discretion over the access and price of the electricity sold, and the revenue is calculated based on the contracted rate and the number of kilowatt-hours generated per month.

V. Significant Accounting Estimations and Judgments, and Main Sources of Assumption Uncertainties

In preparation of the Standalone Financial Statements, the management has made judgements in applying the Company's accounting policies and make critical accounting assumptions and estimates concerning future events based on the circumstances on the balance sheet date. Assumptions and estimates may differ from the actual results and are continuously evaluated and adjusted based on historical experience and other factors. Such estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company does not apply critical judgment in applying the Company's accounting policies. Material accounting estimates and assumptions are addressed below:

Impairment assessment of other equipment (property, plant and equipment)

In the asset impairment evaluation process, the Company relies on subjective judgment and based on asset usage patterns and industry characteristics to determine the independent cash flows, the useful life and potential future revenues and expenses of a specific asset.

VI. Statements of main accounting items

(I) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and working capital	\$ 210	\$ 217
Checking accounts and demand deposits	76,207	67,296
Time deposits	<u>32,900</u>	<u>57,900</u>
	<u>\$ 109,317</u>	<u>\$ 125,413</u>

1. The Company associates 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.

2. The Company has not pledged its cash and cash equivalents

(II) Financial assets at fair value through profit and loss

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Investment in private equity	\$ 70,196	\$ 56,694
Valuation adjustment	<u>12,913</u>	<u>10,380</u>
Total	<u>\$ 83,109</u>	<u>\$ 67,074</u>

1. Gain and loss recognized for financial assets at fair value through profit or loss held by the Company was \$2,533 and \$2,765 in 2021 and 2020, respectively.

2. The Company has not pledged any financial assets at fair value through profit or loss.

(III) Financial assets at fair value through other comprehensive income

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Equity instruments		
Stock not listed on TWSE, TPEX or the emerging market	\$ 33,440	\$ 36,879
Valuation adjustment	<u>2,774</u>	<u>6,101</u>
Total	<u>\$ 36,214</u>	<u>\$ 42,980</u>

1. The Company has elected to classify its strategic investments in equity stock as financial assets at fair value through other comprehensive income. The fair values of these investments

were \$36,214 and \$42,980 as of December 31, 2021 and December 31, 2020, respectively.

2. As of 2021, the Company de-recognized stocks with a carrying value of \$5,423 due to a capital reduction by the target company and reclassified the cumulated loss of \$2,003 to unappropriated earnings. No such situation occurred in 2020.
3. The details of the financial assets measured at fair value through other comprehensive income that were recognized in comprehensive income are as follows:

	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Change in fair value recognized in other comprehensive Income	(\$ 3,346)	\$ 2,634
Cumulative gains (losses) reclassified to retained earnings due to derecognition	\$ 2,003	\$ -
Dividend income recognized in profit or loss		
Held at end of period	\$ 223	\$ 650
De-recognized during the period	222	-
	<u>\$ 445</u>	<u>\$ 650</u>

4. Without considering the collaterals held or other credit enhancements, the amount of financial assets at fair value through other comprehensive income that best represented the Company's maximum exposure to credit risk was \$36,214 and \$42,980 as of December 31, 2021 and December 31, 2020, respectively.
5. The Company has not pledged any financial assets at fair value through other comprehensive income.

(IV) Financial assets measured at amortized cost

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
The term deposit with original maturity over three months	\$ 10,000	\$ -
Trust account	<u>16,026</u>	<u>16,489</u>
Total	<u>\$ 26,026</u>	<u>\$ 16,489</u>
Non-current items:		
Restricted asset	<u>\$ 2,301</u>	<u>\$ -</u>

1. The details of the financial assets measured at amortized cost that were recognized in the profit and loss are as follows:

	<u>2021</u>	<u>2020</u>
Interest income	\$ 6	\$ 13
loss on valuation	(463)	(2,593)
	<u>(\$ 457)</u>	<u>(\$ 2,580)</u>

2. Without considering the collaterals held or other credit enhancements, the amount of financial assets measured at amortized cost that best represented the Company's maximum exposure to credit risk was \$28,327 and \$16,489 as of December 31, 2021 and December 31, 2020, respectively.
3. Information about the financial assets measured at amortized cost that were pledged to others as collaterals is provided in Note 8.
4. Risk information about the relative financial assets measured at amortized cost is provided in Note 12(2).
5. On December 22, 2016, the Company entered into a contract for the construction of a solar power generation system (hereinafter referred to as the "construction contract") and a contract for the purchase of solar power generation system equipment (hereinafter referred to as the "purchase contract") with Chunghwa Telecom Vietnam Co. Ltd. to construct a solar power generation system in Cambodia. The total construction price was US\$7,750 thousand. On December 28, 2016, the Company trusted US\$6,010 thousand by wire transfer to a third-party financial institution; as of December 31, 2021, and December 31, 2020, the balance of the trust account was US\$580 thousand, which is shown as "financial assets measured at amortized cost - current" due to the restricted use.
6. According to the construction contract, the construction of the solar power generation system in the preceding paragraph should be completed within one year and the amount in trust account has been paid to Chunghwa Telecom Vietnam Co. Ltd. However, Chunghwa Telecom Vietnam Co., Ltd. refused to fulfill its obligations under the above "construction contract" in the third quarter of 2017. In view of the aforementioned situation, the Company sent a formal letter to Chunghwa Telecom Vietnam to urge Chunghwa Telecom Vietnam to perform its obligations under the construction contract within the deadline, however after the expiration of the reminder period, Chunghwa Telecom Vietnam's contract obligations remained unfulfilled. Hence the Company legally terminated the construction contract. The Company has filed a lawsuit for civil damages with the Taiwan Taipei District Court (TDC) in April, 2018.
7. In December 2020, the Company received a notice of judgment from the TDC denying the Company's request. After consulting with the attorney, the Company filed an appeal with the Taiwan High Court in January 2021. No further notice has been given as of December 31, 2021.

(V) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Note receivable	<u>\$ 717</u>	<u>\$ 244</u>
Trade receivable	\$ 38,559	\$ 41,849
Less: provision	<u>-</u>	<u>-</u>
	<u>\$ 38,559</u>	<u>\$ 41,849</u>

1. The aging analysis of notes and accounts receivable is as follows

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Trade receivable</u>	<u>Note receivable</u>	<u>Trade receivable</u>	<u>Note receivable</u>
Not Past Due	<u>\$ 38,559</u>	<u>\$ 717</u>	<u>\$ 41,849</u>	<u>\$ 244</u>

The above is an aging report based on the number of days past due.

2. As of December 31, 2021 and December 31, 2020, the balance of receivables (including notes receivables) are generated from the contracts between the Company and its customers. And as of January 1, 2020, the balance of receivables generated from such contracts was \$31,356.
3. The Company did not hold any collaterals.
4. Without considering the collaterals held or other credit enhancements, the number of notes receivables that best represented the Company's maximum exposure to credit risk was \$717 and \$244 as of December 31, 2021 and December 31, 2020, respectively; the amount of accounts receivables that best represented the Company's maximum exposure to credit risk was \$38,559 and \$41,849 as of December 31, 2021 and December 31, 2020, respectively.
5. Please refer to Note 12, (2) for the related credit risk information of accounts receivable.

(VI) Investments accounted for using equity method

	<u>2021</u>	<u>2020</u>
January 1	\$296,822	\$313,317
Unrealized (realized) loss on disposal of fixed assets between parent and subsidiaries.		
Unrealized (realized) loss on disposal of fixed assets between the parent company and subsidiaries.	(2,500)	(2,500)
Profit and loss attributable to the parent company for investments using equity method	4,122	6,529
Distribution attributable to the parent company for investments using equity method	-	(10,420)
Other changes in equity	<u>(5,464)</u>	<u>(10,104)</u>
December 31	<u>\$ 292,980</u>	<u>\$ 296,822</u>

<u>Investee companies</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries		
He Zhen Feng Co., Ltd.	\$ 1,077	\$ 1,113
POCS POWER CO., LTD.	46,081	45,123
Prime Holdings Corporation	<u>245,822</u>	<u>250,586</u>
	<u>\$ 292,980</u>	<u>\$ 296,822</u>

1. Information regarding the Company's subsidiaries, please refer to the Company's Consolidated Financial Statements Note. 4(3) as of 2021 and 2020.
2. On November 7, 2019, the Board of Directors resolved to increase the capital of Prime Holdings Corporation by US\$4,799 thousand (equivalent to NT\$146,171) with assets. The difference between the carrying amount of such assets and the carrying amount of property, plant and equipment has been eliminated by eliminating the net unrealized loss on disposal of property, plant and equipment arising from downstream transactions of NT\$60,413, which was recorded as an addition to the "investments accounted for using the equity method" account. The unrealized loss on disposal of property, plant and equipment as of December 31, 2021 was \$55,413.

(VII) Property, Plant and Equipment

	<u>Warehousing equipment</u>	<u>Transport Equipment</u>	<u>Office Equipment</u>	<u>Lease improvement</u>	<u>Lease assets</u>	<u>Other Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
January 1, 2021								
Cost	\$ 629,277	\$ 8,161	\$ 1,648	\$ 1,037	\$ 909,441	\$ 478,714	\$ 41,258	\$2,069,536
Accumulated depreciation and impairment	(363,858)	(3,945)	(1,278)	(750)	(878,773)	(51,721)	-	(1,300,325)
	<u>\$ 265,419</u>	<u>\$ 4,216</u>	<u>\$ 370</u>	<u>\$ 287</u>	<u>\$ 30,668</u>	<u>\$ 426,993</u>	<u>\$ 41,258</u>	<u>\$ 769,211</u>
<u>2021</u>								
January 1	\$ 265,419	\$ 4,216	\$ 370	\$ 287	\$ 30,668	\$ 426,993	\$ 41,258	\$ 769,211
Addition	52,724	2,611	54	-	-	78,393	19,429	153,211
Number of Transfers	14,019	100	-	-	-	20,328	(34,447)	-
depreciation expense	(64,445)	(1,185)	(85)	(139)	(11,066)	(26,843)	-	(103,763)
December 31	<u>\$ 267,717</u>	<u>\$ 5,742</u>	<u>\$ 339</u>	<u>\$ 148</u>	<u>\$ 19,602</u>	<u>\$ 498,871</u>	<u>\$ 26,240</u>	<u>\$ 818,659</u>
December 31, 2021								
Cost	\$ 650,880	\$ 10,001	\$ 521	\$ 884	\$ 86,132	\$ 577,434	\$ 26,240	\$1,352,092
Accumulated depreciation and impairment	(383,163)	(4,259)	(182)	(736)	(66,530)	(78,563)	-	(533,433)
	<u>\$ 267,717</u>	<u>\$ 5,742</u>	<u>\$ 339</u>	<u>\$ 148</u>	<u>\$ 19,602</u>	<u>\$ 498,871</u>	<u>\$ 26,240</u>	<u>\$ 818,659</u>

	<u>Warehousing equipment</u>	<u>Transport Equipment</u>	<u>Office Equipment</u>	<u>Lease improvement</u>	<u>Lease assets</u>	<u>Other Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
January 1, 2020								
Cost	\$ 567,780	\$ 7,127	\$ 1,648	\$ 1,037	\$ 909,441	\$ 241,382	\$ 13,952	\$1,742,367
Accumulated depreciation and impairment	(315,860)	(5,041)	(1,200)	(687)	(866,025)	(30,979)	-	(1,219,792)
	<u>\$ 251,920</u>	<u>\$ 2,086</u>	<u>\$ 448</u>	<u>\$ 350</u>	<u>\$ 43,416</u>	<u>\$ 210,403</u>	<u>\$ 13,952</u>	<u>\$ 522,575</u>
<u>2020</u>								
January 1	\$ 251,920	\$ 2,086	\$ 448	\$ 350	\$ 43,416	\$ 210,403	\$ 13,952	\$ 522,575
Addition	61,497	4,162	-	-	-	237,332	27,975	330,966
Amount transferred due to disposal	-	(912)	-	-	-	-	-	(912)
Amount transferred due to disposal (Note)	-	-	-	-	-	-	(669)	(669)
depreciation expense	(47,998)	(1,120)	(78)	(63)	(12,748)	(20,742)	-	(82,749)
December 31	<u>\$ 265,419</u>	<u>\$ 4,216</u>	<u>\$ 370</u>	<u>\$ 287</u>	<u>\$ 30,668</u>	<u>\$ 426,993</u>	<u>\$ 41,258</u>	<u>\$ 769,211</u>
December 31, 2020								
Cost	\$ 629,277	\$ 8,161	\$ 1,648	\$ 1,037	\$ 909,441	\$ 478,714	\$ 41,258	\$2,069,536
Accumulated depreciation and impairment	(363,858)	(3,945)	(1,278)	(750)	(878,773)	(51,721)	-	(1,300,325)
	<u>\$ 265,419</u>	<u>\$ 4,216</u>	<u>\$ 370</u>	<u>\$ 287</u>	<u>\$ 30,668</u>	<u>\$ 426,993</u>	<u>\$ 41,258</u>	<u>\$ 769,211</u>

Note: Transfers during the period represents \$669 transferred to intangible assets

1. The capitalized amount of borrowing costs of property, plant and equipment and the interest rate range.

	<u>2021</u>	<u>2020</u>
Capitalized amount	\$ <u>6,678</u>	\$ <u>3,569</u>
Capitalized interest rate range	1.00%~1.54%	0.95%~1.76%

2. Significant components of the Company's warehousing equipment, including tanks and pipelines are depreciated over 2 to 35 years
3. The Company's property, plant and equipment showed no signs of impairment from January 1 to December 31, 2021 and 2020.
4. Please refer to Note 8 for information on the guarantees provided by the Company's on property, plant and equipment.

(VIII) Leasing arrangements - lessee

1. The subject assets of the Company's leases include land use rights, buildings and other equipment. Except for the land use rights, which have a period of 20 years, the remaining lease agreements normally have a period of 2 to 9 years.

Lease contracts are negotiated separately and include a variety of terms and conditions. There are no restrictions for the leased assets, except that they cannot be sub-leased, under-leased or used as loan collateral.

2. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land use rights	\$ 9,245	\$ 9,754
Buildings	20,399	6,392
Other Equipment	<u>18,313</u>	<u>68,411</u>
	<u>\$ 47,957</u>	<u>\$ 84,557</u>

	<u>2021</u>	<u>2020</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land use rights	\$ 509	\$ 423
Buildings	6,975	6,974
Other Equipment	<u>50,454</u>	<u>50,488</u>
	<u>\$ 57,938</u>	<u>\$ 57,885</u>

3. The additions to the Company's right-of-use assets were \$21,338 and \$10,434 as of 2021 and 2020, respectively.

4. The information on profit and loss items related to lease contracts is as follows:

	<u>2021</u>	<u>2020</u>
<u>Items affecting current profit and loss</u>		
Interest expenses on lease liabilities	\$ 937	\$ 1,928
Expenses for leases of low-value assets	285	255
Expenses for variable lease payments	5,681	4,119
Gain on lease modification	31	474

5. The Company's total lease cash outflows were \$66,733 and \$65,360 as of 2021 and 2020, respectively (of which \$59,830 and \$59,058 were for the principal of lease liabilities).

6. Effect of variable lease payments on lease liabilities

The targets of the Company's lease agreements with variable lease payment terms are linked to the amount of electricity sales generated from the solar power generation sites. Solar power generation sites are built on rooftops. This type of lease is based on variable-rate payment terms and is only related to the amount of electricity sales. Variable lease payments related to the amount of electricity sales are recognized as expenses in the period in which the electricity sales occur.

(IX) Leasing arrangements - lessor

1. The target assets leased by the Company are warehousing equipment. The lease agreements are usually for a period of 1 to 6 years and are negotiated on an individual basis and contain various terms and conditions

2. The Company recognized rental income of \$292,527 and \$375,100 in 2021 and 2020, respectively, based on operating lease agreements, in which no variable lease payments were included

3. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
2021	\$ -	\$ 268,477
2022	259,841	29,270
2023	27,680	5,860
2024~2027	40,000	-
Total	<u>\$ 327,521</u>	<u>\$ 303,607</u>

(X) Short-term borrowings and bills payable

<u>Nature of borrowings</u>	<u>December 31, 2021</u>	<u>Range of interest rate</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	<u>\$ 42,000</u>	1.00%	None
Short-term bills payable	<u>\$ 20,000</u>	0.53%	None

<u>Nature of borrowings</u>	<u>December 31, 2020</u>	<u>Interest Rate</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	<u>\$ 30,000</u>	0.95%	None
Short-term bills payable	<u>\$ 27,000</u>	0.78%	None

(XI) Long-term borrowings

<u>Nature of borrowings</u>	<u>Borrowing Period and Repayment Method</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Credit borrowings				
Land Bank of Taiwan	2017.7.7~2022.7.7 The principal and interest shall be repaid in 48 equal installments commencing from (inclusive) August 7, 2018.	1.51%	None	\$ 7,496
Land Bank of Taiwan	2018.5.7~2023.5.7 The principal and interest shall be repaid in 48 equal installments commencing from (inclusive) June 7, 2019.	1.51%	None	3,466
Land Bank of Taiwan	2021.2.26~2031.2.26 The principal and interest shall be repaid in 120 equal installments commencing from (inclusive) March 26, 2021.	1.50%	None	9,306
Chinatrust Commercial Bank	2020.6.30~2023.6.30 15% of the principal shall be repaid in 5 installments commencing from (inclusive) June 30, 2021. The remaining principal shall be fully repaid at maturity.	1.20%	None	28,000
Chinatrust Commercial Bank	2020.9.18~2023.6.30 15% of the principal shall be repaid in 5 installments commencing from (inclusive)	1.20%	None	28,000

		June 30, 2021. The remaining principal shall be fully repaid at maturity.			
Chinatrust Commercial Bank	2021.12.29~2031.12.29	The principal and interest shall be repaid in 120 equal installments commencing from (inclusive) January 29, 2022. (Note)	1.5007%	None	38,000
Secured borrowings					
Land Bank of Taiwan	2021.2.26~2031.2.26	The principal and interest shall be repaid in 120 equal installments commencing from (inclusive) March 26, 2021.	1.50%	Other Equipment	67,243
Mega International Commercial Bank.	2018.12.26~2028.12.26	The principal and interest shall be repaid in 40 equal installments commencing from (inclusive) March 26, 2019. (Note)	1.54%	Other Equipment	10,500
Mega International Commercial Bank.	2019.12.4~2028.12.26	The principal and interest shall be repaid in 37 equal installments commencing from (inclusive) December 26, 2019. (Note)	1.54%	Other Equipment	15,135
Mega International Commercial Bank.	2020.3.31~2028.12.26	The principal and interest shall be repaid in 35 equal installments commencing from (inclusive) March 31, 2020. (Note)	1.54%	Other Equipment	68,000
Mega International Commercial Bank.	2021.3.31~2031.3.31	The principal and interest shall be repaid in 40 equal installments commencing from (inclusive) June 30, 2021.	1.515%	Other Equipment	4,750
Mega International Commercial Bank	2021.9.29~2031.3.31	The principal and interest shall be repaid in 35 equal installments commencing from (inclusive) September 29, 2021.	1.515%	Other Equipment	14,615
Mega International Commercial Bank.	2021.12.29~2031.3.31	The principal and interest shall be repaid in 34 equal installments commencing from	1.515%	Other Equipment	42,400

Far Eastern International Bank	(inclusive) December 29, 2021. 2021.6.29~2026.6.29 0.55% of the principal shall be repaid in 60 installments commencing from (inclusive) July 29, 2021. The remaining principal shall be fully repaid at maturity.	1.5012%	Other Equipment	
				<u>16,439</u>
				353,350
Less: Current portion (other current liabilities)				<u>(66,584)</u>
				<u>\$ 286,766</u>

<u>Nature of borrowings</u>	<u>Borrowing Period and Repayment Method</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Credit borrowings				
Land Bank of Taiwan	2017.7.7~2022.7.7 The principal and interest shall be repaid in 48 equal installments commencing from (inclusive) August 7, 2018.	1.51%	None	\$ 20,195
Land Bank of Taiwan	2018.5.7~2023.5.7 The principal and interest shall be repaid in 48 equal installments commencing from (inclusive) June 7, 2019.	1.51%	None	5,869
Chinatrust Commercial Bank	2020.6.30~2023.6.30 15% of the principal shall be repaid in 5 installments commencing from (inclusive) June 30, 2021. The remaining principal shall be fully repaid at maturity.	1.20%	None	40,000
Chinatrust Commercial Bank	2020.9.18~2023.6.30 15% of the principal shall be repaid in 5 installments commencing from (inclusive) June 30, 2021. The remaining principal shall be fully repaid at maturity.	1.20%	None	40,000
Secured borrowings				
Mega International Commercial Bank.	2018.12.26~2028.12.26 The principal and interest shall be repaid in 40 equal installments commencing from (inclusive) March 26, 2019. (Note)	1.44%	Other Equipment	12,000

Mega International Commercial Bank	2019.12.4~2028.12.26 The principal and interest shall be repaid in 37 equal installments commencing from (inclusive) December 26, 2019. (Note)	1.44%	Other Equipment	17,297
Mega International Commercial Bank.	2020.3.31~2028.12.26 The principal and interest shall be repaid in 35 equal installments commencing from (inclusive) March 31, 2020. (Note)	1.44%	Other Equipment	
				<u>77,714</u>
				213,075
Less: Current portion (other current liabilities)				<u>(52,477)</u>
				<u>\$ 160,598</u>

Note: The Company entered into a long-term loan agreement with Mega International Commercial Bank (Mega Bank) for a facility amount of \$120,000 in 2018. The financial ratio limits for the duration of the loan are that the current ratio should be maintained at 85% or more and the debt ratio should be maintained at 150% or less which was revised in 2020. The aforementioned ratios are calculated based on the annual consolidated financial statements and are reviewed annually. If the aforementioned financial review criteria are not met, the interest rate on this loan will be increased by 0.1% from the day after the violation to the day before the improvement. The Company's consolidated financial statements for 2021 did not meet this criteria, but if the bank increases the interest rate, there should be no significant impact on the Company

(XII) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equipment payables	\$ 34,582	\$ 42,262
Employees' bonuses and directors' and supervisors' remuneration payable	5,788	11,974
Salary payables	7,582	9,607
Others	<u>11,053</u>	<u>12,229</u>
	<u>\$ 59,005</u>	<u>\$ 76,072</u>

(XIII) Pensions

1. Defined benefit plan

- (1) In accordance with the Labor Standards Act, the Company and its domestic subsidiaries have established a defined benefit pension plan that applies to the years of service prior to the implementation of the Labor Pension Act on July 1, 2005 for all regular employees, and to the subsequent years of service for employees who choose to continue to be subject to the Labor Standards Act after the implementation

of the Labor Pension Act. In addition, in the fourth quarter of 2010, the Company established a new pension plan for commissioned employees, who are not subject to the Labor Standards Act. For employees who meet the retirement criteria, pension payments are calculated based on the years of service and the average salary for the six months prior to retirement, with two bases for each year of service up to (inclusive) 15 years and one base for each year of service over 15 years, subject to a maximum accumulation of 45 bases. The years of service of the commissioned employees subject to the Labor Pension Act is calculated at 6% of the total salary during the term of appointment. The Company contributes monthly to pension funds at 8% of total salaries. The pension funds for regular employees and commissioned employees are deposited in the name of the Supervisory Committee of Labor Retirement Reserve in the Trust Department of Bank of Taiwan and Taishin International Bank, respectively. In addition, the Company estimates the balances of the pension funds before the end of each year. If the balances are not sufficient to pay the pensions based on the aforementioned calculations to eligible employees in the following year, the Company will make a one-time catch-up with the difference before the end of March of the following year.

(2) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligation	\$ 25,423	\$ 32,450
Fair value of the plan asset	<u>(16,871)</u>	<u>(24,594)</u>
Net liabilities recognized in balance sheet	<u>\$ 8,552</u>	<u>\$ 7,856</u>

(3) Changes of net liabilities are as follows:

	Present value of defined benefit obligation	Fair value of the plan asset	Net defined benefit liabilities
2021			
Balance as of January 1	\$ 32,450	(\$ 24,594)	\$ 7,856
Current service cost	186	-	186
Interest expense (revenue)	<u>88</u>	<u>(67)</u>	<u>21</u>
	<u>32,724</u>	<u>(24,661)</u>	<u>8,063</u>
Remeasurements:			
Return of plan asset (excluding amounts attributable to interest income or expense)	-	(230)	(230)
Effect of changes in financial assumptions	(1,178)	-	(1,178)
Effect of changes in demographic assumptions	24	-	24
Experience adjustment	<u>3,367</u>	<u>-</u>	<u>3,367</u>

	<u>2,213</u>	<u>(230)</u>	<u>1,983</u>
Pension paid	<u>(9,514)</u>	<u>9,514</u>	<u>-</u>
Pension fund contribution	<u>-</u>	<u>(1,494)</u>	<u>(1,494)</u>
Balance at December 31	<u>\$ 25,423</u>	<u>(\$ 16,871)</u>	<u>\$ 8,552</u>

	Present value of defined benefit obligation	Fair value of the plan asset	Net defined benefit liabilities
2020			
Balance as of January 1	\$ 30,447	(\$ 22,458)	\$ 7,989
Current service cost	254	-	254
Interest expense (revenue)	<u>192</u>	<u>(141)</u>	<u>51</u>
	<u>30,893</u>	<u>(22,599)</u>	<u>8,294</u>
Remeasurements:			
Return of plan asset (excluding amounts attributable to interest income or expense)	-	(517)	(517)
Effect of changes in financial assumptions	1,265	-	1,265
Experience adjustment	<u>292</u>	<u>-</u>	<u>292</u>
	<u>1,557</u>	<u>(517)</u>	<u>1,040</u>
Pension fund contribution	<u>-</u>	<u>(1,478)</u>	<u>(1,478)</u>
Balance at December 31	<u>\$ 32,450</u>	<u>(\$ 24,594)</u>	<u>\$ 7,856</u>

- (4) 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 utilization plan and the "Regulations for Revenues, Expenditures, Safe guard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization 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 secularization products, etc.). Such utilization is supervised by the Labor Funds Supervisory Committee. With regard to the utilization 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 competent authority. 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, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilization Report announced by the government. The Company's pension accounts with Taishin International Bank have been fully allocated to demand deposit.

(5) The principal actuarial assumptions used are summarized as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	<u>0.70%</u>	<u>0.30%</u>
Future salary increase rate	<u>2.00%</u>	<u>2.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Due to the change of the main actuarial assumption, the present value of defined benefit obligation is affected. The analysis is as follows:

	<u>Discount rate</u>		<u>Future salary increase rate</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
December 31, 2021				
Effect on the present value of defined benefit obligation	<u>(\$ 709)</u>	<u>\$ 738</u>	<u>\$ 498</u>	<u>(\$ 482)</u>
	<u>Discount rate</u>		<u>Future salary increase rate</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
December 31, 2020				
Effect on the present value of defined benefit obligation	<u>(\$ 800)</u>	<u>\$ 834</u>	<u>\$ 589</u>	<u>(\$ 570)</u>

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

The sensitivity analysis has been prepared using approaches and assumptions the same as last period.

- (6) Expected contributions to the defined benefit pension plans of the Company for the year 2022 amount to \$1,458.
- (7) As of December 31, 2021, the weighted average duration of the retirement plan is 11 years. The maturity analysis of pension payments is as follows:

In less than 1 year	\$	861
1-2 years		793
2-5 years		4,092
In more than 5 years		<u>21,817</u>
	<u>\$</u>	<u>27,563</u>

2. Defined contribution plan

the Company has established a defined contribution pension plan under the Labor Pension Act covering all regular employees with domestic citizenship. The Company contributes monthly no less than 6% of salaries as labor pensions to employees' personal accounts at the Bureau of Labor Insurance for employees who choose to apply the labor pension system under the "Labor Pension Act." Payments of employee pensions are made in the form of monthly pensions or one-time lump-sum, depending on the amount of the employees' personal accounts and accumulated earnings. The Company recognized pension costs of \$2,352 and \$2,383 as of 2021 and 2020, respectively, based on the above pension plan.

(XIV) Provision - non-current

	<u>2021</u>	<u>2020</u>
Balance as of January 1	\$ 18,528	\$ 14,245
Provision added this period	<u>3,262</u>	<u>4,283</u>
Balance at December 31	<u>\$ 21,790</u>	<u>\$ 18,528</u>

1. The company entered into a lease agreement with the Taiwan International Ports Corporation, Ltd. in November 2016 for a period ending on April 30, 2022. According to the agreement, the Company should restore the leased terminal base to its original condition by demolition at the end of the lease period. Therefore, the provision for liabilities based on the expected cost of dismantling, removing or restoring the site was \$9,886 as of December 31, 2021 and December 31, 2020.
2. The Company's solar power generation sites are built on the roof. According to the contract, the Company should restore the leased site to its original condition at the end of the lease term. Therefore, the provision for liabilities recognized for the solar power site based on the costs expected to be incurred for dismantling, removing or restoring the site were \$11,904 and \$8,642 as of December 31, 2021 and December 31, 2020, respectively.

(XV) Share capital

As of December 31, 2021, the Company's authorized capital was NT\$2,000,000 and the paid-in capital was NT\$690,344, divided into 69,034 thousand shares with a par value of NT\$10 per share.

The reconciliation of the number of shares of the Company's common stock in circulation at the beginning of the period to the end of the period is as follows:

	<u>2021</u>	<u>2020</u>
Number at the beginning of the period (i.e. Number at the end of the period)	<u>69,034 thousand shares</u>	<u>69,034 thousand shares</u>

(XVI) Additional paid-in capital

In accordance with the Company Act, any capital surplus arising from paid-in capital in excess of the par value on issuance of common stocks can be used to cover accumulated losses or to distribute new stocks or cash to shareholders in proportion to their shareholdings,

provided that the Company has no accumulated losses. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. Capital surpluses should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(XVII) Retained earnings

1. In accordance with the Company Act, the capital surplus from premium from issuance of shares in excess of par value and the capital surplus from donations may be used to cover losses, and new shares or cash may be issued in proportion to the shareholders' original shareholding percentages when the Company has no accumulated losses. In addition, in accordance with the Securities and Exchange Act, the above capital surplus can be capitalized to the extent that the total amount does not exceed 10% of the paid-in capital each year. Capital surpluses should not be used to cover accumulated deficit unless the legal reserve is insufficient.
2. In accordance with the Company Act, the legal reserve may not be used except to cover losses or to issue new shares or cash in proportion to the shareholders' original shareholding percentages, but it is limited to the portion of the legal reserve over 25% of the paid-in capital.
3. On August 18, 2021 and June 16, 2020, the Shareholders' Meeting of the Company approved the distribution of earnings for 2020 and 2019 respectively. The resolution is as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Dividends per share</u> <u>(NTD)</u>	<u>Amount</u>	<u>Dividends per share</u> <u>(NTD)</u>
Legal reserve allocated	\$ 15,972		\$ 13,490	
Allocated special reserve	13,064		-	
Cash dividends paid	<u>138,069</u>	\$ 2.00	<u>113,907</u>	\$ 1.65
Total	<u>\$167,105</u>		<u>\$127,397</u>	

4. On March 24, 2022, the Board of Directors proposed and approved the distribution of earnings for 2021. The resolution is as follows:

	<u>2021</u>	
	<u>Amount</u>	<u>Dividends per share (NTD)</u>
Legal reserve allocated	\$ 6,984	
Allocated special reserve	5,714	
Cash dividends paid	<u>55,227</u>	\$ 0.80
Total	<u>\$ 67,925</u>	

5. 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.

(XVIII) Operating income

	<u>2021</u>	<u>2020</u>
Operating lease		
Rental incomes	\$ 292,527	\$ 375,100
Revenue from Customer Contract		
Tank operation revenue	79,460	79,795
Electricity sales revenue	<u>62,341</u>	<u>50,298</u>
Total	<u>\$ 434,328</u>	<u>\$ 505,193</u>

The revenue from customer contracts of the Company is recognized gradually over time.

(XIX) Interest income

	<u>2021</u>	<u>2020</u>
Interest income	<u>\$ 252</u>	<u>\$ 341</u>

(XX) Other income

	<u>2021</u>	<u>2020</u>
Rental income	\$ 95	\$ 114
Dividends income	445	650
Endorsement and guarantee fee income	6,610	6,250
Indemnity income	360	4,800
Other income	<u>1,105</u>	<u>951</u>
Total	<u>\$ 8,615</u>	<u>\$ 12,765</u>

(XXI) Other gains or losses

	<u>2021</u>	<u>2020</u>
Gain on financial assets at fair value through profit or loss	\$ 2,533	\$ 2,765
Gain on financial assets at fair value through profit or loss		
Loss on disposal of property, plant	(2,405)	(2,141)

and equipment		
Net foreign currency exchange loss	(1,855)	(3,155)
Gain on lease modification	31	474
Others	-	(412)
Total	<u>(\$ 1,696)</u>	<u>(\$ 2,469)</u>

(XXII) Financial costs

	<u>2021</u>	<u>2020</u>
Interest expenses		
Bank borrowings	\$ 6,678	\$ 3,569
Less: The amount of asset capital that meets the requirements	<u>(6,678)</u>	<u>(3,569)</u>
	-	-
Interest expenses on lease liabilities	<u>937</u>	<u>1,928</u>
	<u>\$ 937</u>	<u>\$ 1,928</u>

(XXIII) Expenses by nature

	<u>2021</u>	<u>2020</u>
Employee benefits expense	\$ 75,663	\$ 81,353
depreciation expense	161,701	140,634
Amortization expenses	1,328	1,130
Expenses for variable lease payments	5,681	4,119
Low-value asset rents	285	255
Terminal administrative expenses	29,409	28,756
Miscellaneous purchases	11,711	12,046
Other expenses	<u>69,797</u>	<u>67,828</u>
Operating costs and operating expenses	<u>\$ 355,575</u>	<u>\$ 336,121</u>

(XXIV) Employee benefits expense

	<u>2021</u>	<u>2020</u>
Salary expenses	\$ 61,273	\$ 64,773
Labor and health insurance expenses	5,558	4,902
Pension costs	2,559	2,688
Directors' remuneration	2,233	4,465
Other employee expenses	<u>4,040</u>	<u>4,525</u>
	<u>\$ 75,663</u>	<u>\$ 81,353</u>

1. In accordance with the Company's Articles of Incorporation, if the Company has a surplus in earnings after deducting the accumulated losses based on the profitability of the current year, the Company shall appropriate no less than 3% as employees' profit sharing remuneration and no more than 5% as directors' and supervisors' profit sharing remuneration.
2. The estimated profit sharing amount for employees for the year ended December 31, 2021 and 2020 were \$2,894 and \$5,987, respectively; the estimated profit sharing amount for directors' and supervisors' were \$2,894 and \$5,987, respectively. The aforementioned amounts were recorded as salary expenses.

For the year ended December 31, 2021 and 2020, the profit sharing remuneration to employees and profit sharing remuneration to directors and supervisors were both estimated at 3% based on the profitability of the period. The profit sharing for employees and the profit sharing for directors and supervisors resolved by the Board of Directors for 2020 were consistent with the amounts recognized in the 2020 financial statements.

Information about employees' profit sharing and directors' and supervisors' profit sharing of the Company as resolved by the Board of Directors can be found on the Market Observation Post System.

(XXV) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>2021</u>		<u>2020</u>
Current tax:			
Income taxes arising from incomes for the current period	\$ 15,478	\$	36,113
Amount of income tax overestimated for prior years	(25)	(	12,198)
Tax on undistributed surplus earning	-		-
Total current tax	<u>15,453</u>		<u>23,915</u>
Deferred income tax:			
Origination and Reversal of Temporary Differences	<u>2,228</u>		<u>671</u>
Deferred tax:	<u>2,228</u>		<u>671</u>
Income tax expense	<u>\$ 17,681</u>	\$	<u>24,586</u>

(2) The income tax amount relating to components of other comprehensive income:

	<u>2021</u>		<u>2020</u>
Translation differences of foreign operations	\$ 1,093	\$	2,021
Remeasurements of defined benefit obligation	<u>396</u>		<u>208</u>
	<u>\$ 1,489</u>	\$	<u>2,229</u>

2. Reconciliation between income tax expense and accounting profit

	<u>2021</u>		<u>2020</u>
Income tax expense at the statutory rate	\$ 17,823	\$	36,862
Effect from receiving dividend from investee accounted for using the equity method and income	-		2,084
Effect from tax-exempt income under the tax law	216	(	2,614)
Effect from exclusion of expenses according to the tax law	489		452
Amount of income tax overestimated for prior years	(25)	(	12,198)
Others	<u>(822)</u>		<u>-</u>
Income tax expense	<u>\$ 17,681</u>	<u>\$</u>	<u>24,586</u>

3. Amounts of deferred tax assets derived from temporary differences are as follows:

	<u>2021</u>			
	January 1	Recognized in profit or loss	Recognized in other comprehensive net profit	December 31
Deferred income tax assets				
- temporary difference:				
Bonus for employees not taking leave	\$ 410	\$ -	\$ -	\$ 410
Pension liability	1,572	(654)	396	1,314
Unrealized exchange gains or loss	522	(427)	-	95
Cumulative translation adjustment	<u>2,748</u>	<u>-</u>	<u>1,093</u>	<u>3,841</u>
	<u>\$ 5,252</u>	<u>(\$ 1,081)</u>	<u>\$ 1,489</u>	<u>\$ 5,660</u>
- Deferred income tax liabilities				
Gain on investment	<u>(\$ 2,905)</u>	<u>(\$ 1,147)</u>	<u>\$ -</u>	<u>(\$ 4,052)</u>

	<u>2020</u>			
	January 1	Recognized in profit or loss	Recognized in other comprehensive net profit	December 31
Deferred income tax assets				
- temporary difference:				
Bonus for employees not taking leave	\$ 410	\$ -	\$ -	\$ 410
Pension liability	1,598	(234)	208	1,572
Unrealized exchange gains or loss	-	522	-	522
Cumulative translation adjustment	<u>727</u>	<u>-</u>	<u>2,021</u>	<u>2,748</u>
	<u>\$ 2,735</u>	<u>\$ 288</u>	<u>\$ 2,229</u>	<u>\$ 5,252</u>
- Deferred income tax liabilities				
Gain on investment	(\$ 1,946)	(\$ 959)	\$ -	(\$ 2,905)

4. Except for that of 2019, the income tax of the Company have been assessed by the tax authorities through 2020.

(XXVI) Earnings per share

	<u>2021</u>		
	After-tax amount	Weighted average Number of shares in circulation (thousands of shares)	Earnings per share (NTD)
<u>Basic earnings per share</u>			
Current period net profit	\$ 71,428	69,034	<u>\$ 1.03</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee compensation	<u>-</u>	<u>162</u>	
Net profits for the period attributable to shareholders of common stock of parent company plus the effect of potential common stock	<u>\$ 71,428</u>	<u>69,196</u>	<u>\$ 1.03</u>

	<u>2020</u>		
	After-tax amount	Weighted average Number of shares in circulation (thousands of shares)	Earnings per share (NTD)
<u>Basic earnings per share</u>			
Current period net profit	\$ 159,724	69,034	<u>\$ 2.31</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee compensation	-	<u>314</u>	
Net profits for the period attributable to shareholders of common stock of parent company plus the effect of potential common stock	<u>\$ 159,724</u>	<u>69,348</u>	<u>\$ 2.30</u>

(XXVII) Supplemental cash flow information

Investing activities that are only partially paid in cash

	<u>2021</u>	<u>2020</u>
Purchase of property, plant and equipment	\$ 153,211	\$ 330,966
Add: Equipment payable at the beginning of the period	42,262	15,137
Add: Equipment payable at the end of the period	(34,582)	(42,262)
Less: Provision for liabilities - non- current added during the period	<u>(3,262)</u>	<u>(4,283)</u>
Cash paid during the period	<u>\$ 157,629</u>	<u>\$ 299,558</u>

(XXVIII) Changes in liabilities arising from financing activities

			<u>2021</u>	
	<u>lease liabilities</u>	<u>Short-term borrowings and bills payable</u>	<u>Long-term borrowings (including portions due within one year or one operating cycle)</u>	<u>Total liabilities from financing activities</u>
January 1	\$ 77,848	\$ 57,000	\$ 213,075	\$ 347,923
Changes in cash flows from financing activities	(59,830)	5,000	140,275	85,445
Other non-cash transactions	<u>21,307</u>	<u>-</u>	<u>-</u>	<u>21,307</u>
December 31	<u>\$ 39,325</u>	<u>\$ 62,000</u>	<u>\$ 353,350</u>	<u>\$ 454,675</u>

			<u>2020</u>	
	<u>lease liabilities</u>	<u>Short-term borrowings and bills payable</u>	<u>Long-term borrowings (including portions due within one year or one operating cycle)</u>	<u>Total liabilities from financing activities</u>
January 1	\$ 126,946	\$ -	\$ 73,885	\$ 200,831
Changes in cash flows from financing activities	(59,058)	57,000	139,190	137,132
Other non-cash transactions	<u>9,960</u>	<u>-</u>	<u>-</u>	<u>9,960</u>
December 31	<u>\$ 77,848</u>	<u>\$ 57,000</u>	<u>\$ 213,075</u>	<u>\$ 347,923</u>

VII. Related-Party Transactions

(I) Parent company and ultimate controlling party

The Company's shares are held by the public and there is no ultimate parent or ultimate controlling party.

(II) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
POCS POWER CO., LTD. (POCSPC)	Subsidiaries
Prime Holdings Corporation (PHC)	Subsidiaries
Prime Solar Energy Co., Ltd. (PSE)	Subsidiaries

(III) Significant transactions and balances with related parties

1. Receivables from related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other receivables		
- POCSPC	<u>\$ 1,713</u>	<u>\$ 1,722</u>

Other receivables – income from endorsements and guarantee fees and management services

2. Other income

	<u>2021</u>	<u>2020</u>
endorsements and guarantee fees income:		
- POCSPC	\$ 6,238	\$ 6,250
Management services income:		
- POCSPC	<u>372</u>	<u>385</u>
Total	<u>\$ 6,610</u>	<u>\$ 6,635</u>

3. Endorsements and guarantees for related parties

	<u>2021</u>	<u>2020</u>
Subsidiaries- POCSPC	<u>\$ 244,300</u>	<u>\$ 250,000</u>

(IV) Compensation of key management personnel

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 22,197	\$ 25,582
Post-employment benefits	<u>1,099</u>	<u>1,095</u>
Total	<u>\$ 23,296</u>	<u>\$ 26,677</u>

VIII. Pledged assets

<u>Asset type</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Purpose</u>
Refundable deposits (time deposits)	\$ 2,850	\$ 2,400	Customs duty
Refundable deposits (time deposits)	36,008	36,118	Lease deposits
Refundable deposits (time deposits)	18,316	13,771	Performance guarantee deposits
Financial assets measured at amortized cost – non-current	2,301	-	Long-term borrowings
Other Equipment	313,884	130,805	Long-term borrowings
	<u>\$ 373,359</u>	<u>\$ 183,094</u>	

IX. Significant contingent liabilities and unrecognized contract commitments

(I) Contingencies

Not applicable.

(II) Capital expenditures contracted for but not yet incurred

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, Plant and Equipment	<u>\$ 191,297</u>	<u>\$ 110,739</u>

X. Losses due to major disasters

Not applicable.

XI. Significant events after the balance sheet date

On March 24, 2022, the Board of Directors passed the distribution of 2021 earnings. Please refer to Note 6(17).

XII. Others

(I) Capital management

The objective of the Company's capital management is to ensure that the Company can continue as a going concern, that an optimum capital structure is maintained to lower the cost of capital and that returns are provided to shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares. Should any borrowings occur, the Company will monitor its capital on the basis of the debt-to-equity ratio.

The Company monitors capital through the debt-to-equity ratio. This ratio is calculated as total loans less cash and cash equivalents then divided by total equity. The Company's strategic maintenance in 2021 to pin the debt-to-equity ratio in between 0% and 30% remains unchanged from that in 2020.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total loans	\$ 415,350	\$ 270,075
Less: Cash and cash equivalents	<u>(109,317)</u>	<u>(125,413)</u>
Net debt	<u>\$ 306,033</u>	<u>\$ 144,662</u>
Total equity	<u>\$ 962,007</u>	<u>\$ 1,037,949</u>
Debt-to-equity ratio	<u>31.81%</u>	<u>13.94%</u>

(II) Financial instruments

1. Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial asset</u>		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 83,109</u>	<u>\$ 67,074</u>
Financial assets at fair value through other comprehensive income		
Investments in designated equity instrument	<u>\$ 36,214</u>	<u>\$ 42,980</u>
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 109,317	\$ 125,413
Financial assets measured at amortized cost - current	26,026	16,489
Note receivable	717	244
Trade receivable	38,559	41,849
Other receivables (including related parties)	1,713	3,682
Financial assets measured at amortized cost - non-current	2,301	-
Refundable deposits	<u>63,358</u>	<u>58,228</u>
	<u>\$ 241,991</u>	<u>\$ 245,905</u>
<u>Financial liability</u>		
Financial assets measured at amortized cost		
Short-term borrowings	\$ 42,000	\$ 30,000
Short-term bills payable	20,000	27,000
Notes payable	6,881	6,881

Other payables	59,005	76,072
Long-term borrowings (including portions due within one year or one operating cycle)	353,350	213,075
Guarantee deposits received	<u>6,450</u>	<u>6,450</u>
	<u>\$ 487,686</u>	<u>\$ 359,478</u>
lease liabilities	<u>\$ 39,325</u>	<u>\$ 77,848</u>

2. Risk management policies

The Company's daily operations are subject to a number of financial risks, including market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and performance.

The Company's significant financial risk management is controlled with review by the Board of Directors in accordance with relevant regulations and internal control systems. The financial risk management plan has been established to identify and analyze the financial risks faced by the Company and assess their impact and to implement relevant policies to avoid financial risks and to regularly review the financial risk policy to reflect changes in market conditions and the Company's operations.

3. Significant financial risks and degrees of financial risks

(1) Market risk

Exchange rate risk

- A. The Company engages in business involving foreign currency transactions and is therefore subject to exchange rate fluctuations and exchange rate risk arising from different currencies, mainly USD. The related exchange rate risk arises from future business transactions and recognized assets. Exchange rate risk arises when future business transactions and recognized assets are denominated in the functional currency of the entity
- B. The Company has no significant foreign currency financial liabilities. An analysis of foreign currency assets subject to significant exchange rate fluctuations and foreign currency market risk due to significant exchange rate fluctuations is as follows:

<u>December 31, 2021</u>						
<u>Sensitivity Analysis</u>						
	Foreign currency (NTD thousands)	Exchange rate	Carrying amount (NTD)	Change range	Impact on profit or loss	Impact on comprehensiv e income
<u>Financial asset</u>						
<u>Monetary items</u>						
USD: NTD	\$ 587	27.63	\$ 16,219	1%	\$ 162	\$ -
<u>Non-monetary items</u>						
USD: NTD	\$8,897	27.63	\$245,822	1%	\$ -	\$ -

<u>December 31, 2020</u>						
<u>Sensitivity Analysis</u>						
	Foreign currency (NTD thousands)	Exchange rate	Carrying amount (NTD)	Change range	Impact on profit or loss	Impact on comprehensiv e income
<u>Financial asset</u>						
<u>Non-monetary items</u>						
USD: NTD	\$8,814	28.43	\$250,586	1%	\$ -	\$ -

C. The total amount of exchange losses (both realized and unrealized) recognized in 2021 and 2020 was \$1,855 and \$3,155, respectively, due to the significant impact of exchange rate fluctuations on the Company's monetary items.

(2) Price risk

A. The Company's equity instruments exposed to price risk are financial assets held at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage the price risk of equity securities, the Company diversifies its investment portfolio in a manner that is based on the limits set by the Company. To manage the price risk of investments of equity instruments, the Company diversifies its investment portfolio in accordance with the limits set by the Company.

B. The Company invests mainly in equity instruments and beneficiary certificates that are not listed on TWSE or TPEX. The prices of these equity instruments are affected by the uncertainty of the future value of the underlying investments.

(3) Cash flow and fair value interest rate risk

A. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at floating rates expose the Company to cash flow interest rate risks which

are partially offset by cash and cash equivalents held at floating rates. For year 2021 and 2020, the Company's borrowings based on floating interest rate were denominated in NTD.

- B. The Company simulates various scenarios and analyzes interest rate risk, including consideration of refinancing, renewal of existing outstanding, and other available financing and hedging instruments, to calculate the impact of changes in specific interest rates on profit or loss. For each simulated scenario, the same interest rate change is applied to all currencies. These simulated scenarios are used only for significant interest-bearing liabilities.
- C. As of December 31, 2021 and December 31, 2020, if the interest rate of all borrowings increased by 1% with all other factors held constant, net profits after tax would have decreased by \$2,742 and \$1,376 for 2021 and 2020, primarily due to the floating rate of borrowings that increases interest expense.

(4) Credit risk

- A. The Company's credit risk is the risk of financial loss arising from the failure of customers or counterparties to financial instruments to meet their contractual obligations, mainly from the failure of counterparties to settle accounts receivable on payment terms.
- B. For receivables arising from operating activities, the Company has established relevant credit risk management mechanisms and regularly evaluates the financial position, credit limits and other factors of the related debtors, and the current creditworthiness of the receivables is good and there was no significant credit risk according to the assessment. The cash and cash equivalents have been assessed to be free of material risk.
- C. The Company assumes that a default is deemed to have occurred when payments are more than 60 days overdue in accordance with the contractual payment terms.
- D. The Company categorizes accounts receivable from customers according to the characteristics of revenue types and estimates expected credit losses based on the loss ratio method on a simplified basis.
- E. The Company has estimated the allowance for losses on accounts receivable by incorporating forward-looking adjustments to the loss rate established based on historical and current information for a specific period, as the Company's customers are of good credit and the overdue accounts receivable and the overdue loss rate were not material as of December 31, 2021 and December 31, 2020.
- F. There was no sign of impairment of the Company's notes receivable.
- G. The Company's allowance for losses on accounts receivable on a simplified basis has not changed from January 1 to December 31, 2021 and 2020. The allowance for losses on accounts receivable was \$0 as of 2021 and 2020.

(5) Liquidity risk

- A. The Company's finance department prepares future cash flow forecasts to monitor future capital needs and to ensure that sufficient funds are available for disbursement, and maintains sufficient borrowing facilities to adjust for future funding shortfalls.
- B. The following schedule shows the Company's non-derivative financial liabilities, grouped by the relevant maturity date. Non-derivative financial liabilities are analyzed based on the remaining tenor from the balance sheet date to the contractual maturity date. The contractual cash flow amounts disclosed in the Table below are undiscounted amounts.

Non-derivative financial liabilities:

December 31, 2021	<u>Less than 1</u> <u>year</u>	<u>Less than 1 to 2</u> <u>years</u>	<u>More than 2</u> <u>years</u>
Short-term borrowings	\$ 42,104	\$ -	\$ -
Short-term bills payable	20,009	-	-
Notes payable	6,881	-	-
Other payables	59,005	-	-
lease liabilities	29,137	8,991	9,062
Guarantee deposits received	-	-	6,450
Long-term borrowings (including portions due within one year or one operating cycle)	<u>71,373</u>	<u>69,608</u>	<u>230,410</u>
Total	<u>\$ 166,396</u>	<u>\$ 78,599</u>	<u>\$ 245,922</u>

Non-derivative financial liabilities:

December 31, 2020	<u>Less than 1</u> <u>year</u>	<u>Less than 1 to 2</u> <u>years</u>	<u>More than 2</u> <u>years</u>
Short-term borrowings	\$ 30,042	\$ -	\$ -
Short-term bills payable	27,025	-	-
Notes payable	6,881	-	-
Other payables	76,072	-	-
lease liabilities	58,941	21,294	3,968
Guarantee deposits received	-	-	6,450
Long-term borrowings (including portions due within one year or one operating cycle)	<u>55,123</u>	<u>49,260</u>	<u>117,089</u>
Total	<u>\$ 197,017</u>	<u>\$ 70,554</u>	<u>\$ 127,507</u>

(III) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The Company's investments in non-listed stocks belong to this.

2. For financial and non-financial instruments measured at fair value, the Company classifies them based on the basis of the nature, characteristics and risks of the assets and fair value level. The related information is as follows

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
Investment in private equity	\$ -	\$ -	\$ 83,109	\$ 83,109
Financial assets at fair value through other comprehensive income				
Equity security	<u>-</u>	<u>-</u>	<u>36,214</u>	<u>36,214</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$119,323</u>	<u>\$119,323</u>

December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
Investment in private equity	\$ -	\$ -	\$ 67,074	\$ 67,074
Financial assets at fair value through other comprehensive income				
Equity security	<u>-</u>	<u>-</u>	<u>42,980</u>	<u>42,980</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$110,054</u>	<u>\$110,054</u>

The following table shows the changes in Level 3 for 2021 and 2020.

	<u>2021</u>		<u>2020</u>	
	<u>Non-derivative equity security</u>		<u>Non-derivative equity security</u>	
January 1	\$	110,054	\$	80,439
Gain recognized in profit or loss		2,533		2,765
Profit (loss) recognized in other comprehensive income	(	3,346)		2,634
Realized gains or losses on valuation reclassified to unappropriated earnings		2,003		-
Purchase in the period		28,141		31,877
Refund of share price due to capital deduction during the period	(	20,062)	(	7,661)
December 31	\$	<u>119,323</u>	\$	<u>110,054</u>

4. In 2021 and 2020 there were no transfers in or out of Level 3.
5. The Company's valuation process for fair value classification in Level 3 is conducted by the finance and accounting department, which is responsible for conducting independent fair value verification of financial instruments, using independent sources of information to make the valuation results approximate market conditions, confirming that the sources of information are independent, reliable, consistent with other resources and representative of executable prices, and regularly updating the input values and information required by the valuation models and any other necessary fair value adjustments to ensure that the valuation results are reasonable.
6. Quantitative information regarding the significant unobservable input values of the valuation models used for Level 3 fair value measurements and sensitivity analysis of changes in significant unobservable input values are described below.

	<u>December 31, 2021</u>	<u>Valuation</u>	<u>Significant</u>	<u>Interval</u>	<u>Relationship</u>
	<u>fair value</u>	<u>technique</u>	<u>unobservable</u>	<u>(Weighted</u>	<u>between input</u>
			<u>input value</u>	<u>average)</u>	<u>value and fair</u>
					<u>value</u>
Non-derivative equity security:					
Non-TWSE or TPEX listed stock	\$ 5,324	Discounted benefit flow method	Discount for lack of marketability Adjustment to 30% discount for lack of controlling interests	20%	The higher the discount for lack of marketability and the higher the discount for lack of controlling interests, the lower the fair value

Venture capital company stock	30,890	Net asset value method	Net asset value	-	The higher the net asset value, the higher the fair value
Investment in private equity	83,109	Net asset value method	Net asset value	-	The higher the net asset value, the higher the fair value

	<u>December 31, 2020 fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable input value</u>	<u>Interval (Weighted average)</u>	<u>Relationship between input value and fair value</u>
Non-derivative equity security: Non-TWSE or TPEX listed stock	\$ 15,010	Discounted benefit flow method	Discount for lack of marketability Adjustment to 30% discount for lack of controlling interests	20%	The higher the discount for lack of marketability and the higher the discount for lack of controlling interests, the lower the fair value
Venture capital company stock	27,970	Net asset value method	Net asset value	-	The higher the net asset value, the higher the fair value
Investment in private equity	67,074	Net asset value method	Net asset value	-	The higher the net asset value, the higher the fair value

7. The company has carefully evaluated the valuation models and valuation parameters selected and therefore the fair value measurement is reasonable. However, the use of different valuation models or valuation parameters may result in different valuation results. For financial assets and financial liabilities classified as Level 3, the effect on the profit or loss for the period or other comprehensive income if the valuation parameters are changed is as follows.

		<u>December 31, 2021</u>					
		<u>Input value</u>	<u>Change</u>	<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive Income</u>	
				<u>Favorable change</u>	<u>Unfavorable change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>
Financial asset							
Equity instruments	Discount for lack of marketability	±1%	\$ -	\$ -	\$ 53	(\$ 53)	
Equity instruments	Net asset value	±1%	-	-	309	(309)	
Investment in private equity	Net asset value	±1%	<u>831</u>	<u>(831)</u>	<u>-</u>	<u>-</u>	

Total			<u>\$ 831</u>	<u>(\$ 831)</u>	<u>\$ 362</u>	<u>(\$ 362)</u>
-------	--	--	---------------	-----------------	---------------	-----------------

		<u>December 31, 2020</u>				
				<u>Recognized in profit or loss</u>		<u>Recognized in other</u>
		<u>Input</u>		<u>Favorable</u>	<u>Unfavorable</u>	<u>comprehensive Income</u>
		<u>value</u>	<u>Change</u>	<u>change</u>	<u>change</u>	<u>Unfavorable</u>
						<u>change</u>
Financial asset						
Equity instruments	Discount for lack of marketability	±1%	\$ -	\$ -	\$ 150	(\$ 150)
Equity instruments	Net asset value	±1%	-	-	280	(280)
Investment in private equity	Net asset value	±1%	<u>671</u>	<u>(671)</u>	<u>-</u>	<u>-</u>
Total			<u>\$ 671</u>	<u>(\$ 671)</u>	<u>\$ 430</u>	<u>(\$ 430)</u>

XIII. Additional disclosures

(I) Significant transactions information

- Loans to others: None.
- Endorsements and guarantees for others: Please refer to Table 1.
- Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates and joint ventures): Please refer to Table 2.
- Marketable securities acquired and disposed amounting to at least NT\$300 million or 20% of the paid-in capital. None.
- Acquisition of individual real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None
- Disposal of individual real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None
- Purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.

Engagements in derivative financial instruments transactions: None

- Business relationships and significant intercompany transactions and amounts between the parent company and its subsidiaries and between subsidiaries: None.

(II) Information on investees

Name, locations, and other related information of investees: Please refer to Table 3.

(III) Investments in Mainland China

- Basic information: None

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

(IV) Information on main investors

For information on major shareholders: Please refer to Table 4.

XIV. Operating Segments Information

According to IFRS 8, the operating segments information will be disclosed in the consolidated financial statements.

Prime Oil Chemical Service Corporation
Cash and cash equivalents
December 31, 2021

Unit: Thousand NTD

Item	Abstract	Amount
Cash on hand and working capital		\$ 210
Bank deposits		
- Demand deposits		74,330
- Checking deposits		1,877
- Term deposits	Interest rate 0.025%-0.765% Due from December 22, 2021 to January 23, 2022	32,900
		<u>\$ 109,317</u>

Prime Oil Chemical Service Corporation
Changes in investments accounted for under the equity method
January 1 to December 31, 2021

Unit: Thousand NTD

<u>Name</u>	<u>Beginning balance</u>		<u>Increase of the period</u>		<u>Decrease of the period</u>		<u>Ending balance</u>			<u>Market value or net value of shares</u>	<u>Provision of endorsements and guarantees to others</u>	<u>Remarks</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u> (<u>Note 1</u>)	<u>Shares</u>	<u>Amount</u> (<u>Note 2</u>)	<u>Shares</u>	<u>Ratio</u>	<u>Amount</u>			
He Zhen Feng Co., Ltd.	69,468	\$ 1,113	-	\$ -	-	(\$ 36)	69,468	69.47%	\$ 1,077	\$ 1,077	None	
POCS POWER CO., LTD.	4,000,000	45,123	-	958	-	-	4,000,000	100%	46,081	46,081	None	
Prime Holdings Corporation	6,298,770	<u>250,586</u>	-	<u>3,200</u>	-	<u>(7,964)</u>	6,298,770	100%	<u>245,822</u>	245,822	None	
		<u>\$ 296,822</u>		<u>\$ 4,158</u>		<u>(\$ 8,000)</u>			<u>\$ 292,980</u>			

Note 1: The increase for the period was the investment income of \$4,158 recognized under the equity method

Note 2: The decrease for the period consisted of \$36 investment loss recognized under the equity method, \$2,500 realized loss from disposal of fixed assets and \$5,464 cumulative translation adjustments.

Prime Oil Chemical Service Corporation
Property, plant and equipment
January 1 to December 31,2021

Unit: Thousand NTD

For details of relevant changes, please refer to Note 6(7)

Prime Oil Chemical Service Corporation
Changes in the cost of right-of-use assets and accumulated depreciation
January 1 to December 31, 2021

Unit: Thousand NTD

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance	Remarks
Cost					
Land use rights	\$ 10,177	\$ -	\$ -	\$ 10,177	
Buildings	20,340	20,982	(20,340)	20,982	
Other	173,996	356	(706)	173,646	
Equipment	204,513	<u>\$ 21,338</u>	<u>(\$ 21,046)</u>	204,805	
Accumulated depreciation					
Land use rights	(423)	(\$ 509)	\$ -	(932)	
Buildings	(13,948)	(6,975)	20,340	(583)	
Other	(105,585)	(50,454)	706	(155,333)	
Equipment	(119,956)	<u>(\$ 57,938)</u>	<u>\$ 21,046</u>	(156,848)	
	<u>\$ 84,557</u>			<u>\$ 47,957</u>	

Prime Oil Chemical Service Corporation
Lease liabilities
December 31, 2021

Unit: Thousand NTD

Item	Abstract	Lease tenor	Discount rate	Ending balance	Remarks
Land use rights	Site at Gukeng Township, Yunlin County	2020.2.28~2040.2.27	1.69%	\$ 6,294	
Buildings	Office	2021.12.1~2024.11.30	1.51%	14,169	
Other Equipment	Tanks area at the Port of Taichung	2019.1.1~2024.9.30	1.51%~1.76%	18,862	
				<u>\$ 39,325</u>	

Prime Oil Chemical Service Corporation
Other payables
December 31, 2021

Unit: Thousand NTD

For details of balances of relevant accounts, please refer to Note 6(12)

Prime Oil Chemical Service Corporation
Long-term borrowings
December 31, 2021

Unit: Thousand NTD

For details of balances of relevant accounts, please refer to Note 6(11)

Prime Oil Chemical Service Corporation
Operating costs
January 1 to December 31,2021

Unit: Thousand NTD

Item	Amount	Remarks
Cost for selling electricity		
depreciation expense	\$ 27,352	
Rental expenses	5,830	
Maintenance expenses	1,514	
Property insurance premium	541	
Other expenses	275	
	35,512	
Leasing cost		
depreciation expense	126,106	
Employee benefits expense	39,720	
Terminal administrative expenses	29,409	
Property insurance premium	13,263	
Other expenses	45,586	The balance of each fractional account does not exceed 5% of the balance of this account
Subtotal	254,084	
	<u>\$ 289,596</u>	

Prime Oil Chemical Service Corporation
Details of selling and marketing expenses
January 1 to December 31,2021

Unit: Thousand NTD

Item	Amount	Remarks
Employee benefits expense	\$ 3,640	
Donation	800	
Travel expenses	336	
Other expenses	1,387	The balance of each fractional account does not exceed 5% of the balance of this account
	<u>\$ 6,163</u>	

Prime Oil Chemical Service Corporation
Details of administration expenses
January 1 to December 31,2021

Unit: Thousand NTD

Item	Amount	Remarks
Employee benefits expense	\$ 32,303	
Salaries and wages	7,035	
depreciation expense	8,243	
Other expenses	12,235	The balance of each fractional account does not exceed 5% of the balance of this account
	<u>\$ 59,816</u>	

Prime Oil Chemical Service Corporation
Summary by function of employee benefits, depreciation, depletion and amortization expenses incurred during the current period.
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

Functionality	2021			2020		
	<u>Those of operating costs</u>	<u>Those of operating expenses</u>	<u>Total</u>	<u>Those of operating costs</u>	<u>Those of operating expenses</u>	<u>Total</u>
Nature						
Employee benefits expense						
Salary expenses	\$ 33,324	\$ 27,949	\$ 61,273	\$ 35,148	\$ 29,625	\$ 64,773
Labor and health insurance expenses	3,320	2,238	5,558	2,854	2,048	4,902
Pension costs	1,484	1,075	2,559	1,330	1,358	2,688
Directors' remuneration	-	2,233	2,233	-	4,465	4,465
Other employee expenses	1,592	2,448	4,040	1,487	3,038	4,525
	<u>\$ 39,720</u>	<u>\$ 35,943</u>	<u>\$ 75,663</u>	<u>\$ 40,819</u>	<u>\$ 40,534</u>	<u>\$ 81,353</u>
Depreciation expense	<u>\$ 153,458</u>	<u>\$ 8,243</u>	<u>\$ 161,701</u>	<u>\$ 133,121</u>	<u>\$ 7,513</u>	<u>\$ 140,634</u>
Amortization expenses	<u>\$ -</u>	<u>\$ 1,328</u>	<u>\$ 1,328</u>	<u>\$ -</u>	<u>\$ 1,130</u>	<u>\$ 1,130</u>

- The number of employees at the end of the current year and the previous year was 73 and 68, respectively. Among them, there were 3 and 3 Directors, respectively, who do not concurrently serve as employees.
- For companies whose shares are listed on the Taiwan Stock Exchange or traded over-the-counter on the Taipei Exchange, they should further disclose the following information.
 - The average employee benefit expenses of the year was NT\$1,049 ((total employee benefit costs of the year – total directors' remuneration)/(the number of employees of the year - number of directors who are not concurrently employed))
The average employee benefit expenses of the previous year was NT\$1,183 ((total employee benefit costs of the previous year – total directors' remuneration)/(the number of employees of the previous year - number of directors who are not concurrently employed))
 - The average salaries and wages expenses of the year was NT\$875 (total salaries and wages of the year/(the number of employees of the previous year -

Prime Oil Chemical Service Corporation
Summary by function of employee benefits, depreciation, depletion and amortization expenses incurred during the current period.
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

number of directors who are not concurrently employed))

The average salaries and wages expenses of the previous year was NT\$997 (total salaries and wages of the previous year/(the number of employees of the previous year - number of directors who are not concurrently employed))

(3) Change in average employee salary expense adjustment (12.24%) ((the average salaries and wages expenses of the year-the average salaries and wages expenses of the previous year)/ the average salaries and wages expenses of the previous year)

(4) Supervisors' remuneration of the year was NT\$871, Supervisors' remuneration of the previous year was NT\$1,774.

(5) The Company's compensation policy (including directors, independent directors, supervisors, managers and employees)