

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

**FIRST STEAMSHIP COMPANY LIMITED**

**Parent Company Only Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2020 and 2019**

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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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## Independent Auditors' Report

To the Board of Directors of First Steamship Company Limited:

### Opinion

We have audited the financial statements of First Steamship Company Ltd. ( “the Company” ), which comprise the statement of financial position as of December 31, 2020 and 2019, and the statement of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to other matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ( “IFRSs” ), International Accounting Standards ( “IASs” ), interpretation developed by the International Financial Reporting Interpretations Committee ( “IFRIC” ) or the former Standing Interpretations Committee ( “SIC” ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit of the financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Company and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( “the Code” ), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis of our opinion.

### Other Matter

We did not audit the financial statements of certain investees which represented the investment in other entities accounted for using the equity method of the Company. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts is based solely on the report of other auditors. The investments in other entities accounted for using the equity method constituting both 8 % and 8% of the total assets at December 31, 2020 and 2019, respectively, and the related share of profit of associates accounted for using the equity method constituted (19%) and 2% of the total profit before tax for the years ended December 31, 2020 and 2019, respectively.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

#### 1. Equity-based subsidiaries

Please refer to notes 4(i) and 6(d) to the financial statements for the accounting principles on the recognition

of equity-based subsidiaries, as well as details of equity-based subsidiaries, respectively.

Description of key audit matter:

The assessment of the impairment of goodwill and trademark, impairment of assets and the recoverability of other financial assets of some subsidiaries of the company depends on the subjective judgment of management, which is an uncertain accounting estimate and affects the operating results of subsidiaries. Therefore, we consider the assessment of the impairment of goodwill and trademark, impairment of assets and the recoverability of other financial assets of some subsidiaries of the company as the key audit matters to the financial statements in the audit process.

How the matter was addressed in our audit

The accountants' major review procedures for the impairment of goodwill and trademark and the impairment of assets of subsidiaries using the equity method include: We cast professional doubt on the model that the subsidiary's management used to assess the impairment of goodwill and trademark, including to evaluate whether management has identified cash generating units ( "CGU" ) which might have impairments, and to consider all the assets that have to be tested have been included in the assessment. We also review separate financial assumptions that the management used to assess impairments and related verification of recoverable amounts. We verify the reasonability of the assumptions and accuracy of management's calculation based on available data. We also examine the appropriateness of disclosure for the aforesaid assets.

The main audit procedures performed by the accountant on the recoverability of other receivables of subsidiaries using the equity method include: To evaluate the expected credit losses of other receivables, we obtained documentation of management's assessment to examine the possibility of default. Also, we assess the reasonability of expected credit losses of other receivables in duration according to IFRS 9 "Financial Instruments".

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the audit committee) are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are Shu-Ying Chang and Li-Chen Lai.

KPMG

Taipei, Taiwan (Republic of China)  
March 31, 2021

#### **Notes to Readers**

The accompanying financial statements are intended only to present the statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditor's audit report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditor's audit report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)  
**FIRST STEAMSHIP COMPANY LIMITED**  
 Parent Company Only Balance Sheets  
 For the years ended December 31, 2020 and 2019  
 (Expressed in Thousands of New Taiwan Dollars )

		2020		2019	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Assets</b>					
<b>Current assets:</b>					
1100	Cash and cash equivalents (Note 6(a))	\$ 50,052	-	80,758	1
1110	Current financial assets at fair value through profit or loss (Notes 6(j) and (q))	6,818	-	-	-
1180	Accounts receivable -related parties (Notes 6(n) and 7)	5,165	-	5,455	-
1320	Inventories (for construction business), net (Notes 6(b) and 8)	518,292	4	-	-
1200	Other receivables -related parties (Notes 7)	256,429	2	585,217	5
1476	Other current financial assets (Notes 8)	320,680	3	430,150	3
1479	Other current assets	2,756	-	6,564	-
		<u>1,160,192</u>	<u>9</u>	<u>1,108,144</u>	<u>9</u>
<b>Non-current assets:</b>					
1510	Total non-current financial assets at fair value through profit or loss (Note 6(q))	46,800	-	-	-
1551	Investments accounted for using equity method, net (Note 6(d) and 8)	11,051,869	89	11,166,387	89
1600	Property, plant and equipment (Notes 6(e) and 8)	172,903	1	176,065	1
1760	Investment property, net (Notes 6(f) and 8)	143,036	1	144,009	1
1755	Right-of-use assets	-	-	974	-
1975	Net defined benefit asset, non-current	490	-	-	-
1980	Other non-current financial assets (Notes 8)	15,750	-	1,000	-
1990	Other non-current assets	1,984	-	499	-
		<u>11,432,832</u>	<u>91</u>	<u>11,488,934</u>	<u>91</u>
<b>Total assets</b>		<u>\$ 12,593,024</u>	<u>100</u>	<u>12,597,078</u>	<u>100</u>

(English Translation of Financial Statements Originally Issued in Chinese)

**FIRST STEAMSHIP COMPANY LIMITED**  
 Parent Company Only Balance Sheets (CONT'D)  
 For the years ended December 31, 2020 and 2019  
 (Expressed in Thousands of New Taiwan Dollars )

		2020		2019	
		Amount	%	Amount	%
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
2100	Short-term borrowings (Notes 6(g) )	\$ 1,794,200	14	445,000	4
2110	Short-term notes and bills payable(Note 6(h))	49,992		49,954	-
2120	Current financial liabilities at fair value through profit or loss (Notes 6(j))	-	-	2,622	-
2209	Other payables (Notes 6(o))	58,663	-	106,070	1
2220	Other payables -related parties (Notes 7)	138,812	1	-	-
2230	Current tax liabilities (Notes 6(k))	-	-	1,894	-
2280	Current lease liabilities	-	-	949	-
2321	Current portion of bonds payable (Note 6(j))	1,431,651	11	999,223	8
2322	Current portion of long-term borrowings (Note 6(i))	296,887	-	150,000	1
2399	Other current liabilities	1,038	-	1,118	-
		<u>3,771,243</u>	<u>26</u>	<u>1,756,830</u>	<u>14</u>
<b>Non-Current liabilities:</b>					
2530	Bonds payable (Note 6(j))	-	-	1,336,572	11
2540	Long-term borrowings (Note 6(i))	349,443	4	353,000	3
2570	Deferred tax liabilities (Note 6(k))	8,883	-	7,425	-
2640	Net defined benefit liability, non-current	-	-	422	-
2645	Guarantee deposits (Note 7)	2,272	-	1,422	-
		<u>360,598</u>	<u>4</u>	<u>1,698,841</u>	<u>14</u>
<b>Total liabilities</b>		<u>4,131,841</u>	<u>30</u>	<u>3,455,671</u>	<u>28</u>
<b>Retained earnings (Notes 6(d), (j) and (l)):</b>					
3100	Capital stock	6,867,627	55	6,308,832	49
3200	Capital surplus	1,917,673	15	1,947,686	15
3300	Retained earnings	543,146	4	1,450,781	12
3400	Other equity interest	(772,772)	(6)	(565,892)	(4)
3500	Treasury shares	(94,491)	-	-	-
<b>Total equity</b>		<u>8,461,183</u>	<u>68</u>	<u>9,141,407</u>	<u>72</u>
<b>Total liabilities and equity</b>		<u>\$ 12,593,024</u>	<u>98</u>	<u>12,597,078</u>	<u>100</u>

See accompanying notes to consolidated financial statements

(English Translation of Financial Statements Originally Issued in Chinese)

## FIRST STEAMSHIP COMPANY LIMITED

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2020		2019	
	Amount	%	Amount	%
4000 <b>Operating revenues (Notes 6(n), and 7)</b>	\$ 71,499	100	76,188	100
5000 <b>Operating costs</b>	17,003	24	16,423	22
<b>Gross profit from operations</b>	54,496	76	59,765	78
6000 <b>Operating expenses (Notes 6(o) and 7)</b>	59,997	84	92,188	121
<b>Net operating loss</b>	(5,501)	(8)	(32,423)	(43)
<b>Non-operating income and expenses (Notes 6(c), (d) , (j), (p) and 7):</b>				
7010 Other income	15,768	22	9,250	12
7020 Other gains and losses, net	(5,604)	(8)	240,641	316
7070 Share of loss of associates accounted for using equity method, net	(151,865)	(212)	1,344,921	1,765
7050 Finance costs	(140,041)	(196)	(141,579)	(186)
	(281,742)	(394)	1,453,233	1,907
<b>(Loss) Profit from continuing operations before tax</b>	(287,243)	(402)	1,420,810	1,864
7950 Less: Income tax (benefit) expenses (Note 6(k))	(436)	(2)	16,433	21
<b>(Loss) Profit</b>	(286,807)	(400)	1,404,377	1,843
8300 <b>Other comprehensive income:</b>				
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311 Remeasurement of defined benefit plans	55	-	407	1
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	55	0	407	1
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8380 Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(206,880)	(289)	(335,040)	(440)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	(206,880)	(289)	(335,040)	(440)
8300 <b>Other comprehensive income (loss)</b>	(206,825)	(289)	(334,633)	(439)
<b>Comprehensive income (loss)</b>	\$ <b>(493,632)</b>	<b>(689)</b>	<b>1,069,744</b>	<b>1,404</b>
<b>Earnings per share (Note 6(m))</b>				
9750 <b>Basic (loss) earnings per share (NT dollars)</b>	\$	(0.42)		2.04
9850 <b>Diluted (loss) earnings per share(NT dollars)</b>	\$	(0.42)		1.81

See accompanying notes to consolidated financial statements

(English Translation of Financial Statements Originally Issued in Chinese)

**FIRST STEAMSHIP COMPANY LIMITED**  
**Parent Company Only Statements of Changes in Equity**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Share capital		Retained earnings				Total other equity interest			Total equity
	Common Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Equity related to non-current assets classified as held for sale	Treasury shares	
<b>Balance at January 1, 2019</b>	\$ 6,308,832	1,953,436	163,964	336,136	(373,644)	126,456	(266,508)	35,656	-	8,157,872
Profit for the year ended December 31, 2019	-	-	-	-	1,404,377	1,404,377	-	-	-	1,404,377
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	407	407	(329,172)	(5,868)	-	(334,633)
Total comprehensive income for the year ended December 31, 2019	0	0	0	0	1,404,784	1,404,784	(329,172)	(5,868)	0	1,069,744
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	640	-	(640)	0	-	-	-	0
Cash dividends of ordinary share	-	-	-	-	(63,088)	(63,088)	-	-	-	(63,088)
Reversal of special reserve	-	-	-	(105,284)	105,284	0	-	-	-	0
Due to recognition of equity component of convertible bonds issued	-	96,902	-	-	-	0	-	-	-	96,902
Changes in equity of associates accounted for using equity method	-	1,718	-	-	(17,371)	(17,371)	-	-	-	(15,653)
Disposal of subsidiaries or investments accounted for using equity method	-	(22,126)	-	-	-	0	-	-	-	(22,126)
Changes in ownership interests in subsidiaries	-	(82,244)	-	-	-	0	-	-	-	(82,244)
Balance at December 31, 2019	6,308,832	1,947,686	164,604	230,852	1,055,325	1,450,781	(595,680)	29,788	0	9,141,407
Loss for the year ended December 31, 2020	-	-	-	-	(286,807)	(286,807)	-	-	-	(286,807)
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	55	55	(197,810)	(9,070)	-	(206,825)
Total comprehensive income for the year ended December 31, 2020	0	0	0	0	(286,752)	(286,752)	(197,810)	(9,070)	0	(493,632)
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	83,291	-	(83,291)	0	-	-	-	0
Special reserve appropriated	-	-	-	335,040	(335,040)	0	-	-	-	0
Cash dividends of ordinary share	-	(186,142)	-	-	(62,088)	(62,088)	-	-	-	(248,230)
Stock dividends of ordinary share	558,795	-	-	-	(558,795)	(558,795)	-	-	-	0
Purchase of treasury share	-	-	-	-	-	0	-	-	(94,491)	(94,491)
Disposal of investments accounted for using equity method	-	(10,732)	-	-	-	0	-	-	-	(10,732)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	165,680	-	-	-	0	-	-	-	165,680
Changes in ownership interests in subsidiaries	-	1,181	-	-	-	0	-	-	-	1,181
<b>Balance at December 31, 2020</b>	\$ 6,867,627	1,917,673	247,895	565,892	(270,641)	543,146	(793,490)	20,718	(94,491)	8,461,183

See accompanying notes to consolidated financial statements

(English Translation of Financial Statements Originally Issued in Chinese)

## FIRST STEAMSHIP COMPANY LIMITED

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars )

	2020	2019
	<u>Amount</u>	<u>Amount</u>
<b>Cash flows from (used in) operating activities:</b>		
(Loss) Profit before tax	\$ (287,243)	1,420,810
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	5,295	5,143
Amortization expense	1,271	614
Net gain on financial assets or liabilities at fair value through profit or loss	(907)	(3,856)
Interest expense	140,041	141,579
Interest income	(15,768)	(9,250)
Share of loss (gain) of associates accounted for using equity method	151,865	(1,344,921)
Loss on disposal of non-current assets classified as held for sale	-	(217,213)
Loss on disposal of investments	237	-
<b>Total adjustments to reconcile profit (loss)</b>	<u>282,034</u>	<u>(1,427,904)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets and liabilities at fair value through profit or loss	(55,333)	-
Accounts receivable	290	22,427
Other receivables	16,394	24,810
Inventories	(518,292)	-
Other current assets	3,808	9,690
Net defined benefit assets	(490)	-
<b>Changes in operating liabilities:</b>		
Contract liabilities	-	(281)
Other payables	(39,688)	(119,978)
Other current liabilities	(80)	93
Net defined benefit liability	(367)	(821)
<b>Total adjustments</b>	<u>(311,724)</u>	<u>(1,491,964)</u>
Cash outflow generated from operations	(598,967)	(71,154)
Interest received	15,489	5,933
Dividends received	15,897	12,239
Interest paid	(51,904)	(72,123)
Income taxes paid	-	(32,399)
<b>Net cash flows from operating activities</b>	<u>(619,485)</u>	<u>(157,504)</u>

(English Translation of Financial Statements Originally Issued in Chinese)

## FIRST STEAMSHIP COMPANY LIMITED

Parent Company Only Statements of Cash Flows(CONT'D)

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars )

	2020	2019
	<u>Amount</u>	<u>Amount</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method	\$ (700)	(1,542,300)
Proceeds from disposal of investments accounted for using equity method	78,745	3,357,043
Refund of capital reduction on investments accounted for using equity method	23	-
Proceeds from disposal of non-current assets classified as held for sale	-	463,360
Acquisition of property, plant and equipment	(186)	(92)
Decrease (increase) in other receivables	130,373	(560,470)
Decrease (increase) in other financial assets	94,720	39,519
Increase in other non-current assets	(2,756)	(55)
<b>Net cash flows from (used in) investing activities</b>	<u>300,219</u>	<u>1,757,005</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	1,349,200	195,000
Increase in short-term notes and bills payable	38	7
Proceeds from issuing bonds	-	1,542,300
Redemption of bonds payable	(1,000,000)	(1,000,000)
Proceeds from long-term borrowings	443,330	458,000
Repayments of long-term borrowings	(300,000)	(923,000)
Increase (decrease) in other payables -related parties	138,812	(1,858,289)
Payment of lease liabilities	(949)	(765)
Decrease in guarantee deposits	850	(1,371)
Payments to acquire treasury shares	(94,491)	-
Cash dividends paid	(248,230)	(63,088)
<b>Net cash flows from (used in) financing activities</b>	<u>288,560</u>	<u>(1,651,206)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(30,706)</u>	<u>(51,705)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>80,758</u>	<u>132,463</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ <b>50,052</b></u>	<u><b>80,758</b></u>

See accompanying notes to consolidated financial statements

(English Translation of Financial Statements Originally Issued in Chinese)

**FIRST STEAMSHIP COMPANY LIMITED****Notes to Parent Company Only Financial Statements**

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

**(1) Company history**

First Steamship Company Ltd. (the “Company”) was established in October 1963 in accordance with the Company Act of the Republic of China. The Company’s registered office address is located at 14F, No.237, Sec. 2, Fuxing S. Rd., Taipei City, R.O.C. The major business activities of the Company are the providing business consultation services and investments.

First Steamship Company Ltd. approved a short-form merger with its subsidiary Yee young Co., Ltd. by a resolution of the board of directors on May 14, 2019. The company is a surviving company, and the consolidation base date set on July 1, 2019. This simple merger case was approved by the Ministry of Economic Affairs on July 31, 2019 with the letter of Shangshangzi No. 10801105140 and the registration procedure was completed.

**(2) Approval date and procedures of the consolidated financial statements:**

These financial statements were authorized for issuance by the Board of Directors on March 31, 2021.

**(3) New standards, amendments and interpretations adopted:**

(a) The following new amendments, effective January 1, 2020, do not have a significant impact on the financial statements:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

(b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

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The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Company does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the accompanying financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Guidelines).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.
- 2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Company entity is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;

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- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under any one of the following conditions. All other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

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(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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#### 3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables, other receivables, long-term lease payments receivable and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade and other receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

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- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### 4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### 2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

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## 3) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

## 4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

## 5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

## 6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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(iii) Derivative financial instruments and hedge accounting

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

The initial cost of inventory is necessary expenditure incurred in bringing them to their existing location and condition. The developing costs for real estate include construction, land, borrowings, and project expenditure. When the construction is finished, building construction in progress will be reclassified to real estate held for sale, and the Group will recognize operating costs in the proportion of the part being sold to the total developing costs for real estate. Inventories are measured at the lower of cost and net realizable value. When the costs exceed net realizable value, the costs should be reduced to their net realizable value, and the reducing amount should be recognized at current cost for sale. The net realizable value is measured as follows:

- (i) Land held for development: the net realizable value is the replacement cost or estimated price (based on the market condition), less the estimated selling expenses at the end of the period.
- (ii) Building construction in progress: the net realizable value is the estimated price (based on the market condition), less the estimated costs of completion and selling expenses at the end of the period.
- (iii) Real estate held for sale: the net realizable value is the estimated price (based on the market condition), less the estimated selling expenses at the end of the period

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If

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the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Subsidiaries

The Company accounts the investee companies that it possesses control using the equity. Net income, other comprehensive income, and shareholder's equity in the financial reports of the Company and the net income, other comprehensive income, and shareholder's equity that belongs to the Consolidated Company in the consolidated financial reports should be the same. The Company accounts the changes in equity, under the condition that control is still present, as equity transactions between the proprietors.

(j) Investment property

Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings	3~50 years
2) Transportation equipment	5 years
3) Office equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Lease

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

On the lease establishment date or when reassessing whether the contract includes a lease, the Company allocates the consideration in the contract to the individual lease components on the basis of a relatively separate price. However, when renting land and buildings, the Company chose not to distinguish between non-lease components and treat the lease component and non-lease component as a single lease component.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date,

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plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

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If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are Companyed together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or Companys of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Services

The Company provides consultancy services and management services to the customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be

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available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Non-current assets held for sale

Noncurrent assets or disposal Companies comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use are reclassified as held for sale or held for distribution to owners. Immediately before classification as held for sale or held for distribution to owners, the assets, or components of a disposal Company, are remeasured in accordance with the Company's accounting policies. Thereafter, generally, the assets or disposal Companies are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal Company is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Company's accounting policies. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, property, plant and equipment are no longer amortized or depreciated.

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(s) Operating segments

The Company discloses its information on operating segments in its consolidated financial statements, so it need not disclose such information in the parent company only financial statements.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements : None.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows: the impairment review of the subsidiaries' property, plant and equipment and intangible assets please refer to consolidated financial statement.

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**Assessment**

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Company's financial instrument valuation Company conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation Company also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

Please refer to notes 6(q) for assumptions used in measuring fair value.

**(6) Explanation of significant accounts:**

- (a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Petty cash	\$ 90	347
Demand deposits	49,962	80,411
Total	<b><u>\$ 50,052</u></b>	<b><u>80,758</u></b>

Please refer to note 6(q) for the sensitivity analysis and interest rate risk.

- (b) Inventories

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Land held for construction site	<b><u>\$ 518,292</u></b>	<b><u>-</u></b>

- (c) Non-current assets classified as held for sale

On December 7, 2018, the board of directors of the Company resolved to sale the invested real estate, including related lands and houses; as of December 31, 2019, the amount of non-current assets classified as held for sale was \$246,147 thousand. On March 29, 2019, the Company signed a sales contract with the non-relative Wisdom Marine International Inc. for a total contract price of \$463,360 thousand (untaxed). The property rights transfer registration was completed in May, 2019. The relevant price has been fully collected, deducting the relevant taxes and fees and recognized the disposal gain of non-current assets classified as held for sale of \$217,213 thousand. Please refer to note 6 (p) for details.

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(d) Investments accounted for using equity method

The Company's investments accounted for using the equity method at the reporting date were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ 11,051,869	11,076,897
Associates	-	89,490
	<u><b>\$ 11,051,869</b></u>	<u><b>11,166,387</b></u>

(i) Subsidiaries

Yee Shin Investment Co., Ltd. processed a capital increase of 18,300 thousand shares in December 2020. The company used \$700 thousand in cash and \$182,300 thousand in credits to offset the share payment, and the relevant change registration had been completed. Please refer to the consolidated financial statements for the year ended 2020 for the information of the subsidiaries.

(ii) The Company's financial information for investments accounted for using the equity method that are individually insignificant were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amount of individually insignificant associates' equity	<u>\$ -</u>	<u>89,490</u>
	<u><b>For the years ended December 31</b></u>	
	<u>2020</u>	<u>2019</u>
Attributable to the Company:		
Loss from continuing operations	\$ (180)	(15,174)
Other comprehensive income	-	-
Total comprehensive income	<u><b>\$ (180)</b></u>	<u><b>(15,174)</b></u>

- 1) On August 30, 2019, the Company didn't subscribe to the private equity, Taiwan Environment Scientific Co., Ltd.. Due to the unproportioned shareholding percentage of the Company, it recognized the capital surplus of \$1,718 thousand.
- 2) In May of 2020, the company disposes of all the equity of Taiwan Environment Scientific Co., Ltd., the disposal price is \$77,820 thousand, and the disposal loss is recognized as \$231 thousand. The disposal loss includes the company's previous net equity of the affiliated

(iii) Guarantees

The Company is guarantee in investments using equity methods, please refer to note 8.

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(e) Property, plant and equipment

The movements of cost, accumulated depreciation and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:					
Balance at January 1, 2020	\$ 126,409	74,192	1,327	-	201,928
Additions	-	100	86	-	186
Balance at December 31, 2020	<b><u>\$ 126,409</u></b>	<b><u>74,292</u></b>	<b><u>1,413</u></b>	<b><u>-</u></b>	<b><u>202,114</u></b>
Balance at January 1, 2019	\$ 126,409	52,393	1,327	21,707	201,836
Additions	-	92	-	-	92
Other reclassifications	-	21,707	-	(21,707)	-
Balance at December 31, 2019	<b><u>\$126,409</u></b>	<b><u>74,192</u></b>	<b><u>1,327</u></b>	<b><u>-</u></b>	<b><u>201,928</u></b>
Depreciation and impairment loss:					
Balance at January 1, 2020	\$ -	24,765	1,098	-	25,863
Depreciation	-	3,214	134	-	3,348
Balance at December 31, 2020	<b><u>\$ -</u></b>	<b><u>24,979</u></b>	<b><u>1,232</u></b>	<b><u>-</u></b>	<b><u>29,211</u></b>
Balance at January 1, 2019	\$ -	21,560	863	-	22,423
Depreciation	-	3,205	235	-	3,440
Balance at December 31, 2019	<b><u>\$ -</u></b>	<b><u>24,765</u></b>	<b><u>1,098</u></b>	<b><u>-</u></b>	<b><u>25,863</u></b>
Carrying amounts:					
Balance at December 31, 2020	<b><u>\$126,409</u></b>	<b><u>46,313</u></b>	<b><u>181</u></b>	<b><u>-</u></b>	<b><u>172,903</u></b>
Balance at January 1, 2019	<b><u>\$126,409</u></b>	<b><u>30,833</u></b>	<b><u>464</u></b>	<b><u>21,707</u></b>	<b><u>179,413</u></b>
Balance at December 31, 2019	<b><u>\$ 126,409</u></b>	<b><u>49,427</u></b>	<b><u>229</u></b>	<b><u>-</u></b>	<b><u>176,065</u></b>

The property, plant and equipment of the Company had been pledged as collateral for bank borrowings; please refer to note 8 for further details.

(f) Investment properties

The movements in the cost and accumulated depreciation of investment properties of the Company for the years ended December 31, 2020 and 2019 were as follows:

	<u>Land and improvement</u>	<u>Buildings</u>	<u>Total</u>
Cost or deemed cost:			
Balance at January 1, 2020	\$ 115,769	50,252	166,021
Balance at December 31, 2020	<b><u>\$ 115,769</u></b>	<b><u>50,252</u></b>	<b><u>166,021</u></b>
Balance at January 1, 2019	\$ 115,769	50,252	166,021
Balance at December 31, 2019	<b><u>\$ 115,769</u></b>	<b><u>50,252</u></b>	<b><u>166,021</u></b>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2020	\$ -	22,012	22,012
Depreciation	-	973	973
Balance at December 31, 2020	<b><u>\$ -</u></b>	<b><u>22,985</u></b>	<b><u>22,985</u></b>
Balance at January 1, 2019	\$ -	21,039	21,039
Depreciation	-	973	973
Balance at December 31, 2019	<b><u>\$ -</u></b>	<b><u>22,012</u></b>	<b><u>22,012</u></b>

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Carrying amounts:

Balance at December 31, 2020	<u>\$ 115,769</u>	<u>27,267</u>	<u>143,036</u>
Balance at January 1, 2019	<u>\$ 115,769</u>	<u>29,213</u>	<u>144,982</u>
Balance at December 31, 2019	<u>\$ 115,769</u>	<u>28,240</u>	<u>144,009</u>

Fair value amount:

Balance at December 31, 2020	<u>\$ 296,199</u>
Balance at December 31, 2019	<u>\$ 273,671</u>

- (i) Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of one to two years. For lease revenue, please refer to note 6(n) the rental income of 2020 and 2019.
- (ii) The investment property of the Company had been pledged as collateral for borrowings; please refer to note 8.

(g) Short-term borrowings

Short-term borrowings consisted of the following:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured bank loans	\$ 430,000	445,000
Secured bank loans	1,364,200	-
Total	<u>\$ 1,794,200</u>	<u>445,000</u>
Unused credit lines	<u>\$ 100,000</u>	<u>100,000</u>
Range of interest rates	<u>1.35%~2%</u>	<u>1.5%~1.8%</u>

For the collateral of short-term borrowings, please refer to note 8 of the Company.

(h) Short-term notes and bills payable

<u>December 31, 2020</u>			
	<u>Guarantee or acceptance agency</u>	<u>Annual interest rate</u>	<u>Amount</u>
Commercial paper payable	International Bills Finance Corp.	0.70%	\$ 50,000
Less: discount on short-term coupons payable			(8)
Total			<u>\$ 49,992</u>
<u>December 31, 2019</u>			
	<u>Guarantee or acceptance agency</u>	<u>Annual interest rate</u>	<u>Amount</u>
Commercial paper payable	International Bills Finance Corp.	0.75%	\$ 50,000
Less: discount on short-term coupons payable			(46)
Total			<u>\$ 49,954</u>

There is no guarantee in short-term notes and bills payable of the Company.

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## (i) Long-term borrowings

Long-term debts consisted of the following:

	<b>December 31, 2020</b>			Amount
	Currency	Annual interest rate	Year of maturity	
Unsecured bank loans	NTD	1.54%~1.8%	2021~2022	\$ 646,330
Less: current portion				(296,887)
Total				<u>\$ 349,443</u>
Unused credit lines				<u>\$ 52,000</u>

	<b>December 31, 2019</b>			Amount
	Currency	Annual interest rate	Year of maturity	
Unsecured bank loans	NTD	1.77%~1.8%	2020~2021	\$ 503,000
Less: current portion				(150,000)
Total				<u>\$ 353,000</u>
Unused credit lines				<u>\$ 47,000</u>

There is no guarantee in long-term borrowings of the Company.

## (j) Bonds payable

Bonds payable consisted of the following:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total ordinary bonds issued	\$ 2,000,000	2,000,000
Total convertible bonds issued	1,542,300	1,542,300
Less: current portion	(1,431,651)	(999,223)
Cumulative redeemed amount	(2,000,000)	(1,000,000)
Discounted corporate bonds payable	(110,649)	(206,505)
Long-term portion of bonds payable	<u>\$ -</u>	<u>1,336,572</u>
Embedded derivative—call and put rights, accounted under financial liabilities at fair value through profit or loss	<u>\$ 925</u>	<u>(2,622)</u>
Equity component conversion right (reported as capital surplus—share options)	<u>\$ 96,902</u>	<u>96,902</u>
	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Embedded derivative instruments – call and put rights, included in financial liabilities at fair value through profit or loss	<u>\$ 3,547</u>	<u>3,856</u>
Interest expense	<u>\$ 104,231</u>	<u>103,402</u>

For the collateral of corporate bonds, please refer to note 8

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As of February 26, 2019, the key terms and conditions of the outstanding overseas guaranteed convertible bonds issued by the Company were as follows:

Item	Overseas Guaranteed Convertible Bonds 2018
Issue Size	<p>\$1,542,300 thousand (equivalent to US\$ 50,000 thousand)</p> <p>The Bonds will be issued as guaranteed convertible bonds, in registered form at face value in denomination of US\$200 thousand or in any integral multiples thereof.</p> <p>The USD par value of the Bonds will be translated based on NT\$30.846 / US\$1 according to Taipei Forex Inc. Taiwan Dollar 11:00am Fixing on 19 February 2019, "TRY11 Index" on Bloomberg (the "Fixed Exchange Rate").</p>
Issue Date	26 February 2019
Maturity Date	26 January 2022 (2 years + 11 months)
Listing Venue	Listing Venue Tentatively the Bonds are to be listed on the Singapore Stock Exchange.
Coupon	Zero
SBLC Bank	The Bank of East Asia Limited, Taipei Branch
Early Redemption at Option of Issuer	<p>Issuer Call – After year 2, the Issuer may redeem in whole but not in part, at the US Dollar Linked Amount of the Early Redemption Amount on the date of redemption if the Market Price of the Shares (translated into US Dollars at the Prevailing Rate) for each of 30 consecutive Trading Days, the last of which occurs not more than 10 trading days prior to the date of the redemption notice, shall have been at least 130% of the quotient of the Early Redemption Amount divided by the number of Shares to be issued per Bond</p> <p>Clean up Call – Callable at any time, in whole but not in part, at the US Dollar Linked amount of the Early Redemption Amount if more than 90% in principal amount of the Bonds originally outstanding has been redeemed, repurchased and cancelled or converted</p> <p>Tax Call – Yes, in whole but not in part, at the US Dollar Linked amount of the Early Redemption Amount if, as a result of changes relating to tax laws in the ROC, the Issuer becomes obligated to pay additional amounts. Bondholders have the right to elect for their Bonds not to be redeemed but with no entitlement to any additional amounts</p> <p>The Early Redemption Amount for each US\$200 thousand of Bonds is determined so that it represents for the Bondholder a gross yield of 0.50% per annum on an annual basis.</p>

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<b>Item</b>	<b>Overseas Guaranteed Convertible Bonds 2018</b>
Redemption at the Option of the Bondholder	<p>Bondholders' Put – At the end of year 2, Bondholders may exercise the put option in relation to their Bonds in whole but not in part, at the US Dollar Linked amount of the Early Redemption Amount.</p> <p>Change of Control Put – Yes, at the US Dollar Linked Amount of the Early Redemption Amount upon the occurrence of a Change of Control.</p> <p>Delisting Put – Yes, at the US Dollar Linked Amount of the Early Redemption Amount, if the Shares cease to be listed or admitted for trading or are suspended for a period equal to or exceeding 30 consecutive Trading Days on the TWSE.</p>
Conversion Procedure	<p>Conversion Period</p> <p>The Bonds may be converted into newly issued common shares of the Issuer at any time after ninety (90) days from the Issue Date (exclusive), and ending on: (1) the seventh (7th) day prior to the Maturity Date or (2) the fifth (5th) Trading Day prior to any date where the Issuer exercises its early redemption right pursuant to the applicable laws and the Trust Deed.</p> <p>Conversion Price</p> <p>The initial Conversion Price is NT\$10.42. The exchange rate used for the Conversion Price calculation is the Fixed Exchange Rate, NT\$30.846 / US\$1 according to Taipei Forex Inc. Taiwan Dollar 11:00am Fixing on 19 February 2019, "TRY11 Index" on Bloomberg.</p>
Redemption at Maturity	<p>Unless previously redeemed, repurchased and cancelled or converted, the Bonds will be redeemed on the Maturity Date at an amount equal to the principal amount of the Bonds plus a gross yield of 0.5% per annum, calculated on an annual basis (the "Redemption Amount"). The Redemption Amount will be 101.47% of the face value and converted into NT dollars based on the Fixed Exchange Rate, and this fixed NT dollar amount will be converted using the prevailing exchange rate for payment in US dollars.</p>

(Continued)

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## (k) Income Tax

## (i) Income tax expense

The details of income tax expense for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax expense		
Current period	\$ --	389
Land value increment tax	-	13,635
Undistributed earnings additional 10% tax	-	2,469
Adjustment for prior periods	(1,894)	-
	<u>(1,894)</u>	<u>16,493</u>
Deferred tax expense		
Origination and reversal of temporary differences	\$ 1,458	(60)
Income tax expense (gain)	<u><b>\$ (436)</b></u>	<u><b>16,433</b></u>

Reconciliations between income tax expense (gain) and profit (loss) before tax for the years ended December 31, 2020 and 2019, were as follows :

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
(Loss) Profit excluding income tax	\$ (287,243)	1,420,810
Income tax calculated on (loss) profit before tax using the Company's domestic tax rate	\$ (57,449)	284,162
Share of profit (loss) of associates accounted for using equity method	4,329	1998
Tax-exempt loss	576	-
Undistributed earnings additional tax	-	2,469
Change in unrecognized temporary differences	28,079	(275,027)
Land value increment tax	-	13,635
Tax-exempt land income	-	(41,441)
Change in provision in prior periods	(1,894)	-
Current year losses for unrecognized deferred tax asset	24,465	30,697
Temporary difference	1,458	60
Total	<u><b>\$ (436)</b></u>	<u><b>16,433</b></u>

## (ii) Deferred tax assets and liabilities

## 1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2020 and 2019. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities, the details of which were as follows:

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	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Aggregated amount of temporary differences related to investments in subsidiaries	<u>\$ 1,106,482</u>	<u>1,499,220</u>
Unrecognized deferred tax liabilities	<u>\$ 221,296</u>	<u>299,244</u>

The Board of Directors of the Company resolved during the meeting to adopt the stock dividend policy for the subsidiary, First Steamship S.A. Moreover, Company does not intend to dispose the equity investment in the near future, hence the temporary difference between the book value and the tax of the subsidiary will not be disposed and the non-recognized deferred income tax liabilities shall not be dividend.

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
The carry forward of unused tax losses	<u>\$ 90,715</u>	<u>74,783</u>
Others	<u>3,533</u>	<u>3,361</u>
	<u>\$ 94,248</u>	<u>78,144</u>

The R.O.C Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As of December 31, 2020, the information of the Company's unutilized business losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unutilized business loss</u>	<u>Expiry date</u>
2011	\$ 13,913	2021
2015	70,701	2025
2016	71,989	2026
2017	36,057	2027
2018	20,950	2028
2019	117,167	2029
2020	<u>122,325</u>	2030
Total	<u>\$ 453,102</u>	

3) Recognized deferred tax liabilities

Changes in the amount of deferred tax liabilities for the years ended December 31, 2020 and 2019 were as follows:

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Deferred tax liabilities:

	<b>Estimated subsidiary earnings appropriated</b>
Balance at January 1, 2020	\$ 7,425
Recognized in profit or loss	1,458
Balance at December 31, 2020	<b>\$ 8,883</b>
Balance at January 1, 2019	\$ 7,485
Recognized in profit or loss	(60)
Balance at December 31, 2019	<b>\$ 7,425</b>

(iii) Examination and Approval

The Company's tax returns for the years through 2018 were examined and approved by the national tax authorities.

(l) Capital and other equity

As of December 31, 2020 and 2019, the number of authorized ordinary shares were 1,200,000 thousand shares and 1,000,000 thousand shares, respectively, with par value of \$10 per share. The total value of authorized ordinary shares was amounted to \$12,000,000 thousand and \$10,000,000 thousand, respectively. Also, the number of issued and outstanding shares were 686,763 thousand shares and 630,883 thousand shares, respectively. All issued shares were paid up upon issuance.

(i) A resolution was made at the special shareholders' meeting on September 30, 2020, that the Company can issue domestic or overseas convertible bonds in private if the convertible ordinary shares are within 240,000 thousand shares. Also, the board meeting was authorized to raise funds from specified persons in batches with a year depends on the operation needs.

(ii) Capital surplus

The components of the capital surplus were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Share capital	\$ 375,316	561,458
Stock option from convertible corporate bonds	748,921	748,921
Employee share options	96,902	96,902
Forfeited share options	13,838	13,838
Treasury share transactions	15,967	15,967
Changes in equity of associates accounted for using equity method	-	11,629
Difference arising from subsidiary's share price and its carrying value	596,524	430,844
Changes in a parent's ownership interest in a subsidiary	66,873	64,795
Donation from shareholders	3,332	3,332
	<b>\$ 1,917,673</b>	<b>1,947,686</b>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received.

## FIRST STEAMSHIP COMPANY LIMITED

### Notes to Parent Company Only Financial Statements

According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

The company issued overseas guaranteed convertible bonds in 2019, please refer to note 6(j) .

Earnings distribution of capital surplus with \$186,142 thousand in cash was decided by the resolution adopted, at the special shareholders meeting held on June 18, 2020.

#### (iii) Retained earnings

According to the Articles of Association, the Company is required to appropriate earnings every accounting year. The after tax earnings are initially used to offset cumulative losses. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the Company' s articles of incorporation, the dividend policy of the Company is based on the principle of prudence, which considers the Company' s future funding needs and financial structure by reserving a certain amount of earnings, and distributing stock dividends and cash dividends from the remaining earnings. In order to maintain stable dividend distribution, in principle, the distribution of cash dividends shall not be less than 10% of the total dividends. If the distribution of cash dividends is less than \$0.1 dollars per share, the Board of Directors can pass a resolution to distribute stock dividends instead, but it will be subject to a resolution by the shareholders during their shareholders' meeting.

##### 1) Legal reserve

According to the ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

##### 2) Special reserve

The Company chose to apply the exemption under the IFRS1 "First-time adoption of IFRS" ; therefore, a portion of cumulative translation adjustments amounting to thousand was reclassified as special earnings reserve. The net increase in retained earnings due to this reclassification is not covered by the Ruling No. 1010012865 issued by the FSC on April 6, 2012 for purposes of appropriating the same amount of special earnings reserve.

In accordance with the aforementioned Ruling No. 1010012865, a portion of current period earnings and undistributed prior period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. A resolution was passed during the shareholders' meeting held on June 28, 2019 and June 18, 2020 for the reversal of special earnings reserve of \$105,284 thousand and the appropriation of special earnings reserve of \$335,040 thousand, respectively.

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3) Earnings distribution

On September 30, 2020 and June 28, 2019, resolutions were passed during the special shareholders' meeting and shareholders' meeting, respectively, to appropriate the 2019 and 2018 earnings, respectively. These earnings were appropriated as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Dividends distributed to common shareholders:		
Cash	\$ 62,088	63,088
Stock	558,795	-
<b>Total</b>	<b>\$ 620,883</b>	<b>63,088</b>

(iv) Other equity interests

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Equity related to non-current assets classified as held for sale</b>	<b>Total</b>
Balance at January 1, 2020	\$ (595,680)	29,788	(565,892)
Exchange differences on foreign operation	(197,810)	(9,070)	(206,880)
Balance at December 31, 2020	<b>\$ (793,490)</b>	<b>20,718</b>	<b>(772,772)</b>
Balance at January 1, 2019	\$ (266,508)	35,656	(230,852)
Exchange differences on foreign operation	(329,172)	(5,868)	(335,040)
Balance at December 31, 2019	<b>\$ (595,680)</b>	<b>29,788</b>	<b>(565,892)</b>

(vi) Treasury stock

In 2020, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 10,000 thousand shares as treasury shares in order to transfer the shares to employees. As of December 31, 2020, a total of 10,000 thousand shares were not yet cancelled.

In accordance with the Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of total issued shares. Also the value of the repurchased shares should not exceed the sum of the Company' s retained earnings, share premium, and realized reserves.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(m) Earnings per share

For the years ended December 31, 2020 and 2019, the basic and diluted earnings per share were calculated as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Basic earnings per share</b>		
Profit (loss) attributable to ordinary shareholders of the Company	<b>\$ (286,807)</b>	<b>1,404,377</b>
Weighted average number of ordinary shares at December 31	630,883	630,883

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Effect on issuance of stock dividend	55,880	55,880
Effect of treasury stock	(8,190)	-
Weighted-average number of ordinary shares at December 31	678,573	686,763
<b>Earnings (loss) per share (dollars)</b>	<b>\$ (0.42)</b>	<b>2.04</b>
	<b><u>Frs ended December 31 or the year</u></b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>Diluted earnings (loss) per share</b>		
Profit (loss) attributable to ordinary shareholders of the Company	\$ 286,807	1,404,377
Effect of dilutive potential ordinary shares		
Effect of conversion of convertible bonds	(Note)	59,414
Profit (loss) attributable to ordinary shareholders of the Company (diluted)	<b>\$ (286,807)</b>	<b>1,463,791</b>
Weighted-average number of ordinary shares at December 31	678,573	686,763
Effect of dilutive potential ordinary shares		
Effect of issuance of share option	(Note)	793
Effect of conversion of convertible bonds	(Note)	120,187
Weighted average number of ordinary shares (diluted) at December 31	678,573	807,743
<b>Earnings (loss) per share (dollars)</b>	<b>\$ (0.42)</b>	<b>1.81</b>

Note: Antidilutive effect on earnings per share was not calculated.

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b><u>For the year ended December 31</u></b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
Primary geographical markets		
Taiwan	<b>\$ 71,499</b>	<b>76,188</b>
Major products/services lines		
Agency fee income	\$ 63,235	65,926
Lease revenue (Note)	8,264	10,262
	<b>\$ 71,499</b>	<b>76,188</b>

Note: The lease revenue and financial lease interest income of the Company are under accounting policies of IFRS 16, respectively.

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(ii) Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2018</u>
Accounts receivable	\$ 5,165	5,455	27,882
Less: allowance for impairment	-	-	-
Total	<u>\$ 5,165</u>	<u>5,455</u>	<u>27,882</u>
Contract liabilities—advance real estate receipts	<u>\$ -</u>	<u>-</u>	<u>281</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(q).

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period amounting to \$0 thousand and \$281 thousand, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes during the period from January 1 to December 31, 2020 and 2019.

(o) Employee compensation and directors' and supervisors' remuneration

According to the Articles of Association, once the Company has annual profit, it should appropriate no less than 1% of the profit to its employees and 3% or less as directors' and supervisors' remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The pervading target given via shares or cash includes dependent employees of the Company's subsidiaries under certain requirements approved by Board of Directors. However, directors' and supervisors' remuneration could only be paid by cash.

As the operations for the year 2020 resulted in a net loss, no employee compensation and directors' remuneration were estimated and accrued.

The compensation to employees amounted to \$14,352 thousand for the year ended December 31, 2019. The remunerations to directors amounted to \$0 thousand for the year ended December 31, 2019. These amounts were calculated using the Company's net profit before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the approved by the Board of Directors, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

There is no difference between actual amount distributed and the estimated amount in the consolidated financial statements of 2019 for the employee compensation and directors' remuneration. The information is available on the Market Observation Post System website.

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(p) Non-operating income and expenses

(i) Other income

The details of other income for the years ended December 31, 2020 and 2019, were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest income		
Bank deposits	\$ 157	1,560
Loans	15,601	7,683
Others	10	7
	<u>\$ 15,768</u>	<u>9,250</u>

(ii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2020 and 2019, were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gain (losses)	\$ (6,404)	\$ 18,526
Gain on disposal of non-current assets classified as held for sale	-	217,213
Income (expense)	130	1,046
Loss on disposals of investments	(237)	-
Financial assets and liabilities net benefits		
Embedded derivative instruments–call and put options	3,547	3,856
Embedded derivative instruments–call and put options	(2,640)	-
	<u>\$ (5,604)</u>	<u>\$ 240,641</u>

(iii) Finance costs

The details of finance costs for the years ended December 31, 2020 and 2019, were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest expenses		
Bank loan	\$ 26,330	19,197
Interest on corporate bonds	8,375	25,125
Amortization on discount of corporate bonds	95,856	78,277
Lease liabilities	7	15
Other interest	-	12
Financial expense	<u>9,473</u>	<u>18,953</u>
	<u>\$ 140,041</u>	<u>141,579</u>

(q) Financial instruments

(i) Credit risks

1) Credit risk exposure

As of December 31, 2020 and 2019, the maximum exposure of credit risks of financial

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loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations were mainly from:

- The carrying amounts of financial assets recognized in the consolidated balance sheet; and
- The Company provided financial guarantees to an associate amounting to \$6,306,603 thousand and \$8,089,254 thousand.

#### 2) Concentration of credit risk

The Company specializes in ship escrow business, so there is a concentration of credit risk. However, the object of escrow ship business is a wholly-owned subsidiary of the company, which can fully grasp the progress of its receivables, so there is no significant credit exposure of account receivable.

#### 3) Receivables of credit risk

For credit risk exposure of accounts receivables, please refer to 2).

Other financial assets at amortized cost includes other receivables and other financial assets, etc., please refer to notes 7 and 8.

The impairment provision of all of these financial assets recognized during the period was limited to 12 months expected losses or lifetime ECL measurement. For an explanation of how the Company determines that credit risk is low, please refer to Note 4 (f). The Company didn't mention expected credit losses in both the 2020 and 2019.

#### (ii) Liquidity risks

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 years</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>
<b>December 31, 2020</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 199,747	199,747	199,747	-	-
Floating rate instrument	2,440,530	2,509,550	1,771,553	737,997	-
Fixed rate instruments	1,481,643	1,592,675	1,592,675	-	-
	<b>\$ 4,121,920</b>	<b>4,301,972</b>	<b>3,563,975</b>	<b>737,997</b>	<b>-</b>
<b>December 31, 2019</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 107,492	107,492	107,492	-	-
Floating rate instrument	948,000	970,849	611,544	359,305	-
Fixed rate instruments	2,385,749	2,609,425	1,067,125	1,542,300	-
Lease liabilities	949	957	957	-	-
	<b>\$ 3,442,190</b>	<b>3,688,723</b>	<b>1,787,118</b>	<b>1,901,605</b>	<b>-</b>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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(iii) Market risk

1) Currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 7,219	28.48	205,597	6,143	30.08	184,781
<u>Non-monetary items</u>						
Investment accounted for equity method						
USD	361,768	28.48	10,363,150	354,638	30.08	10,667,526
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	4,874	28.48	138,812	-	-	-

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from cash and cash equivalents, accounts receivables, other receivables and other payables that are denominated in foreign currency. A strengthening (weakening) of 1% of the NTD against the USD as of December 31, 2020 and 2019 would have increased (decreased) the profit after tax by \$534 thousand and \$14,178 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date.

Since the Company has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the years ended December 31, 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(6,404) thousand and \$18,526 thousand, respectively.

(iv) Interest rate analysis

The details of the Company's exposure to interest rate of financial assets and liabilities, please refer to the note on liquidity risk management.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments at the reporting date. Regarding of liabilities with floating interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.5%, the Company's profit before tax would have decreased or increased by \$10,363 thousand and \$2,187 thousand, which is mainly due to the Company's borrowings at variable rates and demand deposits for the years ended December 31, 2020 and 2019, respectively, given that all other variable factors remaining constant.

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(v) Fair value of financial instruments

1) Fair value hierarchy

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	December 31, 2020				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>					
Convertible bonds	\$ 5,983	-	5,893	-	5,893
Beneficiary rights - Specific construction project	46,800	-	-	46,800	46,800
Embedded derivative instruments-call and put options	925	-	-	925	925
	<b>\$ 53,618</b>	<b>-</b>	<b>5,893</b>	<b>47,725</b>	<b>53,618</b>

	December 31, 2019				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial liabilities at fair value through profit or loss</b>					
Embedded derivative instruments-call and put options	\$ 2,622	-	-	2,622	2,622

2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets or liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Company, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the

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activity in the market is infrequent, the market is not well established, only small volumes are traded, or bid ask spreads are very wide. Determining whether a market is active involves judgment.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques. Embedded derivative instruments are measured at model of adjusted Binary tree.

c) Financial guarantee contract

Discounted cash flow models that are applied to estimate the fair value of a financial guarantee. The assumption is to use a probability-weighted discounted cash flow analysis that incorporates the expected default rate of the borrower and expected recoveries in the event of default.

4) There were no transfers in either direction of levels in 2020 and 2019.

5) Reconciliation of Level 3 fair values

	<u>Financial assets and liabilities as held for sale</u>	
	<u>Non-derivative financial assets- Beneficiary rights - Specific construction project</u>	<u>Embedded derivative instruments</u>
Opening balance, January 1, 2020	\$ -	(2,622)
Issuance	46,800	-
In profit or loss	-	3,547
Ending Balance, December 31, 2020	<u>\$ 46,800</u>	<u>925</u>
Opening balance, January 1, 2019	\$ -	-
Issuance	-	(6,478)
In profit or loss	-	3,856
December 31, 2019	<u>\$ -</u>	<u>(2,622)</u>

For the year ended December 31, 2020 and 2019, total gains and losses that were included in “other gains and losses” were as follows:

	<u>2020</u>	<u>2019</u>
Total gains and losses recognized:		
In profit or loss, and including “other gains and losses”	<u>\$ 3,547</u>	<u>\$ 3,856</u>

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company’s financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through profit or loss – embedded derivative instruments, and the financial instrument in Level 3 has only one significant unobservable input.

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Quantified information of significant unobservable inputs was as follow:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Embedded derivative instruments–call and put options	Adjusted Binary tree	• Volatility (As of December 31, 2020 and 2019 was 37.32% and 24.29%)	• The estimated fair value would decrease if the volatility were higher
Beneficiary rights - Specific construction project	Discounted cashflow	• Volatility of buildings sale prices and costs (as of December 31, 2020 were \$410 thousand per square feet and \$130 thousand per square feet)	• The estimated fair value would increase if the credit risk was higher.

- 7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company’ s measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results. For fair value measurements in Level 3, changing one or more of the assumptions would

	Inputs	Fluctuation in inputs	Profit or loss	
			Favorable	Unfavorable
<b>December 31, 2020</b>				
Financial assets at fair value through profit or loss				
Beneficial rights from the specific construction project	Sale price	5%	4,003	(4,003)
Financial assets at fair value through other comprehensive income				
Embedded derivative instruments–call and put options	Volatility	5%	463	(308)
<b>December 31, 2019</b>				
Financial assets at fair value through profit or loss				
Embedded derivative instruments–call and put options	Volatility	5%	308	(308)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

- (r) Financial risk management

- (i) Overview

The Company have exposures to the following risks due to the uses of its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company’ s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

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(ii) Structure of risk management

The Company's risk management policies are established to identify and analyze the Company's exposure to risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The board of directors has overall responsibility for the establishment and oversight of the derivative financial instruments, and internal auditor undertakes regular reviews of risk management controls and procedures.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Trade and other receivables

Company specializes in ship escrow business, so there is a concentration of credit risk, but the escrow ship business transaction. The object is a wholly-owned subsidiary of the company, which can fully grasp the progress of its collection, so there is no account receivable significant credit exposure.

2) Investment

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks with high credit rating, or financial institutes and corporate organizations with level of professional investor; therefore, the Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

As of December 31, 2020 and December 31, 2019, the Company didn't guarantee companies other than subsidiaries. For the Company providing financial guarantees, please refer to notes 13.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As of December 31, 2020 and 2019, the Company's unused credit line amounted to \$152,000 thousand and \$157,000 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

1) Currency risk

The Company is exposed to exchange rate risks arising from deposits and borrowing transactions that are not denominated in functional currencies. This, the company's functional currency is New Taiwan dollar, and the main denomination currency for these transactions is the US dollar.

2) Interest rate risk

The Company's risks with exposure to changes in interest rates arise mainly from borrowings from banks. Borrowings on a variable-rate basis will expose the Company to the variability in cash flows attributable to interest rate risk. The Company assesses the level of interest rate risk recently stable in the business environment. Therefore, material interest rate risk is less likely to occur.

3) Other market price risk

Equity price risk is the equity held by the company in profit or loss for fair use of funds risks arising from the instrument. The management of the Company monitors the proportion of equity securities in its investment portfolio based on market index. Material investments within the portfolio are managed on an individual basis, and all buy and sell decisions are approved by the management authority.

The primary goal of the Company's investment strategy is to maximize investment returns; the board of directors and member in investment department were all professional in finance to make appropriate decision, and therefore the market price risk of investment at fair value through profit or loss were controlled by management.

(s) Capital management

The Company's objectives for managing capital are ensuring the ability to operate continuously, providing returns to shareholders and other stakeholders, and maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of 2020, the Company's capital management strategy is consistent with the prior year as of 2019. The gearing ratio is maintained so as to ensure financing at reasonable cost.

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The Company's debt to adjusted capital ratios at the end of the reporting period were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 4,131,841	3,455,671
Less: cash and cash equivalents	(50,052)	(80,758)
Net debt	<u>\$ 4,081,789</u>	<u>3,374,913</u>
Total equity	<u>\$ 8,461,183</u>	<u>9,141,407</u>
Total capital	<u>\$ 12,542,972</u>	<u>12,516,320</u>
Debt-to-equity ratio	<u>33%</u>	<u>27%</u>

Rising debt-to-equity ratio as at 31 December 2020. The main reason was that the total debt increased due to the bank loans during the period.

(u) Changes in liabilities arising from financing activities

(i) The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2020 and 2019 were as follows:

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes Other (Note)</u>	<u>December 31, 2020</u>
Short-term borrowings	\$ 445,000	1,349,200	-	1,794,200
Short-term notes and bills payable	49,954	38	-	49,992
Bonds payable	2,335,795	(1,000,000)	95,856	1,431,651
Long-term borrowings	503,000	143,330	-	646,330
Other payables -related parties	-	138,812	-	138,812
Guarantee deposits	1,422	850	-	2,272
Lease liabilities	949	(949)	-	-
Total liabilities from financing activities	<u>\$ 3,336,120</u>	<u>631,281</u>	<u>95,856</u>	<u>4,063,257</u>

Note : It is mainly the effects of amortization on discount of corporate bonds.

	<u>January 1, 2019</u>	<u>Cash flows</u>	<u>Non-cash changes Other (Note)</u>	<u>December 31, 2019</u>
Short-term borrowings	\$ 250,000	195,000	-	445,000
Short-term notes and bills payable	49,947	7	-	49,954
Bonds payable	1,995,336	542,300	(201,841)	2,335,795
Long-term borrowings	968,000	(465,000)	-	503,000
Other payables -related parties	1,858,289	(1,858,289)	-	-
Guarantee deposits	2,793	(1,371)	-	1,422
Lease liabilities	956	(765)	758	949
Total liabilities from financing activities	<u>\$ 5,125,321</u>	<u>(1,588,118)</u>	<u>(201,083)</u>	<u>3,336,120</u>

Note : It is mainly the effects of lease modification and amortization on discount of corporate bonds.

**FIRST STEAMSHIP COMPANY LIMITED**  
**Notes to Parent Company Only Financial Statements**

## (7) Related-party transactions:

## (a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements:

<u>Name of related party</u>	<u>Relationship with the Group</u>
YEE SHIN INVESTMENTS CO., LTD.	Subsidiary of the Company
ROYAL SUNWAY DEVELOPMENT CO., LTD.	Subsidiary of the Company
FIRST STEAMSHIP S.A.	Subsidiary of the Company
GRAND OCEAN RETAIL GROUP LTD.	Subsidiary of the Company
FIRST MARINER HOLDING LTD.	Subsidiary of the Company
NEW URBAN INVESTMENTS LTD.	Subsidiary of the Company
NATURE SOURCES LTD.	Subsidiary of the Company
FIRST MARINER CAPITAL LTD.	Subsidiary of the Company
DELUXE GAIN HOLDING LTD.	Subsidiary of the Company
AHEAD CAPITAL LTD.	Subsidiary of the Company
MARINER CAPITAL LTD	Subsidiary of the Company

## (b) Significant transactions with related parties

## (i) Sales to related parties

The amounts of significant sales to related parties were as follows:

	<u>2020</u>	<u>2019</u>
FIRST STEAMSHIP S.A.	<u>\$ 63,235</u>	<u>65,926</u>

The rates charged by the management agreement between the Company and the subsidiary and the charged collected monthly depending on the contract. The Company has not entered into shipping agency contracts with non-related parties.

## (ii) Receivables from related parties

Receivables from related parties were as follows :

<u>Account</u>	<u>Category of related party</u>	<u>December 31, 2020</u>	<u>December 31 2019</u>
Accounts receivable	FIRST STEAMSHIP S.A.	<u>\$ 5,165</u>	<u>5,455</u>
Other receivables	ROYAL SUNWAY DEVELOPMENT CO., LTD. (Note 1)	7,287	7,597
Other receivables	YEE SHIN INVESTMENTS CO., LTD. (Note 1)	800	211
Other receivables	FIRST STEAMSHIP S.A. (Note 2)	390	16,721
Other receivables	Subsidiary of the compan. (Note 2)	156	218
		<u>\$ 8,633</u>	<u>24,747</u>

Note1: The nature is interest receivable

Note2: The nature is scattered payments of subsidiary

**FIRST STEAMSHIP COMPANY LIMITED**  
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## (iii) Loans to related parties

The loans to related parties were as follows

Account	Category of related party	December 31, 2020	December 31, 2019
Other receivables	YEE SHIN INVESTMENTS CO., LTD. (Note 1)	\$ -	8,640
Other receivables	ROYAL SUNWAY DEVELOPMENT CO., LTD. (Note 1)	220,000	416,500
Other receivables	FIRST STEAMSHIP S.A. (Note 2)	-	111,657
Other receivables	FIRST MARINER HOLDING LTD. (Note 2)	8,629	9,355
Other receivables	FIRST MARINER CAPITAL LTD. (Note 2)	19,167	14,318
		<b><u>\$ 247,796</u></b>	<b><u>560,470</u></b>

Note1: The Company charged interest to related parties at annual rate of from 2% to 4% and were uncollateralized, and no provisions for doubtful debt were required after the assessment by the management. For the years ended December 31,2020 and 2019, the interest revenues were \$15,061 thousand and \$7,683 thousand, respectively.

Note2: The Company didn't charged interest to related parties and it is non-collateral loan, assessing that without any impairment.

## (iv) Borrowings from related parties

The borrowings from related parties were as follows

	December 31, 2020	December 31, 2019
FIRST STEAMSHIP S.A.	<b><u>\$ 138,812</u></b>	<b><u>-</u></b>

The Company didn't paid interest to related parties.

## (v) Leases

As of December 31, 2020 and 2019, the Company entered lease agreements with subsidiaries rent the office building, and the rental fee was based on market price in the neighborhood, and signs one to two-year lease contracts, respectively. As of December 31, 2020 and 2019, the rental security deposit to subsidiaries amounted to \$420 thousand and \$420 thousand respectively. The rental revenue were \$2,400 thousand and \$1,714 thousand for the years ended December 31, 2020 and 2019, respectively.

## (vi) Guarantees

- 1) As of December 31, 2020 and 2019, the Company had provided a guarantee for loans taken out by subsidiaries. The credit limit of the guarantee was \$6,306,603 thousand and \$8,089,254 thousand, respectively, and actual usage amounts were \$3,748,485 thousand and \$3,314,288 thousand, respectively. No endorsement guarantee fee was charged in 2020 and 2019.
- 2) As of December 31, 2020 and 2019, the Company had provided a guarantee for assets taken out by subsidiaries amounted to \$0 thousand and \$203,725 thousand, respectively.

**FIRST STEAMSHIP COMPANY LIMITED**  
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- (c) Key management personnel compensation
- (i) Key management personnel compensation comprised:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	<b>\$ 13,017</b>	<b>12,925</b>

**(8) Pledged assets:**

The Company's assets pledged to secure loans were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Inventories(for construction business)	Bank loan	\$ 518,292	-
Property, plant and equipment	Ordinary bonds payable	172,721	175,836
Investment Property	Ordinary bonds payable	143,036	144,009
Other financial assets – current	Ordinary bonds payable	302,880	430,150
Other financial assets – non-current	Bank loans	15,000	-
Investments accounted for using equity method	Bank loans for subsidiaries	-	205,154
		<b>\$ 1,151,929</b>	<b>955,149</b>

**(9) Significant commitments and contingencies:**

- (a) As of December 31, 2020 and 2019, the Company had provided a guarantee for loans taken out by its related parties, please refer to Note 7.
- (b) As of December 31, 2019, the Company significant contracts were as follow:  
The company signed a shipping agency contract with FIRST STEAMSHIP SA on January 1, 2019, charging USD650 per ship per day as agency fee, except that either party will not renew the contract with a written notice 10 days before the expiry date of the contract. The contract will be automatically renewed upon expiration.
- (c) The Company signed the joint construction contracts with other companies as follows:

<b>Item</b>	<b>Construction name</b>
Joint construction with allocation of buildings, Joint investing and developing on construction site	Tucheng Yongfu

**(10) Losses due to major disasters: None**

**(11) Subsequent events:**

As of March 30, 2021, the part of bondholders of “Overseas Guaranteed Convertible Bonds 2018” of the Company exercised the conversion to newly issued common shares of 59,205 thousand shares. The capital increase date will be on March 31, 2021..

**FIRST STEAMSHIP COMPANY LIMITED**  
**Notes to Parent Company Only Financial Statements**

**(12) Other:**

By item	For the years ended December 31					
	For the year ended 2020			For the year ended 2019		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefits						
Salary	\$ 13,049	24,831	37,880	\$ 12,735	38,169	50,904
Health and labor insurance	1,224	2,600	3,824	1,074	2,660	3,734
Pension	1,296	745	2,041	1,236	810	2,046
Remuneration of directors	-	3,846	3,846	-	3,840	3,840
Others	461	2,043	2,504	405	1,825	2,230
Depreciation	973	4,322	5,295	973	4,170	5,143
Depletion	-	-	-	-	-	-
Amortization	-	1,271	1,271	-	614	614

As of December 31, 2020 and 2019, the Company's employees and addition information of employee benefits were as follows:

	<u>2019</u>	<u>2018</u>
Employees	<u>47</u>	<u>46</u>
Non-employee directors	<u>4</u>	<u>4</u>
Average of employee benefits	<u>\$ 1,076</u>	<u>1,403</u>
Average of salary	<u>\$ 881</u>	<u>1,212</u>
Adjustment of average salary	<u>(27.31%)</u>	
Supervisor's remuneration	<u>\$ -</u>	<u>-</u>

**FIRST STEAMSHIP COMPANY LTD.**  
**Changes in Investments Using Equity Method**  
**For the years ended December 31, 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

Name	January 1, 2020		Additions		Decrease		December 31, 2020			Market Value or Net Assets Value		
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Holding %	Amount	Unit Price (NT\$)	Total Amount	Guarantee or pledge
FIRST STEAMSHIP S.A.	2,300	\$ 9,411,843	-	19,162	-	(210,008)	2,300	100.00	9,220,997	4,009,129.13	9,220,997	-
GRAND OCEAN RETAIL GROUP LTD.	7,226,000	329,432	-	5,908	-	(20,416)	7,226,000	3.70	314,924	21.35	154,275	-
FIRST MARINER HOLDING LTD.	50,224,000	925,297	-	-	-	(158,068)	50,224,000	100.00	767,229	15.28	767,229	-
YEE SHIN INVESTME CO., LTD.	36,000,000	325,148	18,300,000	313,375	(41,410,000)	(462,506)	12,890,000	100.00	176,017	15.30	197,183	-
YEE YOUNG INVESTME CO., LTD.	-	-	22,275,000	471,978	-	11,143	22,275,000	100.00	460,835	19.74	439,669	-
NEW URBAN INVESTMENTS LTD.	50,000	954	-	-	(50,000)	(954)	-	0.00	-	-	-	-
ROYAL SUNWAY DEVELOPMENT CO., LTD.	11,000,000	84,223	-	27,644	-	-	11,000,000	55.00	111,867	10.17	111,867	-
TAIWAN ENVIRONMENT SCIENTIFIC CO., LTD.	3,332,784	89,490	-	-	(3,332,784)	(89,490)	-	0.00	-	-	-	-
Total		<b>\$ 11,166,387</b>		<b>838,067</b>		<b>(952,585)</b>			<b>11,051,869</b>			

The details of the increase and decrease for investments accounted for using the equity method were as follows:

Name	Gain(loss) of associates							Total
	accounted for using equity method	Foreign currency conversion adjustments	Capital surplus	Capital increase	Capital reduction	Disposal / liquidation	Cash dividends paid	
FIRST STEAMSHIP S.A.	\$ 17,628	(210,008)	1,534	-	-	-	-	(190,846)
GRAND OCEAN RETAIL GROUP LTD.	(4,519)	5,831	77	-	-	-	(15,897)	(14,508)
FIRST MARINER HOLDING LTD.	(143,304)	(14,764)	0	-	-	-	-	(158,068)
YEE SHIN INVESTME CO., LTD.	(37,969)	(10,437)	130,375	183,000	(414,100)	-	-	(149,131)
YEE YOUNG INVESTME CO., LTD.	(11,143)	22,499	35,402	414,077	-	-	-	460,835
NEW URBAN INVESTMENTS LTD.	(22)	(9)	-	-	-	(923)	-	(954)
ROYAL SUNWAY DEVELOPMENT CO., LTD.	27,644	-	-	-	-	-	-	27,644
TAIWAN ENVIRONMENT SCIENTIFIC CO., LTD.	(180)	-	-	-	-	(89,310)	-	(89,490)
Total	\$ (151,865)	(206,888)	167,388	597,077	(414,100)	(90,233)	(15,897)	(114,518)

Note1 : NEW URBAN INVESTMENTS LTD. settlement amount includes the refunded price (925) thousand , the liquidation loss (6) thousand , and foreign currency conversion adjustments of 8 thousand.

Note2 : TAIWAN ENVIRONMENT SCIENTIFIC CO., LTD. price from disposal of (77,820) thousand , disposal losses (231) thousand and capital surplus (11,259) thousand.

(English Translation of Financial Statements Originally Issued in Chinese)

**FIRST STEAMSHIP COMPANY LTD.**  
**Schedule of Short Term Borrowings**  
**For the years ended December 31, 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

<b>Kind of borrowing</b>	<b>Pproperty</b>	<b>Amount</b>	<b>Contract period</b>	<b>Rate</b>	<b>Financing amount</b>	<b>Mortgage or guarantee</b>
Financial Institutions A	Credit borrowing	\$ 80,000	2020.05.20~2021.05.20	1.72%	\$ 80,000	
Financial Institutions B	"	10,000	2020.09.02~2021.03.01	1.35%	100,000	
Financial Institutions C	"	130,000	2020.08.25~2021.08.25	1.82%	130,000	
Financial Institutions D	"	120,000	2020.11.26~2021.11.26	1.50% ~ 1.53%	170,000	
Financial Institutions E	"	-	2020.12.30~2021.12.30		50,000	
Financial Institutions F	Mortgage borrowing	1,000,000	2020.06.29~2021.06.29	1.95%	1,000,000	Note
Financial Institutions G	"	198,000	2020.11.05~2024.11.05	2%	198,000	Inventories
Financial Institutions H	"	166,200	2020.11.20~2023.11.20	2%	166,200	"
		<u>\$ 1,704,200</u>			<u>\$ 1,894,200</u>	

Note : It is mortgaged or guaranteed by property, plant and equipment and other financial assets.

**Schedule of Long-Term Borrowings**

<b>Kind of borrowing</b>	<b>Pproperty</b>	<b>Amount</b>	<b>Contract period</b>	<b>Rate</b>	<b>Mortgage or guarantee</b>
Financial Institutions G	Credit borrowing	\$ 150,000	2020.12.23~2022.12.23	1.54%	
Financial Institutions H	"	198,000	2020.12.07~2021.12.18	1.70%	
Financial Institutions I	"	148,330	2020.11.26~2022.05.26	1.80%	
Financial Institutions J	"	150,000	2020.04.20~2022.04.20	1.75%	
Less: current portion		(296,887)			
		<u>\$ 349,443</u>			

**Schedule of Bonds Payable**

Please refer Note 6(j)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**FIRST STEAMSHIP COMPANY LTD.****For the years ended December 31, 2020****Schedule of Operation Revenues****(Expressed in Thousands of New Taiwan Dollars)**

Please refer Note 6(n)

**Schedule of Operation Costs**

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Employment expenses	Salary, Health and labor insurance, Pension and others	\$ 16,030	
Vessels management costs	Depreciation	<u>973</u>	
	Subtotal	<u>\$ 17,003</u>	

**Schedule of Operation Expenses**

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Employment expenses	Salary, Health and labor insurance, Pension and others	\$ 34,065	
Service expense		5,547	
Depreciation		4,322	
Others		<u>16,063</u>	Those which amount does not reach more than 10% of the balance of the subject.
Total		<u>\$ 59,997</u>	