

Prime Oil Chemical Service Corporation and its
subsidiaries
Consolidated Financial Statements and
Independent Auditor's Review Report
for the Years Ended December 31, 2021 and 2020
(Stock Code: 2904)

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Prime Oil Chemical Service Corporation and its subsidiaries
Consolidated Financial Statements and Independent Auditor's Review Report for FY
2021 and FY2020
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Prime Oil Chemical Service Corporation and its subsidiaries
Statement of Consolidated Financial Statements of Affiliated Companies

For 2021 (from January 1, 2021 to December 31, 2021), the entities that should be included in the consolidated financial reports of affiliated enterprises based on "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and the entities that should be included in the consolidated financial reports of subsidiaries based on "Consolidated and separate financial statements" of International Financial Reporting Standards No. 10 (IFRS 10) were the same. The related information that should be disclosed in the consolidated financial statements of affiliated enterprises is also already disclosed in the consolidated financial reports for subsidiaries so that the consolidated financial statements of affiliated enterprises would not be published separately.

Prime Oil Chemical Service Corporation and its
subsidiaries

Representative: Liao, Shu-Chun

March 24, 2022

Independent Auditors' Report
(2022) Cai-Shen-Bao-Zi #21005445

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

Opinion

We have reviewed the accompanying consolidated balance sheets of Prime Oil Chemical Service Corporation and its subsidiaries (hereinafter referred to as the “Corporate Group”) as of December 31, 2021 and 2020 and the related consolidated comprehensive income statements, consolidated statements of changes in equity and consolidated cash flow statements for the periods then ended, and notes to the consolidated financial statements (including a summary of the significant accounting policies).

Based on our review, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Prime Oil Chemical Service Corporation as of December 31, 2021 and 2020, and the consolidated financial results and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, explanations and announcements of explanations recognized by the Financial Supervisory Commission.

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 the Independent Auditors' responsibilities for audits of consolidated 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 Consolidated Financial Statements as of 2021. These matters have been addressed in the process of our audit of the Consolidated 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 Consolidated Financial Statements as of 2021 are as follows:

Evaluation of other equipment impairment

Description

For property, plant and equipment, please refer the Note 6(6) of the Consolidated 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 Consolidated 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\$815,482 thousand, accounting for 50% of the total consolidated 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 impairment assessment. Since the value-in-use evaluation process involves judgement 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.

Others - Standalone Financial Reports

Prime Oil Chemical Service Corporation has prepared its financial statements for the years ended December 31, 2021 and 2020, and we have issued an unqualified audit report thereon for reference.

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

The management's responsibility is to prepare the Consolidated 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 control relevant to the preparation of the Consolidated Financial Statements to ensure that the Consolidated Financial Statements are free from material misstatements, whether due to fraud or error.

In preparing the Consolidated 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 Consolidated Financial Statements.

The purpose of our audit is to obtain reasonable assurance about whether the Consolidated 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 highly 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 Consolidated 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 risk of material misstatements resulting from fraud or error; design and implement appropriate countermeasures for the assessed risks; and obtain sufficient and appropriate audit evidences 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 control 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 the management's adoption of accounting basis for going concern and whether there is any material uncertainty regarding events or circumstances that may cast 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 of 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 the overall presentation, structure and content of the Consolidated 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 Consolidated Financial Statements. We are responsible for the direction, supervision and execution of the audit project and for developing audit opinions of Prime Oil Chemical Service Corporation.

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 Consolidated 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 and its subsidiaries
Consolidated 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)	\$ 135,111	8	\$ 142,716	9
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) and 12(2)	42,387	3	45,164	3
1200	Other receivables		-	-	1,960	-
1410	Prepayments		8,457	-	15,789	1
11XX	Total current assets		<u>212,698</u>	<u>13</u>	<u>222,362</u>	<u>14</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6 (2)	83,109	5	67,074	4
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	-	-	-
1600	Property, Plant and Equipment	6(6) and 8	1,179,274	72	1,151,499	70
1755	Right-of-use assets	6 (7)	47,957	3	84,557	5
1780	Intangible asset		4,241	-	5,408	-
1840	Deferred tax assets	6 (22)	5,660	1	5,252	-
1920	Refundable deposits	8	64,026	4	58,896	4
15XX	Total non-current assets		<u>1,422,782</u>	<u>87</u>	<u>1,415,666</u>	<u>86</u>
1XXX	Total Assets		<u>\$ 1,635,480</u>	<u>100</u>	<u>\$ 1,638,028</u>	<u>100</u>

(Continued)

Prime Oil Chemical Service Corporation and its subsidiaries
Consolidated 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 (9)	\$ 103,600	6	\$ 98,800	6
2110	Short-term bills payable	6 (9)	38,500	2	45,500	3
2150	Notes payable		6,881	-	6,881	-
2200	Other payables	6 (11)	60,518	4	76,996	5
2230	Current income tax liabilities		15,617	1	27,143	2
2280	Current lease liabilities		23,363	2	53,070	3
2300	Other current liabilities	6 (10)	69,955	4	55,796	3
21XX	Total current liabilities		<u>318,434</u>	<u>19</u>	<u>364,186</u>	<u>22</u>
Non-current liabilities						
2540	Long-term borrowings	6 (10)	294,365	18	171,492	11
2550	Provisions for liabilities - non-current	6 (13)	25,185	2	21,923	1
2570	Deferred tax liabilities	6 (22)	4,052	-	2,905	-
2580	Non-current lease liabilities		15,962	1	24,778	2
2640	Net defined benefit liabilities - noncurrent	6 (12)	8,552	1	7,856	1
2645	Guarantee deposits received		6,450	-	6,450	-
25XX	Total non-current liabilities		<u>354,566</u>	<u>22</u>	<u>235,404</u>	<u>15</u>
2XXX	Total liabilities		<u>673,000</u>	<u>41</u>	<u>599,590</u>	<u>37</u>
Equity attributable to shareholders of the parent company						
Share capital						
3110	Common stock	6 (14)	690,344	42	690,344	42
Additional paid-in capital						
3200	Additional paid-in capital	6 (15)	4,233	-	4,233	-
Retained earnings						
3310	Legal reserve	6(16)	187,193	12	171,221	11
3320	Special reserve		13,064	1	-	-
3350	Unappropriated retained earnings		85,951	5	185,215	11
Other equity interests						
3400	Other equity interests		(18,778)	(1)	(13,064)	(1)
31XX	Total equity attributable to shareholders of the parent company		<u>962,007</u>	<u>59</u>	<u>1,037,949</u>	<u>63</u>
36XX	Non-controlling interests		<u>473</u>	<u>-</u>	<u>489</u>	<u>-</u>
3XXX	Total equity		<u>962,480</u>	<u>59</u>	<u>1,038,438</u>	<u>63</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 1,635,480</u>	<u>100</u>	<u>\$ 1,638,028</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated 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 and its subsidiaries
Consolidated income statements
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 (8) (17)	\$ 466,109	100	\$ 540,837	100
5000 Operating cost	6 (20)				
	(21)	(310,978)	(67)	(285,989)	(53)
5900 Operating gross profits		<u>155,131</u>	<u>33</u>	<u>254,848</u>	<u>47</u>
Operating expenses	6 (20)				
	(21)				
6100 Selling and marketing expenses		(6,241)	(1)	(5,486)	(1)
6200 General and administrative expenses		(60,415)	(13)	(67,825)	(13)
6000 Total operating expenses		(66,656)	(14)	(73,311)	(14)
6900 Operating profit		<u>88,475</u>	<u>19</u>	<u>181,537</u>	<u>33</u>
Non-operating income and expenses					
7100 Interest income		261	-	389	-
7010 Other income		2,021	-	6,130	1
7020 Other gains or losses	6 (18)	804	-	31	-
7050 Financial costs	6 (19)	(2,088)	-	(3,298)	-
7000 Total non-operating income and expenses		<u>998</u>	<u>-</u>	<u>3,252</u>	<u>1</u>
7900 Profit before income tax		89,473	19	184,789	34
7950 Income tax expense	6 (22)	(18,061)	(4)	(25,071)	(5)
8200 Current period net profit		<u>\$ 71,412</u>	<u>15</u>	<u>\$ 159,718</u>	<u>29</u>

(Continued)

Prime Oil Chemical Service Corporation and its subsidiaries
Consolidated income statements
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD
(Except for earnings per share)

Item	Note	2021		2020		
		Amount	%	Amount	%	
Other comprehensive income for the year (net)						
Items that will be reclassified to profit or loss						
8311		Re-measurements of the defined benefit liability	(\$ 1,980)	-	(\$ 1,040)	-
8316	6(3)	Unrealized valuation gain or loss on equity instruments at fair value through other comprehensive income	(3,346)	(1)	2,634	-
8349	6 (22)	Income tax related to components of other comprehensive income that is not reclassified to profit or loss	396	-	208	-
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:						
8361		Exchange Differences in Translating the Financial Statements of Foreign Operations	(5,464)	(1)	(10,104)	(2)
8399	6 (22)	Income taxes related to items that may be reclassified	1,093	-	2,021	1
8360		Total of Items that may be reclassified to profit or loss	(4,371)	(1)	(8,083)	(1)
8300		Other comprehensive income for the year (net)	(\$ 9,301)	(2)	(\$ 6,281)	(1)
8500		Total comprehensive income in the current period	\$ 62,111	13	\$ 153,437	28
Net income attributable to:						
8610		Shareholders of the parent company	\$ 71,428	15	\$ 159,724	29
8620		Non-controlling interests	(16)	-	(6)	-
			\$ 71,412	15	\$ 159,718	29
Total comprehensive income attributable to:						
8710		Shareholders of the parent company	\$ 62,127	13	\$ 153,443	28
8720		Non-controlling interests	(16)	-	(6)	-
			\$ 62,111	13	\$ 153,437	28
Earnings per share						
9750	6 (23)	Basic	\$ 1.03		\$ 2.31	
9850		Diluted	\$ 1.03		\$ 2.30	

The accompanying notes are an integral part of the consolidated 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 and its subsidiaries
Consolidated statements of changes in equity
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

	Equity attributable to shareholders of the parent company												
	Note	Retained earnings					Other equity interests				Total	Non-controlling interests	Total equity
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements of foreign operations Table conversion of exchange differences	Unrealized gains or losses on financial assets measured 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	\$ 5,075	\$ 1,003,488		
Current period net profit		-	-	-	-	159,724	-	-	159,724	(6)	159,718		
Other comprehensive income recognized for the period		-	-	-	-	(832)	(8,083)	2,634	(6,281)	-	(6,281)		
Total comprehensive income in the current period		-	-	-	-	158,892	(8,083)	2,634	153,443	(6)	153,437		
Appropriation and distribution of retained earnings for FY2019	6(16)												
Legal reserve allocated		-	-	13,490	-	(13,490)	-	-	-	-	-		
Cash dividends		-	-	-	-	(113,907)	-	-	(113,907)	-	(113,907)		
Non-controlling interests		-	-	-	-	-	-	-	-	(4,580)	(4,580)		
Balance as of December 31, 2020		\$ 690,344	\$ 4,233	\$ 171,221	\$ -	\$ 185,215	(\$ 10,992)	(\$ 2,072)	\$ 1,037,949	\$ 489	\$ 1,038,438		
<u>2021</u>													
Balance at January 1, 2021		\$ 690,344	\$ 4,233	\$ 171,221	\$ -	\$ 185,215	(\$ 10,992)	(\$ 2,072)	\$ 1,037,949	\$ 489	\$ 1,038,438		
Current period net profit		-	-	-	-	71,428	-	-	71,428	(16)	71,412		
Other comprehensive income recognized for the period		-	-	-	-	(1,584)	(4,371)	(3,346)	(9,301)	-	(9,301)		
Total comprehensive income in the current period		-	-	-	-	69,844	(4,371)	(3,346)	62,127	(16)	62,111		
Appropriation and distribution of retained earnings for FY2020	6(16)												
Legal reserve allocated		-	-	15,972	-	(15,972)	-	-	-	-	-		
Allocated special reserve		-	-	-	13,064	(13,064)	-	-	-	-	-		
Cash dividends		-	-	-	-	(138,069)	-	-	(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		\$ 690,344	\$ 4,233	\$ 187,193	\$ 13,064	\$ 85,951	(\$ 15,363)	(\$ 3,415)	\$ 962,007	\$ 473	\$ 962,480		

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

Chairperson: Liao Shu-chun

Managerial officer: Yeh Tang-jung

Accounting officer: Huang Yi-yin

Prime Oil Chemical Service Corporation and its subsidiaries
Consolidated cash flow statements
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		\$ 89,473	\$ 184,789
Adjustment for:			
Income and expenses having no effect on cash flows			
depreciation expense	6 (6)(7)(20)	178,424	157,516
Allocations	6 (20)	1,328	1,130
Gain on valuation of financial assets at fair value through profit or loss	6 (2)(18)	(2,533)	(2,765)
Exchange differences in Financial assets measured at amortized cost	6 (4)	463	2,593
Financial costs	6 (19)	2,088	3,298
Interest income		(261)	(389)
Dividends income		(445)	(650)
Disposal of property, plant and equipment	6 (18)	(95)	(359)
Gain on lease modification	6 (7)	(31)	(474)
Change in assets/liabilities related to operating activities			
Changes in operating assets			
Notes receivable, net		(473)	(111)
Accounts receivable, net		2,777	(9,498)
Other receivables		1,960	(1,786)
Prepayments		7,332	2,858
Changes in operating liabilities			
Notes payable		-	(511)
Other payables		(8,798)	4,516
Other current liabilities		3	(22)
Net defined benefit liabilities		(1,284)	(1,173)
Cash flow from operating activities		269,928	338,962
Interest paid		(2,088)	(3,298)
Interest received		261	389
Income tax paid		(27,359)	(14,546)
Dividend received		445	650
Net cash generated by operating activities		<u>241,187</u>	<u>322,157</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	12 (3)	3,420	-
Acquisition of financial assets measured at amortized cost		(12,301)	-
Purchase of property, plant and equipment	6 (24)	(157,629)	(304,542)
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>(341,809)</u>
<u>Cash Flow from Financing Activities</u>			
Increase (decrease) in short-term bills payable	6(25)	(7,000)	34,500
Increase in short-term borrowings		509,000	722,800
Decrease in short-term borrowings		(504,200)	(707,600)
Borrowing of long-term loans (including portions due within one year or one operating cycle)	6(25)	200,400	165,000
Repayment of long-term loans (including portions due within one year or one operating cycle)		(63,371)	(29,003)
Amount of principal payments on lease liabilities	6(7)(25)	(59,830)	(59,058)
Cash dividends paid	6(16)	(138,069)	(113,907)
Non-controlling interests		-	(4,580)
Net cash (outflow) inflow from financing activities		<u>63,070</u>	<u>8,152</u>
Effects of exchange rate changes on the balance of cash held in foreign currencies		(514)	(542)
Decrease in cash and cash equivalents		(7,605)	(12,042)
Beginning of year cash and cash equivalents		142,716	154,758
Cash and cash equivalents at the end of the year		<u>\$ 135,111</u>	<u>\$ 142,716</u>

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

Chairperson: Liao Shu-chun

Managerial officer: Yeh Tang-jung

Accounting officer: Huang Yi-yin

Prime Oil Chemical Service Corporation and its subsidiaries
Notes to consolidated 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 (hereinafter collectively referred to as the "Group") are mainly engaged in chemical, oil tank storage and delivery services, general trading, solar power generation business and commercial real estate leasing.

II. Date and Procedures for Approval of Financial Statements

The Consolidated 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 Corporate Group believes that adopting the aforementioned IFRSs will not have a significant effect on the consolidated 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 Performing Contracts"	January 1, 2022
"Annual Improvements 2018 - 2020 Cycle"	January 1, 2022

The Corporate Group believes that adopting the aforementioned IFRSs will not have a significant effect on the consolidated 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	Pending IASB decision
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 Corporate Group believes that adopting the aforementioned IFRSs will not have a significant effect on the consolidated financial position and performance.

IV. Summary of significant accounting policies

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

(I) Compliance statement

The preparation of the Consolidated Financial Statements conforms to the International Financial Reporting Standards, International Accounting Standards, explanations and announcements of explanations (“IFRSs”) that are recognized by FSC.

(II) Basis of preparation

1. The consolidated 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 financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporate Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. The basis for preparation of consolidated financial statements
 - (1) The Corporate Group includes all of its subsidiaries in the preparation of consolidated financial statements. Subsidiaries are entities controlled by the Corporate Group. The Corporate Group controls the entity when the Corporate Group 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. Subsidiaries are included in the consolidated financial statements from the date the Corporate Group obtains control and are deconsolidated on the date control is lost.
 - (2) All significant intra-group transactions, balances and unrealized gains and losses between the Corporate Group and its subsidiaries have been eliminated in full. The accounting policies of the subsidiaries are consistent with the policies adopted by the Corporate Group.
 - (3) Profit or loss and other components of consolidated profit or loss are attributed to owners of the parent and noncontrolling interests; total consolidated profit or loss is also attributed to owners of the parent and noncontrolling interests, even if this results in a loss balance for noncontrolling interests.

2. Subsidiaries included in consolidated financial statements

<u>Investor</u>	<u>Investee</u>	<u>Main Business</u>	<u>Shareholding percentage (%)</u>		<u>Description</u>
			<u>December 31,</u>	<u>December 31,</u>	
			<u>2021</u>	<u>2020</u>	
The Company	He Zhen Feng Co., Ltd.	Real Estate Leasing	69.47	69.47	
The Company	POCS POWER CO., LTD.	Solar Power Industry	100.00	100.00	
The Company	Prime Holdings Corporation (PHC)	Shareholding and General Trading	100.00	100.00	
PHC	Prime Solar Energy Co.,Ltd.	Real Estate Development	100.00	100.00	Note

Note 1: Prime Solar Energy Co., Ltd. is a subsidiary established in Cambodia through another subsidiary, Prime Holdings Corporation. In order for Prime Solar Energy Co., Ltd. to legally hold land in Cambodia, 51% of the shares are nominally held through local persons in accordance with local laws and regulations, but Prime Holdings Corporation still enjoys 100% equity and control in substance.

3. Subsidiaries not included in consolidated financial statements: No such situation.
4. Adjustments for subsidiaries with different balance sheet dates: No such situation.
5. Significant restrictions: No such situation
6. Subsidiaries that have non-controlling interests that are material to the Corporate Group: No such situation.

(IV) Foreign currency translation

Items included in the financial statements of each entity within the Corporate Group are measured using the currency of the primary economic environment in which the entity operates (i.e., the functional currency). The currency of this Consolidated Financial Statement 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 manners:

- (1) Assets and liabilities of each balance sheet presented are translated at the closing exchange rate at 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.

(V) 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 Corporate Group 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 Corporate Group classifies all other liabilities that meet none of the above criteria as non-current liabilities.

(VI) 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.

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

(VIII) 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 Corporate Group 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 Corporate Group measures the financial assets at fair value and recognizes their transaction costs in profit or loss. The Corporate Group 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 derecognition of the instrument and shall be reclassified to retained earnings. The Corporate Group recognizes the dividend income in profit or loss when the right to receive payment is established, future economic benefits associated with the dividend flows to the Company, and the amount of the dividend can be measured reliably.

(IX) 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 Corporate Group 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.

(X) 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

(XI) Impairment of financial assets

At each balance sheet date, for financial assets measured at fair value through other comprehensive income and receivables or contract assets that contain significant financial

components, the Group measures the allowance for losses at the expected credit loss amount over 12 months, taking into account all reasonable and probable information, including forward-looking information, for those financial assets whose credit risk has not increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition, the allowance for loss is measured at the expected credit loss over the remaining period. For accounts receivable or contract assets that do not contain significant financial components, the allowance for loss is measured at the expected credit loss over the period.

(XII) De-recognition of financial assets

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

(XIII) 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.

(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 carrying amount of an asset or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Corporate Group 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 Corporate Group reviews the residual value, useful life and depreciation method of each asset at the end of each fiscal year. If the expected value of the residual value and useful life differs from previous estimates or if there is a significant change in the expected pattern of consumption of future economic benefits embodied in the asset, the change in accounting estimate is accounted for in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the 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	15~25 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 Corporate Group. 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 Corporate Group'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 Corporate Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is 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 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 derecognized 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 Corporate Group 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 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 to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Corporate Group uses yield rates of government bonds (at the balance sheet date) instead.

B. Remeasurements arising from defined benefit plans are recognized in other comprehensive income of the period and presented in 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 consolidated 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 Corporate Group and it is probable that the temporary difference will not reverse 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 Corporate Group provides chemical and oil tanks for lease in accordance with operating lease standards and the rental income from such operating lease is recognized in profit or loss on a straight-line basis according to rent determined by the leasing agreement.
2. Tank operations revenue
The Corporate Group 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 Corporate Group 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.

(XXVI) Business Operations Department

The Group's operating segment information is reported in a consistent manner with the internal management reports provided to the chief operating decision-maker. The chief operating decision maker is responsible for allocating resources to the operating divisions and evaluating their performance, and the chief operating decision-maker of the Corporate Group is identified as the Group Chairperson.

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

In preparation of the Consolidated Financial Statements, the management has made judgements in applying the Corporate Group's accounting policies and made 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 Corporate Group has no significant accounting estimates and assumptions. The significant judgment used in the accounting policy is the classification of financial assets, as described below.

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

In the asset impairment evaluation process, the Corporate Group 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	101,251	83,849
Time deposits	<u>33,650</u>	<u>58,650</u>
	<u>\$ 135,111</u>	<u>\$ 142,716</u>

1. The Corporate Group 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 Group has not pledged the above 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 at fair value through profit and 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 Corporate Group was \$2,533 and \$2,765 in 2021 and 2020, respectively.

2. The Group 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 Corporate Group 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 Corporate Group derecognized 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>
Change in fair value recognized in other comprehensive Income	<u>(\$ 3,346)</u>	<u>\$ 2,634</u>
Cumulative gains (losses) reclassified to retained earnings due to derecognition	<u>\$ 2,003</u>	<u>\$ -</u>
Dividends income recognized in profit or loss and still held at the end of the period	\$ 223	\$ 650
De-recognized during the period	<u>222</u>	<u>-</u>
	<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 Corporate Group'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>Item</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	<u>(463)</u>	<u>(2,593)</u>
	<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 Corporate Group'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 Corporate Group 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.

(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	<u>\$ 42,387</u>	<u>\$ 45,164</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>\$ 42,387</u>	<u>\$ 717</u>	<u>\$ 45,164</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 Corporate Group and its customers. And as of January 1, 2020, the balance of receivables generated from such contracts was \$35,799.
3. The Corporate Group does not hold any collateral.
4. Without considering the collaterals held or other credit enhancements, the number of notes receivables that best represented the Corporate Group'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 Corporate Group's maximum exposure to credit risk was \$42,387 and \$45,164 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) Property, Plant and Equipment

	<u>Land</u>	<u>Warehousing equipment</u>	<u>Transport Equipment</u>	<u>Office Equipment</u>	<u>Lease improvement</u>	<u>Lease assets</u>	<u>2021 Other Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
January 1 Cost	\$45,278	\$ 629,277	\$ 8,161	\$ 1,648	\$ 1,037	\$909,441	\$864,658	\$ 41,258	\$2,500,758
Accumulated depreciation and impairments	-	(363,858)	(3,945)	(1,278)	(750)	(878,773)	(100,655)	-	(1,349,259)
	<u>\$45,278</u>	<u>\$ 265,419</u>	<u>\$ 4,216</u>	<u>\$ 370</u>	<u>\$ 287</u>	<u>\$ 30,668</u>	<u>\$764,003</u>	<u>\$ 41,258</u>	<u>\$1,151,499</u>
	-	-	-	-	-	-	-	-	-
January 1 Addition	\$45,278	\$ 265,419	\$ 4,216	\$ 370	\$ 287	\$ 30,668	\$764,003	\$ 41,258	\$1,151,499
Number of Transfers	-	52,724	2,611	54	-	-	78,393	19,429	153,211
depreciation expense	-	14,019	100	-	-	-	20,328	(34,447)	-
Net exchange difference	-	(64,445)	(1,185)	(85)	(139)	(11,066)	(43,566)	-	(120,486)
December 31	(1,274)	-	-	-	-	-	(3,676)	-	(4,950)
	<u>\$44,004</u>	<u>\$ 267,717</u>	<u>\$ 5,742</u>	<u>\$ 339</u>	<u>\$ 148</u>	<u>\$ 19,602</u>	<u>\$815,482</u>	<u>\$ 26,240</u>	<u>\$1,179,274</u>
December 31 Cost	\$44,004	\$ 650,880	\$ 10,001	\$ 521	\$ 884	\$ 86,132	\$959,531	\$ 26,240	\$1,778,193
Accumulated depreciation and impairment	-	(383,163)	(4,259)	(182)	(736)	(66,530)	(144,049)	-	(598,919)
	<u>\$44,004</u>	<u>\$ 267,717</u>	<u>\$ 5,742</u>	<u>\$ 339</u>	<u>\$ 148</u>	<u>\$ 19,602</u>	<u>\$815,482</u>	<u>\$ 26,240</u>	<u>\$1,179,274</u>

	<u>Land</u>	<u>Warehousing equipment</u>	<u>Transport Equipment</u>	<u>Office Equipment</u>	<u>Lease improvement</u>	<u>Lease assets</u>	<u>2020 Other Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
January 1 Cost	\$ 47,667	\$567,780	\$ 7,127	\$ 1,648	\$ 1,037	\$909,441	\$634,198	\$13,952	\$ 2,182,850
Accumulated depreciation and impairments	-	(315,860)	(5,041)	(1,200)	(687)	(866,025)	(63,058)	-	(1,251,871)
	<u>\$ 47,667</u>	<u>\$251,920</u>	<u>\$ 2,086</u>	<u>\$ 448</u>	<u>\$ 350</u>	<u>\$ 43,416</u>	<u>\$571,140</u>	<u>\$13,952</u>	<u>\$ 930,979</u>
January 1 Addition	\$ 47,667	\$251,920	\$ 2,086	\$ 448	\$ 350	\$ 43,416	\$571,140	\$13,952	\$ 930,979
Amount transferred due to disposal	-	61,497	4,162	-	-	-	237,660	27,975	331,294
Amount transferred due to disposal (Note)	-	-	(912)	-	-	-	-	-	(912)
depreciation expense	-	-	-	-	-	-	-	(669)	(669)
Net exchange difference	-	(47,998)	(1,120)	(78)	(63)	(12,748)	(37,624)	-	(99,631)
December 31	<u>(2,389)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,173)</u>	<u>-</u>	<u>(9,562)</u>
	<u>\$ 45,278</u>	<u>\$265,419</u>	<u>\$ 4,216</u>	<u>\$ 370</u>	<u>\$ 287</u>	<u>\$ 30,668</u>	<u>\$764,003</u>	<u>\$41,258</u>	<u>\$ 1,151,499</u>
December 31 Cost	\$ 45,278	\$629,277	\$ 8,161	\$ 1,648	\$ 1,037	\$909,441	\$864,658	\$41,258	\$ 2,500,758
Accumulated depreciation and	-	(363,858)	(3,945)	(1,278)	(750)	(878,773)	(100,655)	-	(1,349,259)

impairment

\$ 45,278 \$265,419 \$ 4,216 \$ 370 \$ 287 \$ 30,668 \$764,003 \$41,258 \$ 1,151,499

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 Group's warehousing equipment, including tanks and pipelines, are depreciated over 2 to 35 years.
3. The Corporate Group'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 Group on property, plant and equipment.

(VII) Leasing arrangements - lessee

1. The subject assets of the Group'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 Corporate Group'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	359	329
Expenses for variable lease payments	6,941	5,535
Gain on lease modification	31	474

5. The Corporate Group's total lease cash outflows were \$68,067 and \$66,850 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 subjects of the Group'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.

(VIII) Leasing arrangements - lessor

1. The target assets leased by the Corporate Group 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 Corporate Group 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	<u>40,000</u>	<u>-</u>
Total	<u>\$ 327,521</u>	<u>\$ 303,607</u>

(IX) 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>\$ 103,600</u>	1.00%~1.3%	None
Short-term bills payable	<u>\$ 38,500</u>	0.53%~0.78%	None
<u>Nature of borrowings</u>	<u>December 31, 2020</u>	<u>Interest Rate</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	<u>\$ 98,800</u>	0.95%~2.06%	None
Short-term bills payable	<u>\$ 45,500</u>	0.78%	None

(X) 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	2018.3.26~2025.3.26 The principal and interest shall be repaid in 84 equal installments commencing from (inclusive) April 26, 2018.	1.51%	None	10,893
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) June 30, 2021. The remaining principal shall be fully repaid at maturity	1.20%	None	28,000
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)	1.50%	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

<u>Nature of borrowings</u>	<u>Borrowing Period and Repayment Method</u>	<u>Range of interest rate</u>	<u>Collateral</u>	<u>December 31, 2021</u>
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. (Note)	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 (inclusive) December 29, 2021.	1.515%	Other Equipment	42,400
Far Eastern International Bank	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.	1.501%	Other Equipment	16,439
				364,243
Less: Portions due within one year or one operating cycle (recorded as other current liabilities)				(69,878)
				<u>\$ 294,365</u>

<u>Nature of borrowings</u>	<u>Borrowing Period and Repayment Method</u>	<u>Range of 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

Land Bank of Taiwan	2018.3.26~2025.3.26 The principal and interest shall be repaid in 84 equal installments commencing from (inclusive) April 26, 2018.	1.51%	None	14,139
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

<u>Nature of borrowings</u>	<u>Borrowing Period and Repayment Method</u>	<u>Range of interest rate</u>	<u>Collateral</u>	<u>December 31, 2020</u>
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>
				227,214
Less: Portions due within one year or one operating cycle (recorded as other current liabilities)				(55,722)
				<u>\$ 171,492</u>

Note: The Corporate Group 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. 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 Corporate Group's consolidated financial statements for 2021 did not meet this review, but if the bank increases the interest rate, there should be no significant impact on the Group.

(XI) 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>12,566</u>	<u>13,153</u>
	<u>\$ 60,518</u>	<u>\$ 76,996</u>

(XII) Pensions

1. Defined benefit plan

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)	88	(67)	21
	<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	3,367	-	3,367
	<u>2,213</u>	<u>(230)</u>	<u>1,983</u>
Pension paid	(9,514)	9,514	-
Pension fund contribution	-	(1,494)	(1,494)
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)	192	(141)	51
	<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 demographic assumptions	1,265	-	1,265
Experience adjustment	292	-	292
	<u>1,557</u>	<u>(517)</u>	<u>1,040</u>
Pension fund contribution	-	(1,478)	(1,478)
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>
December 31, 2020				
Effect on the present value of defined benefit obligation	<u>(\$ 800)</u>	<u>\$ 834</u>	<u>\$ 589</u>	<u>(\$ 570)</u>

of defined benefit obligation

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>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.

(XIII) Provision

	<u>2021</u>	<u>2020</u>
Balance as of January 1	\$ 21,923	\$ 17,640
Provision added this period	<u>3,262</u>	<u>4,283</u>
Balance at December 31	<u>\$ 25,185</u>	<u>\$ 21,923</u>

The nature of the Group's provision for liabilities is described as follows.

1. The Group 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 Corporate Group should restore the leased terminal base to its original condition by demotion 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 Corporate Group's solar power generation sites are built on the roof. According to the

contract, the Corporate Group 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 \$15,299 and \$12,037 as of December 31, 2021 and December 31, 2020, respectively.

(XIV) Share capital

As of December 31, 2021, the Corporate Group'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>

(XV) 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.

(XVI) 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 (NTD)</u>	<u>Amount</u>	<u>Dividends per share (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>	

Please refer to the Market Observation Post System for information on the proposed distribution of earnings approved by the Board of Directors and resolved by the shareholders.

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.

(XVII) Operating income

	<u>2021</u>	<u>2020</u>
Operating lease		
Rental incomes	\$ 292,527	\$ 375,100
Revenue from Customer Contract (External revenue)		
Tank operation revenue	79,460	79,795
Electricity sales revenue	<u>94,122</u>	<u>85,942</u>
Total	<u>\$ 466,109</u>	<u>\$ 540,837</u>

1. The revenue from customer contracts of the Group is recognized gradually over time.
2. The Group's rental revenue and tank operation income are presented together with the oil

and chemical tank rental business in Note 14, (3) Segment Information.

(XVIII) Other gains or losses

	<u>2021</u>		<u>2020</u>
Disposal of property, plant and equipment	\$ 95	\$	359
Gain on lease modification	31		474
Net foreign currency exchange loss	(1,855)	(3,155)
Gain on financial assets at fair value through profit or loss	2,533		2,765
Others	-	(412)
	<u>\$ 804</u>	\$	<u>31</u>

(XIX) Financial costs

	<u>2021</u>		<u>2020</u>
Interest expenses			
Bank borrowings	\$ 7,829	\$	4,939
Less: The amount of asset capital that meets the requirements	(6,678)	(3,569)
	1,151		1,370
Interest expenses on lease liabilities	937		1,928
	<u>\$ 2,088</u>	\$	<u>3,298</u>

(XX) Expenses by nature

	<u>2021</u>		<u>2020</u>
Employee benefits expense	\$ 75,663	\$	81,353
depreciation expense	178,424		157,516
Amortization expenses	1,328		1,130
Terminal administrative expenses	29,409		28,756
Miscellaneous purchases	11,711		12,046
Low-value asset rents	359		329
Expenses for variable lease payments	6,941		5,535
Other expenses	73,799		72,635
Operating costs and operating expenses	<u>\$ 377,634</u>	\$	<u>359,300</u>

(XXI) 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	4,040	4,525
	<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 years ended December 31, 2021 and 2020, the remuneration to employees and directors and supervisors were estimated at 3% based on the profitability of the year then ended.

3. The profit sharing for employees and the profit sharing for directors and supervisors resolved by the Board of Directors for 2020 were both \$5,987 and 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.

(XXII) 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	\$ 15,779	\$ 36,592
Amount of income tax overestimated for prior years	(25)	(12,206)
Tax on undistributed surplus earning	79	14
Total current tax	<u>15,833</u>	<u>24,400</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>\$ 18,061</u>	<u>\$ 25,071</u>

(2) Amount of Income tax related to 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	\$ 18,092	\$ 37,309
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	521	484
Tax on undistributed surplus earning	79	14
Amount of income tax overestimated for prior years	(25)	(12,206)
Others	<u>(822)</u>	<u>-</u>
Income tax expense	<u>\$ 18,061</u>	<u>\$ 25,071</u>

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

	<u>January 1</u>	<u>2021</u>		<u>December 31</u>
		<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive net profit</u>	
Temporary difference:				
- Deferred income tax assets				
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>January 1</u>	<u>2020</u>		<u>December 31</u>
		<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive net profit</u>	
Temporary difference:				
- Deferred income tax assets				
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	<u>(\$ 1,946)</u>	<u>(\$ 959)</u>	<u>\$ -</u>	<u>(\$ 2,905)</u>

4. The effective periods of unused tax losses and the related amounts of unrecognized deferred income tax assets of the Corporate Group's subsidiaries are as follows:

December 31, 2021

<u>Year</u>	<u>Reported</u>	<u>Amount not yet deducted</u>	<u>Unrecognized Deferred Tax Income tax asset component</u>	<u>Last Year of Deduction</u>
2013	<u>\$ 3,916</u>	<u>\$ 3,916</u>	<u>\$ 3,916</u>	2023

December 31, 2020

<u>Year</u>	<u>Reported</u>	<u>Amount not yet deducted</u>	<u>Unrecognized Deferred Tax Income tax asset component</u>	<u>Last Year of Deduction</u>
2013	<u>\$ 3,916</u>	<u>\$ 3,916</u>	<u>\$ 3,916</u>	2023

5. Except for the year ended December 31, 2019, the Corporate Group's income tax has been approved by the tax authorities for the year ended December 31, 2020. The income tax of the subsidiaries, POCS Power Co., Ltd. and He Zhen Feng Co., Ltd. was approved by the tax authorities until 2020.

(XXIII) Earnings per share

	<u>After-tax amount</u>	<u>2021 Weighted average Number of shares in circulation (thousands of shares)</u>	<u>Earnings per share (NTD)</u>
<u>Basic earnings per share</u>			
Net profits for the period attributable to shareholders of parent company	\$ 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>After-tax amount</u>	<u>2020</u> <u>Weighted average</u> <u>Number of shares in</u> <u>circulation</u> <u>(thousands of shares)</u>	<u>Earnings per share</u> <u>(NTD)</u>
<u>Basic earnings per share</u>			
Net profits for the period attributable to shareholders of parent company	\$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>

(XXIV) Supplemental cash flow information

1. Investing activities that are only partially paid in cash:

	<u>2021</u>	<u>2020</u>
Purchase of property, plant and equipment	\$ 153,211	\$ 331,294
Add: Equipment payable at the beginning of the period	42,262	19,793
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>\$ 304,542</u>

(XXV) 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	\$ 144,300	\$ 227,214	\$ 449,362
Changes in cash flows from financing activities	(59,830)	(2,200)	137,029	74,999
Other non-cash transactions	<u>21,307</u>	<u>-</u>	<u>-</u>	<u>21,307</u>
December 31	<u>\$ 39,325</u>	<u>\$ 142,100</u>	<u>\$ 364,243</u>	<u>\$ 545,668</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	\$ 94,600	\$ 91,217	\$ 312,763
Changes in cash flows from financing activities	(59,058)	49,700	135,997	126,639
Other non-cash transactions	<u>9,960</u>	<u>-</u>	<u>-</u>	<u>9,960</u>
December 31	<u>\$ 77,848</u>	<u>\$ 144,300</u>	<u>\$ 227,214</u>	<u>\$ 449,362</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) 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

Asset type	December 31, 2021	December 31, 2020	Purpose
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 assets	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 FY2021 earnings. Please refer to Note 6(16) for details.

XII. Others

(I) Capital management

The objective of the Corporate Group's capital management is to ensure that the Corporate Group can continue as a going concern, that an optimal 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 Corporate Group may adjust the amount of dividends paid to shareholders or issue new shares. Should any borrowings occur, the Corporate Group will monitor its capital on the basis of the debt-to-equity ratio.

The Corporate Group 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 Corporate Group's strategic maintenance in 2021 to pin the debt-to-equity ratio in between 0% and 30% remains unchanged from that in 2020. The calculation of the Corporate Group's debt-to-equity ratio as of December 31, 2021 and December 31, 2020 was as follows

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total loans	\$ 506,343	\$ 371,514
Less: Cash and cash equivalents	(135,111)	(142,716)
Net debt	<u>\$ 371,232</u>	<u>\$ 228,798</u>
Total equity	<u>\$ 962,007</u>	<u>\$ 1,037,949</u>
Debt-to-equity ratio	<u>39%</u>	<u>22%</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	\$ 135,111	\$ 142,716
Financial assets measured at amortized cost - current	26,026	16,489
Note receivable	717	244
Trade receivable	42,387	45,164
Other receivables	-	1,960
Financial assets measured at amortized cost - non-current	2,301	-
Refundable deposits	<u>64,026</u>	<u>58,896</u>
	<u>\$ 270,568</u>	<u>\$ 265,469</u>
<u>Financial liability</u>		
Financial assets measured at amortized cost		
Short-term borrowings	\$ 103,600	\$ 98,800
Short-term bills payable	38,500	45,500
Notes payable	6,881	6,881
Other payables	60,518	76,996
Long-term borrowings (including portions due within one year or one operating cycle)	364,243	227,214
Guarantee deposits received	<u>6,450</u>	<u>6,450</u>
	<u>\$ 580,192</u>	<u>\$ 461,841</u>
Lease liabilities	<u>\$ 39,325</u>	<u>\$ 77,848</u>

2. Risk management policies

The Group'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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and performance.

The Group'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 Group's operations.

3. Significant financial risks and degrees of financial risks

(1) Market risk

Exchange rate risk

- A. The Group 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 Group 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>					
	<u>Foreign</u> <u>currency</u> <u>(Thousands</u> <u>of NTD)</u>	<u>Exchange</u> <u>rate</u>	<u>Carrying</u> <u>amount</u> <u>(NTD)</u>	<u>Change</u> <u>range</u>	<u>Impact on</u> <u>profit or</u> <u>loss</u>	<u>Impact on</u> <u>comprehens</u> <u>ive income</u>
<u>Financial asset</u>						
<u>Monetary items</u>						
USD: NTD	\$ 587	27.63	\$16,219	1%	\$ 162	\$ -
<u>Non-monetary</u> <u>items</u>						
USD: NTD	\$ 8,897	27.63	\$245,822	1%	\$ -	\$ -

December 31, 2020

Sensitivity Analysis

<u>Financial asset</u>	<u>Foreign</u>		<u>Carrying</u>		<u>Impact on</u>	<u>Impact on</u>
<u>Non-monetary</u>	<u>currency</u>	<u>Exchange</u>	<u>amount</u>	<u>Change</u>	<u>profit or</u>	<u>comprehens</u>
<u>items</u>	<u>(Thousands</u>	<u>rate</u>	<u>(NTD)</u>	<u>range</u>	<u>loss</u>	<u>ive income</u>
<u>of NTD)</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 Corporate Group's monetary items.

(2) Price risk

- A. The Group'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 Group diversifies its investment portfolio in a manner that is based on the limits set by the Group.
- B. The Corporate Group invests mainly in equity instruments and beneficiary certificates that are not listed on the TWSE or TPEX or foreign markets. 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 Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. For 2021 and 2020, the Corporate Group's borrowings based on floating interest rates were denominated in NTD.
- B. The Group simulates various scenarios and analyzes interest rate risk, including consideration of refinancing, renewal of existing positions, other available financing and hedging, in order 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 \$3,511 and \$2,229 for 2021 and 2020, primarily due to the floating rate of borrowings that increases interest expense.

(4) Credit risk

- A. The Corporate Group'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 Group 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. Cash, cash equivalents and financial assets measured at amortized cost that have been assessed to have no significant risk.

- C. The Group 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 Group 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 Corporate Group 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 Group's customers are in good credit standing 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 Group's notes receivable.
- G. The Corporate Group's allowance for losses on accounts receivable on a simplified basis has not changed for FY2021 and FY2020, and the allowance for losses on accounts receivable was \$0 as of December 31, 2021 and 2020.

(5) Liquidity risk

- A. The Group's finance department prepares future cash flow forecasts to monitor future funding requirements and to ensure that sufficient funds are available for disbursement, and maintains sufficient borrowing facilities to adjust for future funding shortfalls.
- B. The following table presents the Group's non-derivative financial liabilities, grouped by the relevant maturity date, which are analyzed based on the remaining period 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	\$ 103,839	\$ -	\$ -
Short-term bills payable	38,545	-	-
Notes payable	6,881	-	-
Other payables	60,518	-	-
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)	74,810	73,045	234,706
Total	<u>\$ 313,730</u>	<u>\$ 82,036</u>	<u>\$ 250,218</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	\$ 98,903	\$ -	\$ -
Short-term bills payable	45,566	-	-
Notes payable	6,881	-	-
Other payables	76,996	-	-
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>58,560</u>	<u>52,697</u>	<u>124,822</u>
Total	<u>\$ 345,847</u>	<u>\$ 73,991</u>	<u>\$ 135,240</u>

(III) Fair value information

- 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. The fair values of the Group's investments in TWSE and TPEX listed stocks belong to this.

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 Group's investments in unlisted over-the-counter stocks and beneficiary certificates are classified as such.

- For financial and non-financial instruments measured at fair value, the Group classifies them based on the basis of the nature, characteristics and risks of the assets and fair value level, and 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>
<u>Assets</u>				
<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	<u>(20,062)</u>	<u>(7,661)</u>
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 Group'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. performing back-testing, updating input values used to be the valuation model and making any other necessary adjustments to the fair value.

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 value</u>
			<u>input value</u>	<u>average)</u>	<u>and fair 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 discount for lack of controlling interests	20% 30%	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	830,109	Net asset value method	Net asset value	-	The higher the net asset value, the higher the fair value

	<u>December 31, 2020</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 value</u>
			<u>input value</u>	<u>average)</u>	<u>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 discount for lack of controlling interests	20% 30%	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 Group 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>Recognized in profit or loss</u>		<u>Recognized in other comprehensive Income</u>	
		<u>Input value</u>	<u>Change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>
Financial asset							
Equity instruments	The discount for lack of marketability and the discount for lack of controlling interests	±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 comprehensive Income</u>	
		<u>Input value</u>	<u>Change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>
Financial asset							
Equity instruments	The discount for lack of marketability and the discount for lack of controlling interests	±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: Table 1.
- Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates and joint ventures): Please refer to Table 2 for details.
- 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
6. Disposal of individual real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None
 7. Purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 9. Engagements in derivative financial instruments transactions: None.
 10. 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

Not applicable.

(IV) Information on main investors

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

XIV. Operating Segments Information

(I) General information

The Group's management has identified the reportable segments based on the reported information used by the chairperson in making decisions.

The Group has two reportable segments, the oil and chemical tank rental business and the solar power business, which provide oil and chemical tank rental and electricity sales, respectively, as the main sources of revenue.

(II) Measurement of segment information

The Group's operating segments adopt consistent accounting policies. The Group's operating decision makers evaluate the performance of each operating segment based on operating revenue and net profit after tax.

(III) Segment information

The Group's segment operating profit reported to the chief operating decision makers is measured in a manner consistent with the revenue and expenses in the income statement. The Group does not provide the total assets and liabilities to the operating decision maker for operating decisions. The reportable segment information provided to the chief operating decision maker for FY2021 and FY2020 is as follows:

2021

	<u>Oil and chemical tank</u> <u>rental business</u>	<u>Solar power generation</u> <u>business</u>	<u>Total</u>
	\$ 371,987	\$ 94,122	\$ 466,109
Segment revenues			
Segment profits or losses (Note)	45,937	25,475	71,412
Segment profits or losses include:			
Depreciation and amortization	135,678	44,074	179,752
Interest income	252	9	261
Financial costs	937	1,151	2,088
Income tax expense	12,315	5,746	18,061

2020

	<u>Oil and chemical tank</u> <u>rental business</u>	<u>Solar power generation</u> <u>business</u>	<u>Total</u>
	\$ 454,895	\$ 85,942	\$ 540,837
Segment revenues			
Segment profits or losses (Note)	135,276	24,442	159,718
Segment profits or losses include:			
Depreciation and amortization	120,599	38,047	158,646
Interest income	341	48	389
Financial costs	1,928	1,370	3,298
Income tax expense	20,090	4,981	25,071

Note: Other income and expenses generated internally that were eliminated.

(IV) Reconciliation of departmental profit and loss information

The Group's income and net profit or loss after tax of the operating departments reported to the chief operating decision maker are measured in a manner consistent with the income and net loss after tax in the consolidated income statement, and therefore no reconciliation table information is applicable.

(V) Product and service information

Revenue is derived primarily from the rental of oil and chemical tanks, and the balance of revenue is broken down as follows.

		<u>2021</u>		<u>2020</u>
Oil and chemical tank rental business	\$	292,527	\$	375,100
Tank operation revenue		79,460		79,795
Solar Power Industry		<u>94,122</u>		<u>85,942</u>
Total	\$	<u>466,109</u>	\$	<u>540,837</u>

(VI) Information by Region

		<u>2021</u>			<u>2020</u>	
		<u>Revenue</u>	<u>Non-current assets</u>		<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$	455,011	\$ 1,010,570	\$	526,586	\$ 1,007,628
Southeast Asia		<u>11,098</u>	<u>220,902</u>		<u>14,251</u>	<u>233,836</u>
Total	\$	<u>466,109</u>	<u>\$ 1,231,472</u>	\$	<u>540,837</u>	<u>\$ 1,241,464</u>

(VII) Important Customer Information

The breakdown of the Company's customers whose revenues accounted for 10% or more of the operating revenues on the consolidated statements of income for the years ended December 31, 2021 and 2020 are as follows:

		<u>2021</u>			<u>2020</u>	
		<u>Revenue</u>	<u>Department</u>	<u>Revenue</u>	<u>Department</u>	
Company G	\$ 125,058	Oil and chemical tank rental business		\$ 106,225	Oil and chemical tank rental business	
Company H	79,892	Electricity Retailing Enterprise		70,715	Electricity Retailing Enterprise	
Company I	43,281	Oil and chemical tank rental business		64,752	Oil and chemical tank rental business	