

**Prime Oil Chemical Service Corporation and
its subsidiaries**

Consolidated Financial Statements and
Independent Auditor's Review Report

June 30, 2023 and 2022

(Ticker symbol: 2904)

Independent Auditor's Review Report

(2023) PWCR.23001467

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Prime Oil Chemical Service Corporation and its subsidiaries (the "POCS Group") as of June 30, 2023 and 2022 and the related consolidated comprehensive income statements, for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, 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 significant accounting policies). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Statement 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

Except for those described in the paragraph of basis of qualified conclusion, we concluded our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries (primarily of persons responsible for financial and accounting matters), and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of qualified conclusion

As described in Note 4(3) and 6(6). to the consolidated financial statements, the financial statements of certain non-significant subsidiaries included in the above consolidated financial statements for the same period have not been reviewed by us. As of June 30, 2023 and 2022, their total assets amounted to NT\$364,308 thousand and NT\$496,325 thousand, respectively, accounting for 18% and 24% of the consolidated total assets; their total liabilities amounted to

NT\$783 thousand and NT\$95,387 thousand, respectively, accounting for 0% and 9% of the consolidated total liabilities. Their total consolidated income from April 1 to June 30, 2023 and 2022, January 1 to June 30, 2023 and 2022, was NT\$13,243 thousand、NT\$(8,015) thousand、NT\$15,178 thousand and NT\$(3,456) thousand, respectively, which accounted for 48%、(27)%、29% and (5)% of the consolidated comprehensive income, respectively.

Qualified conclusion

Based on our review, except for the effect of adjustments, if any, as might have been made to the consolidated financial statements had the financial statements of these non-significant subsidiaries been reviewed by us as described in the paragraph of basis of qualified conclusion, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material aspects the consolidated financial position of the POCS Group as of June 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the three months then ended June 30, 2023 and 2022, January 1 to June 30, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

Huang, Pei-Chuan

Accountant

Pan, Hui-Ling

August 11, 2023

Prime Oil Chemical Service Corporation and its subsidiaries

Consolidated balance sheets

June 30, 2023 and December 31 and June 30, 2022

(The accompanying consolidated balance sheets as of June 30, 2023 and 2022 have been reviewed only, and have not been audited in accordance with generally accepted auditing standards.)

Unit: NTD thousand

Assets	Note	June 30, 2023		December 31, 2022		June 30, 2022		
		Amount	%	Amount	%	Amount	%	
Current assets								
1100	Cash and cash equivalents	6 (1)	\$ 88,883	4	\$ 99,347	4	\$ 79,483	4
1136	Financial assets measured at amortized cost - current	6 (4)	18,032	1	17,783	1	17,209	1
1150	Notes receivable, net	6 (5)	348	-	351	-	405	-
1170	Accounts receivable, net	6 (5) and 12 (2)	52,642	3	43,438	2	40,154	2
1220	Current income tax assets		14					
1410	Prepayments		20,792	1	22,150	1	16,564	1
1460	Net carrying amount of non- current assets held for sale	6 (11)	-	-	85,273	4		
1470	Other current assets	6 (4)(10) and 8	69,120	3	-	-	-	-
11XX	Total current assets		<u>249,831</u>	<u>12</u>	<u>268,342</u>	<u>12</u>	<u>153,815</u>	<u>8</u>
Non-current assets								
1510	Financial assets at fair value through profit or loss - non-current	6 (2)	95,249	5	104,538	5	110,641	5
1517	Financial assets at fair value through other comprehensive income - noncurrent	6(3)	5,031	-	5,108	-	34,281	2
1535	Financial assets measured at amortized cost - non-current	6 (4)and 8	2,311	-	2,305	-	2,302	-
1550	Investments accounted for using equity method	6 (6)	96,679	5	87,952	4	102,788	5
1600	Property, plant and equipment	6 (7)and 8	1,295,532	63	1,309,677	60	1,271,123	62
1755	Right-of-use assets	6 (8)	264,466	13	293,591	14	278,608	14
1780	Intangible asset		3,614	-	4,230	-	4,908	-
1840	Deferred tax assets		1,369	-	1,876	-	1,931	-

Prime Oil Chemical Service Corporation and its subsidiaries

Consolidated balance sheets

June 30, 2023 and December 31 and June 30, 2022

(The accompanying consolidated balance sheets as of June 30, 2023 and 2022 have been reviewed only, and have not been audited in accordance with generally accepted auditing standards.)

Unit: NTD thousand

1900	Other non-current assets	6(10)and 8	<u>47,376</u>	<u>2</u>	<u>116,720</u>	<u>5</u>	<u>87,085</u>	<u>4</u>
15XX	Total non-current assets		<u>1,811,627</u>	<u>88</u>	<u>1,925,997</u>	<u>88</u>	<u>1,893,667</u>	<u>92</u>
1XXX	Total assets		<u>\$ 2,061,458</u>	<u>100</u>	<u>\$ 2,194,339</u>	<u>100</u>	<u>\$ 2,047,482</u>	<u>100</u>

(Continued)

Prime Oil Chemical Service Corporation and its subsidiaries

Consolidated balance sheets

June 30, 2023 and December 31 and June 30, 2022

(The accompanying consolidated balance sheets as of June 30, 2023 and 2022 have been reviewed only, and have not been audited in accordance with generally accepted auditing standards.)

Unit: NTD thousand

Liabilities and Stockholders' Equity	Note	June 30, 2023		December 31, 2022		June 30, 2022		
		Amount	%	Amount	%	Amount	%	
Current liabilities								
2100	Short-term borrowings	6 (12)	\$ 120,000	6	\$ 207,000	9	\$ 178,900	9
2110	Short-term bills payable	6 (12)	20,000	1	34,800	2	36,500	2
2150	Notes payable		3,128	-	6,908	-	4,838	-
2200	Other payables	6 (14)	92,328	4	58,805	3	130,082	6
2230	Current income tax liabilities		7,318	-	20,648	1	8,688	1
2260	Liabilities directly associated with assets held for sale	6 (11)			36,459	2		
2280	Current lease liabilities		52,100	3	47,436	2	57,034	3
2320	Long-term liabilities, current portion	6 (13)	54,005	3	52,452	2	63,174	3
2399	Other current liabilities- other		25	-	74	-	25	-
21XX	Total current liabilities		<u>348,904</u>	<u>17</u>	<u>464,582</u>	<u>21</u>	<u>479,241</u>	<u>24</u>
Non-current liabilities								
2540	Long-term borrowings	6 (13)	267,547	13	257,799	12	323,308	16
2550	Provisions for liabilities - non-current	6 (17)	27,998	1	27,174	1	27,384	1
2570	Deferred tax liabilities		18,450	1	12,871	1	9,167	1
2580	Non-current lease liabilities		203,585	10	232,131	11	223,430	11
2640	Net defined benefit liabilities - noncurrent		4,796	-	5,368	-	7,925	
2645	Guarantee deposits received		936	-	6,450	-	6,450	-
25XX	Total non-current liabilities		<u>523,312</u>	<u>25</u>	<u>541,793</u>	<u>25</u>	<u>597,664</u>	<u>29</u>
2XXX	Total liabilities		<u>872,216</u>	<u>42</u>	<u>1,006,375</u>	<u>46</u>	<u>1,076,905</u>	<u>53</u>
Equity attributable to shareholders of the parent company								
	Share capital	6 (18)						
3110	Common stock		778,344	38	778,344	35	690,344	34
	Additional paid-in capital	6 (19)						
3200	Additional paid-in capital		67,888	3	67,888	3	4,233	-
	Retained earnings	6 (20)						
3310	Legal reserve		205,038	10	194,177	9	194,177	9
3320	Special reserve		-	-	18,778	1	18,778	1

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 balance sheets

June 30, 2023 and December 31 and June 30, 2022

(The accompanying consolidated balance sheets as of June 30, 2023 and 2022 have been reviewed only, and have not been audited in accordance with generally accepted auditing standards.)

Unit: NTD thousand

3350	Unappropriated retained earnings	131,326	6	125,349	6	68,629	3
	Other equity interests		6 (21)				
3400	Other equity interests						
		<u>6,190</u>	<u>1</u>	<u>2,967</u>	<u>-</u>	<u>(6,051)</u>	<u>-</u>
31XX	Total equity attributable to shareholders of the parent company	<u>1,188,786</u>	<u>58</u>	<u>1,187,503</u>	<u>54</u>	<u>970,110</u>	<u>47</u>
36XX	Non-controlling interests	<u>456</u>	<u>-</u>	<u>461</u>	<u>-</u>	<u>467</u>	<u>-</u>
3XXX	Total equity	<u>1,189,242</u>	<u>58</u>	<u>1,187,964</u>	<u>54</u>	<u>970,577</u>	<u>47</u>
	Significant contingent liabilities and unrecognized contract commitments		9				
3X2X	Total liabilities and equity	<u>\$ 2,061,458</u>	<u>100</u>	<u>\$ 2,194,339</u>	<u>100</u>	<u>\$ 2,047,482,</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 June 30, 2023 and 2022

(Reviewed only, not audited in accordance with generally accepted auditing standards)

Unit: NTD thousand
(Except for earnings per share)

	Item	Note	April 1 to June 30, 2023		April 1 to June 30, 2022		January 1 to June 30, 2023		January 1 to June 30, 2023	
			Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating income	6 (9) (22)	\$ 108,053	100	\$ 129,800	100	\$ 229,826	100	\$ 236,966	100
5000	Operating cost	6 (25) (26)	(77,909)	(72)	(79,946)	(62)	(155,758)	(68)	(163,055)	(69)
5900	Operating gross profits		<u>30,144</u>	<u>28</u>	<u>49,134</u>	<u>38</u>	<u>74,068</u>	<u>32</u>	<u>73,911</u>	<u>31</u>
	Operating expenses	6 (25) (26)								
6100	Selling and marketing expenses		(1,337)	(1)	(2,217)	(2)	(2,767)	(1)	(3,480)	(2)
6200	General and administrative expenses		(14,559)	(14)	(15,882)	(12)	(31,436)	(14)	(31,476)	(13)
6000	Total operating expenses		(15,896)	(15)	(18,099)	(14)	(34,203)	(15)	(34,956)	(15)
6900	Operating profit		<u>14,248</u>	<u>13</u>	<u>31,035</u>	<u>24</u>	<u>39,865</u>	<u>17</u>	<u>38,955</u>	<u>16</u>
	Non-operating income and expenses									
7100	Interest income		465	-	92		530		134	
7010	Other income		4,199	4	894	1	4,703	2	1,551	1
7020	Other gains or losses	6 (23)	7,590	7	(1,808)	(1)	15,317	7	26,204	11
7050	Financial costs	6 (24)	(3,635)	(3)	(983)	(1)	(6,956)	(3)	(1,385)	
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method.	6 (6)	<u>5,263</u>	<u>5</u>	<u>727</u>		<u>7,570</u>	<u>3</u>	<u>727</u>	
7000	Total non-operating income and expenses		<u>13,882</u>	<u>13</u>	(1,078)	(1)	<u>21,164</u>	<u>9</u>	<u>27,231</u>	<u>12</u>
7900	Profit before income tax		<u>28,130</u>	<u>26</u>	<u>29,957</u>	<u>23</u>	<u>61,029</u>	<u>26</u>	<u>66,186</u>	<u>28</u>
7950	Income tax expense	6 (27)	(5,617)	(5)	(8,123)	(6)	(12,382)	(5)	(15,589)	(7)
8200	Current period net profit		<u>\$ 22,513</u>	<u>21</u>	<u>21,834</u>	<u>17</u>	<u>48,647</u>	<u>21</u>	<u>50,597</u>	<u>21</u>
	Other comprehensive income for the year (net)									
	Items that will be reclassified to profit or loss									
8316	Unrealized valuation gain or loss on equity instruments at fair value through other comprehensive income	6(3)	<u>\$ 41</u>	<u>-</u>	(\$ 545)	(1)	(\$ 77)	<u>-</u>	(\$ 1,933)	(1)
8310	Total amount of items that will not be reclassified to profit or loss		<u>41</u>	<u>-</u>	(545)	(1)	(77)	<u>-</u>	(1,933)	(1)
	Items that may be reclassified subsequently to profit or loss:									
8361	Exchange differences in translating the financial		6,579	6	11,184	9	4,124	2	18,325	8

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 June 30, 2023 and 2022

(Reviewed only, not audited in accordance with generally accepted auditing standards)

Unit: NTD thousand
(Except for earnings per share)

	statements of foreign operations								
8399	Income taxes related to items that may be reclassified	6 (27)	(1,315)	(1-)	(2,237)	(2)	(824)	(3,665)	(1)
8360	Total of items that may be reclassified to profit or loss		<u>5,264</u>	<u>5</u>	<u>8,947</u>	<u>7</u>	<u>3,300</u>	<u>2</u>	<u>14,660</u>
8300	Other comprehensive income for the year (net)		<u>\$ 5,305</u>	<u>5</u>	<u>\$ 8,402</u>	<u>6</u>	<u>\$ 3,233</u>	<u>2</u>	<u>\$ 12,727</u>
8500	Total comprehensive income in the current period		<u>\$ 27,818</u>	<u>26</u>	<u>\$30,236</u>	<u>23</u>	<u>\$51,870</u>	<u>23</u>	<u>\$ 63,324</u>
	Net income attributable to:								
8610	Shareholders of the parent company		\$ 22,516	21	\$21,837	17	\$48,652	21	50,603
8620	Non-controlling interests		(3)	-	(3)		(5)		(6)
			<u>\$ 22,513</u>	<u>21</u>	<u>\$21,834</u>	<u>17</u>	<u>\$48,647</u>	<u>21</u>	<u>\$ 50,597</u>
	Total comprehensive income attributable to:								
8710	Shareholders of the parent company		\$ 27,821	26	\$30,239	23	\$51,875	23	\$ 63,330
8720	Non-controlling interests		(3)	-	(3)		(5)		(6)
			<u>\$ 27,818</u>	<u>26</u>	<u>\$30,236</u>	<u>23</u>	<u>\$51,870</u>	<u>23</u>	<u>\$ 63,624</u>
	Earnings per share	6 (28)							
9750	Basic		\$ 0.29		\$ 0.32		\$ 0.63		\$ 0.73
9850	Diluted		\$ 0.29		\$ 0.32		\$ 0.62		\$ 0.73

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 June 30, 2023 and 2022
(Reviewed only, not audited in accordance with generally accepted auditing standards)

Unit: NTD thousand

Note	Equity attributable to shareholders of the parent company										Total	Non-controlling interests	Total equity
	Share capital - common stock	Share Premium	Treasury Stock Transactions	Employee Stock Options	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interests	Exchange Differences in Translating the Financial Statements of Foreign Operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income			
<u>The 1st quarter of 2022</u>													
Balance at January 1, 2022	\$ 690,344		\$ 4,233		\$ 187,193	\$ 13,064	\$ 85,951	(\$ 15,363)	(\$ 3,415)	\$ 962,007	\$ 473	\$ 962,480	
Current period net profit	-		-	-	-	-	50,603	-	-	50,603	(6)	50,597	
Other comprehensive income recognized for the period	-		-	-	-	-	-	14,660	(1,933)	12,727	-	12,727	
Total comprehensive income in the current period	-		-	-	-	-	50,603	14,660	(1,933)	63,330	(6)	63,324	
Appropriations of 2021 earnings		6(20)											
Legal reserve					-	6,984	(6,984)						
Special reserve						5,714	(5,714)						
Cash dividends							(55,227)			(55,227)		(55,227)	
Balance at June 30, 2022	\$ 690,344		\$ 4,233		\$ 194,177	\$ 18,778	\$ 68,629	(\$ 703)	(\$ 5,348)	\$ 970,110	\$ 467	\$ 970,577	
<u>2st quarter of 2023</u>													
Balance at January 1, 2023	\$ 778,344	\$ 62,280	\$ 4,233	\$ 1,375	\$ 194,177	\$ 18,778	\$ 125,349	\$ 7,488	(\$ 4,521)	\$ 1,187,503	\$ 461	\$ 1,187,964	

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 statements of changes in equity
January 1 to June 30, 2023 and 2022
(Reviewed only, not audited in accordance with generally accepted auditing standards)

Unit: NTD thousand

Note	Equity attributable to shareholders of the parent company										Total	Non-controlling interests	Total equity
	Share capital - common stock	Share Premium	Treasury Stock Transactions	Employee Stock Options	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interests	Exchange Differences in Translating the Financial Statements of Foreign Operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income			
Current period net profit	-	-	-	-	-	-	48,652	-	-	-	48,652	(5)	48,647
Other comprehensive income recognized for the period	-	-	-	-	-	-	-	3,300	(77)	-	3,223	-	3,223
Total comprehensive income in the current period	-	-	-	-	-	-	48,652	3,300	(77)	-	51,875	(5)	51,870
Appropriations of 2022 earnings	6(20)	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	10,861	-	(10,861)	-	-	-	-	-	-
Reversal of Special reserve	6(16)	-	-	-	-	(18,778)	18,778	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(50,592)	-	-	-	(50,592)	-	(50,592)
Balance at June 30, 2023	\$ 778,344	\$ 62,280	\$ 4,233	\$ 1,375	\$ 194,177	\$ 18,778	\$ 151,485	\$ 5,524	(\$ 4,639)	\$ 1,211,557	\$ 459	\$ 1,212,016	

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 June 30, 2023 and 2022
(Reviewed only, not audited in accordance with generally accepted auditing standards)

Unit: NTD thousand

	Note	January 1 to June 30, 2023	January 1 to June 30, 2022
<u>Cash flow from operating activities</u>			
Profit before income tax for the year		\$ 61,029	\$ 66,186
Adjustment for:			
Income and expenses having no effect on cash flows			
Depreciation expense	6 (7)(8) (25)	94,693	95,753
Amortization expense	6(25)	819	754
Gain on valuation of financial assets at fair value through profit or loss	6 (2)(23)		
gain on disposal of investments	6 (11) (23)	(3,921)	(27,532)
Financial costs	6 (24)	6,956	1,385
Interest income		(530)	(134)
Dividend income		-	(592)
Shares of affiliated enterprises and joint venture interests recognized using the equity method	6(6)	(7,570)	(727)
Exchange differences in Financial assets measured at amortized cost	6 (4)	(249)	(1,183)
Change in assets/liabilities related to operating activities			
Changes in operating assets			
Notes receivable, net		3	312
Accounts receivable, net		(9,204)	2,233
Prepayments		1,358	(8,107)
Changes in operating liabilities			
Notes payable		(3,780)	(2,043)
Other payables		3,002	5,863
Other current liabilities		(49)	(52)
Net defined benefit liabilities		(572)	(627)
Cash flow from operating activities		131,789	131,489
Dividends received		-	592
Interest paid		(6,956)	(1,385)
Interest received		530	592
Income tax paid		(20,466)	(17,340)
Net cash generated by operating activities		104,897	113,490
<u>Cash flow from investing activities</u>			
Acquisition of financial assets measured at amortized cost		(6)	
Disposal of financial assets measured at amortized cost		-	10,000
Returned share funds from financial assets at fair value through other comprehensive income		13,210	
Acquisition of investments accounted for using equity method	6 (6)		(97,653)
Purchase of property, plant and equipment	6 (29)	(68,092)	(144,561)

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 June 30, 2023 and 2022

(Reviewed only, not audited in accordance with generally accepted auditing standards)

Unit: NTD thousand

	<u>Note</u>	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Acquisition of intangible assets		(203)	(1,421)
Collection from disposal of investments	6 (11)	59,010	-
Increase in refundable deposits			(14,292)
Decrease in refundable deposits		224	5,991
Net cash used in investing activities		<u>4,143</u>	<u>(247,927)</u>
<u>Cash flow from financing activities</u>)
Decrease in short-term bills payable	6 (30)	(14,800)	(2,000)
Short-term borrowings	6 (30)	620,500	405,900
Repayment short-term borrowings	6 (30)	(707,500)	(330,600)
Borrowing of long-term loans (including portions due within one year or one operating cycle)	6 (30)	38,247	107,000
Repayment of long-term loans (including portions due within one year or one operating cycle)	6(30)	(26,946)	(84,761)
Amount of principal payments on lease liabilities	6 (8)(30)	(23,882)	(18,522)
Decrease in deposit received		(5,514)	
Net cash inflow from financing activities		<u>(119,895)</u>	<u>77,017</u>
Effects of exchange rate changes on the balance of cash held in foreign currencies		391	1,792
Decrease in cash and cash equivalents		(10,464)	(55,628)
Beginning of year cash and cash equivalents		99,347	135,111
Cash and cash equivalents at the end of the year		<u>\$ 88,883</u>	<u>\$ 79,483</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

2st Quarter in 2023 and 2022

(Reviewed only, not audited in accordance with generally accepted auditing standards)

Unit: NTD thousand

(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 accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 11, 2023.

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 2023:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 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.

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

Not applicable.

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
IFRS 10 and IAS 28 amendments, Sale or contribution of assets between an investor and its associate or joint venture	To be decided by the IASB
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
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, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024
Amendments to IAS 7 and IFRS 7, ‘Supplier Finance Arrangements’	January 1, 2024
Amendments to IAS 12, ‘International Tax Reform – Pillar Two Model Rules’	May 23, 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 significant accounting policies are the same as those described in Note 4 to the consolidated financial statements as of and for the year ended December 31, 2022, except for the statement of compliance, the basis of preparation, the basis of consolidation, and the new sections described below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance statement

1. The consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International 34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission
2. The consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2022.

(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) Other comprehensive income at fair value through profit or loss 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 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

The consolidated financial statements have been prepared in accordance with the same principles as the consolidated financial statements as of and for the year ended December 31, 2022.

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>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>	
The Company	He Zhen Feng Co., Ltd.	Real Estate Leasing	69.47	69.47	69.47	Note 3
The Company	POCS Power Co., Ltd.	Solar Power Industry	-	100.00	100.00	Note 2 and 3
The Company	Prime Holdings Corporation (PHC)	Shareholding and General Trading	100.00	100.00	100.00	Note 3
PHC	Prime Solar Energy Co., Ltd.	Real Estate Development	100.00	100.00	100.00	Note 1 and 3

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.

Note 2: The Company, in order to improve the overall operational efficiency and return on investment of its energy business, decided at a board meeting on December 27, 2022, to sell all the shares (4,000,000 common shares) of its subsidiary, POCS POWER Co., Ltd. The share sale agreement was signed on February 8, 2023, and as of March 31, 2023, the equity transaction has been completed. For further details, please refer to Note 6(11).

Note 3: Their financial statements as of June 30, 2023 and 2022 were not reviewed by CPAs because they did not meet the definition of a significant subsidiary.

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) Employee benefits

Pension - defined benefit plan

The pension cost for the interim period is calculated using the actuarially determined pension cost rate as of the end of the previous fiscal year and is based on the beginning of the year to the end of the current period. If there are significant market changes and material reductions, settlements or other significant one-time events after the cut off day, adjustments will be made and the relevant information will be disclosed in accordance with the aforementioned policy.

(V) Income tax

The income tax expense for the interim period is calculated by applying the estimated average effective tax rate for the year to the income before tax for the interim period and the related information is disclosed.

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

There were no significant changes during the period. Please refer to Note 5 of the Notes to Consolidated Financial Statements as of and for the year ended December 31, 2022

VI. Statements of main accounting items

(I) Cash and cash equivalents

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash on hand and working capital	\$ 224	\$ 231	\$ 228
Checking accounts and demand deposits	60,009	64,679	33,506
Time deposits	<u>28,650</u>	<u>43,650</u>	<u>45,749</u>
	88,883	108,560	79,483
Less: Non-current assets held for sale	<u>-</u>	<u>(9,213)</u>	<u>-</u>
	<u>\$ 88,883</u>	<u>\$ 99,347</u>	<u>\$ 79,483</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 pledged cash and cash equivalents as collateral for certain financial assets measured at amortized cost and other non-current assets. Please refer to Notes 6(4), 6(10), and 8 for details.

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

<u>Item</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Non-current items:			
Financial assets at fair value through profit and loss			
Investment in private equity	\$ 49,585	\$ 62,795	\$ 70,196
Valuation adjustment	<u>45,664</u>	<u>41,743</u>	<u>40,445</u>
Total	<u>\$ 95,249</u>	<u>\$ 104,538</u>	<u>\$ 110,641</u>

1. Gain and loss recognized for financial assets at fair value through profit or loss held by the Group was \$6,248 \$105 \$3,921 and \$27,532 from April 1 to June 30, 2023 and 2022, January 1 to June 30, 2023 and 2022, respectively.
2. The Group has not pledged any financial assets at fair value through profit or loss.
3. Please refer to Note 12 (2) for information on the credit risk of financial assets measured at fair value through profit or loss.

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

<u>Item</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Non-current items:			
Equity instruments			
Stock not listed on TWSE, TPEX or the emerging market	\$ 7,526	\$ 7,526	\$ 37,526
Valuation adjustment	<u>(2,495)</u>	<u>(2,418)</u>	<u>(3,245)</u>
Total	<u>\$ 5,031</u>	<u>\$ 5,108</u>	<u>\$ 34,281</u>

1. The 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 \$5,031 \$5,108 and \$34,281 as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively.
2. As of 2022, the Corporate Group derecognized stocks with a carrying value of \$28,710 due to a capital reduction by the target company and reclassified the cumulated loss of \$1,290 to unappropriated earnings.
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>April 1 to June 30,</u> <u>2023</u>	<u>April 1 to June 30,</u> <u>2022</u>
Change in fair value recognized in other comprehensive Income	<u>\$ 41</u>	<u>(\$ 545)</u>

	<u>January 1 to June 30,</u> <u>2023</u>	<u>January 1 to June 30,</u> <u>2022</u>
Change in fair value recognized in other comprehensive Income	(\$ <u>77</u>)	(\$ <u>1,933</u>)
Dividends income recognized in profit or loss and still held at the end of the period	\$ <u>-</u>	\$ <u>592-</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 Group's maximum exposure to credit risk was \$5,031, \$5,108 and \$34,281 as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively.
5. The Company has not pledged any financial assets at fair value through other comprehensive income.
6. Please refer to Note 12 (2) for information on the credit risk of financial assets measured at fair value through other comprehensive income.

(IV) Financial assets measured at amortized cost

<u>Item</u>	<u>June 30, 2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30, 2022</u>
Current items:			
Trust account	\$ <u>18,032</u>	\$ <u>17,783</u>	\$ <u>17,209</u>
Non-current items:			
Restricted asset	\$ <u>2,311</u>	\$ <u>2,305</u>	\$ <u>2,302</u>

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

	<u>April 1 to June 30,</u> <u>2023</u>	<u>April 1 to June 30,</u> <u>2022</u>
Interest income	\$ 88	\$ 6
Benefit on valuation	<u>400</u>	<u>635</u>
	<u>\$ 488</u>	<u>\$ 641</u>

	<u>January 1 to June 30,</u> <u>2023</u>	<u>January 1 to June 30,</u> <u>2022</u>
Interest income	\$ 88	\$ 6
Benefit on valuation	<u>249</u>	<u>1,183</u>
	<u>\$ 337</u>	<u>\$ 1,189</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 \$20,343 , \$20,088 and \$19,511 as of June 30, 2023 , December 31,2022 and June 30, 2022, 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 June 30, 2023, December 31, 2022, and June 30, 2022, 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. On August 23, 2022, the Taiwan High Court ordered the Company to pay Chunghwa Telecom Vietnam US\$2,284,000 plus interest at the rate of 5% per annum from September 24, 2019 to the date of settlement. After consulting with its attorneys, the Company filed an appeal with the Supreme Court in September 2022 and deposited \$69,120 as a guarantee against fraudulent execution, and the amount of the guarantee was recorded as other non-current assets. On March 10, 2023, the Company applied to retrieve the guaranteed deposit of \$69,120, and on March 13, 2023, received a notice from the Taiwan District Court Depository notifying that the claim of false execution is nullified, and the deposit is allowed to be returned. The confirmation will be made only after there is no objection from Chunghwa Telecom Vietnam Co., Ltd. within the specified period in the notice. As of August 11, 2023, the deposit has not yet been retrieved.

(V) Notes and accounts receivable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Note receivable	<u>\$ 348 -</u>	<u>\$ 351</u>	<u>\$ 405</u>
Trade receivable	<u>\$ 52,642</u>	<u>\$ 44,670</u>	<u>\$ 40,154</u>
Less: Non-current assets held for sale	<u>-</u>	<u>(1,232)</u>	<u>\$ -</u>
	<u>\$ 52,642</u>	<u>\$ 43,438</u>	<u>\$ 40,154</u>

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

	<u>June 30, 2023</u>		<u>December 31, 2022</u>		<u>June 30, 2022</u>	
	<u>Trade receivable</u>	<u>Note receivable</u>	<u>Trade receivable</u>	<u>Note receivable</u>	<u>Trade receivable</u>	<u>Note receivable</u>
Not Past Due	<u>\$52,642</u>	<u>\$ 348</u>	<u>\$44,670</u>	<u>\$ 351</u>	<u>\$40,154</u>	<u>\$ 405</u>

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

- As of June 30, 2023, December 31, 2022 and June 30, 2022, the balances of accounts receivable (including notes receivable) were generated from customer contracts, and the balance of accounts receivable from customer contracts as of January 1, 2022 was \$43,104.
- The Group does not hold any collateral.
- Without considering the collaterals held or other credit enhancements, the amount of notes receivable that best represented the Group's maximum exposure to credit risk was \$348, \$351 and \$405 as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively; the amount of accounts receivable that best represented the Group's maximum exposure to credit risk was \$52,642, \$44,670 and \$40,154 as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively;
- Please refer to Note 12, (2) for the related credit risk information of accounts receivable.

(VI) Investments accounted for under equity method

	<u>2023</u>	<u>2022</u>
January,1	\$ 87,952	\$ -
Increase in investments using the equity method	-	97,653
Share of investment profit and loss using the equity method	7,570	727-
Other equity changes	<u>1,157</u>	<u>4,408</u>
June, 30	<u>\$ 96,679 -</u>	<u>\$ 102,788</u>

1. The investment details using the equity method are as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
ABZbridge Corporation	\$ <u>96,679</u>	\$ <u>87,952</u>	\$ <u>102,788</u>

- For the period from April 1 to June 30, 2023 and 2022, January 1 to June 30, 2023 and 2022 the net profit of our affiliated companies within the Group were \$26,313, \$4,186, \$37,849 and \$398 , respectively. and comprehensive income of our affiliated companies within the Group were \$35,593, \$4,186, \$43,636 and \$398.
- The Group has holds 20% of ABZbridge Corporation's equity from March, 2022. The Group is not the largest shareholder of ABZbridge Corporation and has significant influence but not control.
- For the above-mentioned equity-method investees, the balances of investments accounted for under the equity method as of June 30,2023 and June 30, 2022 were evaluation of self-prepared financial information that has not been reviewed by an auditor.

(VII) Property, Plant and Equipment

	<u>2023</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>Other Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
January 1									
Cost	\$48,830	\$704,188	\$ 10,001	\$ 718	\$ 212	\$78,588	\$1,152,714	\$ 86,226	\$2,081,477
Accumulated depreciation and impairments	-	(439,771)	(5,418)	(323)	(138)	(66,609)	(185,471)	-	(697,730)
	\$48,830	\$264,417	\$ 4,583	\$ 395	\$ 74	\$ 11,979	\$ 967,243	\$ 86,226	\$1,383,747
Less: reclassified as held for sale Non-current assets	-	-	-	-	-	-	(74,070)	-	(74,070)
	<u>\$48,830</u>	<u>\$264,417</u>	<u>\$ 4,583</u>	<u>\$ 395</u>	<u>\$ 74</u>	<u>\$ 11,979</u>	<u>\$893,173</u>	<u>\$ 86,226</u>	<u>\$1,309,677</u>
January 1	\$48,830	\$264,417	\$ 4,583	\$ 395	\$ 74	\$ 11,979	\$893,173	\$ 86,226	\$1,309,677
Addition	-	27,713	-	-	-	-	19,610	1,522	48,845
Number of Transfers	-	46,835	-	-	-	-	38,926	(85,761)	-
depreciation expense	-	(36,078)	(471)	(78)	(10)	(2,608)	(26,323)	-	(65,568)
Net exchange difference	684	-	-	-	-	-	1,894	-	2,578
June 30	<u>\$49,514</u>	<u>\$302,887</u>	<u>\$ 4,112</u>	<u>\$ 317</u>	<u>\$ 64</u>	<u>\$ 9,371</u>	<u>\$ 927,280</u>	<u>\$ 1,987</u>	<u>\$1,295,532</u>

June 30									
Cost	\$ 49,514	\$ 778,736	\$ 10,001	\$ 718	\$ 212	\$ 78,588	\$ 1,106,372	\$ 1,987	\$ 2,026,128
Accumulated depreciation and impairment	<u>-</u>	<u>(475,849)</u>	<u>(5,889)</u>	<u>(401)</u>	<u>(148)</u>	<u>(69,217)</u>	<u>(179,092)</u>	<u>-</u>	<u>(730,596)</u>
	<u>\$ 49,514</u>	<u>\$ 302,887</u>	<u>\$ 4,112</u>	<u>\$ 317</u>	<u>\$ 64</u>	<u>\$ 9,371</u>	<u>\$ 927,280</u>	<u>\$ 1,987</u>	<u>\$ 1,295,532</u>

					2022				
	<u>Land</u>	<u>Warehousing equipment</u>	<u>Transport Equipment</u>	<u>Office Equipment</u>	<u>Lease improvement</u>	<u>Lease assets</u>	<u>Other Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
January 1									
Cost	\$ 44,004	\$650,880	\$ 10,001	\$ 521	\$ 884	\$ 86,132	\$ 959,531	\$ 26,240	\$ 1,778,193
Accumulated depreciation and impairments	<u>-</u>	<u>(383,163)</u>	<u>(4,259)</u>	<u>(182)</u>	<u>(736)</u>	<u>(66,530)</u>	<u>(144,049)</u>	<u>-</u>	<u>(598,919)</u>
	<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>
January 1	\$ 44,004	\$267,717	\$ 5,742	\$ 339	\$ 148	\$ 19,602	\$ 815,482	\$ 26,240	\$ 1,179,274
Addition	-	26,219	-	196-	-	-	82,238-	37,814	146,467
Number of Transfers	-	3,140	-	-	-	-	13,730-	(16,870)	-
depreciation expense	-	(37,257)	(688)	(62)	(65)	(4,930)	(23,741)	-	(66,743)
Net exchange difference	<u>3,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,876</u>	<u>-</u>	<u>12,125</u>
June 30	<u>\$ 47,253</u>	<u>\$259,819</u>	<u>\$ 5,054</u>	<u>\$ 473</u>	<u>\$ 83</u>	<u>\$ 14,672</u>	<u>896,585</u>	<u>\$ 47,184</u>	<u>\$ 1,271,123</u>
June 30									
Cost	\$ 47,253	\$680,484	\$ 10,001	\$ 717	\$ 669	\$ 81,177	\$ 1,064,376	\$ 47,184	\$ 1,931,861
Accumulated depreciation and impairment	<u>-</u>	<u>(402,665)</u>	<u>(4,947)</u>	<u>(244)</u>	<u>(586)</u>	<u>(66,505)</u>	<u>(167,791)</u>	<u>-</u>	<u>(660,738)</u>
	<u>\$ 47,253</u>	<u>\$259,819</u>	<u>\$ 5,054</u>	<u>\$ 473</u>	<u>\$ 83</u>	<u>\$ 14,672</u>	<u>\$ 896,585</u>	<u>\$ 47,184</u>	<u>\$ 1,271,123</u>

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

	<u>January 1 to June 30,</u> <u>2023</u>	<u>January 1 to June 30,</u> <u>2022</u>
Capitalized amount	\$ 427	\$ 3,484
Capitalized interest rate range	2.09%~2.57%	1.41%~1.92%

2. Significant components of the Group's warehousing equipment, including tanks and pipelines, are depreciated over 2 to 35 years.
3. The Group's property, plant and equipment showed no signs of impairment from January 1 to June 30, 2023 and 2022.
4. Please refer to Note 8 for information on the guarantees provided by the Group on property, plant and equipment.

(VIII) 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 3 to 6 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 Group leases assets with low value, including electricity meters and photocopiers.
3. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land use rights	\$ 8,481	\$ 8,736	\$ 8,990
Buildings	9,908	13,405	16,902
Other Equipment	<u>246,077</u>	<u>271,450</u>	<u>252,716</u>
	<u>\$ 264,466</u>	<u>\$ 293,591</u>	<u>\$ 278,608</u>

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land use rights	\$ 128	\$ 127
Buildings	1,748	1,749
Other Equipment	<u>12,686</u>	<u>12,671</u>
	<u>\$ 14,562</u>	<u>\$ 14,547</u>

	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land use rights	\$ 255	\$ 254
Buildings	3,497	3,497
Other Equipment	<u>25,373</u>	<u>25,259</u>
	<u>\$ 29,125</u>	<u>\$ 29,010</u>

3. The Group signed "Taichung Port West No.5 Wharf and Backyard Land Lease and Operation Contract" and "Taichung Port West No.2 Wharf and Backyard Land Lease and Operation Contract" with Taiwan International Ports Corporation Taichung Port Branch on May 1, 2022 and July 1, 2022, respectively. The operating contracts are effective from May 1, 2022 to April 30, 2028 and July 1, 2022 to June 30, 2028, respectively. The Group's right-of-use assets were \$0, \$259,661, \$0 and \$259,661 from April 1 to June 30, 2023 and 2022, January 1 to June 30, 2023 and 2022 respectively.

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

	<u>April 1 to June 30,</u> <u>2023</u>	<u>April 1 to June 30,</u> <u>2022</u>
<u>Items affecting current profit and loss</u>		
Interest expenses on lease liabilities	\$ 1,003	\$ 734
Expenses for leases of low-value assets	89	100
Expenses for variable lease payments	2,207	1,802
	<u>January 1 to June 30,</u> <u>2023</u>	<u>January 1 to June 30,</u> <u>2022</u>
<u>Items affecting current profit and loss</u>		
Interest expenses on lease liabilities	\$ 2,061	\$ 876
Expenses for leases of low-value assets	182	203
Expenses for variable lease payments	4,326	3,530

5. The Group's total lease cash outflows were \$30,451 and \$23,131 from January 1 to June 30, 2023 and 2022, respectively (of which \$23,882 and \$18,522 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.

(IX) Leasing arrangements - lessor

1. The subject assets leased by the 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 Group recognized rental income of \$57,317 \$83,784 \$132,433 and \$152,410 from April 1 to June 30, 2023 and 2022, January 1 to June 30, 2023 and 2022 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>Junr 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
2022	\$ -	\$ -	\$ 134,613
2023	104,969	217,490	38,265
2024	54,220	50,635	13,195-
2025~2027	<u>65,650</u>	<u>68,290</u>	<u>29,700-</u>
Total	<u>\$ 224,839</u>	<u>\$ 336,415</u>	<u>\$ 215,773</u>

(X) Other non-current assets

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Guaranteed deposit	\$ 69,120	\$ 69,120	\$ -
Refundable deposit	47,376	48,267	78,318-
Prepayments for equipment	<u>-</u>	<u>-</u>	<u>8,767</u>
	116,496	117,387	87,085
Less: Non-current assets held for sale	-	(667)	-
Less: Other current assets	<u>(69,120)</u>	<u>-</u>	<u>-</u>
	<u>\$ 47,376</u>	<u>\$ 116,720</u>	<u>\$ 87,085</u>

1. The Group provides deposit and guarantee deposits as collateral for pledge. Please refer to Note 8 for details.
2. The explanation regarding the related party deposits for guarantees can be found in Note 6(4).

(XI) Non-current assets held for sale

1. The Company, in order to enhance the overall operational efficiency of its energy business, increase capital utilization and investment return, resolved to sell all shares (4,000,000 common shares) of its subsidiary, POCS Power Co., Ltd., on December 27, 2022, which was approved by the Board of Directors. The Company has already signed a sales agreement with the buyer on February 8, 2023. As of March 31, 2023, the relevant share transfer has been completed. The Group has reclassified the assets and liabilities of POCS Power as held for sale. As of December 31, 2022, the assets and liabilities of the held for sale group were \$85,273 and \$36,459, respectively. Not available on June 30, 2023 and 2022.
2. The assets of the disposal group held for sale:

	<u>December 31, 2022</u>
Cash and cash equivalents	\$ 9,213
Net accounts receivable	1,232
Prepayments	91
Property, Plant and Equipment	74,070
Other non-current assets	<u>667</u>
Total	<u>\$ 85,273</u>

3. The liabilities directly related to the non-current assets held for sale:

	<u>December 31, 2022</u>
Short-term loan	\$ 30,000
Other payables	4,095
The current income tax liabilities	561
Provision for liabilities - non-current	<u>1,803</u>
Total	<u>\$ 36,459-</u>

4. The Company sell all shares of its subsidiary, POCS Power Co., Ltd., on March 31, 2023

	<u>Amount</u>
Consideration	\$ 59,010
Less : Investments accounted for using equity method	<u>(48,814)</u>
Gains on disposals of investments	<u>\$ 10,196-</u>

(XII) Short-term borrowings and bills payable

<u>Nature of borrowings</u>	<u>June 30, 2023</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	<u>\$ 120,000</u>	1.838%~1.901%	None
Short-term bills payable	<u>\$ 20,000</u>	1.60%	None
<u>Nature of borrowings</u>	<u>December 31, 2022</u>	<u>Interest Rate</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	<u>\$ 237,000</u>	1.70%~2.50%	None
Less: Liabilities directly related to non-current assets held for sale	<u>(30,000)</u>		
	<u>\$ 207,000</u>		
Short-term bills payable	<u>\$ 34,800</u>	1.64%~1.70%	None
<u>Nature of borrowings</u>	<u>June 30, 2022</u>	<u>Interest Rate</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	<u>\$ 178,900</u>	1.32%~1.55%	None
Short-term bills payable	<u>\$ 36,500</u>	0.792%~0.942%	None

(XIII) Long-term borrowings

<u>Nature of borrowings</u>	<u>Borrowing Period and Repayment Method</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>June 30, 2023</u>
Credit borrowings				
	2021.2.26~2031.2.26			
Land Bank of Taiwan	The principal and interest shall be repaid in 120 equal installments commencing from (inclusive) March 26, 2021.	2.25%	None	7,893
	2021.12.29~2031.12.29			
Chinatrust Commercial Bank	The principal and interest shall be repaid in 120 equal installments commencing from (inclusive) January 29, 2022.	2.49%	None	32,300
	2022.6.30~2024.12.30			
Chinatrust Commercial Bank	20% of the principal shall be repaid in 5 installments commencing from (inclusive) June 30, 2022. The remaining principal shall be fully repaid at maturity	2.17%	None	26,400
	2022.11.4~2027.11.4			
Taiwan Shin Kong Commercial Bank	The principal and interest shall be repaid in 60 equal installments commencing from (inclusive) December 4, 2022.	2.09%	None	22,216
	2022.12.19~2027.11.4			
Taiwan Shin Kong Commercial Bank	The principal and interest shall be repaid in 60 equal installments commencing from (inclusive) January 19, 2023.	2.13%	None	22,575
	2023.6.6~2025.3.7			
Land Bank of Taiwan	The remaining principal shall be fully repaid at maturity on March 7, 2025.	2.43%	None	19,668
Secured borrowings				
	2021.2.26~2031.2.26			
Land Bank of Taiwan	The principal and interest shall be repaid in 120 equal installments commencing from (inclusive) March 26, 2021.	2.25%	Other Equipment	57,033

Mega International Commercial Bank.	2022.3.29~2032.3.29 The principal and interest shall be repaid in 40 equal installments commencing from (inclusive) June 29, 2022. (Note)	2.27%	Other Equipment	29,313
Mega International Commercial Bank.	2022.6.10~2032.3.29 The principal and interest shall be repaid in 40 equal installments commencing from (inclusive) June 29, 2022.	2.27%	Other Equipment	1,313
Mega International Commercial Bank.	2022.3.29~2032.3.29 The principal and interest shall be repaid in 40 equal installments commencing from (inclusive) June 29, 2022.	2.27%	Other Equipment	24,500
Mega International Commercial Bank.	2022.9.7~2032.3.29 The principal and interest shall be repaid in 39 equal installments commencing from (inclusive) September 29, 2022.	2.27%	Other Equipment	33,024
Mega International Commercial Bank.	2022.9.26~2032.3.29 The principal and interest shall be repaid in 39 equal installments commencing from (inclusive) September 29, 2022.	2.27%	Other Equipment	12,220
Mega International Commercial Bank.	2023.5.12~2032.3.29 The principal and interest shall be repaid in 36 equal installments commencing from (inclusive) June 29, 2023.	2.27%	Other Equipment	4,862
Mega International Commercial Bank.	2023.6.9~2032.3.29 The principal and interest shall be repaid in 36 equal installments commencing from (inclusive) June 29, 2023.	2.27%	Other Equipment	3,480
Mega International Commercial Bank.	2023.6.19~2030.6.19 The principal and interest shall be repaid in 28 equal installments commencing from (inclusive) September 19, 2023.	2.50%	Other Equipment	10,000
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	2.57%	Other Equipment	<u>14,755</u>
				321,552
Less: Portions due within one year or one operating cycle (recorded as other current liabilities)				<u>(54,005)</u>
				<u>\$ 267,547</u>

Nature of borrowings	Borrowing Period and Repayment Method	Range of interest rate	Collateral	December 31, 2022
Credit borrowings				
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.	2.01%	None	1,029
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..	2.00%	None	8,363
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.	2.36%	None	34,200
Chinatrust Commercial Bank	2022.6.30~2024.12.30 20% of the principal shall be repaid in 5 installments commencing from (inclusive) June 30, 2022. The remaining principal shall be fully repaid at maturity	1.90%	None	35,200
Taiwan Shin Kong Commercial Bank	2022.11.4~2027.11.4 The principal and interest shall be repaid in 60 equal installments commencing from (inclusive) December 4, 2022..	2.09%	None	24,604
Taiwan Shin Kong Commercial Bank	2022.12.19~2027.11.4 The principal and interest shall be repaid in 60 equal installments commencing from (inclusive) January 19, 2023..	2.13%	None	25,000
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.	2.00%	Other Equipment	60,430
Mega International Commercial Bank.	2022.3.29~2032.3.29 The principal and interest shall be repaid in 40 equal installments commencing from (inclusive) June 29, 2022. (Note)	2.14%	Other Equipment	30,988

	2022.6.10~2032.3.29			
Mega International Commercial Bank.	The principal and interest shall be repaid in 40 equal installments commencing from (inclusive) June 29, 2022.	2.14%	Other Equipment	1,388
	2022.3.29~2032.3.29			
Mega International Commercial Bank.	The principal and interest shall be repaid in 40 equal installments commencing from (inclusive) June 29, 2022.	2.14%	Other Equipment	25,900
	2022.9.7~2032.3.29			
Mega International Commercial Bank.	The principal and interest shall be repaid in 39 equal installments commencing from (inclusive) September 29, 2022.	2.14%	Other Equipment	34,912
	2022.9.26~2032.3.29			
Mega International Commercial Bank.	The principal and interest shall be repaid in 39 equal installments commencing from (inclusive) September 29, 2022.	2.14%	Other Equipment	12,920
	2021.6.29~2026.6.29			
Far Eastern International Bank.	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	2.43%	Other Equipment	<u>15,317</u>
				310,251
Less: long-term loans due within one year or one operating cycle				<u>(52,452)</u>
				<u>\$ 257,799</u>

Nature of borrowings	Borrowing Period and Repayment Method	Range of interest rate	Collateral	June 30, 2022
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.	1.76%	None	\$ 1,075
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.	1.76%	None	2,252
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.	1.76%	None	9,255
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.	1.76%	None	8,833
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)	1.75%	None	36,100
Chinatrust Commercial Bank	2022.6.30~2024.12.30 20% of the principal shall be repaid in 5 installments commencing from (inclusive) June 30, 2022. The remaining principal shall be fully repaid at maturity	1.41%	None	44,000
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. (Note)	1.75%	Other Equipment	63,827
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)	1.92%	Other Equipment	9,750

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)	1.92%	Other Equipment	14,054
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)	1.92%	Other Equipment	63,143
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)	1.89%	Other Equipment	4,375
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. (Note)	1.89%	Other Equipment	13,462
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. (Note)	1.89%	Other Equipment	39,053
Mega International Commercial Bank.	2022.3.29~2032.3.29 The principal and interest shall be repaid in 40 equal installments commencing from (inclusive) June 29, 2022. (Note)	1.89%	Other Equipment	27,300
Mega International Commercial Bank.	2022.3.29~2032.3.29 The principal and interest shall be repaid in 40 equal installments commencing from (inclusive) June 29, 2022. (Note)	1.89%	Other Equipment	32,663
Mega International Commercial Bank.	2022.6.10~2032.3.29 The principal and interest shall be repaid in 40 equal installments commencing from (inclusive) June 29, 2022. (Note)	1.89%	Other Equipment	1,462

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	1.91%	Other Equipment	15,878
				<u>386,482</u>
Less: Portions due within one year or one operating cycle (recorded as other current liabilities)				(63,174)
				<u>\$ 323,308</u>

Note: The 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 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. The loan contract was fully repaid before December 31, 2022.

(XIV) Other payables

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash dividends payables	\$ 50,592	\$ -	\$ 55,227
Equipment payables	8,160	28,231	43,056
Employees' bonuses and directors' and supervisors' remuneration payable	12,548	8,830	10,212
Salary payables	4,391	7,770	5,779
Others	<u>16,637</u>	<u>18,069</u>	<u>15,808</u>
	92,328	62,900	130,082
Less: liabilities directly related to assets held for sale	=	<u>(4,095)</u>	<u>-</u>
	<u>\$ 92,328</u>	<u>\$ 58,805</u>	<u>\$ 130,082</u>

(XV) Pensions

1. Defined benefit plan

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

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

- (2) For April 1 to June 30, 2023 and 2022, January 1 to June 30, 2023 and 2022 the pension costs recognized by the Group in accordance with the aforementioned pension plan were \$67 、\$67 、\$134 and \$133, respectively.
- (3) The company's estimated contribution to pay for the pension plan in 2023 was \$1,412.

2. Defined contribution plan

Since July 1, 2005, 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 \$651 、\$632 、\$1,305 and \$1,264 for April 1 to June 30, 2023 and 2022, January 1 to June 30, 2023 and 2022 respectively, based on the above pension plan.

(XVI) Share-based payments

1. The information on the equity-settled share-based payment of the Company is presented as follows:

Agreement type	Grant date	Number of Shares (units) Granted	Number of Subscribable Shares per Unit (shares)	vesting conditions	Weighted average remaining contract term (years)
Reserved employee subscription of cash capital increase (Note)	August 16, 2022	645,000	1	Immediate vesting	---

Note: The above share-based payment agreement is settled through equity.

2. The stock-based compensation agreements granted by the Company are valued using the Black-Scholes option pricing model to estimate the fair value of the stock options. The related information is as follows:

Agreement type	Grant date	Fair Value of the Measured Object (NTD)	Strike Price (NTD)	Expected volatility (Note)	expected duration	Expected dividend rate	risk-free interest rate	fair value per unit (NTD)
Reserved employee subscription of cash capital increase (Note)	August 16, 2022	\$ 21.10	\$ 17	13.60%	0.13 year	0.00 %	0.72 %	\$ 4.1163

Note: The expected volatility is estimated based on the daily historical stock price fluctuations of the most recent three months prior to the date given by the Company.

3. The share-based compensation costs recognized by the Company for the employee stock options certificates in the years 2023 and 2022, April 1, to June 30, and January 1 to June 30, were \$0, respectively.

(XVII) Provision

	<u>January 1 to June 30,</u> <u>2023</u>	<u>January 1 to June 30,</u> <u>2022</u>
Balance as of January 1	\$ 27,174	\$ 25,185
Provision added this period	<u>824</u>	<u>2,199 -</u>
Balance as of June 30	<u>\$ 27,998</u>	<u>\$ 27,384</u>

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

1. The Group signed a lease agreement with the Port Authority in November 2016 and renewed the contract in June 2022, with the lease term ending on April 30, 2028. According to the contract, the Group shall restore the leased wharf to its original state upon lease expiration. Therefore, the estimated cost of demolition, removal or restoration at the location is recorded as a liability provision of \$9,886 as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively.
2. The Group's solar power generation sites are built on the roof. According to the contract, the 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 \$18,112, \$19,091 (Include the liabilities directly related to the non-current assets held for sale) and \$17,498 as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

(XVIII) Share capital

As of June 30, 2023, the Company's authorized capital was \$2,000,000 and the paid-in capital was \$778,344, divided into 77,834 thousand shares with a par value of \$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>January 1 to June 30,</u> <u>2023</u>	<u>January 1 to June 30,</u> <u>2022</u>
Number at the beginning of the period (i.e. Number at the end of the period)	<u>77,834 thousand shares</u>	<u>69,034 thousand shares</u>

(XIX) 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.

(XX) 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. 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.
4. On June 13, 2023, the Board of Directors proposed to approve the distribution of earnings for 2022, and on June 23, 2022, the shareholders' meeting resolved to approve the distribution of earnings for 2021, as follows.

	<u>Amount</u>	<u>2023</u> <u>Dividends per share</u> <u>(NTD)</u>	<u>Amount</u>	<u>2022</u> <u>Dividends per share</u> <u>(NTD)</u>
Legal reserve allocated	\$ 10,861		\$ 6,984	
Allocated special reserve	(18,778)		5,714	
Cash dividends paid	<u>50,592</u>	\$ 0.65	<u>55,227</u>	\$ 0.80
Total	<u>\$42,675</u>		<u>\$67,925</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.

(XXI) Other equity interest

		2023	Total
	Unrealized gains and losses	Foreign currency translation	
January 1, 2023	(\$ 4,521)	\$ 7,488	\$ 2,967
Adjustment for change in value	(77)	-	(77)
Foreign currency translation adjustment			
- consolidated group	-	4,124	4,124
- tax amount of the group	-	(824)	(824)
June 30, 2023	<u>(\$ 4,598)</u>	<u>\$ 10,788</u>	<u>\$ 6,190</u>

		2022	Total
	Unrealized gains and losses	Foreign currency translation	
January 1, 2022	(\$ 3,415)	(\$ 15,363)	(\$ 18,778)
Adjustment for change in value	(1,933)	-	(1,933)
Foreign currency translation adjustment			
- consolidated group	-	18,325	18,325
- tax amount of the group	-	(3,665)	(3,665)
June 30, 2022	<u>(\$ 5,348)</u>	<u>(\$ 703)</u>	<u>(\$ 6,051)</u>

(XXII) Operating income

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Operating lease		
Rental incomes	\$ 57,317	\$ 83,784
Revenue from Customer Contract		
Tank operation revenue	18,340	19,474
Electricity sales revenue	<u>32,396</u>	<u>25,822</u>
Total	<u>\$ 108,053</u>	<u>\$ 129,080</u>

	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Operating lease		
Rental incomes	\$ 132,433	\$ 152,410
Revenue from Customer Contract		
Tank operation revenue	37,797	38,437
Electricity sales revenue	<u>59,596</u>	<u>46,119</u>
Total	<u>\$ 229,826</u>	<u>\$ 236,966</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.

(XXIII) Other gains or losses

	<u>April 1 to June 30,</u> <u>2023</u>	<u>April 1 to June 30,</u> <u>2022</u>
Net foreign currency exchange loss	1,342	732
Gain on financial assets at fair value through profit or loss	6,248	105
Miscellaneous Expenses	<u>-</u>	<u>(2,645)</u>
	<u>\$ 7,590</u>	<u>(\$ 1,808)</u>

	<u>January 1 to June 30,</u> <u>2023</u>	<u>January 1 to June 30,</u> <u>2022</u>
Gains on disposals of investments	\$ 10,196	\$ -
Net foreign currency exchange loss	1,200	1,317
Gain on financial assets at fair value through profit or loss	3,921	27,532
Miscellaneous Expenses	<u>-</u>	<u>(2,645)</u>
	<u>\$ 15,317</u>	<u>\$ 26,204</u>

The Company sell all shares of its subsidiary, POCS Power Co., Ltd., consideration were \$59,010 and gains on disposals of investments were \$10,196.

(XXIV) Financial costs

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Interest expenses		
Bank borrowings	\$ 2,647	\$ 2,257
Less: The amount of asset capital that meets the requirements	(15)	(2,008)
	2,632	249
Lease liabilities	1,003	734
	<u>\$ 3,635</u>	<u>\$ 983</u>

	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Interest expenses		
Bank borrowings	\$ 5,322	\$ 3,993
Less: The amount of asset capital that meets the requirements	(427)	(3,484)
	4,895	509
Lease liabilities	2,061	876
	<u>\$ 6,956</u>	<u>\$ 1,385</u>

(XXV) Expenses by nature

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Employee benefits expense	\$ 18,507	\$ 20,297
depreciation expense	48,500	46,922
Amortization expenses	404	402
Terminal administrative expenses	4,748	3,766
Miscellaneous purchases	760	1,004
Low-value asset rents	89	100
Expenses for variable lease payments	2,207	1,802
Other expenses	18,590	23,752
Operating costs and operating expenses	<u>\$ 93,805</u>	<u>\$ 98,045</u>

	<u>January 1 to June 30,</u> <u>2023</u>	<u>January 1 to June 30,</u> <u>2022</u>
Employee benefits expense	\$ 40,026	\$ 41,032
depreciation expense	94,693	95,753
Amortization expenses	819	754
Terminal administrative expenses	8,230	12,324
Miscellaneous purchases	1,434	1,562
Low-value asset rents	182	203
Expenses for variable lease payments	4,326	3,530
Other expenses	<u>40,251</u>	<u>42,853</u>
Operating costs and operating expenses	<u>\$ 189,961</u>	<u>\$ 198,011</u>

(XXVI) benefits expense

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Salary expenses	\$ 14,805	\$ 16,322
Labor and health insurance expenses	1,393	1,325
Pension costs	718	699
Directors' remuneration	598	797
Other employee expenses	<u>993</u>	<u>1,154</u>
	<u>\$ 18,507</u>	<u>\$ 20,297</u>

	<u>January 1 to June 30,</u> <u>2023</u>	<u>January 1 to June 30,</u> <u>2022</u>
Salary expenses	\$ 31,777	\$ 32,727
Labor and health insurance expenses	2,914	2,763
Pension costs	1,439	1,397
Directors' remuneration	1,937	1,622
Other employee expenses	<u>1,959</u>	<u>2,523</u>
	<u>\$ 40,026</u>	<u>\$ 41,032</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 April 1 to June 30, 2023 and 2022, January 1 to June 30, 2023 and 2022 were \$556、\$1,107、\$1,859 and \$2,212 respectively; the estimated profit sharing amount for directors' and supervisors' was \$556、\$1,107、\$1,859 and \$2,212, respectively, and the aforementioned amounts were recorded as salary expenses.

The remuneration to directors' and supervisors' were \$4,415 The amount were approved and authorized for issuance by the Board of Directors on March 23, 2023.

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.

(XXVII) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Current tax:		
Income taxes arising from incomes for the current period	\$ 2,830	\$ 6,187
Amount of income tax overestimated for prior years	<u>(196)</u>	<u>1,723</u>
Total current tax	2,634	7,910
Deferred income tax:		
Origination and Reversal of Temporary Differences	2,983	<u>213</u>
Income tax expense	<u>\$ 5,617</u>	<u>\$ 8,123</u>

	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Current tax:		
Income taxes arising from incomes for the current period	\$ 7,316	\$ 8,687
Amount of income tax overestimated for prior years	<u>(196)</u>	<u>1,723</u>
Total current tax	7,120	10,410
Deferred income tax:		
Origination and Reversal of Temporary Differences	5,262	<u>5,179</u>

Income tax expense	<u>\$ 12,382</u>	<u>\$ 15,589</u>
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(2) Amount of Income tax related to other comprehensive Income

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Translation differences of foreign operations	<u>\$ 1,315</u>	<u>\$ 2,237</u>
	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Translation differences of foreign operations	<u>\$ 824</u>	<u>\$ 3,665</u>

2. The Company's income tax returns was not approved except in 2020. its subsidiaries, He Zhen Feng Co., Ltd. have been assessed by the tax authorities through 2021.

(XXVIII) Earnings per share

	<u>April 1 to June 30, 2023</u>		
	After-tax amount	Weighted average Number of shares in circulation (thousands of shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net profits for the period attributable to shareholders of parent company	\$ 22,516	77,834	<u>\$ 0.29</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee compensation	-	<u>115</u>	
Net profits for the period attributable to shareholders of common stock of parent company plus the effect of potential common stock	<u>\$ 22,516</u>	<u>77,949</u>	<u>\$ 0.29</u>

	<u>April 1 to June 30, 2022</u>		
		Weighted average Number of shares in circulation (thousands of shares)	Earnings per share (NT\$)
	After-tax amount		
<u>Basic earnings per share</u>			
Net profits for the period attributable to shareholders of parent company	\$ 21,837	69,034	<u>\$ 0.32</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee compensation	-	50	
Net profits for the period attributable to shareholders of common stock of parent company plus the effect of potential common stock	<u>\$ 21,837</u>	<u>69,084</u>	<u>\$ 0.32</u>

	<u>January 1 to June 30, 2023</u>		
		Weighted average Number of shares in circulation (thousands of shares)	Earnings per share (NT\$)
	After-tax amount		
<u>Basic earnings per share</u>			
Net profits for the period attributable to shareholders of parent company	\$ 48,652	77,834	<u>\$ 0.63</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee compensation	-	179	
Net profits for the period attributable to shareholders of common stock of parent company plus the effect of potential common stock	<u>\$ 48,652</u>	<u>78,013</u>	<u>\$ 0.62</u>

	<u>January 1 to June 30, 2022</u>		
	<u>After-tax amount</u>	<u>Weighted average Number of shares in circulation (thousands of shares)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net profits for the period attributable to shareholders of parent company	\$ 50,603	69,034	<u>\$ 0.73</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee compensation	-	<u>154</u>	
Net profits for the period attributable to shareholders of common stock of parent company plus the effect of potential common stock	<u>\$ 50,603</u>	<u>69,188</u>	<u>\$ 0.73</u>

(XXIX) Supplemental cash flow information

1. Investing activities that are only partially paid in cash

	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Purchase of property, plant and equipment	\$ 48,845	\$ 146,467
Add: Equipment payable at the beginning of the period	28,231	34,582
Add: Prepayments for equipment at the end of the period	-	8,767
Less: Equipment payable at the end of the period	(8,160)	(43,056)
Less: Provision for liabilities - non-current added during the period	<u>(824)</u>	<u>(2,199)</u>
Cash paid during the period	<u>\$ 68,092</u>	<u>\$ 144,561</u>

2. It does not affect cash flow financing activities

	<u>2023/1/1 ~ 6/30</u>	<u>2022/1/1 ~ 6/30</u>
Cash dividends announced but not yet distributed	<u>\$ 50,592</u>	<u>\$ 55,227</u>

(XXX) Changes in liabilities arising from financing activities

	<u>2023</u>			
	Lease liabilities	Short-term borrowings and bills payable	Long-term borrowings (including portions due within one year or one operating cycle)	Total liabilities from financing activities
January 1	\$ 279,567	\$ 241,800	\$ 310,251	\$ 831,618
Changes in cash flows from financing activities	<u>(23,882)</u>	<u>(101,800)</u>	<u>11,301</u>	<u>(114,381)</u>
June 30	<u>\$ 255,685</u>	<u>\$ 140,000</u>	<u>\$ 321,552</u>	<u>\$ 717,237</u>
	<u>2022</u>			
	Lease liabilities	Short-term borrowings and bills payable	Long-term borrowings (including portions due within one year or one operating cycle)	Total liabilities from financing activities
January 1	\$ 39,325	\$ 142,100	\$ 364,243	\$ 545,668
Changes in cash flows from financing activities	<u>(18,522)</u>	<u>73,300</u>	<u>22,239</u>	<u>77,017</u>
Other non-cash transactions	<u>259,661</u>	<u>-</u>	<u>-</u>	<u>259,661</u>
June 30	<u>\$ 280,464</u>	<u>\$ 215,400</u>	<u>\$ 386,482</u>	<u>\$ 882,346</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>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Short-term employee benefits	\$ 5,512	\$ 6,129
Post-employment benefits	<u>313</u>	<u>298</u>
Total	<u>\$ 5,825</u>	<u>\$ 6,427</u>

	<u>January 1 to June 30,</u> <u>2023</u>	<u>January 1 to June 30,</u> <u>2022</u>
Short-term employee benefits	\$ 11,573	\$ 12,141
Post-employment benefits	<u>611</u>	<u>593</u>
Total	<u>\$ 12,184</u>	<u>\$ 12,734</u>

VIII. Pledged assets

(I) The information as follows:

	<u>June 30, 2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30, 2022</u>	<u>Purpose</u>
Other non-current assets (refundable deposits)	\$ 2,400	\$ 2,400	\$ 2,700	Customs duty
Other non-current assets (refundable deposits)	25,457	25,190	53,012	Lease deposits
Other non-current assets (refundable deposits)	19,519	20,677	18,333	Performance guarantee deposits
Other financial assets - non-current	2,311	2,305	2,302	Long-term borrowings
Other non-current assets (guaranteed deposits)	-	69,120	-	Litigation bond(note)
Other current assets (guaranteed deposits)	69,120	-	-	Litigation bond(note)
Other Equipment	<u>474,643</u>	<u>155,597</u>	<u>347,252</u>	Long-term borrowings
	<u>\$ 593,450</u>	<u>\$ 275,289</u>	<u>\$ 423,599</u>	

Note: The explanation of the guarantee deposit is detailed in Note 6(4) .

(II) A portion of the payment for the construction of a solar power generation system has been deposited with a third-party financial institution as trustee is detailed in Note 6(4) .

IX. Significant contingent liabilities and unrecognized contract commitments

(I) Contingencies

The lawsuit between the Company and Chunghwa Telecom Vietnam Co., Ltd. is detailed in Note 6(4) of the financial statements.

(II) Capital expenditures contracted for but not yet incurred

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Property, Plant and Equipment	<u>\$ 22,023</u>	<u>\$ 47,074</u>	<u>\$ 147,365</u>

X. Losses due to major disasters

Not applicable.

XI. Significant events after the balance sheet date

Not applicable.

XII. Others

(I) Capital management

There were no significant changes during the period. Please refer to Note 12 of the Notes to Consolidated Financial Statements as of and for the year ended December 31, 2022.

(II) Financial instruments

1. Categories of financial instruments

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</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	\$ 95,249	\$ 104,538	\$ 110,641
Financial assets at fair value through other comprehensive income			
Investments in designated equity instrument	\$ 5,031	\$ 5,108	\$ 34,281
Financial assets measured at amortized cost			
Cash and cash equivalents	\$ 88,883	\$ 99,347	\$ 79,483
Financial assets measured at amortized cost - current	18,032	17,783	17,209
Note receivable	348	351	405
Trade receivable	52,642	43,438	40,154
Other current assets	69,120	-	-
Financial assets measured at amortized cost – non-current	2,311	2,305	2,302
Other non-current assets	47,376	116,720	78,318
	<u>\$ 278,712</u>	<u>\$ 279,944</u>	<u>\$ 217,871</u>
	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Financial liability</u>			
Financial assets measured at amortized cost			
Short-term borrowings	\$ 120,000	\$ 207,000	\$ 178,900
Short-term bills payable	20,000	34,800	36,500
Notes payable	3,128	6,908	4,838
Other payables	92,328	58,805	130,082
Long-term borrowings (including portions due within one year or one operating cycle)	321,552	310,251	386,482
Guarantee deposits received	936	6,450	6,450
	<u>\$ 557,944</u>	<u>\$ 624,214</u>	<u>\$ 743,252</u>

Lease liabilities	<u>\$ 255,685</u>	<u>\$ 279,567</u>	<u>\$ 280,464</u>
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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>June 30, 2023</u>						
<u>Sensitivity Analysis</u>						
	<u>Foreign currency (Thousan ds of NTD)</u>	<u>Exchange rate</u>	<u>Carrying amount (NTD)</u>	<u>Change range</u>	<u>Impact on profit or loss</u>	<u>Impact on comprehensi ve income</u>
<u>Financial asset</u>						
<u>Monetary items</u>						
USD: NTD	\$663	31.09	\$20,613	1%	\$ 206	\$ -
<u>Non-monetary items</u>						
USD: NTD	\$11,645	31.09	\$362,028	1%	\$ -	\$ -

December 31, 2022

Sensitivity Analysis

	<u>Foreign currency (Thousan ds of NTD)</u>	<u>Exchange rate</u>	<u>Carrying amount (NTD)</u>	<u>Change range</u>	<u>Impact on profit or loss</u>	<u>Impact on comprehensi ve income</u>
<u>Financial asset</u>						
<u>Monetary items</u>						
USD: NTD	\$636	30.66	\$19,500	1%	\$ 195	\$ -
<u>Non-monetary items</u>						
USD: NTD	\$11,353	30.66	\$348,084	1%	\$ -	\$ -

June 30, 2022

Sensitivity Analysis

	<u>Foreign currency (Thousan ds of NTD)</u>	<u>Exchange rate</u>	<u>Carrying amount (NTD)</u>	<u>Change range</u>	<u>Impact on profit or loss</u>	<u>Impact on comprehensi ve income</u>
<u>Financial asset</u>						
<u>Monetary items</u>						
USD: NTD	\$587	29.67	\$17,416	1%	\$ 174	\$ -
<u>Non-monetary items</u>						
USD: NTD	\$12,031	29.67	\$356,974	1%	\$ -	\$ -

C. The total amount of exchange benefit (both realized and unrealized) recognized from April 1 to June 30, 2023 and 2022, January 1 to June 30, 2023 and 2022 was \$1,342、\$732、\$1,200 and \$1,317, respectively, due to the significant impact of exchange rate fluctuations on the 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 Group invests mainly in equity instruments and beneficiary certificates that are not listed on TWSE or TPEX. The prices of these equity instruments are affected by the uncertainty of the future value of the underlying investments.

(3) Cash flow and fair value interest rate risk

A. The 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 the 6

months ended June 30, 2023 and 2022, the Group's borrowings based on floating interest rate 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 June 30, 2023, December 31, 2021 and June 30, 2022, if the interest rate on borrowings had increased by 1%, net profits after tax would have decreased by \$1,846 and \$2,216 for the 6 months ended June 30, 2023 and 2022, with all other factors held constant, primarily due to the increase in interest expense as a result of floating rate borrowings.

(4) Credit risk

- A. The 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. The cash and cash equivalents have been assessed to be free of material 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 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 June 30, 2023, December 31, 2022 and June 30, 2022.
- F. There was no sign of impairment of the Group's notes receivable.

(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 schedule shows the Group's non-derivative financial liabilities, grouped by the relevant maturity date. Non-derivative financial liabilities 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 schedule below are undiscounted amounts.

Non-derivative financial liabilities:

June 30, 2023	<u>Less than 1 year</u>	<u>Less than 1 to 2 years</u>	<u>More than 2 years</u>
Short-term borrowings	\$ 120,369	\$ -	\$ -
Short-term bills payable	20,031	-	-
Notes payable	3,128	-	-
Other payables	92,328	-	-
Lease liabilities	60,350	59,694	153,509
Guarantee deposits received	-	-	936
Long-term borrowings (including portions due within one year or one operating cycle)	<u>60,913</u>	<u>51,171</u>	<u>215,644</u>
Total	<u>\$ 357,119</u>	<u>\$ 110,835</u>	<u>\$ 370,089</u>

Non-derivative financial liabilities:

December 31, 2022	<u>Less than 1 year</u>	<u>Less than 1 to 2 years</u>	<u>More than 2 years</u>
Short-term borrowings	\$ 207,623	\$ -	\$ -
Short-term bills payable	34,904	-	-
Notes payable	6,908	-	-
Other payables	58,805	-	-
Lease liabilities	61,654	59,724	180,049
Guarantee deposits received	-	-	6,450
Long-term borrowings (including portions due within one year or one operating cycle)	<u>58,602</u>	<u>56,872</u>	<u>219,753</u>
Total	<u>\$ 428,496</u>	<u>\$ 116,596</u>	<u>\$ 406,252</u>

Non-derivative financial liabilities:

June 30, 2022	<u>Less than 1 year</u>	<u>Less than 1 to 2 years</u>	<u>More than 2 years</u>
Short-term borrowings	\$ 179,609	\$ -	\$ -
Short-term bills payable	36,555	-	-
Notes payable	4,838	-	-
Other payables	130,082	-	-
Lease liabilities	58,873	56,877	201,878
Guarantee deposits received	-	-	6,450
Long-term borrowings (including portions due within one year or one operating cycle)	<u>69,710</u>	<u>65,527</u>	<u>278,477</u>
Total	<u>\$ 479,667</u>	<u>\$ 122,404</u>	<u>\$ 486,805</u>

(III) Fair value information

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

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

2. 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.

June 30, 2023	<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	\$ -	\$ -	\$95,249	\$ 95,249
Financial assets at fair value through other comprehensive income				
Equity security	<u>-</u>	<u>-</u>	<u>5,031</u>	<u>5,031</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$100,280</u>	<u>\$100,280</u>

December 31, 2022	<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	\$ -	\$ -	\$104,538	\$ 104,538
Financial assets at fair value through other comprehensive income				
Equity security	<u>-</u>	<u>-</u>	<u>5,108</u>	<u>5,108</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,646</u>	<u>\$ 109,646</u>

June 30, 2022	<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	\$ -	\$ -	\$110,641	\$ 110,641
Financial assets at fair value through other comprehensive income				
Equity security	<u>-</u>	<u>-</u>	<u>34,281</u>	<u>34,281</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$144,922</u>	<u>\$144,922</u>

3. The following schedule shows the changes in Level 3 for the 3 months ended June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
	<u>Non-derivative equity security</u>	<u>Non-derivative equity security</u>
January 1	\$ 109,646	\$ 119,323
Gain recognized in profit or loss	3,921	27,532
Loss recognized in other comprehensive Income	(77)	(1,933)
Returned share funds	(13,210)	
June 30	<u>\$ 100,280</u>	<u>\$ 144,922</u>

4. For the 6 months ended June 30, 2023 and 2022, 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.
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>June 30, 2023</u> <u>Fair value</u>	<u>Valuation</u> <u>technique</u>	<u>Significant</u> <u>unobservable</u> <u>input value</u>	<u>Interval</u> <u>(Weighted</u> <u>average)</u>	<u>Relationship</u> <u>between input value</u> <u>and fair value</u>
Non-derivative equity security:					
Non TWSE or TPEX listed stock	\$ 5,031	Discounted benefit flow method	Discount for lack of marketability Adjustment to discount for lack of controlling interests	20%	The higher the discount for lack of marketability and the higher the discount for lack of controlling interests, the lower the fair value
Investment in private equity	95,249	Net asset value method	Net asset value		-The higher the net asset value, the higher the fair value

	<u>December 31, 2022</u> <u>Fair value</u>	<u>Valuation</u> <u>technique</u>	<u>Significant</u> <u>unobservable</u> <u>input value</u>	<u>Interval</u> <u>(Weighted</u> <u>average)</u>	<u>Relationship</u> <u>between input value</u> <u>and fair value</u>
Non-derivative equity security:					
Non TWSE or TPEX listed company Stock	\$ 5,108	Discounted benefit flow method	Discount for lack of marketability Adjustment to discount for lack of controlling interests	20%	The higher the discount for lack of marketability and the higher the discount for lack of controlling interests, the lower the fair value
Investment in private equity	104,538	Net asset value method	Net asset value		-The higher the net asset value, the higher the fair value

	<u>June 30, 2022</u> <u>Fair value</u>	<u>Valuation</u> <u>technique</u>	<u>Significant</u> <u>unobservable</u> <u>input value</u>	<u>Interval</u> <u>(Weighted</u> <u>average)</u>	<u>Relationship</u> <u>between input</u> <u>value and fair value</u>
Non-derivative equity security:					
Non TWSE or TPEX listed stock	\$ 5,424	Discounted benefit flow method	Discount for lack of marketability	20%	The higher the discount for lack of marketability and the higher the discount for lack of controlling interests, the lower the fair value
			Adjustment to discount for lack of controlling interests	30%	
Venture capital company stock	29,039	Net asset value method	Net asset value	-	The higher the net asset value, the higher the fair value
Investment in private equity	110,641	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>Input value</u>	<u>Change</u>	<u>June 30, 2023</u>			
			<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive</u>	
			<u>Favorable</u> <u>change</u>	<u>Unfavorable</u> <u>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%	\$ -	\$ -	\$ 50	(\$ 50)
Investment in private equity	Net asset value	±1%	952	(952)	-	-
Total			<u>\$ 952</u>	<u>(\$ 952)</u>	<u>\$ 50</u>	<u>(\$ 50)</u>

		<u>December 31, 2022</u>				
		<u>Recognized in profit or loss</u>			<u>Recognized in other comprehensive</u>	
		<u>Income</u>				
		<u>Favorable</u>	<u>Unfavorable</u>			
<u>Input value</u>	<u>Change</u>	<u>change</u>	<u>change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>	
Financial asset						
	The discount for lack of marketability and the discount for lack of controlling interests					
Equity instruments	±1%	\$ -	\$ -	\$ 51	(\$ 51)	
Investment in private equity	Net asset value ±1%	<u>1,045</u>	<u>(1,045)</u>	<u>-</u>	<u>-</u>	
Total		<u>\$ 1,045</u>	<u>(\$ 1,045)</u>	<u>\$ 51</u>	<u>(\$ 51)</u>	

		<u>June 30, 2022</u>				
		<u>Recognized in profit or loss</u>			<u>Recognized in other comprehensive</u>	
		<u>Income</u>				
		<u>Favorable</u>	<u>Unfavorable</u>			
<u>Input value</u>	<u>Change</u>	<u>change</u>	<u>change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>	
Financial asset						
	The discount for lack of marketability and the discount for lack of controlling interests					
Equity instruments	±1%	\$ -	\$ -	\$ 52	(\$ 52)	
Equity instruments	Net asset value ±1%	-	-	290	(290)	
Investment in private equity	Net asset value ±1%	<u>1,106</u>	<u>(1,106)</u>	<u>-</u>	<u>-</u>	
Total		<u>\$ 1,106</u>	<u>(\$ 1,106)</u>	<u>\$ 342</u>	<u>(\$ 342)</u>	

(IV) Financial Soundness Plan

The Company mainly uses its own funds and bank loans as sources of funding for equipment additions and maintenance of chemical and oil storage tanks, as well as for the construction of solar power generation plants. However, due to the significant capital expenditure required for the construction of the solar power plants and the stable returns from electricity sales, the Company aims to maintain a high level of cash reserves to cope with rapid industry changes. If further investment in power plant development is required, it can only be supported by timely bank borrowings to fill the funding gap. In addition, in March 2022, the Company acquired a 20% stake in ABZbridge to diversify its sources of revenue and stabilize its business growth, and the investee has been profitable.

The company plans to improve the company's financial status as follows:

1. The company works closely with financial institutions to increase fund flexibility through borrowing. As of June 30, 2023, we still have a revolving short-to-medium term loan facility of \$933,600 and a long-term loan facility of \$244,000 available for drawdown.
2. The company plans to sell all the shares (4,000,000 common shares) of its subsidiary, POCS POWER Co., Ltd., to enhance the overall operational efficiency of our energy business and to activate our capital utilization. The consideration were \$59,010 and gains on disposals of investments were \$10,196. The proceeds from this sale will be used to evaluate other opportunities for renewable energy development.
3. Except for the above, the cash inflows from operating activities of the Group are sufficient to support future investment in power plants and operations, as evaluated by the Group.

XIII. Additional disclosures

(I) Significant transactions information

1. Loans to others: None.
2. Endorsements and guarantees for others: Table 1.
3. Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates and joint ventures): Please refer to Table 2.
4. Marketable securities acquired and disposed amounting to at least NT\$300 million or 20% of the paid-in capital. None.
5. 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 April 1, to June 30, 2023 and 2022, January 1, to June 30, 2023 and 2022 is as follows.

	<u>April 1 to June 30, 2023</u>			<u>Total</u>
	<u>Oil and chemical tank</u> <u>rental business</u>	<u>Solar power</u> <u>generation business</u>		
Segment revenues	\$ 75,657	\$ 32,396	\$	108,053
Segment profits or losses (Note)	9,831	12,682		22,513
Segment profits or losses include:				
Depreciation and amortization	35,378	13,526		48,904
Interest income	359	106		465
Financial costs	2,421	1,214		3,635
Income tax expense	2,799	2,818		5,617

	<u>January 1 to June 30, 2023</u>		
	<u>Oil and chemical tank</u>	<u>Solar power</u>	
	<u>rental business</u>	<u>generation business</u>	<u>Total</u>
Segment revenues	\$ 170,230	\$ 59,596	\$ 229,826
Segment profits or losses (Note)	26,647	22,000	48,647
Segment profits or losses include:			
Depreciation and amortization	68,935	26,577	95,512
Interest income	423	107	530
Financial costs	4,820	2,136	6,956
Income tax expense	7,757	4,625	12,382

	<u>April 1 to June 30, 2022</u>		
	<u>Oil and chemical tank</u>	<u>Solar power</u>	
	<u>rental business</u>	<u>generation business</u>	<u>Total</u>
Segment revenues	\$ 103,258	\$ 25,822	\$ 129,080
Segment profits or losses (Note)	18,137	3,697	21,834
Segment profits or losses include:			
Depreciation and amortization	34,969	12,355	47,324
Interest income	83	9	92
Financial costs	733	250	983
Income tax expense	6,407	1,716	8,123

	<u>January 1 to June 30, 2022</u>		
	<u>Oil and chemical tank</u>	<u>Solar power</u>	
	<u>rental business</u>	<u>generation business</u>	<u>Total</u>
Segment revenues	\$ 190,847	\$ 46,119	\$ 236,966
Segment profits or losses (Note)	44,296	6,301	50,597
Segment profits or losses include:			
Depreciation and amortization	72,511	23,996	96,507
Interest income	124	10	134
Financial costs	876	509	1,385
Income tax expense	12,933	2,656	15,589

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

Prime Oil Chemical Service Corporation and its subsidiaries
 Marketable securities held at the end of the period (excluding investment in subsidiaries, affiliated companies and joint venture)

June 30, 2023

Table 1

Unit: Thousand NTD
 (Unless otherwise specified)

Companies held	Type and name of marketable securities	Relationship with the issuer of marketable securities	Account in the book	The end of the period			Fair value	Remarks
				Shares	Carrying amount	Shares Ratio		
Prime Oil Chemical Service Corporation	Stock - Everterminal Co., Ltd.	None	Financial assets at fair value through other comprehensive income - noncurrent	342,244	\$ 5,,031	0.70%	\$ 5,031	
Prime Oil Chemical Service Corporation	Investment in private equity - AB Value Bridge VI, L.P.	None	Financial assets at fair value through profit or loss - non-current	-	58,054	3.00%	58,054	
Prime Oil Chemical Service Corporation	Investment in private equity - AB Value Bridge VII, L.P.	None	Financial assets at fair value through profit or loss - non-current	-	37,195	3.47%	37,195	

Prime Oil Chemical Service Corporation and its subsidiaries
Names, locations and other information of investee companies (not including investees in China)
January 1 to June 30, 2023

Table 2

Unit: Thousand NTD
(Unless otherwise specified)

Investor	Investor Company	Location	Main Businesses and Products	Investment Amount		As of June 30, 2023			Net profit (Loss) of the Investee for the period	Investment gains or losses recognized in the period	Remarks
				June 30, 2023	June 30, 2022	Shares	Ownership	Carrying amount			
Prime Oil Chemical Service Corporation	He Zhen Feng Co., Ltd.	Taiwan	Real Estate Leasing	\$ 695	\$ 695	69,468	69.47	\$ 1,040	(\$ 16)	(\$ 11)	Note3
Prime Oil Chemical Service Corporation	POCS Power Co., Ltd.	Taiwan	Solar Power Industry	-	43,045	-	0.00	-	-	-	Note2、3
Prime Oil Chemical Service Corporation	Prime Holdings Corporation	Anquila	Shareholding and General Trading	191,886	191,886	30,000	100.00	265,349	3,500	3,500	Note1、3
Prime Oil Chemical Service Corporation	ABZBRIDGE CORPORATION	Cayman	Shareholding	76,424	76,424	10,000	20.00	96,679	37,849	7,570	Note1
Prime Holdings Corporation	Prime Solar Energy Co., Ltd.	Cambodia	Real Estate Development	52,344	52,344	1,700,000	100.00	52,530	(42)	(42)	Note1、3

Note1: The information disclosed in respect of the investee enterprises is based on the exchange rate at June 30, 2023, except for the profit or loss for the period, which is based on the average exchange rate from January 1, 2023 to June 30, 2023.

Note2: The Company, in order to enhance the overall operational efficiency of its energy business, increase capital utilization and investment return. As of March 31, 2023, the relevant share transfer has been completed.

Note3: Eliminated in the preparation of the consolidated financial statements

Prime Oil Chemical Service Corporation and its subsidiaries

Information on main investors

June 30, 2023

Table 3

	<u>Name of major shareholder</u>	<u>No. of shares held</u>	<u>Shares</u>	<u>Shares Ratio</u>
Abacus Display Infinity Corporation		32,171,849		41.33%
Tai Yu Investment Co., Ltd.		4,152,345		5.33%