

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

**FIRST STEAMSHIP COMPANY LTD.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2022 and 2021**

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The independent auditors' report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

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## **Independent Auditors' Review Report**

To the Board of Directors First Steamship Company Ltd.:

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of the First Steamship Company Ltd. and its subsidiaries of June 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months and the six months ended June 30, 2022 and 2021, as well as the changes in equity and cash flows for the six months ended June 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ( "IASs" ) 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

### **Scope of Review**

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" . A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

As stated in note 6(g), the equity accounted investments of the First Steamship Company Ltd. and its subsidiaries in its investee companies of \$ 825,252 thousand and \$ 473,913 thousand as of June 30, 2022 and 2021. And its equity in net earnings on these investee companies of \$ 20,078 thousand, \$ (3,211) thousand, \$ 11,926 thousand, and \$(4,393) thousand for the three months and six months ended June 30, 2022 and 2021, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

**Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors and audited by another auditor (please refer to other matter), based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the First Steamship Company Ltd. and its subsidiaries as of June 30, 2022 and 2021, and of its consolidated financial performance for the three months and the six months ended June 30, 2022 and 2021, as well as its consolidated cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

**Other Matter**

We did not audit the financial statements of Mariner Finance Ltd., a subsidiary of the Group. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Mariner Finance Ltd., is based solely on the report of other auditor. The financial statements of Mariner Finance Ltd. had total assets of \$ 1,018,231 thousand and \$ 1,423,220 thousand; reflect the total assets constituting 3% and 4% of the consolidated total assets at June 30, 2022 and 2021. The net operating income was \$ 14,177 thousand, \$ 39,727 thousand, \$ 46,009 thousand and \$93,809 thousand; reflect the total operating revenues constituting 1%,2%,1% and 3% of the consolidated total operating revenues for the three months and six months ended June 30, 2022 and 2021.

The engagement partners on the reviews resulting in this independent auditors’ review report are Shu-Ying Chang and Li-Chen Lai.

KPMG

Taipei, Taiwan (Republic of China)  
August 12, 2022

**Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and its 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**(Expressed in Thousands of New Taiwan Dollars)**

	June 30, 2022		December 31, 2021		June 30, 2021		
	Amount	%	Amount	%	Amount	%	
<b>Assets</b>							
<b>Current assets:</b>							
1100	Cash and cash equivalents (Note 6(a))	\$ 3,726,330	10	4,275,526	11	3,228,619	9
1110	Current financial assets at fair value through profit or loss (Notes 6(b) and (p))	106,248	-	111,216	-	112,314	-
1170	Accounts receivable, net (Notes 6(c) 、7 and 8)	569,960	1	539,068	1	611,623	2
1200	Other receivables, net (Notes 6(d) 、(z) and 7)	396,088	1	644,357	2	757,598	2
1300	Inventories, net	249,998	1	264,967	1	398,938	1
1320	Inventories (for construction business), net (Notes 6(e) 、8 and 9)	1,457,262	4	1,365,621	4	1,354,045	4
1461	Non-current assets classified as held for sale(Notes 6(f))	196,001	1	196,292	1	-	-
1476	Other current financial assets (Notes 6(m) 、7 and 8)	126,298	-	103,179	-	173,185	1
1479	Other current assets, others (Notes 7 and 9)	353,511	1	416,199	1	419,689	1
	<b>Total current assets</b>	<u>7,181,696</u>	<u>19</u>	<u>7,916,425</u>	<u>21</u>	<u>7,056,011</u>	<u>20</u>
<b>Non-current assets:</b>							
1510	Non-current financial assets at fair value through profit or loss (Notes 6(b) )	127,578	-	127,578	-	119,158	-
1535	Non-current financial assets at amortized cost, net (Note 13)	59,900	-	59,900	-	59,900	-
1550	Investments accounted for using equity method, net (Note 6(g))	825,252	2	762,825	2	890,991	3
1600	Property, plant and equipment (Notes 6(j) and 8)	14,030,585	37	13,833,681	35	13,227,615	39
1755	Right-of-use assets (Notes 6(k) and 8)	12,174,918	32	12,448,250	32	8,560,643	25
1760	Investment property, net (Not 8)	141,576	-	142,063	-	142,549	-
1780	Intangible assets (Note 6(l))	2,080,018	5	2,038,984	5	2,082,397	6
1840	Deferred tax assets	861,089	2	861,906	2	972,167	3
1915	Prepayments for business facilities (Note 9)	1,946	-	470	-	373,369	1
1935	Long-term lease payments receivable(Notes 6(c) 、7 and 8)	273,711	1	309,003	1	337,614	1
1975	Net defined benefit asset, non-current	891	-	894	-	490	-
1980	Other non-current financial assets(Notes 6(m) 、7 and 8)	251,565	1	263,794	1	237,485	1
1990	Other non-current assets(Notes 6(u) and 7)	215,172	1	221,603	1	213,516	1
	<b>Total non-current assets</b>	<u>31,044,201</u>	<u>81</u>	<u>31,070,951</u>	<u>79</u>	<u>27,217,894</u>	<u>80</u>
	<b>Total assets</b>	<u>\$ 38,225,897</u>	<u>100</u>	<u>38,987,376</u>	<u>100</u>	<u>34,273,905</u>	<u>100</u>

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**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**(Expressed in Thousands of New Taiwan Dollars)**

	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
<b>Liabilities and Equity</b>						
<b>Current liabilities:</b>						
2100 Short-term borrowings (Notes 6(c) and (n))	\$ 3,335,354	9	3,396,693	9	3,565,695	10
2110 Short-term notes and bills payable	99,809	-	99,846	-	-	-
2170 Accounts payable (Note 6(q))	1,428,150	4	2,013,436	5	1,697,713	5
2200 Other payables (Notes 6 (q) 、(x)and 7)	881,696	2	986,971	3	869,315	3
2230 Current tax liabilities	37,829	-	54,547	-	50,097	-
2260 Liabilities related to non current assets classified as held for sale(Notes 6(f))	270	-	340	-	-	-
2280 Current lease liabilities (Notes 6(r) and 7)	1,188,559	3	837,940	2	774,836	2
2321 Current portion of bonds payable (Note 6(p))	-	-	-	-	444,509	1
2322 Current portion of long-term borrowings (Note 6(o))	1,246,781	3	1,621,462	4	1,453,620	4
2399 Other current liabilities (Notes 6(f) 、(z) and 7)	216,970	1	230,303	1	66,315	-
<b>Total current liabilities</b>	8,435,418	22	9,241,538	24	8,922,100	25
<b>Non-Current liabilities:</b>						
2500 Current financial liabilities at fair value through profit or loss (Note 6(b))	23,234	-	23,234	-	20,400	-
2540 Long-term borrowings (Note 6(o))	4,767,433	12	4,932,646	13	5,105,661	15
2570 Deferred tax liabilities	48,167	-	59,615	-	69,017	-
2580 Non-current lease liabilities (Notes 6(r) and 7)	10,466,482	27	10,770,711	27	6,786,976	20
2645 Guarantee deposits	685,620	2	700,582	2	583,383	2
<b>Total non-current liabilities</b>	15,990,936	41	16,486,788	42	12,565,437	37
<b>Total liabilities</b>	24,426,354	63	25,728,326	66	21,487,537	62
<b>Equity attributable to owners of parent(Notes 6(g) , (p) and (u):</b>						
3100 Capital stock	8,347,761	22	8,347,761	21	7,903,720	23
3200 Capital surplus	1,926,530	5	1,906,116	5	1,923,755	6
3300 Retained earnings	748,893	2	641,378	2	515,471	2
3400 Other equity interest	(490,280)	(1)	(982,609)	(3)	(977,788)	(3)
3500 Treasury stock	(94,491)	-	(94,491)	-	(94,491)	-
<b>Total equity attributable to owners of parent:</b>	10,438,413	28	9,818,155	25	9,270,667	28
36XX <b>Non-controlling interests (Notes 6(i)and (u))</b>	3,361,130	9	3,440,895	9	3,515,701	10
<b>Total equity</b>	13,799,543	37	13,259,050	34	12,786,368	38
<b>Total liabilities and equity</b>	\$ 38,225,897	100	38,987,376	100	34,273,905	100

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**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the three months and six months ended June 30, 2022 and 2021**  
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	For the three months ended				For the six months ended			
	June 30				June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenues (Notes 6(s) 、(w) and 7)	\$ 1,531,363	100	1,656,082	100	3,301,064	100	3,443,776	100
5000 Operating costs (Notes 6(s) and (y))	502,349	33	623,342	38	1,032,592	31	1,352,951	39
<b>Gross profit from operations</b>	<b>1,029,014</b>	<b>67</b>	<b>1,032,740</b>	<b>62</b>	<b>2,268,472</b>	<b>69</b>	<b>2,090,825</b>	<b>61</b>
6000 Operating expenses (Notes 6(r) , (x) and 7)	846,956	55	801,602	48	1,797,119	55	1,670,385	49
6450 Expected credit loss(Notes 6(c) and 7)	36,140	2	(6,064)	-	69,301	2	10,275	-
<b>Net operating income</b>	<b>145,918</b>	<b>10</b>	<b>237,202</b>	<b>14</b>	<b>402,052</b>	<b>12</b>	<b>410,165</b>	<b>12</b>
<b>Non-operating income and expenses:</b>								
7100 Interest income(Notes 6(y) and 7)	7,644	-	11,026	1	18,521	1	17,683	1
7010 Other income(Notes 6(y))	2,686	-	2,655	-	2,686	-	2,655	-
7020 Other gains and losses, net (Notes 6(p), (y)and 7)	3,711	-	61,683	4	48,436	1	131,125	4
7050 Finance costs(Notes 6 (p), (r) and (y) and 7)	(211,681)	(14)	(174,928)	(11)	(410,481)	(12)	(361,758)	(11)
7055 Expected credit loss (Notes 6(z) 、7 and 9)	(10,418)	(1)	(17,220)	(1)	(10,537)	-	(11,602)	-
7060 Share of profit (loss) of associates accounted for using equity method, net(Notes 6(g))	20,078	1	(3,856)	-	11,926	-	1,431	-
	(187,980)	(14)	(120,640)	(7)	(339,449)	(10)	(220,466)	(6)
7900 <b>Profit (loss) from continuing operations before tax</b>	<b>(42,062)</b>	<b>(4)</b>	<b>116,562</b>	<b>7</b>	<b>62,603</b>	<b>2</b>	<b>189,699</b>	<b>6</b>
7950 Less: Tax expense (Note 6(t))	21,404	1	73,006	4	59,656	2	139,807	4
<b>Profit (loss)</b>	<b>(63,466)</b>	<b>(5)</b>	<b>43,556</b>	<b>3</b>	<b>2,947</b>	<b>0</b>	<b>49,892</b>	<b>2</b>
8300 <b>Other comprehensive income:</b>								
8360 <b>Components of other comprehensive income that will be reclassified to profit or loss(Notes 6(u))</b>								
8361 Exchange differences on translation of foreign financial statements	(9,578)	(1)	(153,190)	(9)	488,612	15	(198,359)	(6)
8370 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	20,026	1	(15,534)	(1)	50,501	1	(6,799)	-
8399 Less:Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
Total components of other comprehensive income that will be reclassified to profit or loss	10,448	-	(168,724)	(10)	539,113	16	(205,158)	(6)
8300 <b>Other comprehensive income, net</b>	<b>10,448</b>	<b>-</b>	<b>(168,724)</b>	<b>(10)</b>	<b>539,113</b>	<b>16</b>	<b>(205,158)</b>	<b>(6)</b>
<b>Comprehensive income (loss)</b>	<b>\$ (53,018)</b>	<b>(5)</b>	<b>(125,168)</b>	<b>(7)</b>	<b>542,060</b>	<b>16</b>	<b>(155,266)</b>	<b>(4)</b>
8300 <b>Profit (loss), attributable to:</b>								
Owners of parent	\$ 1,338	(1)	45,871	3	107,515	3	47,430	2
Non-controlling interests	(64,804)	(4)	(2,315)	-	(104,568)	(3)	2,462	-
	<b>\$ (63,466)</b>	<b>(5)</b>	<b>43,556</b>	<b>3</b>	<b>2,947</b>	<b>0</b>	<b>49,892</b>	<b>2</b>
<b>Comprehensive income (loss) attributable to:</b>								
8710 Owners of parent	\$ 96,401	6	(106,272)	(6)	599,844	18	(119,543)	(3)
8720 Non-controlling interests	(149,419)	(11)	(18,896)	(1)	(57,784)	(2)	(35,723)	(1)
	<b>\$ (53,018)</b>	<b>(5)</b>	<b>(125,168)</b>	<b>(7)</b>	<b>542,060</b>	<b>16</b>	<b>(155,266)</b>	<b>(4)</b>
<b>Earnings per share (Note 6(v))</b>								
9750 Basic earnings per share (NT dollars)	<b>\$ 0.00</b>		<b>0.06</b>		<b>0.13</b>		<b>0.07</b>	
9850 Diluted earnings per share(NT dollars)	<b>\$ 0.00</b>		<b>0.06</b>		<b>0.13</b>		<b>0.07</b>	

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**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the six months ended June 30, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										
	Share capital		Retained earnings				Total other equity interest				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
<b>Balance at January 1, 2021 (revised)</b>	\$ 6,867,627	1,917,673	247,895	565,892	(345,746)	468,041	(810,816)	(94,491)	8,348,034	3,642,678	11,990,712
Gain for the six months ended June 30, 2021	-	-	-	-	47,430	47,430	-	-	47,430	2,462	49,892
Other comprehensive income for the six months ended June 30, 2021	-	-	-	-	-	-	(166,973)	-	(166,973)	(38,185)	(205,158)
Total comprehensive income for the six months ended June 30, 2021	-	-	-	-	47,430	47,430	(166,973)	-	(119,543)	(35,723)	(155,266)
Conversion of convertible bonds	1,036,093	301	-	-	-	-	-	-	1,036,394	-	1,036,394
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	5,273	-	-	-	-	-	-	5,273	(9,865)	(4,592)
Changes in ownership interests in subsidiaries	-	508	-	-	-	-	-	-	508	364	872
Non-controlling interests Gain or Loss	-	-	-	-	-	-	-	-	-	(81,752)	(81,752)
<b>Balance at June 30, 2021</b>	<b>\$ 7,903,720</b>	<b>1,923,755</b>	<b>247,895</b>	<b>565,892</b>	<b>(298,316)</b>	<b>515,471</b>	<b>(977,789)</b>	<b>(94,491)</b>	<b>9,270,666</b>	<b>3,515,702</b>	<b>12,786,368</b>
<b>Balance at January 1, 2022</b>	<b>\$ 8,347,761</b>	<b>1,906,116</b>	<b>-</b>	<b>565,892</b>	<b>75,486</b>	<b>641,378</b>	<b>(982,609)</b>	<b>(94,491)</b>	<b>9,818,155</b>	<b>3,440,895</b>	<b>13,259,050</b>
Gain for the six months ended June 30, 2022	-	-	-	-	107,515	107,515	-	-	107,515	(104,568)	2,947
Other comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	-	-	492,329	-	492,329	46,784	539,113
Total comprehensive income for the six months ended June 30, 2022	-	-	-	-	107,515	107,515	492,329	-	599,844	(57,784)	542,060
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	7,549	-	(7,549)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	67,938	(67,938)	-	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	15,249	-	-	-	-	-	-	15,249	(25,626)	(10,377)
Changes in ownership interests in subsidiaries	-	5,165	-	-	-	-	-	-	5,165	3,645	8,810
<b>Balance at June 30, 2022</b>	<b>\$ 8,347,761</b>	<b>1,926,530</b>	<b>7,549</b>	<b>633,830</b>	<b>107,514</b>	<b>748,893</b>	<b>(490,280)</b>	<b>(94,491)</b>	<b>10,438,413</b>	<b>3,361,130</b>	<b>13,799,543</b>



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**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the six months ended June 30, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended	
	June 30	
	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 62,603	189,699
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,037,972	958,944
Amortization expense	24,998	17,762
Expected credit loss	79,838	21,877
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(2,183)	(47,265)
Interest expense	410,481	361,758
Operating costs (Interest expense)	9,299	20,171
Interest income	(18,521)	(17,683)
Dividend income	(2,686)	(2,655)
Cost of share-based payments awards	-	872
Share of loss (profit) of associates accounted for using equity method	(11,926)	(1,431)
Loss (gain) on disposal of property, plan and equipment	(66)	793
Gain on disposal of intangible assets	(3,023)	(15,235)
Loss on disposal of investments	238	6,926
Gain on lease modifications	-	(2,105)
Rent concessions	-	(31,282)
<b>Total adjustments to reconcile profit (loss)</b>	1,524,421	1,271,447
<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, mandatorily measured at fair value	13,701	110,456
Accounts receivable	(46,399)	402,398
Other receivables	38,168	(22,253)
Inventories	(70,199)	(76,503)
Other current assets	65,888	(44,415)
The net defined benefit asset	3	-
Total changes in operating assets	1,162	369,683
<b>Changes in operating liabilities :</b>		
Accounts payable	(626,747)	(595,026)
Other payable	(83,224)	(140,573)
Other current liabilities	(16,148)	(6,144)
Total changes in operating liabilities	(726,119)	(741,743)
Total changes in operating assets and liabilities	(724,957)	(372,060)
Total adjustments	799,464	899,387
Cash inflow generated from operations	862,067	1,089,086
Interest received	16,763	12,043
Dividend received	2,686	2,655
Interest paid	(417,626)	(344,046)
Income taxes refund (paid)	(81,362)	(62,616)
<b>Net cash flows from (used in) operating activities</b>	382,528	697,122

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

Reviewed only, not audited in accordance with generally accepted auditing standards**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the six months ended June 30, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars )**

	<b>For the six months ended</b>	
	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of the equity method of the investment	-	(117,009)
Acquisition of the subsidiary	-	(3,507)
Proceeds from disposal of subsidiaries	(8,984)	11,828
Acquisition of property, plant and equipment	(68,009)	(119,586)
Proceeds from disposal of property, plant and equipment	4,919	11,277
Decrease in other receivables	213,709	36,589
Acquisition of intangible assets	(95)	(720)
Proceeds from disposal of intangible assets	20,883	77,206
Decrease (increase) in other financial assets	(159)	186,387
Increase in other non-current assets	4,597	(28,735)
Increase in prepaid equipment	(1,395)	(97,428)
<b>Net cash flows (from) used in investing activities</b>	<b>165,466</b>	<b>(43,698)</b>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term loans	(157,739)	(2,232,201)
Decrease in short-term notes and bills payable	(37)	(49,992)
Proceeds from long-term debt	63,083	4,248,647
Repayments of long-term debt	(865,696)	(2,327,291)
Increase (decrease) in guarantee deposits	(28,995)	823
Payments of lease liabilities	(211,852)	(1,002,639)
Acquisition of ownership interests in subsidiaries	(10,377)	(4,592)
Disgorgement income	8,810	-
<b>Net cash flows from financing activities</b>	<b>(1,202,803)</b>	<b>(1,367,245)</b>
Effect of exchange rate changes on cash and cash equivalents	105,322	(40,335)
Net decrease in cash and cash equivalents	(549,487)	(754,156)
Cash and cash equivalents at beginning of period	4,295,055	3,982,775
Cash and cash equivalents at end of period	<b>\$ 3,745,568</b>	<b>3,228,619</b>
Components of cash and cash equivalents		
Cash and cash equivalents in the balance sheets	<b>\$ 3,726,330</b>	3,228,619
Reclassification to (non-current) assets (or disposal groups) held for distribution to owners	19,238	-
Cash and cash equivalents at end of period	<b>\$ 3,745,568</b>	<b>3,228,619</b>

# FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

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

**June 30, 2022 and 2021**

(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 and its subsidiaries ( “the Group” ) are the domestic and international sea transportation and related businesses, trading of vessels and related products, providing services of financial leasing, providing business consultation services, trading of cosmetics, furnishings and etc., investments, and selling, renting, investing in construction.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on August 12, 2022.

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

- (a) The impact of the International Financial Reporting Standards ( “IFRSs” ) endorsed by the Financial Supervisory Commission, R.O.C. ( “FSC” ) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018 – 2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendment to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

- (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 Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

# FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
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

The Group 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 Group 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:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and Amendments to IFRS 17
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”

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

##### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements is the same as those in the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

##### (b) Basis of consolidation

###### (i) List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements include.

**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

Name of Investor	Name of Subsidiary	Principal activity	Shareholding			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
First Steamship Co., Ltd.	Yee Shin Investment Co., Ltd.	General investing	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries (note 2)
First Steamship Co., Ltd.	Royal Sunway Development Co., Ltd.	Real estate development, rental and leasing of building	55.00%	55.00%	55.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship Co., Ltd.	First Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship Co., Ltd.	Grand Ocean Retail Group Ltd.	Investment holding company	10.00	9.69%	3.82%	The company directly (indirectly) holds more than 50% of its subsidiaries (note 1&4)
First Steamship Co., Ltd.	First Mariner Holding Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship Co., Ltd.	Yee Young Investment Co., Ltd.	General investing	100.00%	100.00%	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries and it reduced capital of 20,825 thousand shares on September 2021.
Yee Young Investment Co., Ltd.	Grand Ocean Retail Group Ltd.	Investment holding company	- %	- %	5.87%	The company directly (indirectly) holds more than 50% of its subsidiaries(note 1)
First Steamship S.A.	Longevity Navigation S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Praise Maritime S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Best Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Grand Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Ahead Capital Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Media Assets Global Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Black Sea Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Ship Bulker Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Nature Sources Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Grand Ocean Retail Group Ltd.	Investment holding company	46.83%	46.83%	46.83%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Reliance Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Alliance Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries

## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	Shareholding			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
First Steamship S.A.	Sure Success Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Heritage Riches Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Shining Steamship International S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Excellent Steamship International S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Ahead Capital Ltd.	Grand Ocean Retail Group Ltd.	Investment holding company	1.79%	1.79%	1.79%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Mariner Holding Ltd.	First Mariner Capital Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Mariner Holding Ltd.	Mariner Far East Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Mariner Capital Ltd.	Mariner Capital Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Mariner Capital Ltd.	Morgan Finance Ltd.	Loan company	-%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries (note 3)
Mariner Capital Ltd.	Mariner Finance Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Shanghai Youxin Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Suzhou Youcheng Car Leasing Ltd.	Automobile Finance leasing company	-%	-%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries and it also completed liquidation in October 22,2021
Mariner Finance Ltd.	Nanjing Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Wuhan Youxin Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Qingdao Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Chongqing Youren Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Fuzhou Youli Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Dongguan Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Guangzhou Youqiang Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries

**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

Name of Investor	Name of Subsidiary	Principal activity	Shareholding			Name of Investor
			June 30, 2022	December 31, 2021	June 30, 2021	
Mariner Finance Ltd.	Changsha Youli Car Service Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Xian Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Chengdu Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Lianyungang Youren Car Service Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Jinan Youli Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Urumqi Taroko Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	-%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Retail Group Ltd.	Grand Citi Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Citi Ltd.	Grand Ocean Classic Commercial Group Ltd.	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Classic Commercial Group Ltd.	Nanjing Grand Ocean Classic Commercial Ltd.	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Classic Commercial Group Ltd.	Fuzhou Grand Ocean Commoncial Ltd.	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Classic Commercial Group Ltd.	Quanzhou Grand Ocean Commercial Ltd.	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Classic Commercial Group Ltd.	Shanghai Jingxuan Business Administration., Ltd.	Management consulting business, and trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Classic Commercial Group Ltd.	Shanghai Grand Ocean Qianshu Commercial Management Co., Ltd.	Management consulting business, and trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries (note 6(h))
Quanzhou Grand Ocean Commercial Ltd.	Wuhan Grand Ocean Classic Commercial Development Ltd.	Trading of cosmetics, furnishings, etc.	30.00%	30.00%	30.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Nanjing Grand Ocean Classic Commercial Ltd.	Hefei Grand Ocean Classic Commercial Development Ltd.	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Fuzhou Grand Ocean Commoncial Ltd.	Fuzhou Grand Ocean Classic Commercial Ltd.	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Fuzhou Grand Ocean Commoncial Ltd.	Wuhan Grand Ocean Classic Commercial Development Ltd.	Trading of cosmetics, furnishings, etc.	70.00%	70.00%	70.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Fuzhou Grand Ocean Commoncial Ltd.	Fuzhou Jiariuxing Bussiness Administration Ltd.	Management consulting business, and trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Grand Ocean Classic Commercial Development Ltd.	Wuhan Optics Valley Grand Ocean Commercial Development Ltd.	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries

## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	Shareholding			Name of Investor
			June 30, 2022	December 31, 2021	June 30, 2021	
Wuhan Grand Ocean Classic Commercial Development Ltd.	Chongqing Optics Valley Grand Ocean Commercial Development Ltd.	Trading of cosmetics, furnishings, etc.	35.30%	50.00%	50.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Grand Ocean Classic Commercial Development Ltd.	Wuhan Hanyang Grand Ocean Classic Commercial Ltd.	Trading of cosmetics, furnishings, etc.	50.00%	50.00%	50.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Grand Ocean Classic Commercial Development Ltd.	Hengyang Grand Ocean Commercial Development Ltd.	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Grand Ocean Classic Commercial Development Ltd.	Shiyan Ocean Modern Shopping Co., Ltd.	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Optics Valley Grand Ocean Commercial Development Ltd.	Chongqing Optics Valley Grand Ocean Commercial Development Ltd.	Trading of cosmetics, furnishings, etc.	64.70%	50.00%	50.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Optics Valley Grand Ocean Commercial Development Ltd.	Wuhan Hanyang Grand Ocean Classic Commercial Ltd.	Trading of cosmetics, furnishings, etc.	50.00%	50.00%	50.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Optics Valley Grand Ocean Commercial Development Ltd.	Yichang Grand Ocean Commercial Ltd.	Trading of cosmetics, furnishings, etc.	99.00%	99.00%	99.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Hanyang Grand Ocean Jingdian Commercial Ltd.	Yichang Grand Ocean Commercial Ltd.	Trading of cosmetics, furnishings, etc.	1.00%	1.00%	1.00%	The company directly (indirectly) holds more than 50% of its subsidiaries

Note 1: The 5.87% equity of Grand Ocean Retail Group Ltd. had been transferred to the Group in 2021 due to the Group's restructure, wherein the related procedures had been completed.

Note 2: On July 30, 2021, the board of directors of the Group resolved to dispose the 100% equity of the subsidiary, Yee Shin Investment Co., Ltd. to a related party, Yonghenghui Investment Co., Ltd. For more information, please refer to note 6(f).

Note 3: The Group sold the Morgan Finance Ltd. through the board of directors on February 25, 2022 and completed the process of equity transferred. The more information, please refer to note 7.

Note 4: The Group successively purchased the shares of Grand Ocean Retail Group Ltd. for the amount of \$10,377 thousand from January 1 to June 30, 2022, which increased the shareholding ratio from 9.69% to 10%, and recognized as the capital surplus of \$ 15,249 thousand.

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

#### (c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of IAS 34, Interim Financial Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period (and allocated to current and deferred taxes based on its proportionate size).

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.



## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated 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 Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and 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.

In preparing the consolidated financial report, the significant judgments made by management when adopting the accounting policies of the consolidated company and the main sources of estimation uncertainty are consistent with note 5 of the 2021 consolidated financial report.

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

Except the following explanation mentioned below, the explanation of significant accounts described in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2021.

(a) Cash and cash equivalents

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Petty cash	\$ 29,320	23,971	26,985
Demand deposits	3,573,060	4,251,555	3,181,678
Time deposits	123,950	-	19,956
Total	<b>\$ 3,726,330</b>	<b>4,275,526</b>	<b>3,228,619</b>

Please refer to note 6(z) for the sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(b) Current financial assets and liabilities at fair value through profit or loss

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
<b>Mandatorily measured at fair value through profit or loss:</b>			
Non-derivative financial assets—current			
Shares of stock of listed companies	\$ 89,535	92,055	93,066
Open fund	10,820	13,268	13,308
Foreign corporate bonds	5,893	5,893	5,893
Embedded derivatives—current			
Call and put rights of convertible bonds	-	-	47
Subtotal	106,248	111,216	112,314
Non-derivative financial assets—non-current			
Beneficiary rights - Specific construction project	127,578	127,578	119,158
Total	<b>\$ 233,826</b>	<b>238,794</b>	<b>231,472</b>
<b>Held-for-trading financial liabilities:</b>			
Non-derivative financial liabilities-non-current			
Landlord beneficiary rights	<b>\$ 23,234</b>	<b>23,234</b>	<b>20,400</b>

(i) The Group entered into land investment project agreement with Sanlinger Investment

## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Development Co., Ltd., wherein the Group sold 20% of its beneficial rights on the project land located in Wushigang section, Toucheng Township, Yilan County, and received the amount of \$20,400 thousand in 2021. Thereafter, Sanlinger Investment Development Co., Ltd. would bear the cost of the development and holding based on percentage. The Group received the cost of holding and development from the Sanlinger Investment Development Co., Ltd., based on percentage at the amount of \$2,834 thousand in 2021

- (ii) Please refer to note 6(z) for disclosure of credit risk and market risk of all financial instruments mentioned above.
- (iii) The financial assets mentioned above had not been pledged as collateral.
- (c) Accounts receivables

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Current			
Accounts receivables	\$ 303,130	212,437	182,612
Less: Allowance for impairment	<u>(12,779)</u>	<u>(13,266)</u>	<u>(12,405)</u>
	<u>290,351</u>	<u>199,171</u>	<u>170,207</u>
Leases payment receivables (included operating lease)	496,193	521,160	600,136
Less: Unearned interest	(81,072)	(90,504)	(86,012)
Allowance for impairment	<u>(135,512)</u>	<u>(90,759)</u>	<u>(72,708)</u>
	<u>279,609</u>	<u>339,897</u>	<u>441,416</u>
Subtotal of current asset	<u>569,960</u>	<u>539,068</u>	<u>611,623</u>
Non-current			
Leases payment receivables	424,377	427,330	434,060
Less: Unearned interest	(48,171)	(44,014)	(43,490)
Allowance for impairment	<u>(102,495)</u>	<u>(74,313)</u>	<u>(52,956)</u>
Subtotal of non-current asset	<u>273,711</u>	<u>309,003</u>	<u>337,614</u>
Total	<u>\$ 843,671</u>	<u>848,071</u>	<u>949,237</u>

- (i) The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information.

- 1) Due to the COVID 19 pandemic and the changes in economic environment, the overdue account, receivable from the Group's related parties amounting, incurred from the rental service departments in China, resulted in a significant increase in credit risk; therefore, the Group evaluated the value of collateral and recognized allowance for uncollectible as follow:

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Leases payment receivables	\$ 358,632	322,579	-
Less: Allowance for impairment	<u>(111,191)</u>	<u>(48,360)</u>	<u>-</u>
	<u>\$ 247,441</u>	<u>274,219</u>	<u>-</u>

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The expected credit loss of other leasing account receivable (including operating lease) was determined as follow:

	<b>June 30, 2022</b>		
	<b>Gross carrying amount of leases payment receivable</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 222,195	0.12%	270
1 to 30 days past due	8,618	2.29%	197
31 to 60 days past due	15,727	9.50%	1,494
61 to 90 days past due	2,982	21.19%	632
More than 91 days past due ( Note )	<u>183,173</u>	67.82%	<u>124,223</u>
	<b><u>\$ 432,695</u></b>		<b><u>126,816</u></b>
	<b>December 31, 2021</b>		
	<b>Gross carrying amount of leases payment receivable</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 284,076	0.44%	1,260
1 to 30 days past due	18,200	2.57%	467
31 to 60 days past due	3,761	10.75%	404
61 to 90 days past due	378	23.14%	88
More than 91 days past due ( Note )	<u>184,978</u>	61.90%	<u>114,493</u>
	<b><u>\$ 491,393</u></b>		<b><u>116,712</u></b>
	<b>June 30, 2021</b>		
	<b>Gross carrying amount of leases payment receivable</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 562,788	0.26%	1,419
1 to 30 days past due	16,326	2.86%	467
31 to 60 days past due	150,090	11.81%	17,726
61 to 90 days past due	7,569	24.71%	1,871
More than 91 days past due ( Note )	<u>167,921</u>	62.04%	<u>104,181</u>
	<b><u>\$ 904,694</u></b>		<b><u>125,664</u></b>

Note: As of June 30, 2022, December 31, 2021 and June 30, 2021 ,the Group had filed lawsuits for collecting the overdue receivables from leasing business with total amount of \$ 107,092 thousand (CNY24,192 thousand), \$108,746 thousand (CNY25,057 thousand) and \$ 83,487 thousand (CNY19,359 thousand). The Group assessed the recoverability of those overdue receivables, and recognized provision for allowance of \$57,601 thousand (CNY13,012 thousand), \$59,316 thousand (CNY13,688 thousand) and \$56,231 thousand (CNY13,039 thousand) less unearned interests and guarantee deposit.

- 2) The Group's main trade receivables from retail department in China are credit card payments collected from banks, with an average credit period of 2 to 3 days, wherein there is no concern about the recoverability. The retail business department in China which is classified as leasing was effected by COVI-19 pandemic. Therefore, partial receivables were deferred.

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The retail business department in China has entered the mediation process or the amount involved of the accounts receivable are as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Mediation or Litigation Amount	\$ 22,961	-	-
Less: Allowance for impairment	(1,460)	-	-
	<u><b>\$ 21,501</b></u>	<u>-</u>	<u>-</u>

The expected credit loss was determined as follows:

	<u>June 30, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted-avera ge loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 215,797	0%	-
1 to 90 days past due	10,191	0%	-
91 to 180 days past due	4,494	8%	485
181 to 270 days past due	259	59%	152
271 to 365 days past due	1,080	91%	978
More than 365 days past due	<u>9,704</u>	100%	<u>9,704</u>
	<u><b>\$ 241,525</b></u>		<u><b>11,319</b></u>

	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted-avera ge loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 170,090	0%	-
1 to 90 days past due	11,568	0%	-
91 to 180 days past due	5,506	3%	192
181 to 270 days past due	3,949	52%	1,849
271 to 365 days past due	414	100%	414
More than 365 days past due	<u>10,811</u>	100%	<u>10,811</u>
	<u><b>\$ 202,338</b></u>		<u><b>13,266</b></u>

	<u>June 30, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted-avera ge loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 121,117	0%	-
1 to 90 days past due	26,843	0%	-
91 to 180 days past due	7,684	5%	191
181 to 270 days past due	2,412	61%	1,463
271 to 365 days past due	45	100%	45
More than 365 days past due	<u>10,706</u>	100%	<u>10,706</u>
	<u><b>\$ 168,807</b></u>		<u><b>12,405</b></u>

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- 3) The loss allowance provision in shipping business department was determined as follows:

	<b>June 30, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	<u>\$ 38,644</u>	-	<u>-</u>
	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	<u>\$ 10,099</u>	-	<u>-</u>
	<b>June 30, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	<u>\$ 13,805</u>	-	<u>-</u>

- (ii) The movements in the allowance for accounts receivables were as follows:

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Balance on January 1	\$ 178,338	132,523
Impairment losses recognized	69,301	10,275
Amount written off due to uncollectible this year	(314)	(3,081)
Foreign exchange gain (loss)	3,461	(1,648)
Balance on June 30	<u>\$ 250,786</u>	<u>138,069</u>

- (iii) Expiration analysis of the Group lease payments to report the undiscounted lease payments to be received in the future

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Below 1 year	\$ 496,193	521,160	600,136
1 to 2 year past due	217,962	239,186	237,104
2 to 3 year past due	206,415	188,144	196,956
Gross investment in the lease	920,570	948,490	1,034,196
Unearned finance income	(129,243)	(134,518)	(129,502)
Present value of minimum lease payments receivable	<u>\$ 791,327</u>	<u>813,972</u>	<u>904,694</u>

- (iv) The Group and the financial institution shall sign the accounts receivable and sales contract, and the contracted company shall guarantee the receivables for all receivables that cannot be recovered (whether delayed or defaulted) within a certain period of time, and retain the accounts receivable. Almost all risks and rewards are therefore not eligible for financial assets. The carrying amounts of the transferred receivables and related financial liabilities not excluded in the reporting date are as follows:

	<b>June 30, 2022</b>				
<b>Resale company</b>	<b>Transferred accounts receivable amount</b>	<b>Credit lines</b>	<b>Advanced amount (recognized under Short-term borrowings)</b>	<b>Range of interest rates</b>	<b>Guarantee item</b>
CDIB International Leasing Corp.	<u>\$ -</u>	<u>88,536</u>	<u>-</u>	9.3%	Accounts receivables

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<b>December 31,2021</b>					
<b>Resale company</b>	<b>Transferred accounts receivable amount</b>	<b>Credit lines</b>	<b>Advanced amount(recognized under Short-term borrowings)</b>	<b>Range of interest rates</b>	<b>Guarantee item</b>
CDIB International Leasing Corp.	<u>\$ 42,103</u>	<u>86,798</u>	<u>5,102</u>	9.3%	Accounts receivables
<b>June 30,2021</b>					
<b>Resale company</b>	<b>Transferred accounts receivable amount</b>	<b>Credit lines</b>	<b>Advanced amount(recognized under Short-term borrowings)</b>	<b>Range of interest rates</b>	<b>Guarantee item</b>
CDIB International Leasing Corp.	<u>\$ 86,685</u>	<u>86,253</u>	<u>42,759</u>	9.3%	Accounts receivables

(vi) For credit risk information, please refer to note 6(z).

(vii) Details of the above notes receivable and accounts receivable as guarantee for bank loans and financing quota. Please refer to note 8.

(d) Other receivables

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Other receivables–loans (note 7)	\$ 105,020	115,989	102,325
Other receivables–investment	270,035	462,201	569,267
Other receivables–Lease guarantee deposit	63,531	62,284	62,410
Other receivables–return payment (note)	-	34,247	-
Other receivables–others	90,407	89,019	96,911
Less: Loss allowance	<u>(132,905)</u>	<u>(119,383)</u>	<u>(73,315)</u>
	<b><u>\$ 396,088</u></b>	<b><u>644,357</u></b>	<b><u>757,598</u></b>

Note : The Group's subsidiaries Fuzhou Grand Ocean Commerce Co, Ltd., reached an agreement with supplier to return part of supply to supplier because some floor owner of departments failed to meet renewal condition and that floor most of whom was self-operated, therefore incurred return payments.

- (i) The other receivables–loans arise from the car dealer with business cooperation, and obtain collateral when necessary. Furthermore, other receivables–others are the advance payment in accordance with the promotions held by retail business department and vendors. Since the Group and the vendors are in a long-term business relationship, the Group has considered historical experience and believed that they were less doubtful of the recoverability of these receivables.
- (ii) Since the rental agreement of, Xiangtan Grand Ocean Department Store Co., Ltd. (Xiangtan) one of the Group's subsidiaries, have reached its maturity in December 2018, the Group ceased Xiangtan's business operation, wherein a security deposit amounting to CNY 15,000 thousand is expected to be received. Xiangtan had already returned the property to its owner, Xiangyuan Industrial Development Co., Ltd. (Xiangyuan), but failed to receive the security deposit. In order to receive the payment and begin the liquidation process, Xiangtan filed a lawsuit against Xiangyuan. On July 1, 2019, the people's court ordered Xiangyuan to pay the amount of CNY 14,700 thousand to Xiangtan. However, Xiangyuan disagreed with the

**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

court's decision, therefore, filed an appeal on November 13, 2019, wherein it was denied on January 16, 2020. Furthermore, Xiangtan filed an appeal to the court to freeze the property of Xiangyuan, in which the court granted the approval to do so. After a thorough investigation by the court, it was found that Xiangyuan has enough property to pay for the security deposit, and the Group has collected the mandatory payment of \$1,511 thousand (CNY348 thousand). As a result, the Group assessed that amount of \$63,531 thousand (CNY14,352 thousand) should have no impairment concern.

- (iii) In 2012, the Group paid a guarantee deposit of CNY124,000 thousand to Quanzhou Fengsheng Group to purchase the commercial real estate of the Fengsheng Junyuan Development Project developed by Fengsheng Group in Fengze District, Quanzhou. After assessing the investment value of the project, the Board of Directors of the Group resolved during the meeting in July 2015 to invest Quanzhou Fengsheng Real Estate Development Co., Ltd. (Fengsheng), and expected to obtain 100% equity of the company with a contractual amount of CNY325,000 thousand. As of December 31, 2015, the Group had paid CNY200,000 thousand, which was reported under the prepayment for investments. The management of the Group evaluated the uncertainty of the investment and thus terminated the investment. Therefore, the original prepayment for investments of CNY200,000 thousand and other financial assets – current of CNY 124,000 thousand, were reclassified as other receivables as of June 30, 2016.

The Group reviewed the nature of other receivables and analyzed the current financial position of the counterparty. In order to secure the aforementioned debt, the Group had acquired pledge of stock rights of Fengsheng, and at the same time had obtained the debtor's promise that other investment profits to be priority to repay the debt. The Group evaluated that the aforementioned claims should have no impairment concern in December 31, 2016. Because the debtor takes time to complete the relevant legal procedures of the disposition of investment, the Group and the debtor renegotiated the repayment period, which should be before April 30, 2017, before September 30, 2017, and before December 31, 2017. The total amount of repayment should be 10%, 40% and 50%, respectively. In case of violation of the agreement, the aforementioned collateral would be transferred to the Group for debt repayment. As of December 31, 2017, the Group had recovered CNY 162,000 thousand according to aforesaid agreement. On December 19, 2017, the Board of Directors of the Group resolved during the meeting on the Fengsheng Group's extension of the repayment agreement, which extended remaining proceeds to June 30, 2018. Due to the delay of procedures of the disposition of investment, Fengsheng Group could not make the payments by the aforementioned date.

To ensure the recovery of the aforementioned creditor's rights and the development of Fengsheng's property, on August 12, 2019, the Board of Directors resolved to sign a "Debt Confirmation and Repayment Plan" with Damahua Investment Co., Ltd. (Damahua), Fengsheng and Fengsheng, stating that Damahua will provide financial support to Fengsheng for the development and construction of a real estate property to be sold to the market to ensure that the future sales proceeds will be used to repay for the aforementioned claims. Considering the development progress of Fengsheng's property, the credit recovery period will exceed one year; therefore, the related receivables reclassified to other non-current receivables were recognized as other non-current financial assets. The Group evaluated that the aforementioned debt should have no impairment concern under the cash flow of pledge asset.

The Board of Directors resolved to sign a "Debt Preservation and Conditional Credit Transfer Agreement" and agree that the Group and Damahua to oversee the development

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and construction of Fengan's property to ensure that the future sales proceeds will be used to repay for the aforementioned claims. Damahua agreed that the credit transfer condition would be met under certain circumstances mentioned in transfer agreement, such as the construction couldn't resume as scheduled, the court auction is designated or the compulsory execution is enforced by judicial authority. The aforementioned "Debt Preservation and Conditional Credit Transfer Agreement" stated that the development project of the Fengan property must be restarted before June 30, 2020. The Group has agreed to extend the start date to December 31, 2020, the progress of approval was delayed because of COVID-19 pandemic.

On December 31, 2020, the aforementioned "Debt Preservation and Conditional Credit Transfer Agreement" has been reached, Damahua carried the aforementioned creditor's right. On February 9, 2021, the Group agreed to modify the original payment terms and timeline because of the impact of COVID-19 pandemic and the property policy in Quanzhou, which are force majeure. The details of payments are as follows:

- 1) Damahua agrees to pay CNY 30,000 thousand before February 9, 2021.
- 2) Damahua agrees to pay CNY 51,000 thousand before December 31, 2021.
- 3) Damahua agrees to pay CNY 81,000 thousand before June 30, 2022.
- 4) Under the premise of obtaining written consent of the Group, Damahua can transfer the title of properties located in Citong road to the Group, as the payment of debt.

The Group has collected the payment of CNY 55,500 thousand in 2021. The Group has collected the payment of CNY 25,500 thousand and CNY 20,000 thousand in March and June, 2022. As of June 30, 2022, December 31, 2021 and June 30, 2021, the outstanding receivables were \$270,035 thousand (CNY 61,000 thousand), \$462,201 thousand (CNY 106,500 thousand) and \$569,267 thousand (CNY 132,000 thousand), respectively.

Due to the force majeure factor of the COVID-19 epidemic, the society, various industries and the business of Damahua have been seriously affected. Damahua needs to retain part of the operating capital, and proposes to the Group to postpone the payment of the remaining receivables until June 30, 2023 and reaches an agreement in August 2022. The Group's original receivables from Damahua amounted to CNY 162,000 thousand, as of June 30, 2022, the accumulative amount of CNY 101,000 thousand has been paid, and the remaining CNY 61,000 thousand unpaid. The payment schedule is described as follows:

- 1) Damahua agrees to pay CNY 16,000 thousand before December 31, 2022.
- 2) Damahua agrees to pay CNY 16,000 thousand before March 31, 2023.
- 3) Damahua agrees to pay CNY 29,000 thousand before June 30, 2023.
- 4) If the above amount is not repaid by Damahua before the expiry of the deferred repayment period, Damahua will unconditionally cooperate with the liquidation of the Quanzhou Citong Road Project, and the land disposal price of the Quanzhou Citong Road Project will be repaid to the Group in priority.

In addition, The Group estimates the expected credit loss for the receivables of Damahua using the expected credit during the duration, and calculates the amortized cost by discounting the effective interest rate (Bank of China · China Construction Bank · Industrial



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and Commercial Bank of China · Agricultural Bank of China) average bad debt ratio, general economic and related industry information are included in forward-looking information to estimate the expected credit loss during the duration. For the years ended June 30, 2022, December 31, 2021 and June 30 2021, the amount of allowance for loss was \$59,313 thousand, \$50,765 thousand and \$50,446 thousand, respectively.

(iv) For credit risk information, please refer to note 6(z).

(e) Inventories (construction department)

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Land held for construction site	\$ 518,437	518,437	518,391
Construction in progress	769,537	677,896	643,816
Buildings and land held for sale	41,931	41,931	64,481
Prepayment for land purchases and development expenses	127,357	127,357	127,357
	<b><u>\$ 1,457,262</u></b>	<b><u>1,365,621</u></b>	<b><u>1,354,045</u></b>

Please refer to note 8 for the details of inventories pledged as collateral.

(f) Non-current Assets Held for Sale

Based on the resolution approved during the board meeting held on July 30, 2021, the Group resolved to dispose its entire equity in its subsidiary, Yee Shin Investment Co., Ltd., to a related party, Yonghenghui Investment Co., Ltd., at the amount of \$356,000 thousand, wherein the Group received deposit amounting to \$150,000 thousand (reported as other current liabilities) on November 24, 2021, and the rest was deposited in a trust account. Both parties have started dealing with the sale, and expected to finish the transaction within one year. Therefore the assets and liability are classified in disposal groups.

As of June 30, 2022, the disposal group comprised the following assets and liabilities:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Cash and cash equivalents	\$ 19,238	19,529
Investments accounted for using equity method	176,763	176,763
the assets of disposal groups	<b><u>\$ 196,001</u></b>	<b><u>196,292</u></b>
the liabilities of disposal groups(other payables)	<b><u>\$ 270</u></b>	<b><u>340</u></b>

(g) Investments accounted for using equity method

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

<b>Investee</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Taiwan Environment Scientific Co., Ltd.(Note6(f))	\$ -	-	184,869
Jiawang Assets Development Co., Ltd.	4,709	5,755	6,813

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Da Yu Financial Holdings Limited	744,879	675,949	677,746
Sandmartin International Holdings Limited	45,397	50,641	-
Nanjing Grand Ocean Dongfadao Catering Co., Ltd.	30,267	30,480	21,563
Haikou Zhuke Technology Co., Ltd.	-	-	-
Shanghai Zhuke Technology Co., Ltd.	-	-	-
	<u>\$ 825,252</u>	<u>762,825</u>	<u>890,991</u>

(i) Aggregation of financial information—individually insignificant associates' equity

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Carrying amount of individually insignificant associates' equity	<u>\$ 825,252</u>	<u>762,825</u>	<u>890,991</u>
	<u>For the three months ended June 30</u>	<u>For the six months ended June 30</u>	
Attributable to the Group:	<u>2022</u>	<u>2021</u>	<u>2022</u>
Gain(Loss) from continuing operations	\$ 20,078	(3,856)	11,926
Other comprehensive income	20,026	(15,534)	50,501
Total comprehensive income	<u>\$ 40,104</u>	<u>(19,390)</u>	<u>62,427</u>

(ii) Sandmartin International Holdings Limited

According to the resolution decided during the board meeting held on December 7, 2018, the Group decided to dispose its equity method investment in Sandmartin International Holdings Ltd., (reported under non-current assets classified as held for sale) and started to conduct the related sales, which is expected to be completed within one year. The Group has taken all the necessary actions to respond accordingly to the changes in the situation and actively seek for a reasonable price to attract other buyers since the transaction is expected to be completed within one year. Therefore, in order to optimize the return of its investment, the Group increased the capital of Sandmartin International Holdings Ltd. in cash, at a shareholding ratio amounting to \$75,434 thousand (HKD 20,924 thousand), based on the resolution the approved during the board meeting held on June 25, 2021. All related regulatory registration procedures were completed as of the reporting date. Since the requirements for the recognition of the non-current assets held for sale had been reassessed in 2021, the completion of the transaction will not be able to materialize within one year, resulting in the Group to cease the classification of the above investment as non-current assets held for sale.

(iii) Nanjing Grand Ocean Dongfadao Catering Co., Ltd.

(1) On May 6, 2021, the Group signed 5 year investment agreement with Shanghai Dongfadao Catering Management Co., Ltd. (hereinafter referred to as “Shanghai Dongfadao”) at the amount of CNY 7,000 thousand, and jointly established Nanjing Grand Ocean Dongfadao Catering Co., Ltd. (hereinafter referred as Nanjing Dongfadao), wherein the Group will acquire 49% of the entire equity. The Group has invested the amount of \$30,880 thousand (CNY 7,000 thousand) for the years ended June 30, 2022.

(2) The share repurchase agreement of the investment agreement

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- a) If Shanghai Dongfadao requires to be listed, the share repurchase can be negotiated with the Group and the equity of Nanjing Dongfadao can be repurchased via written consent.
- b) If the deficit of Nanjing Dongfadao continues to accumulate for six months or has reached the amount of CNY 5,000 thousand, the Group has the right to notify Shanghai Dongfadao to repurchase its shares unconditionally, at a price deemed as the difference between the total investment amount of the Group and the profit distribution obtained in previous period.
- (iv) **Guarantees**  
The Group did not provide any investments accounted for using the equity method as collateral for its loans.
- (v) **The unreviewed financial statements of investments accounted for using equity method**  
Investments were accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that had not been reviewed. Except for Taiwan Environment Scientific Co., Ltd and Nanjing Grand Ocean Dongfadao Catering Co., Ltd. has reviewed by CPA.
- (h) **Business combination—acquisition of subsidiaries**  
On June 30, 2021, the Group acquired the entire shares of Shanghai Grand Ocean Qianshu Commercial Management Co., Ltd. (hereinafter referred to as “Shanghai Qianshu”), resulting in its equity interest in Shanghai Qianshu to increase from 0% to 100% and gain control over it, enabling the Group to expand its business on retail industry. For the related information, please refer to note 6(h) of the consolidated financial statements for the year ended December 31, 2021.
- (i) **Material non-controlling interests of subsidiaries**

The material non-controlling interests of a subsidiary were as follows:

<u>Name of Subsidiary</u>	<u>Main operation/place</u>	<u>Percentage of non-controlling interests</u>		
		<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
GRAND OCEAN RETAIL GROUP LTD.	China/Cayman Islands	41.38%	41.69%	41.69%

The following information of the aforementioned subsidiary has been prepared in accordance with the IFRSs endorsed by the FSC. Intra-group transactions were not eliminated in this information.

The financial information of Grand Ocean Retail Group Ltd

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current assets	\$ 4,227,604	4,999,105	4,281,753
Non-current assets	21,982,221	22,278,302	18,512,459
Current liabilities	(6,600,650)	(7,225,731)	(6,332,848)
Non-current liabilities	(11,685,381)	(12,012,875)	(8,240,414)
Net assets	<u>\$ 7,923,794</u>	<u>8,038,801</u>	<u>8,220,950</u>
Non-controlling interests	<u>\$ 3,278,866</u>	<u>3,351,378</u>	<u>3,427,314</u>

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	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Sales revenue	<u>\$ 1,010,023</u>	<u>1,288,454</u>	<u>2,260,822</u>	<u>2,746,311</u>
Profit (loss)	\$ (146,931)	3,438	(234,515)	13,400
Other comprehensive income (loss)	(204,481)	(42,609)	110,698	(94,282)
Comprehensive income (loss)	<u>\$ (351,412)</u>	<u>(39,171)</u>	<u>(123,817)</u>	<u>(80,882)</u>
Profit (loss), attributable to non-controlling interests	<u>\$ (60,800)</u>	<u>1,437</u>	<u>(97,314)</u>	<u>5,602</u>
Comprehensive income (loss), attributable to non-controlling interests	<u>\$ (145,415)</u>	<u>(15,144)</u>	<u>(50,530)</u>	<u>(32,583)</u>

  

	For the six months ended June 30	
	2022	2021
Net cash flows from operating activities	\$ (41,884)	106,130
Net cash flows from investing activities	128,005	36,657
Net cash flows from financing activities	(702,746)	(1,186,924)
Effect of exchange rate changes	<u>74,665</u>	<u>(39,330)</u>
Net decrease in cash and cash equivalents	<u>\$ (541,960)</u>	<u>(1,083,467)</u>

(j) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Transportation equipment	Vessels	Office equipment	Leasehold Improvement	Construction in progress	Total
Cost or deemed cost:								
Balance at January 1, 2022	\$ 126,409	4,661,517	191,363	9,191,189	234,509	6,742,846	31,596	21,179,429
Additions	-	102	84	-	3,184	22,512	30,613	56,495
Reclassifications	-	-	-	-	3,127	15,141	(18,268)	-
Disposals and obsolescence	-	-	(16,024)	-	(1,812)	(1,597)	-	(19,433)
Disposals subsidiaries	-	-	-	-	(325)	(945)	-	(1,270)
Effect of change in foreign exchange rates	-	91,832	3,443	677,630	5,072	134,925	614	913,516
Balance at June 30, 2022	<u>\$ 126,409</u>	<u>4,753,451</u>	<u>178,866</u>	<u>9,868,819</u>	<u>243,755</u>	<u>6,912,882</u>	<u>44,555</u>	<u>22,128,737</u>
Balance at January 1, 2021	\$ 126,409	4,690,022	194,358	7,558,952	239,855	6,628,424	58,535	19,496,555
Additions	-	-	16,750	22,186	3,765	19,955	27,631	90,287
Transferred from prepaid equipment.	-	-	-	923,938	-	-	-	923,938
Inventory transfer	-	-	8,702	-	-	-	-	8,702
Reclassifications	-	-	-	-	943	57,302	(58,245)	-
Disposals and obsolescence	-	-	(27,824)	-	(5,725)	(2,777)	-	(36,326)
Disposals subsidiaries	-	-	(5,212)	-	(5,131)	(3,878)	-	(14,221)
acquired in a business combination	-	-	-	-	1,235	-	14,122	15,357
Effect of change in foreign exchange rates	-	(55,191)	(2,255)	(174,635)	(2,800)	(79,926)	(428)	(315,235)
Balance at June 30, 2021	<u>\$ 126,409</u>	<u>4,634,831</u>	<u>184,519</u>	<u>8,330,441</u>	<u>232,142</u>	<u>6,619,100</u>	<u>41,615</u>	<u>20,169,057</u>

## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Depreciation and impairment loss:

Balance at January 1, 2022	\$ -	693,421	77,316	2,369,354	180,428	4,024,715	514	7,345,748
Depreciation	-	56,405	15,442	193,501	7,031	216,191	-	488,570
Disposals and obsolescence	-	-	(12,197)	-	(1,688)	(695)	-	(14,580)
Disposals subsidiaries	-	-	-	-	(323)	(945)	-	(1,268)
Effect of change in foreign exchange rates	-	13,169	1,543	181,165	3,574	80,220	11	279,682
Balance at June 30, 2022	<b>\$ -</b>	<b>762,995</b>	<b>82,104</b>	<b>2,744,020</b>	<b>189,022</b>	<b>4,319,486</b>	<b>525</b>	<b>8,098,152</b>
Balance at January 1, 2021	\$ -	587,303	68,316	2,082,449	184,048	3,700,335	-	6,622,451
Depreciation	-	55,524	16,911	168,317	7,239	212,719	-	460,710
Disposals and obsolescence	-	-	(16,807)	-	(5,112)	(2,337)	-	(24,256)
Disposals subsidiaries	-	-	(5,212)	-	(5,027)	(3,878)	-	(14,117)
Effect of change in foreign exchange rates	-	(7,166)	(776)	(47,127)	(2,160)	(46,117)	-	(103,346)
Balance at June 30, 2021	<b>\$ -</b>	<b>635,661</b>	<b>62,432</b>	<b>2,203,639</b>	<b>178,988</b>	<b>3,860,722</b>	<b>-</b>	<b>6,941,442</b>
Carrying amounts:								
Balance at January 1, 2022	<b>\$ 126,409</b>	<b>3,968,096</b>	<b>114,047</b>	<b>6,821,835</b>	<b>54,081</b>	<b>2,718,131</b>	<b>31,082</b>	<b>13,833,681</b>
Balance at June 30, 2022	<b>\$ 126,409</b>	<b>3,990,456</b>	<b>96,762</b>	<b>7,124,799</b>	<b>54,733</b>	<b>2,593,396</b>	<b>44,030</b>	<b>14,030,585</b>
Balance at January 1, 2021	<b>\$ 126,409</b>	<b>4,102,719</b>	<b>126,042</b>	<b>5,476,503</b>	<b>55,807</b>	<b>2,928,089</b>	<b>58,535</b>	<b>12,874,104</b>
Balance at June 30, 2021	<b>\$ 126,409</b>	<b>3,999,170</b>	<b>122,087</b>	<b>6,126,802</b>	<b>53,154</b>	<b>2,758,378</b>	<b>41,615</b>	<b>13,227,615</b>

- (i) The significant components of the buildings include the main building, electrical equipment and air conditioner with their own estimated useful lives.
- (ii) The property, plant and equipment of the Group had been pledged as collateral for bank borrowings. Please refer to note 8 for further details.

(k) Right-of-use assets

The cost and depreciation of the land, building, machine and transportation equipment of the Group were as follows :

	Transportation and other equipment			
	Land	Buildings	equipment	Total
Cost :				
Balance at January 1, 2022	\$ 3,275,716	11,648,905	58,416	14,983,037
Addition	-	17,948	7,485	25,433
Reduce	-	(30,793)	-	(30,793)
Effect of change in foreign exchange rates	65,576	233,406	1,169	300,151
Balance at June 30, 2022	<b>\$ 3,341,292</b>	<b>11,869,466</b>	<b>67,070</b>	<b>15,277,828</b>
Balance at January 1, 2021	\$ 3,294,512	7,317,431	61,197	10,673,140
Addition	-	13,836	-	13,836
Lease modification	-	506,624	-	506,624
Disposal and derecognition	-	(30,794)	-	(30,794)
Subsidiaries disposal	-	(17,848)	(2,446)	(20,294)
Effect of change in foreign exchange rates	(39,394)	(91,648)	(703)	(131,745)
Balance at June 30, 2021	<b>\$ 3,255,118</b>	<b>7,697,601</b>	<b>58,048</b>	<b>11,010,767</b>

**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES**

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Depreciation and impairment :

Balance at January 1, 2022	\$	288,745	2,224,563	21,479	2,534,787
Depreciation		49,166	495,799	3,950	548,915
Reduce		-	(30,793)	-	(30,793)
Effect of change in foreign exchange rates		<u>5,701</u>	<u>43,876</u>	<u>424</u>	<u>50,001</u>
Balance at June 30, 2022	<b>\$</b>	<b><u>343,612</u></b>	<b><u>2,733,445</u></b>	<b><u>25,853</u></b>	<b><u>3,102,910</u></b>
Balance at January 1, 2021	\$	193,601	1,807,622	15,540	2,016,763
Depreciation		48,248	445,868	3,631	497,747
Disposal and derecognition		-	(17,152)	-	(17,152)
Subsidiaries disposal		-	(17,848)	(1,223)	(19,071)
Effect of change in foreign exchange rates		<u>(2,741)</u>	<u>(25,219)</u>	<u>(203)</u>	<u>(28,163)</u>
Balance at June 30, 2021	<b>\$</b>	<b><u>239,108</u></b>	<b><u>2,193,271</u></b>	<b><u>17,745</u></b>	<b><u>2,450,124</u></b>
Carrying amounts: :					
Balance at January 1, 2022	<b>\$</b>	<b><u>2,986,971</u></b>	<b><u>9,424,342</u></b>	<b><u>36,937</u></b>	<b><u>12,448,250</u></b>
Balance at June 30, 2022	<b>\$</b>	<b><u>2,997,680</u></b>	<b><u>9,136,021</u></b>	<b><u>41,217</u></b>	<b><u>12,174,918</u></b>
Balance at January 1, 2021	<b>\$</b>	<b><u>3,100,911</u></b>	<b><u>5,509,809</u></b>	<b><u>45,657</u></b>	<b><u>8,656,377</u></b>
Balance at June 30, 2021	<b>\$</b>	<b><u>3,016,010</u></b>	<b><u>5,504,330</u></b>	<b><u>40,303</u></b>	<b><u>8,560,643</u></b>

(1) Intangible assets

The costs, amortization, and impairment loss of intangible assets were as follows:

	<u>Goodwill</u>	<u>Trademark</u>	<u>License Plate</u>	<u>Other</u>	<u>Total</u>	
Cost:						
Balance at January 1, 2022	\$	1,450,805	387,825	188,554	33,734	2,060,918
Additions		-	-	-	95	95
Disposal and derecognition		-	-	(17,860)	-	(17,860)
Effect of change in foreign exchange rates		<u>29,043</u>	<u>28,593</u>	<u>3,803</u>	<u>697</u>	<u>62,136</u>
Balance at June 30, 2022	<b>\$</b>	<b><u>1,479,848</u></b>	<b><u>416,418</u></b>	<b><u>174,497</u></b>	<b><u>34,526</u></b>	<b><u>2,105,289</u></b>
Balance at January 1, 2021	\$	1,361,635	399,178	305,176	39,811	2,105,800
Additions		-	-	-	720	720
acquired in a business combination		102,117	-	-	-	102,117
Disposal and derecognition		-	-	(61,971)	(6,485)	(68,456)
Effect of change in foreign exchange rates		<u>(16,341)</u>	<u>(8,689)</u>	<u>(3,101)</u>	<u>(461)</u>	<u>(28,592)</u>
Balance at June 30, 2021	<b>\$</b>	<b><u>1,447,411</u></b>	<b><u>390,489</u></b>	<b><u>240,104</u></b>	<b><u>33,585</u></b>	<b><u>2,111,589</u></b>
Accumulated amortization and impairment loss:						
Balance at January 1, 2022	\$	-	-	5,082	16,852	21,934
Amortization		-	-	-	2,881	2,881
Effect of change in foreign exchange rates		-	-	102	354	456
Balance at June 30, 2022	<b>\$</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>5,184</u></b>	<b><u>20,087</u></b>	<b><u>25,271</u></b>

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Balance at January 1, 2021	\$	5,857	-	5,111	22,358	33,326
Amortization		-	-	-	2,811	2,811
Disposal and derecognition		-	-	-	(6,485)	(6,485)
Effect of change in foreign exchange rates		(128)	-	(61)	(271)	(460)
Balance at June 30, 2021	<b>\$</b>	<b>5,729</b>	<b>-</b>	<b>5,050</b>	<b>18,413</b>	<b>29,192</b>
Carrying amounts:						
Balance at January 1, 2022	<b>\$</b>	<b>1,450,805</b>	<b>387,825</b>	<b>183,472</b>	<b>16,882</b>	<b>2,038,984</b>
Balance at June 30, 2022	<b>\$</b>	<b>1,479,848</b>	<b>416,418</b>	<b>169,313</b>	<b>14,439</b>	<b>2,080,018</b>
Balance at January 1, 2021	<b>\$</b>	<b>1,355,778</b>	<b>399,178</b>	<b>300,065</b>	<b>17,453</b>	<b>2,072,474</b>
Balance at June 30, 2021	<b>\$</b>	<b>1,441,682</b>	<b>390,489</b>	<b>235,054</b>	<b>15,172</b>	<b>2,082,397</b>

(i) Goodwill impairment testing

For the purpose of impairment testing, The Group has allocated goodwill to each cash-generating unit. The apportionment of the total carrying amount of goodwill is presented as follows:

	<b>June 30, 2022</b>		<b>June 30, 2021</b>	
	<b>carrying amount</b>	<b>recoverable amount</b>	<b>carrying amount</b>	<b>recoverable amount</b>
<b>Goodwill</b>				
Shanghai Grand Ocean Qianshu Commercial Management Co., Ltd.	\$ 104,819	336,138	102,762	360,641
Wuhan Grand Ocean Classic Commercial Development Limited	193,604	243,577	189,805	278,526
Fuzhou Grand Ocean Commercial Limited	1,181,425	1,498,061	1,158,238	1,437,234
	<b>\$ 1,479,848</b>	<b>2,077,776</b>	<b>1,450,805</b>	<b>2,076,401</b>
<b>Trademark</b>				
Grand Ocean Classic Commercial Group Co., Ltd.	<b>\$ 416,418</b>	<b>473,947</b>	<b>387,825</b>	<b>690,191</b>

The recoverable amount of the cash-generating unit is the higher of its fair value less costs of disposal and its value in use, which is beyond the asset's carrying amount without concern for impairment. For the recoverable amount on June 30, 2022 and December 31, 2021, Fuzhou Grand Ocean Commercial Ltd. estimated the recoverable amount at fair value minus disposal costs, and the rest were estimated using value-in-use. In addition, the recoverable amount of the cash-generating unit and the key assumptions used on June 30, 2021 were consistent with those disclosed in the 2020 consolidated financial report, and there was no significant change. Please refer to Note 6(g) of the annual consolidated financial statements for the year ended December 31, 2020.

The fair value of Fuzhou Grand Ocean Commercial Ltd. on June 30, 2022 and December 31, 2021 adopts the market method, and is based on the recent market price of the same industry or similar transaction in the nearby location. Its fair value the level is the second level.

The recoverable cash-generating units of Shanghai Grand Ocean Qianshu Commercial Management Co., Ltd., Wuhan Grand Ocean Classic Commercial Development Ltd. and Grand Ocean Classic Commercial Group Co., Ltd. on June 30, 2022 and December 31, 2021. The amount is calculated based on value in use, and the key assumptions used in estimating the value in use are as follows:

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	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Discount Rate	10%	10%
Growth rate	2%~6%	2%~6%

- (1) The discount rate is a pre-tax rate measured on the basis of the yield of the 20-year treasury bonds issued by the Chinese government, and the risk premium is adjusted to reflect the incremental risk of general investment in equities and the systemic risk specific to cash-generating units.
- (2) Cash flow estimates are based on past experience, actual operating results and future lease expiry dates.
- (3) The operating income is based on the historical growth level of the past three years, and based on the data of comparable companies, it is estimated that the sales price in the next three years will be fixed at a rate slightly higher than the expected inflation rate.
- (4) The operating costs and expenses in the business plan are estimated based on past experience and consideration of various cost and expense change factors. The values for these key assumptions represent management's assessment of future trends in the department store retail industry, taking into account historical information from both internal and external sources.

(ii) Impairment testing of license plates

Although the key assumptions used by the Group in evaluating license plate of recoverable amount in cash-generating units was not significant change of the consolidated financial statements of the year ended December 31, 2021. Please refer to Note 6(l) of the annual consolidated financial statements for the year ended December 31, 2021.

(m) Other financial assets — current and non-current

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Other financial assets — current			
Deposits — out for lease	\$ 579	559	685
Restricted deposits	87,099	99,397	169,440
Vehicle purchase claims	35,413	-	-
Others	3,207	3,223	3,060
	<b><u>\$ 126,298</u></b>	<b><u>103,179</u></b>	<b><u>173,1855</u></b>
Other financial assets — non-current			
Deposits — out for lease	\$ 215,560	211,317	145,302
Restricted deposits	5,942	-	40,003
Vehicle purchase claims	-	34,719	34,501
Others	30,063	17,758	17,679
Less: Allowance for impairment	-	-	-
	<b><u>\$ 251,565</u></b>	<b><u>263,794</u></b>	<b><u>237,485</u></b>

- (a) Deposits — out for lease is leasing deposit from lessee.



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(b) In November 2020, the Group acquired the right to purchase the 765 Zotye vehicles of Shanghai Zhuke Technology Co., Ltd. (hereinafter referred to as “Shanghai Zhuke”) at the price of CNY 8,000 thousand. Thereafter, Shanghai Zhuke would unconditionally transfer the vehicles to the Group after three years. However, Zotye International Automobile Trading Co., Ltd. entered into bankruptcy and was liquidated in December 2020, which prompted Shanghai Zhuke to make a proposal with disposal of vehicles in advance to the Group. On August 19, 2021, the Group approved the proposal and reached a supplemental agreement with Shanghai Zhuke, who agreed to pay the amount at a fair value of CNY 11,000 thousand upon maturity (March 2023). The aforementioned receivables had already been discounted and reported as other financial assets.

(c) For further credit risk information, please refers to note 6(z).

(n) Short-term borrowings

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30 2021</b>
Unsecured bank loans	\$ 1,184,754	1,115,752	1,196,108
Secured bank loans	2,150,600	2,275,839	2,326,828
Other secured loans	-	5,102	42,759
<b>Total</b>	<b>\$ 3,335,354</b>	<b>3,396,693</b>	<b>3,565,695</b>
Unused credit lines	<b>\$ 1,421,274</b>	<b>1,069,143</b>	<b>1,243,658</b>
Range of interest rates	<b>1.49%~9.30%</b>	<b>1.41%~9.30%</b>	<b>1.53%~9.30%</b>

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

(o) Long-term borrowings

The list, terms and conditions of long-term borrowings of the Group were as follows:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Unsecured bank loans	\$ 1,155,560	1,363,866	1,678,324
Secured bank loans	4,534,415	4,850,567	4,534,368
Secured commercial promissory note	249,885	249,916	249,909
Other secured loans	74,354	89,759	96,680
Less: current portion	(1,246,781)	(1,621,462)	(1,453,620)
<b>Total</b>	<b>\$ 4,767,433</b>	<b>4,932,646</b>	<b>5,105,661</b>
Unused credit lines	<b>\$ 754,251</b>	<b>214,374</b>	<b>1,030,906</b>
Range of interest rates	<b>0.58%~15.60%</b>	<b>0.49%~15.60%</b>	<b>0.49%~15.60%</b>

(i) For the collateral of long-term borrowings, please refer to note 8

(ii) Significant loan contract agreement

The Group signed a syndicated loan agreement with the syndicate of six banks (including Chang Hwa Commercial Bank, Ltd.) obtained a credit line of 2 billion. According to the agreement, the Group should maintain the following financial ratios and regulations, and start the inspection from the second quarter of 2021, which shall be performed every six months:

(1) Current ratio [current assets / (current liabilities - in this case as long-term liabilities due within one year - current lease liabilities)]: not less than 80%;

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- (2)Debt ratio (total liabilities - lease liabilities) / total equity: not more than 150%;
- (3)Interest protection multiple (pre-tax net profit + interest expense + depreciation + amortization) / interest expense: should be maintained at 3 times (inclusive) or more;
- (4)Tangible net worth (total equity - intangible assets): should be maintained at NT\$9 billion (inclusive) or more.

(p) Bonds payable

The information of bonds of the Group was as follows:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Total convertible bonds issued	\$ -	1,542,300	1,542,300
Less: Current portion	-	-	(444,509)
Cumulative redeemed amount	-	(1,542,300)	(1,079,610)
Discounted corporate bonds payable	-	-	(18,181)
Corporate bonds issued balance at year-end	<u>\$ -</u>	<u>-</u>	<u>-</u>
Embedded derivative — call and put options, included in financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>-</u>	<u>47</u>
Equity component-conversion right (Reported as capital surplus-share options)	<u>\$ -</u>	<u>-</u>	<u>29,070</u>
	<b>For the three months ended June 30</b>	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>
	<b>2021</b>	<b>2022</b>	<b>2021</b>
Embedded derivative instruments — call and put rights, included in financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>(108)</u>	<u>-</u>
Interest expense	<u>\$ -</u>	<u>15,143</u>	<u>-</u>
	<u>39,951</u>		

For the collateral of long term borrowings, please refer to note 8

(q) Accounts payable and other payables

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
<u>Accounts payable</u>			
Arising from direct sales	\$ 70,005	86,889	103,247
Arising from concessionaire sales	1,278,477	1,853,055	1,542,408
Others	79,668	73,492	52,058
Total	<u>\$ 1,428,150</u>	<u>2,013,436</u>	<u>1,697,713</u>
<u>Other payables</u>			
Dividend payable	\$ -	-	81,752
Construction payables	157,841	166,014	135,304
Others	723,855	820,957	652,259
Total	<u>\$ 881,696</u>	<u>986,971</u>	<u>869,315</u>

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(r) Lease liabilities

The information of lease liabilities of the Group were as follows :

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Current	\$ <u>1,188,559</u>	<u>837,940</u>	<u>774,836</u>
Non- Current	\$ <u>10,466,482</u>	<u>10,770,711</u>	<u>6,786,976</u>

Expiration analysis, please refer to Note 6 (z) for financial instruments.

The amounts recognized in profit or loss as follows:

	<b>For the three months end June 30</b>		<b>For the six months end June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Interest expense of lease liabilities	\$ <u>139,020</u>	<u>95,341</u>	<u>278,761</u>	<u>194,496</u>
Variable leases payments not included in the measurement of lease liabilities	\$ <u>13,113</u>	<u>21,260</u>	<u>32,127</u>	<u>51,466</u>
Expenses relating to short-term leases	\$ <u>678</u>	<u>375</u>	<u>1,006</u>	<u>725</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u>483</u>	<u>421</u>	<u>898</u>	<u>865</u>
COVID-19 related rent reduction	\$ <u>-</u>	<u>(31,282)</u>	<u>-</u>	<u>(31,282)</u>

Total cash flow for the Group's leases as follows:

	<b>For the six months end June 30</b>	
	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	\$ <u>524,644</u>	\$ <u>1,250,191</u>

(i) Real estate leases

The Group leases land use rights, housing and buildings as office space, staff quarters and department store for business. And the lease period of office space, staff quarters and department store are usually five years, one to three years, and ten to twenty years, respectively. Some leases include the option to extend the lease period at the end of the lease term.

Some leases provide for additional rent payments that are based on changes in local price indices, or sales that the Group makes at the leased store in the period.

(ii) Other lease

The Group leases transportation and machinery equipment, with lease terms of five to ten years. In some cases, the Group has options to purchase the assets at the end of the contract term.

The Group also leases part of the office and machinery equipment with contract terms of one year. These leases are short term. The Group has elected not to recognize right of use assets and lease liabilities for these lease.

**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(s) Operating lease

**Leases as lessor**

The Group leases its bulk carriers and transportation equipment and these contracts was classified as operating leases, because it has not substantially transferred all of the risks and rewards affiliated to the ownership of the assets. For more information please refer to note 6 (j). In addition, please refer to note 6(c) for the information about the rental business in finance leases of transportation equipment.

The maturity analysis of the lease payments is reported in the following table for the total amount of undiscounted lease payments to be received in the future :

(i) Bulk carriers

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Less than one year	\$ 1,323,647	786,357	789,552
Between one and two years	536,029	524,985	393,282
Between two and three years	327,665	366,392	305,931
Between three and four years	97,681	219,669	156,762
Between four and five years	-	6,276	70,909
<b>Total undiscounted lease payments</b>	<b><u>\$ 2,285,022</u></b>	<b><u>1,903,679</u></b>	<b><u>1,716,436</u></b>

(ii) Transportation equipment

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Less than one year	\$ 45,525	45,251	60,851
Between one and two years	25,751	38,099	44,504
Between two and three years	6,515	10,917	35,760
Between three and four years	354	3,235	-
<b>Total undiscounted lease payments</b>	<b><u>\$ 75,145</u></b>	<b><u>97,502</u></b>	<b><u>141,115</u></b>

The direct expenses including repairs and maintenance arising from bulk carriers were as follows :

	<b>For the three months end June 30</b>		<b>For the six months end June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Operating costs	<b><u>\$ 11,378</u></b>	<b><u>7,748</u></b>	<b><u>19,942</u></b>	<b><u>12,238</u></b>

(t) Income Tax

(i) The components of income tax were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current tax expense				
Current period	\$ 26,388	75,544	57,564	114,336
Land value increment tax	-	-	-	71
Adjustment for prior periods	<u>(1,313)</u>	<u>(2,263)</u>	<u>(1,313)</u>	<u>(2,263)</u>
	<u>25,075</u>	<u>73,281</u>	<u>56,251</u>	<u>112,144</u>
Deferred tax expense				
Origination and reversal of temporary differences	<u>(3,671)</u>	<u>(275)</u>	<u>3,405</u>	<u>27,663</u>
<b>Income tax expense from continuing operations</b>	<b><u>\$ 21,404</u></b>	<b><u>73,006</u></b>	<b><u>59,656</u></b>	<b><u>139,807</u></b>

## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Examination and Approval

- 1) The Company's and other ROC subsidiaries' tax returns for the years through 2020 were examined and approved by the national tax authorities
- 2) The annual tax returns of subsidiaries in China through 2021 were examined and approved by the tax authority.

(u) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the six months ended June 30 2022 and 2021. For the related information, please refer to note 6(u) of the consolidated financial statements for the year ended of December 31, 2021.

(i) Ordinary shares

In 2021, convertible bonds issued by the Group amounting to \$1,036,093 thousand were converted into 103,609 thousand shares of common stock with par value \$10. The date of capital increase was June 30 2021, respectively. The relevant statutory registration procedures have since been completed. In addition, due to the above-mentioned transactions, the company reversed the capital reserve-stock options \$(67,832) thousand and recognized the corporate bond conversion premium of \$68,133 thousand Issuance of Common stock

(ii) Capital surplus

The components of the capital surplus were as follows:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Share capital	\$ 352,570	352,570	375,316
Stock option from convertible corporate bonds	851,231	851,231	817,054
Share options	-	-	29,070
Forfeited share options	13,838	13,838	13,838
Treasury share transactions	15,967	15,967	15,967
Difference arising from subsidiary's share price and its carrying value	617,046	601,797	601,797
Changes in a parent's ownership interest in a subsidiary	72,546	67,381	67,381
Donation from shareholders	3,332	3,332	3,332
	<b>\$ 1,926,530</b>	<b>1,906,116</b>	<b>1,923,755</b>

On July 30, 2021, a resolution was passed during the shareholders' meeting to offset accumulated deficits using legal reserve of \$247,895 thousand and capital surplus–share capital of \$22,746 thousand, and to tally amounting to \$270,641 thousand.

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's profit should be used to offset the prior years' deficits in first, then 10% is to be appropriated as legal reserve, when the legal reserve has reached the company's actual capital received isn't unrestricted. Then in according to the act or the competent authority the special reserve is allocated or reversed.

## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Then any remaining earning 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.

The dividend policy of the Company shall take into account the actual operating conditions of the current year, future investment development, funding needs, financial structure, and take into account the interests of shareholders. Distributable surplus may be distributed in the form of shares or cash, unless it is reserved at the discretion. However, cash dividends shall not be less than 10% of the total dividends. If the cash dividends to be distributed per share are less than \$0.5, they shouldn't be distributed unless otherwise resolved by the shareholders' meeting.

1) Legal reserve

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

When the Company first adopted the IFRS recognized by the FSC, the Company chose to apply the IFRS 1 "First time adoption of IFRS" exemption item and recorded the exchange difference on translation of foreign financial statements adjustment under shareholders' equity with additional reservation. Except that the retained earnings arising from the first adoption of the IFRS recognized by the FSC on the conversion date is a net decrease, and there is no need to set aside the same amount of special reserve according to the regulations of the FSC.

In accordance with the rules issued by the FSC, 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 shareholder's equity. For the 2019 earnings to be distributed in 2020, the amount to be reclassified to special reserve shall be a portion of current period earnings and undistributed prior period earnings; and for the 2020, the amount to be reclassified to special reserve shall be a portion of current period earnings and undistributed prior period earnings. As for the year 2020 earnings to be distributed in 2020, the amount to be reclassified to special reserve shall be a portion of current period earnings, plus other line items in the retained earnings movements and undistributed prior period earning. 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. The 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 24, 2022 for the appropriation of special earnings reserve of \$67,938 thousand.

3) Earnings distribution

No distribution of 2021 and 2020 were decided by the resolution adopted, at the provisional meeting of shareholders held on June 24, 2022 and July 30, 2021, respectively.

(v) Treasury stock

- 1) 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. Total of 10,000 thousand shares were not yet cancelled on June 30, 2022.

## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

- 2) The movement in treasury shares of subsidiaries was as follows:

	(In thousands of shares)	
	For the six months ended June 30	
	2022	2021
Outstanding at January 1	9,007	10,507
Quantity sold in this period	(310)	(690)
Outstanding at June 30	<b>8,697</b>	<b>9,817</b>

The prepayments from transferring treasury shares for employees to subscribe were recognized as prepaid payroll. For the ended of June 30, 2022, December 31, 2021 and June 30, 2021, the prepayments amounting to \$140,124 thousand, \$141,093 thousand and \$165,689 thousand, respectively, and reported as other current assets. Considering the changes in the economic environment and the impact of the COVID-19, a resolution adopted was decided at the Board of Directors held on August 31, 2021 to defer the repayments of prepaid payroll to 2023.

- (vi) Other equity interests

	Exchange differences on translation of foreign financial statements		
	Non-controll ing Interest	Total	
Balance at January 1, 2022	\$ (982,609)	3,440,895	2,458,286
Loss attributable to non-controlling interests	-	(104,568)	(104,568)
Exchange differences on subsidiaries accounted for using equity method	50,501	-	50,501
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(25,626)	(25,626)
Changes in ownership interests in subsidiaries	-	3,645	3,645
Exchange differences on foreign operations	441,828	46,784	488,612
Balance at June 30, 2022	<b>\$ (490,280)</b>	<b>3,361,130</b>	<b>2,870,850</b>
Balance at January 1, 2021 (revised)	\$ (810,816)	3,642,678	2,831,862
Profit attributable to non-controlling interests	-	2,462	2,462
Subsidiary pays dividends	-	(81,752)	(81,752)

**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

Exchange differences on subsidiaries accounted for using equity method	(6,799)	-	(6,799)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(9,865)	(9,865)
Changes in ownership interests in subsidiaries	-	364	364
Exchange differences on foreign operations	(160,174)	(38,185)	(198,359)
Balance at June 30, 2021	<u>\$ (977,789)</u>	<u>3,515,702</u>	<u>2,537,913</u>

(v) Earnings per share

The Group's earnings per share were calculated as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Basic earnings (loss) per share</b>				
Profit attributable to ordinary shareholders of the Company	<u>\$ 1,338</u>	<u>45,871</u>	<u>107,515</u>	<u>47,430</u>
Weighted-average number of ordinary shares				
Issued ordinary shares at January 1	834,776	686,763	834,776	686,763
Treasury stock	(10,000)	(10,000)	(10,000)	(10,000)
Effect of convertible bonds	-	61,672	-	31,823
Weighted average number of ordinary shares	<u>824,776</u>	<u>738,435</u>	<u>824,776</u>	<u>708,586</u>
<b>Earnings per share (dollars)</b>	<u>\$ 0.00</u>	<u>0.06</u>	<u>0.13</u>	<u>0.07</u>
<b>Diluted earnings per share</b>				
Profit attributable to ordinary shareholders of the Company	\$ 1,338	45,871	107,515	47,430
Effect of dilutive potential ordinary shares				
Effect of conversion of convertible bonds	-	(Note)	-	(Note)
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 1,338</u>	<u>45,871</u>	<u>107,515</u>	<u>47,430</u>
Weighted-average number of ordinary shares				
Effect of dilutive potential ordinary shares				
Effect of issuance of share option	1	16	257	18
Effect of conversion of convertible bonds	-	(Note)	-	(Note)
Weighted-average number of ordinary shares (diluted)	<u>824,777</u>	<u>738,451</u>	<u>825,033</u>	<u>708,604</u>
<b>Earnings per share (dollars)</b>	<u>\$ 0.00</u>	<u>0.06</u>	<u>0.13</u>	<u>0.07</u>

Note: The conversion of convertible bonds was not included in the calculation of the weighted-average number of shares (diluted) due to the anti-dilutive effect.



**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

		<b>For the three months ended June 30, 2022</b>					
		<b>Freight department</b>	<b>Invest department</b>	<b>Retail department</b>	<b>Lease department</b>	<b>Other department</b>	<b>Total</b>
Primary geographical markets							
	Taiwan	\$ -	1,539	-	-	-	1,539
	China	-	-	1,010,023	14,177	-	1,024,200
	Other	505,624	-	-	-	-	505,624
		<b>\$ 505,624</b>	<b>1,539</b>	<b>1,010,023</b>	<b>14,177</b>	<b>-</b>	<b>1,531,363</b>
Major products/services lines							
	Commissions revenue (Retail revenue – concessionaire sales)	\$ -	-	287,219	-	-	287,219
	Commodity sales (Retail revenue – direct sales)	-	-	210,957	-	-	210,957
	Lease revenue (Note)	505,624	1,539	275,940	11,851	-	794,954
	Financial lease interest income (Note)	-	-	-	701	-	701
	Service revenue and others	-	-	235,907	1,625	-	237,532
		<b>\$ 505,624</b>	<b>1,539</b>	<b>1,010,023</b>	<b>14,177</b>	<b>-</b>	<b>1,531,363</b>
		<b>For the three months ended June 30, 2021</b>					
		<b>Freight department</b>	<b>Invest department</b>	<b>Retail department</b>	<b>Lease department</b>	<b>Other department</b>	<b>Total</b>
Primary geographical markets							
	Taiwan	\$ -	1,552	-	-	-	1,552
	China	-	-	1,288,454	39,727	-	1,328,181
	Other	326,349	-	-	-	-	326,349
		<b>\$ 326,349</b>	<b>1,552</b>	<b>1,288,454</b>	<b>39,727</b>	<b>-</b>	<b>1,656,082</b>
Major products/services lines							
	Commissions revenue (Retail revenue – concessionaire sales)	\$ -	-	402,077	-	-	402,077
	Commodity sales (Retail revenue – direct sales)	-	-	409,553	-	-	409,553
	Lease revenue (Note)	326,349	1,552	238,012	16,483	-	582,396
	Financial lease interest income (Note)	-	-	-	22,816	-	22,816
	Service revenue and others	-	-	238,812	428	-	239,240
		<b>\$ 326,349</b>	<b>1,552</b>	<b>1,288,454</b>	<b>39,727</b>	<b>-</b>	<b>1,656,082</b>

**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

<b>For the six months ended June 30, 2022</b>						
	<b>Freight department</b>	<b>Invest department</b>	<b>Retail department</b>	<b>Lease department</b>	<b>Other department</b>	<b>Total</b>
<b>Primary geographical markets</b>						
Taiwan	\$ -	3,205	-	-	-	3,205
China	-	-	2,260,822	46,009	-	2,306,831
Other	991,028	-	-	-	-	991,028
	<b>\$ 991,028</b>	<b>3,205</b>	<b>2,260,822</b>	<b>46,009</b>	<b>-</b>	<b>3,301,064</b>
<b>Major products/services lines</b>						
Commissions revenue (Retail \$ revenue – concessionaire sales)	-	-	702,294	-	-	702,294
Commodity sales (Retail revenue – direct sales)	-	-	480,642	-	-	480,642
Lease revenue (Note)	991,028	3,205	591,922	29,745	-	1,615,900
Financial lease interest income (Note)	-	-	-	14,121	-	14,121
Service revenue and others	-	-	485,964	2,143	-	488,107
	<b>\$ 991,028</b>	<b>3,205</b>	<b>2,260,822</b>	<b>46,009</b>	<b>-</b>	<b>3,301,064</b>
<b>For the six months ended June 30, 2021</b>						
	<b>Freight department</b>	<b>Invest department</b>	<b>Retail department</b>	<b>Lease department</b>	<b>Other department</b>	<b>Total</b>
<b>Primary geographical markets</b>						
Taiwan	\$ -	2,740	-	-	20,353	23,093
China	-	-	2,746,311	93,809	-	2,840,120
Other	580,563	-	-	-	-	580,563
	<b>\$ 580,563</b>	<b>2,740</b>	<b>2,746,311</b>	<b>93,809</b>	<b>20,353</b>	<b>3,443,776</b>
<b>Major products/services lines</b>						
Commissions revenue (Retail \$ revenue – concessionaire sales)	-	-	867,894	-	-	867,894
Commodity sales (Retail revenue – direct sales)	-	-	941,520	-	-	941,520
Lease revenue (Note)	580,563	2,740	488,720	36,879	-	1,108,902
Financial lease interest income (Note)	-	-	-	53,749	-	53,749
Service revenue and others	-	-	448,177	3,181	20,353	471,711
	<b>\$ 580,563</b>	<b>2,740</b>	<b>2,746,311</b>	<b>93,809</b>	<b>20,353</b>	<b>3,443,776</b>

Note: The lease revenue and financial lease interest income of the Group are under IFRS 16 Employee compensation and directors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 1% of the profit as employee compensation and no more than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Employee compensation could be distributed by

## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

cash or shares. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions that is approved by the Board of Directors. Directors' remuneration could only be distributed by cash.

For the three months and the six months ended June 30, 2022 and 2021, the Company estimated its employee remuneration amounting to \$13 thousand, \$408 thousand, \$1,075 thousand and \$469 thousand, respectively. And the estimated amounts of directors' remuneration are both \$0 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Articles of Incorporation. These remunerations were expensed under operating costs or operating expenses for each period. The difference between the actual amounts and the estimation of employee compensation will be treated as changes in accounting estimates and adjusted in profit or loss in the following year.

For the year ended December 31, 2021, the Company estimated its employee compensation and directors' remuneration amounting to \$3,467 thousand and \$0 thousand. There were no differences between the amount to be distributed as rewards to employees and directors and those estimations made by the board of directors. Related information would be available at the Market Observation Post System. As the operations for the year 2020 resulted in a net loss, no employee compensation and directors' remuneration were estimated.

(x) Non-operating income and expenses

(i) Interest income

The details of other income were as follows:

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Bank deposits	\$ 4,701	7,505	12,086	12,657
Loans interest income	1,982	1,832	4,060	1,839
Open end Funds	247	235	481	472
Others	714	1,454	1,894	2,715
	<b><u>\$ 7,644</u></b>	<b><u>11,026</u></b>	<b><u>18,521</u></b>	<b><u>17,683</u></b>

(ii) Other income

The details of other income were as follows:

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Dividends income	<b><u>\$ 2,686</u></b>	<b><u>2,655</u></b>	<b><u>2,686</u></b>	<b><u>2,655</u></b>

## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Gain (loss) on disposal of property, \$ plant and equipment	(99)	(603)	66	(793)
Gain (loss) on disposals of intangible assets	(67)	6,404	3,023	15,235
Loss on disposal of investment	-	-	(238)	(6,926)
Gain (loss) on lease modification	-	(11)	-	2,105
Gain (loss) on foreign exchange	(28,571)	7,628	(13,974)	2,928
Gain (loss) on financial assets (liabilities) at fair value through profit or loss				
Open fund and listed companies	1,240	10,553	2,183	48,144
Embedded derivative instruments – call and put rights of convertible bonds	-	(108)	-	(879)
Others	31,208	37,820	57,376	71,311
	<u>\$ 3,711</u>	<u>61,683</u>	<u>48,436</u>	<u>131,125</u>

(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Bank loans	\$ 67,138	59,622	123,412	121,141
Amortization on discount of corporate bonds	-	15,143	-	39,951
Lease liabilities	139,020	95,341	278,761	194,496
Other financial expenses	5,523	4,822	8,308	6,170
	<u>\$ 211,681</u>	<u>174,928</u>	<u>410,481</u>	<u>361,758</u>

For the three months and six months ended June 30, 2022 and 2021, the interest expenses of the rental business department amounting to \$ 3,988 thousand, a\$ 8,328 thousand, \$ 9,299 thousand and \$ 20,171 thousand, respectively, and were reported as operating costs.

(y) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(z) of the consolidated financial statements for the year ended December 31, 2021.

**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(i) Credit risk

1) Credit risk exposure

Maximum credit risk exposure of the Group's on June 30, 2022, December 31, 2021 and June 30, 2021, which may be caused by the failure of the counterparty to perform its obligations and the financial guarantee provided by the Group's .mainly from:

- The carrying amount of financial assets recognized in the balance sheet ; and
- The amount of financial guarantee provided by the Group's to the outside world and the commitment to purchase the defaulted creditor's rights are as follows:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Financial guarantee	<b>\$ 482,598</b>	<b>303,785</b>	<b>273,829</b>
Committed to purchase defaulted creditor's rights	<b>\$ 167,022</b>	<b>218,259</b>	<b>167,616</b>

The changes in the financial guarantee liabilities recognized for the above financial guarantees for the six months ended June 30, 2022 and 2021 were as follows:

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 1,062	-
Impairment of reversal benefits recognized	(646)	-
Effect of changes in foreign exchange rates	22	-
Balance at June 30 (reported as other current liabilities)	<b>\$ 438</b>	<b>-</b>

2) Credit risk of receivables

Receivables of credit risk for credit risk exposure of notes and accounts receivables please refer to note 6(c). Other financial assets at amortized cost include other receivables and corporate bonds, etc.; please refer to notes 6(d) and 6(m).

The impairment provision of all of these financial assets recognized during the period was limited to 12 months expected losses or lifetime ECL measurement.

The movement in the allowance for impairment for other receivables and other financial assets for the six months ended June 30, 2022 and 2021 were as follows:

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 119,383	63,125
Impairment losses recognized	11,183	11,602
Delisting subsidiaries	-	(562)
Effect of foreign exchange rate	2,339	(850)
Balance at June 30	<b>\$ 132,905</b>	<b>73,315</b>

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## Notes to the Consolidated Financial Statements

### (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>June 30, 2022</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 2,995,466	2,995,466	2,311,801	16,847	666,818
Floating rate instrument	6,984,133	7,463,344	2,215,580	4,399,146	848,618
Fixed rate instruments	2,465,244	2,555,587	2,230,571	325,016	-
Leases liabilities	<u>11,655,041</u>	<u>15,592,992</u>	<u>1,711,668</u>	<u>5,531,505</u>	<u>8,349,819</u>
	<b><u>\$ 24,099,884</u></b>	<b><u>28,607,389</u></b>	<b><u>8,469,620</u></b>	<b><u>10,272,514</u></b>	<b><u>9,865,255</u></b>
<b>December 31, 2021</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 3,700,989	3,700,989	3,002,368	27,922	670,699
Floating rate instrument	7,120,119	7,431,331	2,257,542	4,365,715	808,074
Fixed rate instruments	2,930,528	3,041,777	2,634,871	406,906	-
Lease liabilities	<u>11,608,651</u>	<u>15,741,113</u>	<u>1,372,776</u>	<u>5,483,046</u>	<u>8,885,291</u>
	<b><u>\$ 25,360,287</u></b>	<b><u>29,915,210</u></b>	<b><u>9,267,557</u></b>	<b><u>10,283,589</u></b>	<b><u>10,364,064</u></b>
<b>June 30, 2021</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 3,150,411	3,150,411	2,568,990	34,454	546,967
Floating rate instrument	7,308,698	7,626,397	2,553,982	4,595,716	476,699
Fixed rate instruments	3,260,787	3,395,185	2,766,064	629,121	-
Leases liabilities	<u>7,561,812</u>	<u>9,231,559</u>	<u>1,127,015</u>	<u>4,429,999</u>	<u>3,674,545</u>
	<b><u>\$ 21,281,708</u></b>	<b><u>23,403,552</u></b>	<b><u>9,016,051</u></b>	<b><u>9,689,290</u></b>	<b><u>4,698,211</u></b>

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

### (iii) Market risk

#### 1) Currency risk

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

	<u>June 30, 2022</u>			<u>December 31, 2021</u>			<u>June 30, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
USD:NTD	\$ 5,950	29.71	176,775	8,684	27.67	240,286	11,683	27.86	325,488
HKD: USD	3,538	0.1275	13,402	5,161	0.1283	18,322	2,140	0.1280	7,679
NTD:USD	10,159	0.0337	10,159	2,968	0.0361	2,968	4,387	0.0359	4,387
<u>Non-monetary items</u>									
Investments accounted for using equity method									
HKD:USD	208,568	0.1275	790,276	204,612	0.1283	726,590	188,849	0.1288	677,746
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD:CNY	2,625	6.7114	77,989	3,875	6.3757	107,221	5,725	6.4601	159,498

## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash equivalents, trade and other receivables, financial assets at fair value through other comprehensive income, loans and borrowings; and trade and other payables that are denominated in foreign currency.

A strengthening (weakening) of 1% the NTD or CNY against the USD, EUR, HKD, AUD and CNY as of June 30, 2022 and 2021 would have increased (decreased) the profit before tax by \$1,223 thousand and \$1,782 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months and six months ended June 30, 2022 and 2021, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(28,571) thousand, \$7,628 thousand, \$(13,974) thousand and \$2,928 thousand, respectively.

#### 3) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

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 Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.5%, the Group's profit before tax would have decreased or increased by \$8,295 thousand and \$9,794 thousand, which is mainly due to the Group's borrowings at variable rates and demand deposits for the six months ended June 30, 2022 and 2021, respectively, given that all other variable factors remaining constant.

#### 4) Other market price risk

The sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at the reporting date	For the six months ended June 30			
	2022		2021	
	Comprehensive Income after tax	Net Income or Loss	Comprehensive Income after tax	Net Income or Loss
Increase 5%	\$ -	4,477	-	4,653
Decrease 5%	\$ -	(4,477)	-	(4,653)

#### (iv) Fair value of financial instruments

##### 1) Fair value hierarchy

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in

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**Notes to the Consolidated Financial Statements**

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 :

	June 30, 2022				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 233,826	100,355	5,893	127,578	233,826
<b>Financial liabilities at fair value through profit or loss</b>					
Non-derivative financial liabilities	\$ 23,234	-	-	23,234	23,234
	December 31, 2021				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 238,794	105,323	5,893	127,578	238,794
<b>Financial liabilities at fair value through profit or loss</b>					
Non-derivative financial liabilities	\$ 23,234	-	-	23,234	23,234
	June 30, 2021				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 231,425	106,374	5,893	119,158	231,425
Embedded derivative instruments-call and put options	47	-	-	47	47
	\$ 231,472	106,374	5,893	119,205	231,472
<b>Financial liabilities at fair value through profit or loss</b>					
Non-derivative financial liabilities	\$ 20,400	-	-	20,400	20,400

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

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

2.1) Financial assets measured at amortized cost and financial 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



## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 3.1) 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 group, 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 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.

If the Group's financial instruments are regarded as being quoted in an active market, the classification and property of fair value are as follows:

- Stocks in listed companies, fund and Corporate bonds, which have standard term and quoted prices in active markets. The fair values are referenced by market quotation.

#### 3.2) 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.

#### 3.3) 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.

#### 3.4) Beneficiary rights-specific construction project and landowner

Measurement of the fair value of the Group's beneficiary rights-specific construction project and landowner is based on the discounted cash flows model. Quantified information of significant unobservable inputs includes buildings sale prices and construction costs. The discounted cash flows are used to estimate fair values.

4) Transferring from each level 1 and 2 in the fair value hierarchy: None

5) Reconciliation of Level 3 fair values

	Financial assets and liabilities as held for sale		
	Non-derivative financial assets -Beneficial rights	Non-derivative financial assets-Landlord Beneficial rights	Embedded derivative instruments
Opening balance, January 1, 2022	\$ 127,578	(23,234)	-
Ending Balance, June 30, 2022	<b>\$ 127,578</b>	<b>(23,234)</b>	<b>-</b>
Opening balance, January 1, 2021	\$ 119,158	-	925
Issuance	-	(20,400)	-
In profit or loss	-	-	(878)
Ending Balance, June 30, 2021	<b>\$ 119,158</b>	<b>(20,400)</b>	<b>47</b>

For the six months ended June 30, 2022 and 2021, total gains and losses that were included in "other gains and losses" were as follows:

## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	For the three months ended		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Total gains or losses recognized:				
In profit (loss) (presented in “other gains and losses”)	\$ -	(108)	-	(878)

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

The Group’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.

The Group’s significant unobservable input on June 30, 2022 is no significant change than the Financial Report of December 31, 2021. The related information please reference of the Note 6 (z).

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

The Group’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 in Level 3, changing one or more of the assumptions would have the following effects on profit or loss:

	Inputs	Variation	Impacts of fair value change on net income or loss	
			Favourable	Unfavourable
<b>June 30, 2022</b>				
Financial assets at fair value through profit or loss				
Beneficial rights-Specific construction project	Sale price	5%	18,192	(18,192)
Financial liabilities at fair value through profit or loss				
Beneficial rights- landowner	Sale price	5%	10,946	(11,153)
<b>December 31, 2021</b>				
Financial assets at fair value through profit and loss				
Beneficial rights-Specific construction project	Sale price	5%	17,420	(17,420)
Financial liabilities at fair value through profit or loss				
Beneficial rights- landowner	Sale price	5%	10,946	(11,153)
<b>June 30, 2021</b>				
Financial assets at fair value through profit or loss				
Beneficial rights-Specific construction project	Sale price	5%	16,834	(16,834)
Embedded derivative instruments–call and put options	Volatility	5%	46	(46)
Financial liabilities at fair value through profit or loss				
Beneficial rights- landowner	Sale price	5%	10,946	(11,153)

The favourable and unfavourable change effects represent the change 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.

## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(z) Financial risk management

There were no significant differences of the Group's financial risk management and policies with those disclosed in Note 6(aa) of the consolidated financial statements for the year ended December 31, 2021.

(ab) Capital Management

Management believes that the objectives, policies and processes of capital management of the Group have been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2021. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2021. Please refer to Note 6(ab) of consolidated financial statements for the year ended December 31, 2021 for further details.

(ac) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow for the six months ended June 30, 2022 and 2021, were as follows:

- 1) Acquisition of right-of-use assets from lease. Please refer to Note 6 (k).
- 2) Adjustment of liabilities from financing activities were as follows:

	January 1, 2022	Cash flows	Non-cash changes		June 30, 2022
			Other(Note)	Foreign exchange movement	
Short-term borrowings	\$ 3,396,693	(157,739)	-	96,400	3,335,354
Short-term notes and bills payable	99,846	(37)	-	-	99,809
Long-term borrowings	6,554,108	(802,613)	-	262,719	6,014,214
Leases liabilities	11,608,651	(211,852)	25,433	232,809	11,655,041
Guarantee deposits	700,582	(28,995)	-	14,033	685,620
Total liabilities from financing activities	<u>\$ 22,359,880</u>	<u>(1,201,236)</u>	<u>25,433</u>	<u>605,961</u>	<u>21,790,038</u>

Note: Adding \$25,433 thousand of the right-of-use assets.

	January 1, 2021	Cash flows	Non-cash changes		June 30, 2021
			Other(Note)	Foreign exchange movement	
Short-term borrowings	\$ 5,844,838	(2,232,201)	-	(46,942)	3,565,695
Short-term notes and bills payable	49,992	(49,992)	-	-	-
Bonds payable	1,431,651	-	(987,142)	-	444,509
Long-term borrowings	4,717,107	1,921,356	-	(79,182)	6,559,281
Leases liabilities	8,185,453	(1,002,639)	472,177	(93,179)	7,561,812
Guarantee deposits	543,726	823	45,326	(6,492)	583,383
Total liabilities from financing activities	<u>\$ 20,772,767</u>	<u>(1,362,653)</u>	<u>(469,639)</u>	<u>(225,795)</u>	<u>18,714,680</u>

Note: Bonds payable is the amortization on issuance costs of discount of corporate bonds to \$39,951 thousand, the

## FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

effect of corporate bond conversion \$(1,027,093) thousand. Lease liabilities is the effect of adding, disposal and derecognition and Lease modification amounting to \$504,713 thousand and rent concessions to reduce operating expenses amounting to \$(31,282) thousand and the effect of disposal subsidiaries to \$(1,254) thousand. Guarantee deposited is the effect of disposal subsidiaries amounting to \$(661) thousand and acquisition of subsidiaries amounting to \$45,987 thousand.

#### (7) Related-party transactions:

- (a) Parent company and ultimate controlling company

First Steamship Company Ltd. is the ultimate controlling company of the Group.

- (b) 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>
Yonghenghui Investment Co., Ltd.	Same chairman with the Company
Nanjing Tiandu Co., Ltd.	The Group's manager is the company's chairman
Shanghai Tian An Tower Co., Ltd.	The Group's manager is the company's director
Huizhou Tianan Xinghe City Management Co., Ltd.	A substantial related party
Huiyang Tamsui New Sun City Construction Co., Ltd.	A substantial related party
Shanghai Guorui Tongshun Environmental Protection Technology Co., Ltd.	A substantial related party
Shanghai Qianshu Commercial Management Co., Ltd.	A substantial related party(Note)
Shanghai Qianshu Property Management Co., Ltd.	A substantial related party
Shanghai Kaixuanmen Enterprise Development Co., Ltd.	A substantial related party
Shanghai Tianrong Real Estate Co., Ltd.	A substantial related party
Tian An Investment Co., Ltd.	A substantial related party
Shanghai Haiguang Real Estate Management Co., Ltd.	A substantial related party
Nanjing Tianan Gangli Property Management Co., Ltd.	A substantial related party
Gangli Property Management (Shanghai) Co., Ltd.	A substantial related party
Nanjing Grand Ocean Dongfadao Catering Co., Ltd.	An associate
Hainan Sanhe Licheng Business Service Co., Ltd.	An associate
Haikou Zhuke Technology Co., Ltd.	An associate
Wuhan Zhuke Technology Co., Ltd.	An associate
Shanghai Zhuke Technology Co., Ltd.	An associate
Chengdu Zhuke Technology Co., Ltd.	An associate
Changsha Zhuke Technology Co., Ltd.	An associate
Da Yu Financial Holdings Ltd.	An associate
Taiwan Environment Scientific Co., Ltd.	An associate
Jiawang Assets Development Co., Ltd.	An associate

Note: The company was other related party of the Group originally. Controlling the company and becoming a subsidiary from June 30, 2021.

**FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(c) Significant transactions with related parties

(i) Other current assets (Prepayments)

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Nanjing Tiandu (note)	\$ 117,253	106,668	80,244
Other related parties	4,667	16,665	-
	<b>\$ 121,920</b>	<b>123,333</b>	<b>80,244</b>

Note: In accordance with rental agreement, the group prepays a fixed amount monthly for variable rents and it will be settled at the end of the year.

(ii) Other receivables

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Other related parties	<b>\$ 2,931</b>	<b>1,302</b>	-

(iii) Payables to Related Parties

The payables to related parties were as follows:

<b>Account</b>	<b>Relationship</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Other payables	An associate	\$ 1,417	-	1,380
Other payables	Other related parties	5,959	1,406	17,679
		<b>\$ 7,376</b>	<b>1,406</b>	<b>19,059</b>

(iv) Leases

1) Lease liabilities and interest costs

<b>Relationship</b>	<b>Purpose</b>	<b>Lease liabilities</b>			
		<b>June 30, 2022</b>	<b>December 30, 2021</b>	<b>June 30, 2021</b>	
Shanghai Kaixuanmen	Office building and department store	\$ 4,482,107	4,295,335	-	
Other related parties	Office building and department store	28,223	22,526	36,182	
Other related parties	Energy-saving renovation engineering equipment	37,963	40,775	43,967	
		<b>\$ 4,548,293</b>	<b>4,358,636</b>	<b>80,149</b>	
<b>Relationship</b>	<b>Purpose</b>	<b>Interest costs</b>			
		<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
		<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Shanghai Kaixuanmen	Office building and department store	\$ 52,038	-	103,056	-
Other related parties	Office building and department store	272	601	492	1,160
Other related parties	Energy-saving renovation engineering equipment	474	545	965	1,117
		<b>\$ 52,784</b>	<b>1,146</b>	<b>104,513</b>	<b>2,277</b>

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**Notes to the Consolidated Financial Statements**

2) Operating lease

		<b>Payments that are not included in the measurement of the variable lease liabilities</b>			
		<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
<b>Relationship</b>	<b>Purpose</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Other related parties	Office building and department store	<u>\$ 12,481</u>	<u>21,288</u>	<u>30,870</u>	<u>46,372</u>
		<b>Property management fee</b>			
		<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
<b>Relationship</b>	<b>Purpose</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Other related parties	Office building and department store	<u>\$ 849</u>	<u>929</u>	<u>1,796</u>	<u>1,869</u>

3) Deposits-out for lease

<b>Account</b>	<b>Relationship</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2022</b>
Other non-current financial assets	Shanghai Kaixuanmen	\$ 66,402	65,099	-
Other non-current financial assets	Other related parties	<u>12,138</u>	<u>11,900</u>	<u>11,825</u>
		<u>\$ 78,540</u>	<u>76,999</u>	<u>11,825</u>

(v) Operating revenue

The amounts of significant interest income of finance leases and lease receivables by the Group to related parties were as follows:

		<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
<b>Relationship</b>	<b>Account</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Hainan Sanhe Licheng	Financial lease interest income	\$ 48	3,019	9,533	7,734
Zhuke Technology	Financial lease interest income	-	15,560	-	28,155
Zhuke Technology	Lease revenue	<u>1,570</u>	<u>-</u>	<u>3,721</u>	<u>-</u>
		<u>\$ 1,618</u>	<u>18,579</u>	<u>13,254</u>	<u>35,889</u>
<b>Relationship</b>	<b>Account</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>	
Hainan Sanhe Licheng	Lease receivables	\$ 139,728	135,389	129,822	
Zhuke Technology	Lease receivables	<u>358,632</u>	<u>322,579</u>	<u>305,178</u>	
Less: Allowance for impairment – Hainan Sanhe Licheng		<u>(100)</u>	<u>(312)</u>	<u>(17,578)</u>	
Less: Allowance for impairment – Zhuke Technology		<u>(111,191)</u>	<u>(48,360)</u>	<u>-</u>	
		<u>\$ 387,069</u>	<u>409,296</u>	<u>417,422</u>	

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The interest income deriving from finance leases received by the Group from its associates is based on the interest rate agreed by both parties and collected monthly. The interest rate is not significantly different from that of nonrelated parties. The receivables with related parties were guaranteed by vehicles for finance lease. Chengdu Sanhe Licheng is the guarantor of the receivables from Hainan Sanhe Licheng. The Group measures the loss allowances at an amount equal to lifetime expected credit losses for receivables of related parties. Hainan Sanhe Licheng has recognized the expected credit loss and Impairment losses amounting to \$(219) thousand and \$17,547 thousand for the six months ended June 30, 2022 and 2021. The overdue receivables of Zhuke Technology were due to the COVID-19 pandemic, which significantly increased the credit risk on financial assets, resulting in the expected credit loss of \$61,961 thousand and \$0 thousand to be recognized for the six months ended June 30, 2022 and 2021. Please refer to note 6(c).

(vi) Account receivables-related parties

<u>Account</u>	<u>Relationship</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Other receivables (loaning funds)	Hainan Sanhe	\$ 22,134	21,700	21,563
Other receivables (loaning funds)	Zhuke Technology	75,255	86,798	73,315
Other receivables (loaning funds)	An associate	490	490	-
Less: Allowance for impairment		<u>(53,122)</u>	<u>(52,079)</u>	<u>-</u>
		<u><b>\$ 44,757</b></u>	<u><b>56,909</b></u>	<u><b>94,878</b></u>
Other financial assets	Zhuke Technology	<u><b>\$ 35,413</b></u>	<u><b>34,719</b></u>	<u><b>34,501</b></u>

The loans to related parties are all unsecured. The interest charged by 8.4%. The loans to related parties were as follows:

<u>Account</u>	<u>Interest income</u>			
	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Hainan Sanhe Licheng	\$ 514	359	878	359
Zhuke Technology	1,460	1,465	3,167	1,465
	<u><b>\$ 1,974</b></u>	<u><b>1,824</b></u>	<u><b>4,045</b></u>	<u><b>1,824</b></u>

<u>Account</u>	<u>Interest receivables</u>		
	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
	Hainan Sanhe Licheng	\$ 542	532
Zhuke Technology	2,164	1,871	1,026
	<u><b>\$ 2,706</b></u>	<u><b>2,403</b></u>	<u><b>1,403</b></u>

The Group uses of lifetime expected loss provision to provide for its expected credit losses for receivables of related parties. The credit risk on a financial asset of Zhuke Technology has increased significantly. The Group evaluated the value of collateral and measures the collections after period and repayments, then recognized expected credit loss both amounting

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to \$0 thousand for the six months ended June 30, 2022 and 2021.

(vii) Guarantees

An associate signed a rental agreement with non-related parties and was guaranteed by the group. The details were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Hainan Sanhe	\$ -	-	54,766
Zhuke Technology	56,098	70,785	86,063
	<b>\$ 56,098</b>	<b>70,785</b>	<b>140,829</b>

The Group evaluated the value of collaterals, which can cover lifetime expected credit losses for the contract and no impairment losses were required.

(viii) Others

- 1) The Group provided management consulting services and signed service contracts with other related parties. For the three months and six months ended June 30, 2022 and 2021, the revenue from consulting services was \$2,886 thousand, \$0 thousand, \$5,350 thousand and \$6,841 thousand, respectively.
- 2) On June 25, 2021, the Group signed an equity transfer agreement with Shanghai Kaixuanmen Enterprise Development Co., Ltd. to obtain 100% of the equity of the subsidiary, Shanghai Qianshu with payment of CNY\$1,000 thousand. For related information please refer to note 6(h).
- 3) On February 25, 2022, the board of directors of the Group resolved to sell 100% equity of the subsidiary, Morton Finance Ltd. to Da Yu Financial Holdings Ltd. for the disposal price of \$7,818 thousand (HKD 2,178 thousand). After deducting the company's net assets of \$7,818 thousand, the disposal loss of \$238 thousand was recognized. The disposal loss includes the loss of \$238 thousand that is related to the subsidiary and recognized in other comprehensive profit and loss.
- 4) On March 16, 2021, the board of directors of the Group resolved to sell 100% equity of the subsidiary, Morton Securities Ltd. to Da Yu Financial Holdings Ltd. for the disposal price of \$26,212 thousand (HKD 7,140 thousand). After deducting the company's net assets of \$32,502 thousand, the disposal loss of \$6,926 thousand was recognized. The disposal loss includes the loss of \$636 thousand that is related to the subsidiary and recognized in other comprehensive profit and loss.
- 5) On July 30, 2021, the board of directors of the Group resolved to sell 100% equity of the subsidiary, Yee Shin Investment Co., Ltd. to Yonghenghui Investment Co., Ltd. for the contract price of \$356,000 thousand. The Group had received the deposit amounting to \$150,000 thousand, recognized as other current liabilities under noncurrent assets –held for sale. Please refer to note 6(f).

(d) Key management personnel compensation

(i) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Short-term employee benefits	<b>\$ 12,903</b>	<b>13,933</b>	<b>25,990</b>	<b>27,936</b>



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- (ii) The Group granted key management personnel rights to subscribe treasury shares as prepaid salaries. As of June 30, 2022, December 31, 2021 and June 30, 2021, those prepaid salaries amounting to \$ 40,368 thousand (CNY 9,119 thousand), \$ 39,572 thousand (CNY 9,118 thousand) and \$ 40,833 thousand (CNY 9,468 thousand), which were reported as other non-current assets.

**(8) Pledged assets:**

The carrying amount of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Inventories (for construction business)	Bank loans	\$ 1,182,051	1,181,780	1,089,139
Inventories	Bank loans	-	-	3,869
Other financial assets — current and non-current	Bank loans, bank depository funds	93,041	99,397	209,443
Accounts receivable	Other secured loans	-	42,103	86,685
Lease payment receivables	Other secured loans	29,493	30,624	32,655
Property, plant and equipment(Note)	Bank loans and Other secured loans	10,308,377	10,000,355	9,365,580
Investment Property	Bank loans	141,576	142,063	142,549
		<u>\$ 11,754,538</u>	<u>11,496,322</u>	<u>10,929,920</u>

Note : Including the land use rights, which were reported as right-of-use assets.

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

Except for those described in note 6, the Group's other significant commitments and contingencies were as follows:

(a) Unrecognized contractual commitments

- (i) The unrecognized contractual commitments of the Group were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30 2021</u>
<u>Contracted price</u>			
Construction contract of land and building	\$ 665,331	665,331	665,331
Purchase vessel equipment	-	-	908,737
Contract of construction case	3,355	56,762	53,407
<u>Received or paid price</u>			
Construction contract of land and building	\$ 108,309	108,309	108,309
Purchase vessel equipment	-	-	373,369
Contract of construction case	336	5,554	5,219

- (ii) Shangshi Financial Leasing Co., Ltd. (Shangshi) signed several finance leases contracts with different customers introduced by the Group based on the finance lease business cooperation agreement entered into by Shangshi and the Group. According to the agreement, the Group will look for customers with good credit ratings, in accordance with the contracted risk control standards, before introducing them Shangshi. Thereafter, the Group will receive a portion of

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the rewards from Shangshi for each rental payment made by the customers. In addition, the Group promised to buy unconditionally the default claims from Shangshi for any customer who violated the agreement. Since there were no significant overdue receivables as June 30, 2022, the Group can use the lifetime expected loss provision for the contract to provide for its expected credit losses, which was recognized for six months ended June 30, 2022, as follow:

	<u>June 30</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Contracted value	<u>\$ 328,659</u>	<u>312,947</u>	<u>209,173</u>
Residual amounts	<u>\$ 167,022</u>	<u>218,259</u>	<u>167,616</u>

(iii) The Group signed the joint construction contracts with other companies as follows:

<u>Item</u>	<u>Construction name</u>
Joint construction with allocation of buildings	Me island phase III B1
Joint investing and developing on construction site	Nan Jing Jian Kang
Joint construction with allocation of buildings, Joint investing and developing on construction site	Tucheng Yongfu

(iv) Guarantees and endorsements for other parties on behalf of the Group, please refer to notes 6(z).

(b) Contingencie

- (i) While the Group acquired the Quanzhou real estate, the assignor, Quanzhou FuHua Co., Ltd., failed to comply with the term of the contract, which stated that the assignor should repay the mortgage loan secured by the fourth floor of Quanzhou real estate with the consideration paid by the Group to release the mortgage. Therefore, the mortgagee filed an application to freeze the rent earned from the fourth floor of Quanzhou real estate in June 2020. The Group evaluates that the creditor still has means to repay the mortgage loan; hence, the fourth floor of Quanzhou real estate may not be at risk of impairment.
- (ii) The subsidiary of the Group, Chongqing Optics Valley Grand Ocean Commercial Development Co., Ltd., negotiated with the lessor, Chongqing Zhengsheng Real Estate Ltd. (hereinafter referred to as “Chongqing Zhengsheng”), to reduce the period for the lease payments due to the COVID-19 pandemic in 2020. However, the negotiation failed and Chongqing Zhengsheng filed a lawsuit against the Group in November 2020 demanding for the payment of the arrears and rental of the extended area used by the Group. The hearing concerning the above lawsuit has yet to commence as of the reporting date. As of June 30, 2022, the Group had recognized its rental expenses before the government regulated deadline based on the lease contract. Meanwhile, the Group filed a counterclaim against Chongqing Zhengsheng, wherein the court ruled against the Group. Thereafter, the Group filed an appeal to the high court, in which the case is still in progress
- (iii) The real estate property right transfer registration of Shiyuan International Financial Center project from the first floor to the ninth floor above ground that the subsidiary of the Group, Wuhan Optics Valley Grand Ocean Commercial Development Co., Ltd. purchased from Hubei Grand Ocean Huayu Investment Co., Ltd.(hereinafter referred to as “Hubei Huayu”) had not been completed in accordance with the agreement of commercial property contract; therefore, the Group filed a lawsuit on September 6, 2021. In accordance with the PRC law, the Group has adequate protection for the property; hence, no losses will be incurred by the Group regarding the matter.

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On the other hand, Hubei Huayu filed a lawsuit against Grand Ocean Classic Commercial Group Ltd. and Wuhan Optics Valley Grand Ocean Commercial Development Co., Ltd. on September 30, 2021 for the dispute on the equity investment of Hubei Huayu prior to 2017, claiming the compensation of CNY 93 million for the damage. After the assessment of the Group, the right to make a claim occurred in 2017 exceeded the 3 year limitation period for the protection of civil rights according to the law. In addition, the Group has paid on schedule according to the subsequent equity capital reduction agreement signed by both parties. Therefore, it is determined that the Group has no obligation to pay any compensation.

(10) Losses due to major disasters: None

(11) Subsequent Events: None

(12) Other:

(a) The employee benefit expenses, depreciation and amortization, categorized by function, were as follows:

By function	For the three months ended June 30					
	2022			2021		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefits						
Salary	87,293	121,731	209,024	51,035	119,857	170,892
Health and labor insurance	317	952	1,269	325	1,043	1,368
Pension	287	15,230	15,517	320	13,961	14,281
Others	4,683	23,659	28,342	3,626	21,993	25,619
Depreciation	105,633	416,978	522,611	93,377	385,756	479,133
Depletion	-	-	-	-	-	-
Amortization	11,686	702	12,388	8,408	2,191	10,599

By function	For the six months ended June 30					
	2022			2021		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefits						
Salary	164,493	246,992	411,485	102,780	242,814	345,594
Health and labor insurance	625	2,233	2,858	659	1,981	2,640
Pension	567	29,723	30,290	680	27,937	28,617
Others	8,929	49,860	58,789	7,401	47,506	54,907
Depreciation	209,176	828,796	1,037,972	185,407	773,537	958,944
Amortization	20,637	4,361	24,998	13,755	4,007	17,762

(b) Seasonality of operations

The Group's retail business is subject to seasonal fluctuations as a result of vacation. Thus, this industry typically has higher revenues and results for the first and fourth quarter of the year.

(c) Other

In March 2022, affected by the outbreak of the COVID-19 pandemic in many areas of mainland China, some cities announced the "city closure" policy, which greatly impacted the operation of department store in China retail industry.

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The Group's stores in Quanzhou and Shanghai, the implementation of local closure measures, although the Quanzhou area has resumed normal operations in mid-April, the Shanghai area continues to suspend operations. The Shanghai area resumed normal operations at the end of May, resulting in a decline in business conditions from January 1 to June 30, 2022. The impact of the epidemic is still uncertain, the Group will continue to pay attention to development of the COVID-19.

#### (13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- (i) Loans to other parties : Appendix 1, please refer to the chinese version consolidated financial statements P57-59.
  - (ii) Guarantees and endorsements for other parties : Appendix 2, please refer to the chinese version consolidated financial statements P60-61.
  - (iii) Securities held as of March 31, 2021 (excluding investment in subsidiaries, associates and joint ventures) : Appendix 3, please refer to the chinese version consolidated financial statements P62.
  - (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20% of the capital stock : None.
  - (v) Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock : None.
  - (vi) Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock : None
  - (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock : None
  - (viii) Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock : Appendix 4, please refer to the chinese version consolidated financial statements P63.
  - (ix) Trading in derivative instruments : None
  - (x) Business relationships and significant intercompany transactions : Appendix 5, please refer to the chinese version consolidated financial statements P64.
- (b) Information on investees : Appendix 6, please refer to the chinese version consolidated financial statements P65-66
- (c) Information on investment in mainland China : Appendix 7, please refer to the chinese version consolidated financial statements P67-68
- (d) Major shareholders:

Shareholder' s Name	Shareholding	Shares	Percentage
Henghua Investment Co., Ltd.		57,065,945	6.83%

Note: (1) The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred

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shares held by shareholders with ownership exceeding 5% that have been issued by the Company without physical registration (including treasury shares) as of the last business day of the current quarter. The share capital in the consolidated financial statements may differ from the actual numbers of shares that have been issued without physical registration due to different preparation basis.

- (2) In the case of the above information, if a shareholder delivers shares to the trust, the shares will be individually disclosed by the trustee who opened the trust account. As for the declaration of insider shareholdings exceeding 10% in accordance with the securities and exchange act, the shareholdings should include the shares held by the shareholder, as well as those that have been delivered to the trust and for which the shareholder has the right to determine the use of trust property. For information on the declaration of insider shareholdings, please refer to the Market Observation Post System website of the TWSE.

#### (14) Segment information:

<u>For the three months ended June 30, 2022</u>	<u>Freight department</u>	<u>Invest department</u>	<u>Retail department</u>	<u>Lease department</u>	<u>Construct department</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue:							
Revenue from external customers	\$ 505,624	1,539	1,010,023	14,177	-	-	1,531,363
Intersegment revenues	-	19,777	-	-	-	(19,777)	-
Total revenue	<u>\$ 505,624</u>	<u>21,316</u>	<u>1,010,023</u>	<u>14,177</u>	<u>-</u>	<u>(19,777)</u>	<u>1,531,363</u>
Reportable segment profit or loss	<u>\$ 174,501</u>	<u>9,097</u>	<u>(125,520)</u>	<u>(91,243)</u>	<u>(8,897)</u>	<u>-</u>	<u>(42,062)</u>
<b>For the three months ended June 30, 2021</b>							
Revenue:							
Revenue from external customers	\$ 326,349	1,552	1,288,454	39,727	-	-	1,656,082
Intersegment revenues	-	17,070	-	-	-	(17,070)	-
Total revenue	<u>\$ 326,349</u>	<u>18,622</u>	<u>1,288,454</u>	<u>39,727</u>	<u>-</u>	<u>(17,070)</u>	<u>1,656,082</u>
Reportable segment profit or loss	<u>\$ 82,476</u>	<u>(35,932)</u>	<u>79,055</u>	<u>(699)</u>	<u>(8,338)</u>	<u>-</u>	<u>116,562</u>
<b>For the six months ended June 30, 2022</b>							
Revenue:							
Revenue from external customers	\$ 991,028	3,205	2,260,822	46,009	-	-	3,301,064
Intersegment revenues	-	38,404	-	-	-	(38,404)	-
Total revenue	<u>\$ 991,028</u>	<u>41,609</u>	<u>2,260,822</u>	<u>46,009</u>	<u>-</u>	<u>(38,404)</u>	<u>3,301,064</u>
Reportable segment profit or loss	<u>\$ 371,833</u>	<u>2,216</u>	<u>(174,852)</u>	<u>(120,474)</u>	<u>(16,120)</u>	<u>-</u>	<u>62,603</u>
<b>For the six months ended June 30, 2021</b>							
Revenue:							
Revenue from external customers	\$ 580,563	2,740	2,746,311	93,809	20,353	-	3,443,776
Intersegment revenues	-	34,265	-	-	-	(34,265)	-
Total revenue	<u>\$ 580,563</u>	<u>37,005</u>	<u>2,746,311</u>	<u>93,809</u>	<u>20,353</u>	<u>(34,265)</u>	<u>3,443,776</u>
Reportable segment profit or loss	<u>\$ 112,785</u>	<u>(54,505)</u>	<u>155,747</u>	<u>(17,421)</u>	<u>(6,907)</u>	<u>-</u>	<u>189,699</u>