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Stock Code: 1737



# Taiyen Biotech Co., Ltd.

## 2020 ANNUAL REPORT

Printed on May 19, 2021

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## Chapter One. Letter to Shareholders

### I. Operating Results for 2020

#### (I) Implementation of Business Plan

With the joint efforts of all employees, the Company reported the consolidated revenue of NT\$3,130,347,000 in 2020, a 7.7% increase from 2019, a gross profit of NT\$1,307,592,000, and net income of NT\$374,589,000; net income attributable to the parent company was NT\$365,085,000, a 5.67% increase from 2019.

According to the Financial Supervisory Commission's request that listed food companies should prepare the "Corporate Social Responsibility Report" by the end of 2020, the Company has prepared the "Corporate Social Responsibility Report" within the deadline and won the 2020 Taiwan Corporate Sustainability Report Awards - Gold. The Company will continue to advance corporate sustainability.

Unit: NT\$1,000

Item \ Year	2020	2019	Increase/Decrease	
			Amount	%
Sales Revenues	3,130,347	2,906,615	223,732	7.70
Cost of Goods Sold	1,822,755	1,696,299	126,456	7.45
Gross Profit	1,307,592	1,210,316	97,276	8.04
Operating Expenses	844,271	790,558	53,713	6.79
Operating Income	463,321	419,758	43,563	10.38
Non-operating Income And Expenses	718	8,789	(8,071)	(91.83)
Net Income before Income tax	464,039	428,547	35,492	8.28
Income Tax Expense	89,450	83,044	6,406	7.71
Net Income	374,589	345,503	29,086	8.42
Net Income Attributable to Stockholders of the Parent	365,085	345,503	19,582	5.67

#### (II) Profitability Analysis

Item	2020	2019
Return on Assets	4.90%	4.65%
Return on equity	5.98%	5.61%
Operating Income to Paid-in Capital Ratio	23.16%	20.98%
Pre-tax Income to Paid-in Capital Ratio	23.20%	21.42%
Net Profit Margin	11.96%	11.88%
Earnings Per Share (NT\$)	1.83	1.73

#### (III) Implementation of Research and Development

In 2020, the Company achieved remarkable results in research and development. In addition to rolling out new products, 6 of our products, including "Small Molecule

Ocean Water," "Himalayan Pink Salt," and "Taiyen Toothpaste - Herbal Collagen" won awards at home and abroad.

The purpose of our research and development, as described below, is to provide safe products that meet the consumers' needs.

#### 1. Research and development of new products

(1) Cosmetics: The Company increased the products' competitiveness with core technologies. The Company upgraded 3 products in the "Lumiel Perfect Radiance Line" and "Collagen Revitalizing Makeup Remover" with core technologies and continued enhancing "MÉDECURA Line" and "Taiyen Beauty Line." In "MÉDECURA Line," the Company developed "Intense Brightening Spot Eraser Emulsion" and "Restoring Youth Glow Booster Essence" with MedRaser, liquid light wave ultramicro, and upgraded 2 long-selling products. In "Taiyen Beauty Line," the Company developed original "Hematite Gold Facial Soap" combining sea water extract and gold soap.

(2) Cleaning products: In line with the target consumer need and market trend, the Company developed "EZ Health Plus - Clear Gel Shampoo," "Collagen Lab - Hand Lotion," and "Super Protection - Lady Care Cleanser." In response to the COVID-19, "Super Protection - Hand Cleansing Gel" and "BATHMAGIC - Sea Salt Antibacterial Hand Wash" were rolled out to provide consumers premium and effective products. The COVID-19 pandemic has changed people's lifestyle. People have become more aware of epidemic prevention and increased the frequency of online shopping. In the post-epidemic era, the Company will continue developing more premium and effective antibacterial products to protect the health of consumers.

(3) Health food: With core competencies, the Company carried out in-depth research and development of raw materials and products in response to market needs. "Glucosamine Plus - Peptide Drink" and "Collagen Powder" were developed and launched to maintain a competitive advantage in joints and skin care. "Complex Nutrients Fix Tablets" has proven by the "healthy food-bone health" certification to delay bone loss, providing consumers the integrity of joints and bones.

(4) Salt: Based on the market trends and consumers' diverse needs, the Company insisted on selecting premium import salt. "Himalayan Pink Salt" and "Mediterranean Sea Salt" were rolled out to meet consumer preferences.

#### 2. Development of technology

The Company continued the extensive development of collagen applications and effects such as a new generation of reviving ingredients that induce skin's self-healing ability to amplify consumers' skin care. In addition, a collagen application other than skin care was also developed for hair fitness treatment in hopes of improving consumers' hair loss issues and helping them regain confidence. In addition to collagen from fish scales, the Company has obtained a natural calcium and phosphorus compound (hydroxyapatite) that has proven to have an effect of remineralizing tooth enamel and expects to develop oral care products with this ingredient. Our Type II Collagen has been patented in the Republic of China. Ahead of other industry players in the market, we have achieved a remarkable result in preliminary animal testing on products for osteoarthritis.

#### 3. Awards

The Company's products have been repeatedly received awards at home and abroad for our insistence on "safety, efficacy, and quality." We conform to international standards in terms of research and development, quality management, and branding,

and our products are widely trusted and well received by consumers. In 2020, "Taiyen Toothpaste - Herbal Collagen" won the 2021 Taiwan Excellence Awards in "research and development," "design," "quality," and "marketing" for its core ingredient, HAP (hydroxyapatite), showing that the Company had strong innovation capabilities.

In addition to the Taiwan Excellence Awards, other awards the Company received in 2020 are summarized as follows:

- (1) In the 2020 Monde Selection, a European quality certification body, "Lumiel Ultimate Hydra - Collagen Revitalizing Essence" and "EZ Health - Hair Fitness Treatment" won the gold.
  - (2) In the 2019~2020 Victoires de la Beauté awards, "Lumiel Resilience Lift - Platinum Reviving Repair Serum" won the Best Innovation Award.
  - (3) In the 2020 International Taste Institute (former ITQI) Award, "Small Molecule Ocean Water" won the 3-star Superior Taste Award, and "Himalayan Pink Salt," "Mediterranean Sea Salt," and "Ocean Alkaline Ion Water" won the 2-star Superior Taste Award.
4. Protection of intellectual property  
In 2020, the Company obtained 1 patent in the Republic of China, namely, "Composition with Mitochondrial Regeneration, Promoting Collagen Proliferation and Anti-aging Effect." The application for a patent on "High Purity and Undenatured Collagen and Method of Forming the Same" in China, Thailand, and Japan is ongoing. The Company will continue to protect the intellectual property for technologies that can effectively enhance product competitiveness and brand value.
5. Certification by Taiwan Accreditation Foundation  
Our food, salt, and cosmetics have passed major inspections prescribed in related laws and regulations. In response to increasingly stringent regulations and standards, the Company will continue to develop more precise test methods in order to improve our quality control and corporate image.

## II. Effect of External Competition, Legal Environment, and Overall Business Environment

In the face of intense competition, the Company has kept abreast of the economic growth and market changes at home and abroad and completed a brand optimization project at a cost of NT\$100 million. This year, the Company continued strengthening consumer communication and experiential marketing and expanding channels of distribution to increase revenue. In response to statutory requirements and changes in the business environment, ongoing efforts are made to promote food safety management and product innovation. In 2019, the Audit Committee was established to further the implementation of corporate governance. On the part of corporate social responsibility, the Company continues to promote a circular economy. Our subsidiary, Taiyen Green Energy Co., Ltd., is working with solar power plants to promote "fishery and electricity symbiosis."

In terms of the economy as a whole, the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), the Directorate General of Budget, Accounting and Statistics, Executive Yuan, and Taiwan Institute of Economic Research forecast that the global economic growth in 2021 would range from 4.2% to 5.5%, compared with -4.2% to -3.5% in 2020, mainly due to the rebound from a low base period. However, the economic outlook would hinge on various risk variables, including the economic and trade policy rolled out by the new president of the U.S., the European and American containment against China, huge global debt, effective control of the COVID-19 pandemic, and geopolitical risks.

Overall, with the development of COVID-19 vaccinations, the global economy has recovered gradually. In 2021, as domestic demand and foreign demand are experiencing an upturn, the economy in Taiwan is expected to grow continuously. However, uncertainties such as the subsequent development of the COVID-19 pandemic, prices of bulk materials, US dollar exchange rates, the reorganization of the global supply chain, and manufacturers' investment plans should be followed. According to the forecast given



by the Directorate General of Budget, Accounting and Statistics, Executive Yuan, Taiwan, Institute of Economic Research and Chung-hua Institution for Economic Research, Taiwan's GDP growth rate in 2021 would be 3.73%~ 4.64%, which presents continuous growing compared to 1.9%~ 2.54% in 2020.

### III. Future Development Strategy

The focus of our business remains marine biotechnology. Aiming to become the leader in these areas, the Company takes continuous innovation and quality seriously to ensure the health of salt, bottled water, and skin care and health products.

The future development strategies are to consolidate the Company's leading position in the brine market, to develop biotech products, to expand channels of distribution, and to promote the brand in the international arena. The Company will continue innovating and optimizing products based on consumers' needs. With the most rigorous and forward-looking expertise, we expect to improve people's quality of life and taste and to promote the idea of "holistic health" in Taiwan and around the world.

### IV. Summary of Business Plan for 2021

#### (I) Business Policy

The Company will take the following measures to implement the business policy: increases in revenue, profits, and operational efficiency.

##### 1. Sales

- (1) With increased concern about food safety and stricter government regulations, the Company will encourage agricultural and fishery product processing, feed, and pickling businesses to use our food processing salt or refined salt in order to increase our share in the food processing market. Based on consumers' needs, new products will be rolled out via GT and online to increase the sales of food-grade salt and to secure our brand as a market leader.
- (2) At present, "Taiyen Ocean Alkaline Ion Water" leads in the functional bottled water market in Taiwan. The Company will promote the brand value and expand channels of distribution both online and offline in order to further increase market share and revenue. As to our second popular product, "Small Molecule Ocean Water," we will continue developing channels of distribution with the existing brand power to increase market share and revenue.
- (3) In terms of cosmetics, Lumiel, Taiyen Beauty, and MÉDECURA lines have different customer segments. We will consolidate the core and uniqueness of each line and increase market share through integrated online and offline channels. Regarding cleaning products, we plan to increase the visibility and turnover of our toothpaste, BATHMAGIC, and EZ Health Plus lines to seize the business opportunities. Our health products focus on osteoarthritis. We expect to maintain the sales of health products via online and TV shopping channels.
- (4) We will work with our franchise partners to make a qualitative change in channel management. In addition to classifying franchise partners for rewarding or counseling purposes, we will organize more marketing campaigns to increase penetration, brand value, and competitiveness. The Company will continue developing more channels of distribution and managing of key accounts, set up an online shopping website, and cooperate with distributors or dealers with marketing capabilities to expand the market.

- (5) In terms of export, the Company will work with local dealers and agents to expand business opportunities in China. We also expect to develop markets in the Association of Southeast Asian Nations (ASEAN) in cooperation with businesses in Singapore, Thailand, and Vietnam.

## 2. Production

- (1) We will make a full evaluation of the product benefits and reduce slow moving inventory to improve inventory turnover.
- (2) We will consider using online monitoring equipment and artificial intelligence (AI) to improve process management, productivity, and quality, to increase OEM orders, and to evaluate the cost-effectiveness of each factory for the purpose of improving quality and enhancing competitiveness.

## 3. Management

- (1) In line with the business strategy, the Company will use manpower flexibly and effectively to drive business growth and productivity. Through restructuring and manpower adjustment, the Company expects to make various reforms to integrate corporate resources and to improve operational performance.
- (2) By implementing key performance indicators (KPI) and an employee evaluation system, as well as pay adjustments and bonuses, the Company expects to increase the linkage between compensation and individual performance and business performance.
- (3) In response to the COVID-19 pandemic, the Company will comply with the policies and regulations established by the Central Epidemic Command Center by limiting overseas travel and group trips, postponing indoor events and gatherings, disinfecting the offices, and asking all employees to measure temperature and wear masks in order to keep the business operations normal and free from the pandemic.

## (II) Sales Volume Forecast for 2021 and Its Basis

The sales volume forecast for major lines of business is as follows:

Item \ Year	Sales Volume Forecast for 2021	Unit
Salt	290,000	Metric ton
Bottled Water	90,000	Metric ton
Cosmetics	960,000	Bottle/Box/Set
Cleaning Products	3,100,000	Bottle/Box/Set
Health Food	960,000	Bottle/Box/Set

Note: The sales plan is made based on the production capacity and market changes:

1. The sales forecast on salt is made based on the average monthly sales in 2020.
2. The sales forecast on bottled water is made based on the estimated delivery volumes of system distributors, franchisees, and regular chains.
3. The sales forecast on biotech products, which include skin care products, cleaning products, and health foods, is made based on the estimated delivery volumes of franchisees, system distributors, and regular chains.

## (III) Production and Sales Policy

Based on different business models, the Company's production strategy is generally classed as inventory-based (salt), plan-based (bottled water, skin care products, health products, and cleaning products), and order-based (customized products) production. The Company implements inventory management to meet market

demand and prompt and proper supply and to effectively reduce inventory costs.

## V. Conclusion

Over the past 60 years, the Company has grown with Taiwan's economy. We always operate with innovation and excellence and view them as our core values. We are responsible for ensuring a stable supply of salt and the economic development in Taiwan. With an aim to improve people's health and vitality with ocean energy, we have also developed bottled water, skin care products, cleaning products, and health products, as well as Cigu Salt Plant and Tung-Hsiao Tourism Park. Repeated award-winning experience gives an indication of the Company as a professional and reliable brand.

In the face of an ever-changing market, the Company continues to consolidate our share in the domestic market with our existing strengths. We are also cooperating with Southeast Asian countries based on our quality strength. In response to the post-epidemic era, the Company will speed up digital transformation through e-commerce and smart workflows to make more profits.

Upholding integrity, dedication, and heritage as our corporate culture, we take care of consumers' beauty and health responsibly and are committed to creating a clean and carefree environment in the best interest of our shareholders. In response to global trends and the government policy, Taiyen Green Energy Co., Ltd. a solar photovoltaic business, was established to promote clean, sustainable solar power. By developing new-generation energy, the Company hopes to make our communities and the nation clean.

## Chapter Two. Company Profile

### I. Date of Incorporation

July 1, 1995.

### II. Company History

1. 1952 Taiwan Salt Works (TSW) was established under the Ministry of Economic Affairs.
2. 1953 Taiwan Salt Works (TSW) was placed under the jurisdiction of the Ministry of Finance.
3. 1966 Began full iodization of dietary salt production; established new transportation, sales and storage network to boost growth.
4. 1974 Increased capital through capital surplus and earned surplus, with paid-in capital reaching NT\$400 million.
5. 1975 Tung-Hsiao Electrodialysis Refined Salt Factory was built to manufacture and produce salt through electrodialysis.
6. 1977 Anshun Factory of Taiwan Alkali Company was merged into Taiwan Salt Works in Tainan.
7. 1981 Taiwan Salt Works (TSW) was placed under the jurisdiction of the Ministry of Economic Affairs.
8. 1982 By-product Workshop of Tung-Hsiao Electrodialysis Refined Salt Factory was built.
9. 1985 By-product Workshop was put into production.
10. 1986 Budai Saltworks began automated production.
11. 1987 Cigu Saltworks began automated production.
12. 1988 Tainan Saltworks began automated production.
13. 1995 Taiwan Salt Works (TSW) was reorganized into Taiwan Salt Industrial Corp. (TSIC), with capital of NT\$40,391,980,000 used by the central government to invest in the new company.
14. 1998 Increased capital by NT\$912,000 through land payment, decreased capital by NT\$6,415,631,000 through land payment and NT\$10,910,264,000 in cash, resulting in paid-in capital of NT\$23,066,997,000.
15. 1999 Established Tainan Science Park Branch (Technology Factory).
16. 2001 Established Biotech Factory and Chiayi Factory.
17. 2002 Taiwan's last salt field which rely on traditional sunshine, the Cigu Plant, discontinued operations in May.  
Divided Biotech Factory into Biotech Factory I and Biotech Factory II.  
Launched Lumiel, Taiyen's own cosmetics brand.  
Increased capital by NT\$4,929,204,000 through premium on capital stock, decreased capital by NT\$25,496,201,000 through land and fixed assets, resulting in paid-in capital of NT\$2,500,000,000.
18. 2003 Began to develop our own biotechnology franchise access.  
Went public and completed privatization.  
Chiayi Factory was renamed Biotech Factory III.
19. 2004 Increased capital by NT\$144,736,840 through issuance of shares to employees (NT\$19,736,840) and shareholders (NT\$125,000,000, NT\$0.5/share), resulting in paid-in capital of NT\$2,644,736,840.
20. 2005 Increased capital by NT\$136,218,160 through issuance of shares to employees (NT\$56,876,060) and shareholders (NT\$79,342,100, NT\$0.3/share), resulting in paid-in capital of NT\$2,780,955,000.
21. 2006 Assisted single mothers in joining the business for good cause.
22. 2007 Commenced construction of a salt depot at Taichung Port Free

- Trade Zone to manage the storage and transportation of imported salts.
23. 2008 Import Salt Storage and Transportation Office was officially opened.
24. 2009 Biotech Factory I and Biotech Factory II were merged and renamed Biotech Health Product Factory; Biotech Factory III was renamed Biotech Cosmetics Factory.  
Taiyen Biotech Co., Ltd. Tung-Hsiao Tourism Park was officially opened.
25. 2010 Employee Stock Ownership Trust Committee was formally established.  
Taiyen (Xiamen) Import and Export Co., Ltd. was formally established.
26. 2011 Tung-Hsiao Electrodialysis Refined Salt Factory became the first tourism salt factory in Taiwan opened for tourism, through the efforts of the Ministry of Economic Affairs.  
Biotech Cosmetics Factory received "Voluntary Cosmetic Good Manufacturing Practice (cosmetics GMP)" and ISO 22716 certification.
27. 2012 The Research and Analysis Laboratory obtained ISO/IEC 17025:2005 TAF National Laboratory Certification.  
Rolled out the "franchise organization," where franchisees were provided with stores, facilities, and rentals for operation.  
Packaged drinking water products (Taiyen Ocean Alkaline Ion Water, Sport Alkaline Ion Water, Ocean Water, Taiyen Small Molecule Ocean Water, and AlkaOcean-Alkaline Ion Water PH8.0-9.5) passed HALAL certification of Taiwan Halal Integrity Development Association.  
Taiyen Biotech Co., Ltd. Tung-Hsiao Tourism Park (Taiyen Museum) passed the evaluation of tourism factory by the Ministry of Economic Affairs.
28. 2013 Became the first company in the country to obtain the HALAL whole plant certification for 44 cosmetics and skincare products from Taiwan Halal Integrity Development Association.  
Decreased capital by NT\$780,955,000 (28.1%) according to a resolution passed in the shareholders' meeting in 2013, resulting in paid-in capital of NT\$2,000,000,000.
29. 2014 Our salt products obtained HALAL certification from the Taiwan Halal Integrity Development Association. Changed from a chemical engineering stock to a food stock.
30. 2015 "Youqingsu - Collagen Garcinia Cambogia Capsules," an anti-fat health product, was launched to increase revenue.  
As a food company, the Company prepared the 2014 Corporate Social Responsibility Report in accordance with the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" and the GRI G4 and its sector-specific reporting guidance. The report was released after being attested to by the CPAs.
31. 2016 The Company prepared the 2015 Corporate Social Responsibility Report in accordance with the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" and the GRI G4 and its sector-specific reporting guidance. The report was released after being attested to by the CPAs.  
"Taiyen Ocean Alkaline Ion Water" won the 2-star Superior Taste Award in the International Taste and Quality Institute (ITQI)

- Awards, a platinum award in the Reader's Digest Trusted Brands, and consecutive golds in the Guangzhou International Water Tasting Competition.
32. 2017 TAIYEN Green Energy Co., Ltd. was formally established.  
 Won the 2017 Corporate Sustainability Report Awards - Gold.  
 "Taiyen Ocean Alkaline Ion Water" won a gold in the 2017 Monde Selection and the International Taste and Quality Institute (ITQI) Awards respectively and a platinum award in the Reader's Digest Trusted Brands.  
 "Lumiel Diamond Bright Line - Flawless Whitening Essence, Lumiel Diamond Revival Line - Intensive Repair Serum" and "Youqingsu - Collagen Garcinia Cambogia Capsules" won a gold and a silver respectively in the 2017 Monde Selection.  
 "Low-sodium Iodized Salt" and "Iodized Salt" won respective golds in the 2017 International Taste and Quality Institute (ITQI) Award.  
 "Fresh Choice Shio Koji" was selected by the Council of Agriculture and the Food Industry Research and Development Institute as an elderly-friendly product in 2017.  
 "EZ Health Plus - Hair Fitness Treatment" and "Type II Plus" were certified in the 2017 Symbol of National Quality (SNQ).
33. 2018 Won the 2018 Corporate Sustainability Report Awards - Gold for the second consecutive year.  
 "Taiyen Ocean Alkaline Ion Water" won a gold in the Monde Selection for a fifth time, the 3-star Superior Taste Award in the International Taste and Quality Institute (ITQI) Awards, and the Top 10 Products of the Year in the 14th Outstanding Enterprise Manager Association (OEMA) Awards.  
 "Lumiel Diamond Bright Flawless Whitening Essence" won the Grand Gold Award in the Monde Selection three times in a row.  
 "Lumiel Ultimate Hydra - Collagen Revitalizing Essence & Collagen Revitalizing Cream" won the 2018-2019 Victoires de la Beauté.  
 "EZ Health Plus - Hair Fitness Treatment" won a gold in the Monde Selection.  
 "Gum Protection Anti-sensitive Toothpaste" won the 27th Taiwan Excellence Awards.  
 "Youqingsu - Fucoidan and Enzymes Capsules" won the 2018 Symbol of National Quality (SNQ).  
 "Low-sodium Salt," "Low-sodium Salt (30% Less Sodium)," "Non-iodized Salt," and "Fresh Choice Shio Koji" won a silver in the Monde Selection and the 1-star and 2-star Superior Taste Awards in the International Taste & Quality Institute (ITQI) Award respectively.
34. 2019 Won the "TCSA Corporate Sustainability Report Awards - Gold" 3 times in a row.  
 The following products won the Monde Selection:  
 1. "EZ Health Plus - Hair Fitness Treatment" won a gold for a second year in a row.  
 2. "BATHMAGIC - Sea Salt Facial Scrub" won a gold.  
 3. "Gum Protection Anti-sensitive Toothpaste" won a gold.  
 4. "Type II Plus" won a silver.  
 The following products won the International Taste and Quality Institute (ITQI) Award:  
 1. "Fresh Choice Shio Koji Bonito Flavor" won the 2-star Superior Taste Award.  
 2. "Small Molecule Ocean Water" won the 3-star Superior Taste Award.

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"Fresh Choice Shio Koji Bonito Flavor" and "Fresh Choice Shio Koji Mushroom Flavor" were granted an elderly-friendly label respectively.

"Taiyen Ocean Alkaline Ion Water" consecutively won the first prize in the beverage category - bottled water in the "2019 Health Brand Awards."

"Lumiel Diamond Revival Line - Platinum Reviving Repair Serum" won the Top Innovation in the 2019-2020 Victoires de la Beauté.

Tung-Hsiao Electrolysis Refined Salt Factory was certified by ISO 45001:2018 Occupational Safety and Health Management System and CNS 45001:2018 Taiwan Occupational Safety and Health Management System.

Our corporate social responsibility report won the "Taiwan Corporate Sustainability Report Awards (TCSA) - Gold" 4 times in a row.

Two of our products won the Monde Selection:

1. "Lumiel Ultimate Hydra - Collagen Revitalizing Essence" won the gold.

2. "EZ Health - Hair Fitness Treatment" won the gold.

Four of our products won the 2020 International Taste Institute Awards:

1. "Small Molecule Ocean Water" won the 3-star Superior Taste Award.

2. "Ocean Alkaline Ion Water," "Himalayan Pink Salt," and "Mediterranean Sea Salt" won the 2-star Superior Taste Award.

Our health product has proven by the "healthy food-bone health" certification to delay bone loss.

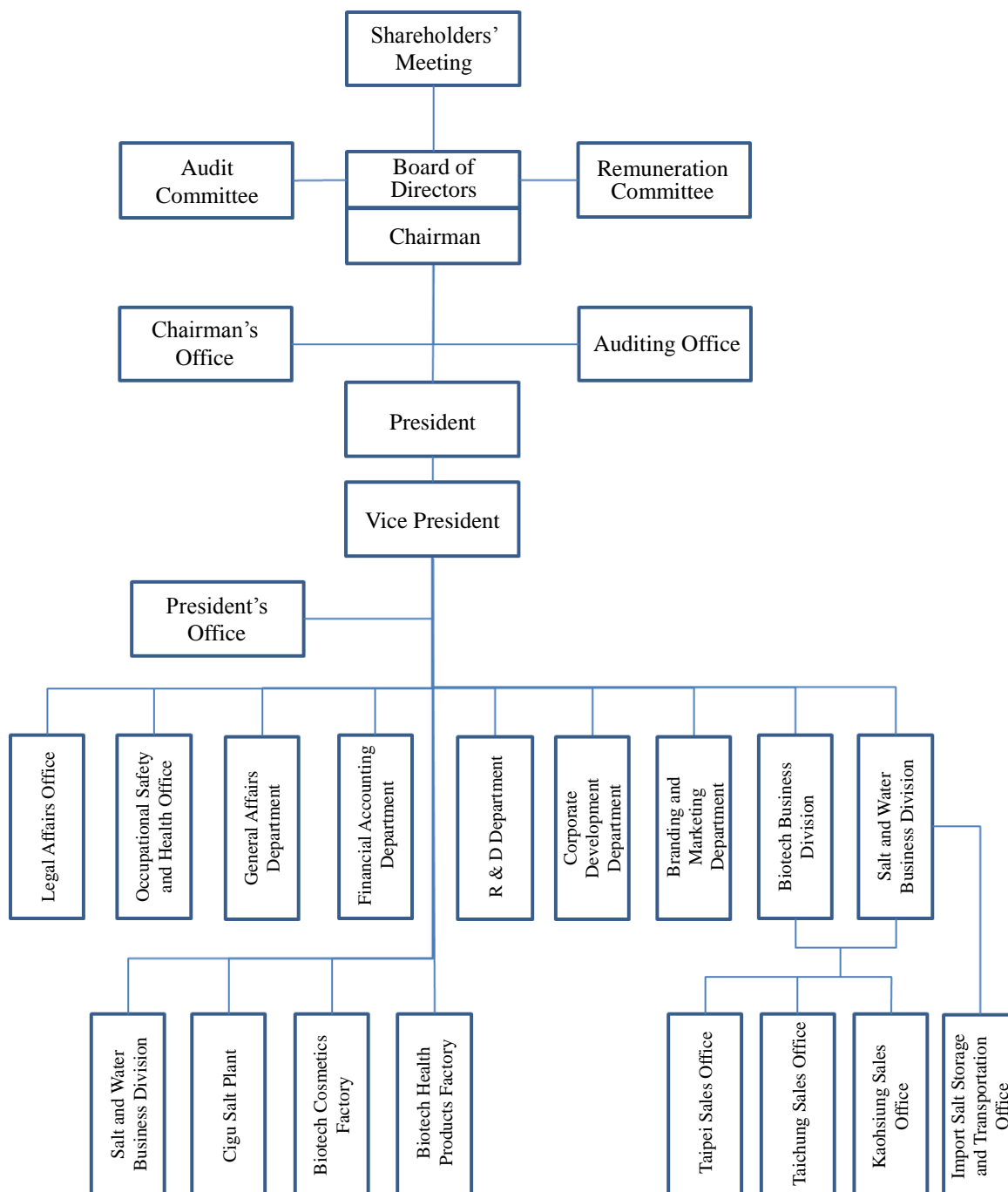
"Ocean Alkaline Ion Water" won the first prize in the beverage category - bottled water in the "2020 Health Brand Awards" held by Everyday Health and Yahoo.

"Taiyen Toothpaste - Herbal Collagen" won the 29th Taiwan Excellence Awards.

# Chapter Three. Corporate Governance Report

## I. Organizational System

### (I) Organizational Chart



Note: Biotech Health Products Factory was originally Biotech Factory I & Biotech Factory II; Biotech Cosmetics Factory was originally Biotech Factory III; Taipei Sales Office, Taichung Sales Office, and Kaohsiung Sales Office were originally Taipei Office, Taichung Office, and Kaohsiung Office. Business registrations are yet to be changed.



## (II) Responsibilities of Major Departments

### 1. Chairman's Office

Responsible for handling administrative affairs of the Board of Directors.

### 2. Auditing Office

Responsible for handling matters in relation to internal control and internal auditing.

### 3. President's Office

Responsible for handling confidential work, reviewing official documents, and coordinating comprehensive affairs under the orders of the President and Vice President.

### 4. General Affairs Department

(1) Responsible for planning and executing annual procurement plans.

(2) Responsible for planning, recruiting, employing, cultivating, and retaining human resources company-wide.

(3) Responsible for formulating and amending human resources policies and regulations.

(4) Responsible for planning and executing talent development plans.

(5) Responsible for planning and executing morale boosting plans.

(6) Responsible for managing company documents.

(7) Responsible for managing general affairs and access control.

(8) Responsible for maintaining labor relations, organizing employee welfare activities, and gathering cohesion among employees.

(9) Responsible for handling and properly keeping cash, securities, and bills.

(10) Responsible for handling cash payments.

### 5. Corporate Development Department

(1) Responsible for developing business strategies and analyzing business performance to improve the overall business operations.

(2) Responsible for evaluating and managing reinvestments to expand the scale of business.

(3) Responsible for making plans for business operations.

(4) Responsible for planning, installing, and maintaining software/hardware systems to quickly provide information services required for business operations.

(5) Responsible for drawing up information security policies to protect company interests.

(6) Responsible for drawing up, reviewing, and managing strategies/systems/regulations/plans for company-wide production to effectively execute production shutdown, scrapping, inventory control, and outsourcing.

(7) Responsible for planning and executing cost reduction plans, production and sales coordination, quality improvement, quality crisis management, inventory management, and research and improvement of process technology, and supervising and supporting the production of each factory.

### 6. Salt and Water Business Division

(1) Responsible for planning and executing channel management and expansion, business strategies, and sales plans of the salt and water business to achieve annual revenue and profit targets.

- (2) Responsible for planning and executing the business management of business units and distribution partners.
- (3) Responsible for planning and executing the development and ODM/OEM of salt and water products.
- (4) Responsible for planning and executing the overseas expansion, distribution, and import/export permit application of salt and water products.
- (5) Responsible for collecting information on sales and markets.
- (6) Responsible for planning and executing promotions.
- (7) Responsible for planning the launch and marketing of new products.

#### 7. Biotech Business Division

- (1) Responsible for planning and executing channel management and expansion, business strategies, and sales plans of the biotech business to achieve annual revenue and profit targets.
- (2) Responsible for planning and executing the business management of stores, business units, and distribution partners.
- (3) Responsible for planning and executing the development, distribution, and online marketing of biotech products.
- (4) Responsible for planning and executing the overseas expansion, distribution, and import/export permit applications of biotech products.
- (5) Responsible for collecting information on sales and markets.
- (6) Responsible for planning and executing promotions.
- (7) Responsible for planning the launch and marketing of new products.

#### 8. Branding and Marketing Department

- (1) Responsible for planning brand strategies and management, market and consumer behavior surveys, and marketing strategies and consumer behavior studies.
- (2) Responsible for planning and executing the visual design and application, social media marketing, and advertising campaigns of products and the corporate identity.
- (3) Responsible for planning and executing the development of cultural and creative business and recreation business.
- (4) Responsible for planning and executing business relations, the corporate image, and public relations.
- (5) Responsible for planning and executing customer services.

#### 9. Financial Accounting Department

- (1) Responsible for planning, reviewing, and controlling annual budgets.
- (2) Responsible for preparing financial statements and handling related matters
- (3) Responsible for analyzing and proposing the costs, prices, and profits of products
- (4) Responsible for properly managing finances and accounts in line with the amendments to relevant audit, securities, and tax laws and regulations.
- (5) Responsible for designing and modifying accounting policies and systems, executing internal audit and accounting treatment, and keeping complete records.
- (6) Responsible for supervising and assisting in the accounting affairs of departments and subsidiaries.
- (7) Responsible for filing tax return.
- (8) Responsible for analyzing the financial situation, operating results, and

potential risks.

- (9) Responsible for raising, allocating, and utilizing funds.
- (10) Responsible for handling land development and fix assets management.
- (11) Responsible for handling shareholder services and disclosing material information.
- (12) Responsible for handling wealth management and other financial affairs.

#### 10. R & D Department

- (1) Responsible for developing strategies for technological development.
- (2) Responsible for studying trends in product development.
- (3) Responsible for executing the research and development of products and technologies based on product managers' planning to increase revenue.
- (4) Responsible for studying and introducing new technologies to increase competitiveness.
- (5) Responsible for developing and authenticating key raw materials/components, promoting product stories and effects, and increasing product value.
- (6) Responsible for evaluating the partners' technologies to expand the scope of business and investment opportunities.
- (7) Responsible for inspecting and analyzing raw materials and products to verify the quality of products.
- (8) Responsible for promoting verification labs to improve verification skills and the corporate image.
- (9) Responsible for applying for intellectual property rights for technologies/products with commercial value to protect the company rights and interests and research and development capabilities.
- (10) Responsible for developing and improving mass production technology to increase quality and reduce costs
- (11) Responsible for improving the quality of products to reduce customer complaints and costs and increase the corporate image.
- (12) Responsible for properly managing research and development assets and resources.
- (13) Responsible for managing the knowledge of research and development.

#### 11. Legal Affairs Office

- (1) Responsible for handling civil and criminal litigation and non-litigation cases.
- (2) Responsible for reviewing and revising the compliance of contracts, memoranda, letters of intent, and other contractual documents.
- (3) Responsible for filing complaints or sending legal attest letters to protect the company rights and interests.
- (4) Responsible for reviewing and revising company regulations.
- (5) Responsible for giving legal consultation and advice.
- (6) Responsible for handling the notarization of facts as evidence for making claims.
- (7) Responsible for the compulsory enforcement against salaries according to court orders.
- (8) Responsible for protecting intellectual property rights in cooperation with planning departments.
- (9) Responsible for planning and executing other legal matters in dispute.

#### 12. Occupational Safety and Health Office

- (1) Responsible for planning and executing annual occupational safety and health plans to reduce the occurrence of occupational disasters.

- (2) Responsible for establishing and regularly updating the occupational safety and health management system according to statutory requirements.
- (3) Responsible for regularly reviewing occupational safety and health certificates and training courses required by law to ensure that employees have up-to-date skills.
- (4) Responsible for planning and executing annual health examination and management for employees to ensure that employees are competent.
- (5) Responsible for executing the regular occupational safety and health audit of the production unit and proposing improvement plans to ensure the safety of employees and facilities.
- (6) Responsible for collecting and updating information on occupational safety and health, amending company regulations, and giving advice in line with national laws.
- (7) Responsible for regularly holding the Occupational Safety and Health Committee meetings to deliberate on, coordinate for, and give advice on safety and health matters.

## II. Information on Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Heads of All Departments and Branches

### (I) Directors and Supervisors

Table 1: Term, Shareholding, Education and Work Experience, and Positions Concurrently Held at Other Companies

May 1, 2020

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date of Appointment	Term	Date of First Appointment (Note 2)	Shareholding at the Time of Appointment		Current Shareholding		Current Shareholding Held by Spouse & Minor Children		Shareholding Held in the Name of Others		Education and Work Experience (Note 3)	Positions Concurrently Held at Other Companies	Executive, Director or Supervisor who Is Spouse or within the Second Degree of Kinship			Remark (Note 4)
							Number of Shares	Sharehold- ing (%)	Number of Shares	Sharehol- ding (%)	Number of Shares	Sharehol- ding (%)	Number of Shares	Sharehol- ding (%)			Title	Name	Relation	
Chairman	R.O.C.	Ministry of Economic Affairs		June 21, 2019	3 years	July 1, 1995	77,768,272	38.88%	77,768,272	38.88%	0	0	0	0	None	None	None	None	None	
Director (Represent ative of Juristic Person)	R.O.C.	(Represent ative of Ministry of Economic Affairs) Wu, Jung- Hui (Note 2- 1)	Male	—	—	—	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>■ Master of Business Administration, National Chung-Cheng University</li> <li>■ Deputy Magistrate of Chiayi County</li> <li>■ Chairman of Taiwan Tobacco and Liquor Corporation</li> <li>■ Secretary General of Chiayi County Government</li> <li>■ Director of Environmental Protection Bureau, Chiayi County</li> </ul>	<ul style="list-style-type: none"> <li>■ Chairman of Taiyen Biotech Co., Ltd.</li> <li>■ Chairman of Taiyen Green Energy Co., Ltd.</li> </ul>				
Chairman	R.O.C.	Ministry of Economic Affairs		June 21, 2019	3 years	July 1, 1995	77,768,272	38.88%	77,768,272	38.88%	0	0	0	0	None	None	None	None	None	
Director (Represent ative of Juristic Person)	R.O.C.	Tseng, Wen- Sheng (Represent ative of Ministry of Economic Affairs) (Note 2-	Male	—	—	—	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>■ Bachelor's in Civil Engineering, National Taiwan University</li> <li>■ Senior Specialist of National Youth Commission, Executive Yuan</li> <li>■ Director of Democratic Progressive Party - Youth</li> <li>■ Researcher of National</li> </ul>	<ul style="list-style-type: none"> <li>■ Acting Chairman of Taiyen Biotech Co., Ltd.</li> <li>■ Political Deputy Minister of Political Deputy Minister Office, Ministry of Economic Affairs</li> </ul>	None	None	None	

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date of Appointment	Term	Date of First Appointment (Note 2)	Shareholding at the Time of Appointment		Current Shareholding		Current Shareholding Held by Spouse & Minor Children		Shareholding Held in the Name of Others		Education and Work Experience (Note 3)	Positions Concurrently Held at Other Companies	Executive, Director or Supervisor who Is Spouse or within the Second Degree of Kinship			Remark (Note 4)
							Number of Shares	Shareholdi ng (%)	Number of Shares	Sharehol ding (%)	Number of Shares	Sharehol ding (%)	Numb er of Shares	Sharehol ding (%)			Title	Name	Relation	
		1)												<ul style="list-style-type: none"> <li>Youth Commission, Executive Yuan</li> <li>■ Specialist of Urban Development Bureau, Kaohsiung City Government</li> <li>■ Advisor of Kaohsiung City Government</li> <li>■ Senior Specialist of Economic Development Bureau, Kaohsiung City Government</li> <li>■ Director-General of Economic Development Bureau, Kaohsiung City Government</li> </ul>						
Chairman	R.O.C.	Ministry of Economic Affairs		June 21, 2019	3 years	July 1, 1995	77,768,272	38.88%	77,768,272	38.88%	0	0	0	0	None	None	None	None	None	
Director (Representative of Juristic Person)	R.O.C.	Chen, Chi-Yu (Representative of Ministry of Economic Affairs) (Note 2-1)	Male	—	—	—	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>■ Bachelor's in Sociology, National Taiwan University</li> <li>■ Chairman of Taiyen Biotech Co., Ltd.</li> <li>■ Chairman of Taiyen Green Energy Co., Ltd.</li> <li>■ 1st Deputy Mayor of Kaohsiung City after the merger</li> <li>■ 6th-term and 7th-term Legislator</li> <li>■ Chairman of Top High Image Corp.</li> <li>■ 13th-term and 14th-term Kaohsiung County Councilor</li> </ul>	None	None	None	None		
Director	R.O.C.	Ministry of Economic Affairs		June 21, 2019	3 years	July 1, 1995	77,768,272	38.88%	77,768,272	38.88%	0	0	0	0	None	None	None	None	None	
Director (Representative of Juristic Person)	R.O.C.	Liu, Ya-Chuan (Representative of Ministry of Economic	Female	—	—	—	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>■ International Master's in Taiwan Studies, National Chengchi University</li> <li>■ Bachelor's in Law, National Chengchi University</li> <li>■ Section Chief and Senior</li> </ul>	<ul style="list-style-type: none"> <li>■ Deputy Director, Department of Commerce, Ministry of Economic Affairs</li> </ul>	None	None	None		

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date of Appointment	Term	Date of First Appointment (Note 2)	Shareholding at the Time of Appointment		Current Shareholding		Current Shareholding Held by Spouse & Minor Children		Shareholding Held in the Name of Others		Education and Work Experience (Note 3)	Positions Concurrently Held at Other Companies	Executive, Director or Supervisor who Is Spouse or within the Second Degree of Kinship			Remark (Note 4)
							Number of Shares	Shareholdi ng (%)	Number of Shares	Sharehol ding (%)	Number of Shares	Sharehol ding (%)	Numb er of Shares	Sharehol ding (%)			Title	Name	Relation	
		Affairs)													Executive Officer of Legal Affairs Committee, Ministry of Economic Affairs ■ Member on Objection Review Committee, Bureau of Foreign Trade ■ Senior Executive Officer and Deputy Executive Secretary of Legal Affairs Committee, Ministry of Economic Affairs					
Director	R.O.C.	Ministry of Economic Affairs		June 21, 2019	3 years	July 1, 1995	77,768,272	38.88%	77,768,272	38.88%	0	0	0	0	None	None	None	None	None	
Director (Represent ative of Juristic Person)	R.O.C.	Liao, Hsien- Kuei (Represent ative of Ministry of Economic Affairs)	Male	—	—	—	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>■ Professor, Associate Professor, and Assistant Professor of National Taiwan University of Science and Technology</li> <li>■ Associate Dean, Associate Dean, and Director of Research Center of National Taiwan University of Science and Technology</li> <li>■ Doctor of Mechanical Engineering, National Taiwan University</li> <li>■ Doctor of Optoelectronics, National Chiao Tung University</li> <li>■ Master of Business Administration, National Taiwan University</li> <li>■ Master of Science and Technology Law,</li> </ul>	<ul style="list-style-type: none"> <li>■ Distinguished Professor of National Taiwan University of Science and Technology</li> <li>■ Dean of Department of Electronics and Director of Graduate Institute of Electro-optical Engineering, National Taiwan University of Science and Technology</li> <li>■ Part-time Researcher at National Applied Research Laboratories</li> <li>■ Supervisor of Taiwan Photonics Society</li> <li>■ Member of</li> </ul>	None	None	None	

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date of Appointment	Term	Date of First Appointment (Note 2)	Shareholding at the Time of Appointment		Current Shareholding		Current Shareholding Held by Spouse & Minor Children		Shareholding Held in the Name of Others		Education and Work Experience (Note 3)	Positions Concurrently Held at Other Companies	Executive, Director or Supervisor who Is Spouse or within the Second Degree of Kinship			Remark (Note 4)
							Number of Shares	Shareholdi ng (%)	Number of Shares	Sharehold ing (%)	Number of Shares	Sharehol ding (%)	Number of Shares	Sharehol ding (%)			Title	Name	Relation	
														National Tsing Hua University ■ Master of Electrical Engineering, National Tsing Hua University ■ Bachelor of Electrical Engineering, National Taiwan University	Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs					
Director	R.O.C.	Ministry of Economic Affairs		June 21, 2019	3 years	July 1, 1995	77,768,272	38.88%	77,768,272	38.88%	0	0	0	0	None	None	None	None	None	
Director (Represent ative of Juristic Person)	R.O.C.	Wang, Ching- Tien (Represent ative of Ministry of Economic Affairs)	Male	—	—	—	0	0	0	0	0	0	0	0	■ Bachelor's in Electrical Engineering, Nan Jeon University of Science and Technology ■ Chairman of Federation of Labor Unions at Taiyen Biotech Co., Ltd.	■ Deputy Director of Cigu Salt Plant at Taiyen Biotech Co., Ltd. ■ Director (labor representative) at Taiyen Biotech Co., Ltd.	None	None	None	
Director	R.O.C.	Sunshine Protech Inc.		June 21, 2019	3 years	December 23, 2010	942,337	0.47%	797,337	0.40%	0	0	0	0	None	None	None	None	None	
Director (Represent ative of Juristic Person)	R.O.C.	Chen- Kuan- Ping (Represent ative of Sunshine Protech Inc.)	Male	—	—	—	0	0	0	0	0	0	0	0	■ Bachelor's in Economics, National Taiwan University ■ Independent Director of Universal Microwave Technology Inc.	■ Executive Assistant at Sunshine Protech Inc. ■ Independent Director of Universal Microwave Technology Inc.	None	None	None	
Director	R.O.C.	Lungyen Life Service Corporati on, Ltd.		June 21, 2019	3 years	June 21, 2019	9,493,000	4.75%	5,743,000	2.87%	0	0	0	0	None	None	None	None	None	
Director (Represent ative of Juristic Person)	R.O.C.	Tsai, Wen- Chieh (Represent ative of Lungyen Life Service Corporati on, Ltd.)	Male	—	—	—	0	0	0	0	0	0	0	0	■ EMBA, National Chiao- Tung University ■ Bachelor's in Civil Engineering, National Taipei University of Technology ■ Chairman of Changyi Group/Zhenxing Construction Co, Ltd. ■ Vice President of Yamay	■ Director of Lungyen Life Service Corporation, Ltd. ■ Chairman of Longyang Life (China) Holdings Co., Ltd. ■ Director of Xinwei International Co., Ltd.	None	None	None	



Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date of Appointment	Term	Date of First Appointment (Note 2)	Shareholding at the Time of Appointment		Current Shareholding		Current Shareholding Held by Spouse & Minor Children		Shareholding Held in the Name of Others		Education and Work Experience (Note 3)	Positions Concurrently Held at Other Companies	Executive, Director or Supervisor who Is Spouse or within the Second Degree of Kinship			Remark (Note 4)
							Number of Shares	Sharehold- ing (%)	Number of Shares	Sharehol- ding (%)	Number of Shares	Sharehol- ding (%)	Number of Shares	Sharehol- ding (%)			Title	Name	Relation	
														<ul style="list-style-type: none"> <li>■ Entertainment Co., Ltd.</li> <li>■ Chairman of Shengguang Construction Co, Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>■ Chairman of Taiwan City and County Development Co., Ltd.</li> <li>■ Chairman of Shengji Development Co, Ltd.</li> <li>■ Vice Chairman of Health Chain International Corp.</li> </ul>					
Independent Director	R.O.C.	Chan, Chien-Lung	Male	June 21, 2019	3 years	June 21, 2019	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>■ Doctor of Accounting, Nova Southeastern University</li> <li>■ President of School of Business, Soochow University</li> <li>■ Chairman of Department of Accounting, Soochow University</li> </ul>	<ul style="list-style-type: none"> <li>■ Professor at Soochow University</li> <li>■ Member on Audit Committee, Taiyen Biotech Co., Ltd.</li> <li>■ Member on Remuneration Committee, Taiyen Biotech Co., Ltd.</li> <li>■ Director of Heran Co., Ltd.</li> <li>■ Independent Director of Taiwan Semiconductor Co., Ltd.</li> <li>■ Independent Director of Jess-Link Products Co., Ltd.</li> <li>■ Independent Director of Asia Optical Co., Inc.</li> </ul>	None	None	None	
Independent Director	R.O.C.	Huang, Shun-Tien	Male	June 21, 2019	3 years	June 21, 2019	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>■ Bachelor's in Law, Fu Jen Catholic University</li> <li>■ Member on Radio and Cable TV Review Committee, Kaohsiung County Government</li> <li>■ Member on National Compensation Review Committee, Kaohsiung County Government</li> <li>■ Member on Labor Rights Fund Committee, Kaohsiung County Government</li> </ul>	<ul style="list-style-type: none"> <li>■ Certified lawyer at Huang, Shun-Tien Law Firm</li> <li>■ Member on Election Committee, Kaohsiung County Government</li> <li>■ Member on Audit Committee, Taiyen Biotech Co., Ltd.</li> <li>■ Member on Remuneration Committee, Taiyen Biotech Co., Ltd.</li> <li>■ Independent Director of Enrestec Inc.</li> </ul>	None	None	None	

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date of Appointment	Term	Date of First Appointment (Note 2)	Shareholding at the Time of Appointment		Current Shareholding		Current Shareholding Held by Spouse & Minor Children		Shareholding Held in the Name of Others		Education and Work Experience (Note 3)	Positions Concurrently Held at Other Companies	Executive, Director or Supervisor who Is Spouse or within the Second Degree of Kinship			Remark (Note 4)
							Number of Shares	Shareholdi ng (%)	Number of Shares	Sharehol ding (%)	Number of Shares	Sharehol ding (%)	Numb er of Shares	Sharehol ding (%)			Title	Name	Relation	
Independent Director	R.O.C.	Kuo, Ying-Man	Female	June 21, 2019	3 years	June 21, 2019	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>■ Bachelor's in Law (Legal Science Division), National Taiwan University</li> <li>■ Lawyer and Director of Overseas Department, Perennial Group</li> </ul>	<ul style="list-style-type: none"> <li>■ Chief Lawyer of Zhendao Law Firm</li> <li>■ Member on Audit Committee, Taiyen Biotech Co., Ltd.</li> <li>■ Director of Jiata Excelsior Co., Ltd.</li> <li>■ Director of Excelsior Renal Service Co., Limited</li> </ul>	None	None	None	

Note 1: For institutional shareholders, indicate the names of the institutional shareholder and its representative respectively (for the representative of an institutional shareholder, the name of the institutional shareholder) and fill in Table 2 below.

Note 2: Fill in the duration of first being appointed as the director or supervisor. Give an explanation in case of any discontinuity.

Note 2-1: On June 21, 2019, the Ministry of Economic Affairs was elected as the 12th-term director and appointed the representative, Chen, Chi-Yu, to serve as the director. Chen, Chi-Yu was elected as Chairman by the Board of Directors. Chen, Chi-Yu resigned on February 1, 2021. The representative, Tseng, Wen-Sheng, was appointed to serve as the director on February 3, 2021 and was elected as acting chairman by the Board of Directors on February 4, 2021. The representative, Wu, Jung-Hui, was appointed as the director on April 23, 2021 and was elected as Chairman on April 30, 2021.

Note 2-2: On June 21, 2019, the Ministry of Economic Affairs was elected as the 12th-term director and appointed the representative, Cheng, Kuo-Jung, to serve as the director. On August 12, 2019, the representative, Liu, Ya-Chuan was appointed as the director due to the retirement of Cheng, Kuo-Jung.

Note 2-3: On June 21, 2019, the Ministry of Economic Affairs was elected as the 12th-term director and appointed the representative, Lai, Cheng-Neng, to serve as the director (labor representative). On July 16, 2019, the representative, Wang, Ching-Tien was appointed as the director (labor representative) due to the re-election of the union.

Note 2-4: On December 23, 2010, Sunshine Protech Inc. was elected as the 9th-term director and served until the expiration of the term on June 19, 2013. On June 21, 2019, Sunshine Protech Inc. was elected as the 12th-term director and appointed the representative, Chen, Kuan-Ping, to serve as the director.

Note 3: Fill in the work experience in relation to the current position. In case of service at the CPAs' accounting firm or its affiliate, indicate the title and responsibility of the position.

Note 4: Where the Chairman and the President or an equivalent position (the highest level manager) are the same person, spouses, or relatives within the first degree of kinship, indicate the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g., appointment of independent directors and a majority of directors not serving concurrently as employees or managerial officers).

Table 2: Major Institutional Shareholders

April 27, 2021

Name of Institutional Shareholder (Note 1)	Major Shareholder (Note 2)	
Ministry of Economic Affairs	N/A	
Sunshine Protech Inc.	Huang, Cheng-Hsun	Shareholding (%): 58.43%
	Wang, Hsiao-Ying	Shareholding (%): 36.23%
	Huang, Wen-Liang	Shareholding (%): 3.17%
	Chen, Kuan-Ping	Shareholding (%): 2.17%
Lungyen Life Service Corporation, Ltd.	Wish Giver Limited	Shareholding (%): 33.28%
	Cheng Chang Investment Co., Ltd.	Shareholding (%): 9.93%
	UOB Kay Hian (HK) Limited - Citibank Customer Account	Shareholding (%): 8.26%
	ORIX Asia Capital Limited - Fubon Securities Investment Account	Shareholding (%): 5.00%
	Bairui Investment Co., Ltd.	Shareholding (%): 4.40%
	Li Investment Co., Ltd.	Shareholding (%): 3.64%
	Fubon Life Insurance Co., Ltd.	Shareholding (%): 3.50%
	FUJI Industries Corporation	Shareholding (%): 2.99%
	Fuyuan International Development Co., Ltd.	Shareholding (%): 2.04%
Mercuries Life Insurance Inc.	Shareholding (%): 1.69%	

Note 1: If a director or supervisor is an institutional shareholder, fill in the name of the institutional shareholder.

Note 2: Fill in the name of the institutional shareholder's major shareholder (top 10% in terms of shareholding) and its shareholding (%). If the institutional shareholder's major shareholder is a judicial person, fill in Table 3 below.

Note 3: If the institutional shareholder is not a corporation, fill in the name of the investor or subscriber and its investment or subscription (%).

Table 3: Major Shareholders of Major Institutional Shareholders in Table 2

April 27, 2021

Name of Institutional Shareholder	Major Shareholder (Note 2)	
Wish Giver Limited	Phoenix Tycoon Limited	Shareholding (%): 100%
Cheng Chang Investment Co., Ltd.	Fuhe Investment Co., Ltd.	Shareholding (%): 100%
Bairui Investment Co., Ltd.	Li, Shih-Tsung	Shareholding (%): 33.17%
Li Investment Co., Ltd.	Cheng Chang Investment Co., Ltd.	Shareholding (%): 100%

Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. Shareholding (%): 100%
Fuyuan International Development Co., Ltd.	Li, Shih-Tsung Shareholding (%): 52%
Mercuries Life Insurance Inc.	Mercuries & Associates Holding, Ltd. Shareholding (%): 100%

Note 1: If the major shareholder is a judicial person, fill in the name of the judicial person.

Note 2: Fill in the name of the judicial person's major shareholder (top 10% in terms of shareholding) and its shareholding (%).

Note 3: If the institutional shareholder is not a corporation, fill in the name of the investor or subscriber and its investment or subscription (%).

Table 4: Work Experience, Qualifications, and Number of Other Public Companies where the Individual Concurrently Serves as Independent Director

Qualifications	More than Five Years of Work Experience and One of the following Qualifications			Independence Criteria (Note 2)												Number of Other Public Companies where the Individual Concurrently Serves as Independent Director	
	Instructor or Higher Position in Department of Commerce, Law, Finance, Accounting, or Other Business-related Departments in Public or Private Junior College or University	Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Certified Professionals or Technical Specialists Required for Business Operations	Work Experience in Commerce, Law, Finance, Accounting, or Other Business-related Fields	1	2	3	4	5	6	7	8	9	10	11	12		
Name (Note 1)																	
Wu, Jung-Hui			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Tseng, Wen-Sheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chen, Chi-Yu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Liu, Ya-Chuan			✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Liao, Hsien-Kuei	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Wang, Ching-Tien			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chen, Kuan-Ping			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Tsai, Wen-Chieh			✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chan, Chien-Lung	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Huang, Shun-Tien		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Kuo, Ying-Man		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1: Add or delete columns whenever necessary.

Note 2: Please check (✓) the corresponding boxes if the director or supervisor meets the following conditions during the two years prior to the appointment and during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or its affiliate. (However, this does not apply in a case where the person is also an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse and minor children or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or who is ranked in the top 10 in terms of shareholding.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of shares issued by the Company, that is ranked in the top 5 in terms of shareholding, or that appoints the representative to serve as the director or supervisor in accordance with Paragraph 1 or 2, Article 27 of the Company Act. (However, this does not apply in a case where the person is also an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).
- (6) Not a director, supervisor or employees of another company where the same person controls a majority of the Company's directors or shares with voting rights. (However, this does not apply in a case where the person is also an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).
- (7) Not a director, supervisor or employee of another company or institution who or whose spouse is also the Chairman, the President or an equivalent position of the Company. (However, this does not apply in a case where the person is also an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).
- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specific company or institution that has financial or business relations with the Company. (However, this does not apply in a case where a specific company or institution holds more than 20% but less than 50% of the total shares issued by the Company and also serves as an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).
- (9) Not a professional individual, sole proprietor, or partner or an owner, partner, director, supervisor, or managerial officer or a spouse thereof of a company or institution providing auditing or commercial, legal, financial, or accounting services for the Company or its affiliate with a cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in a case where a member on the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions who performs the duties in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not a spouse or relative within the second degree of kinship to any other director of the Company.
- (11) Not having any of the conditions defined in Article 30 of the Company Act.
- (12) Not a governmental or judicial person or its representative as defined in Article 27 of the Company Act.

## (II) President, Vice Presidents, Assistant Vice Presidents, and Heads of All Departments and Branches

May 1, 2021

Title (Note 1)	Nationality	Name	Gender	Date of Appointment	Shareholding		Shareholding Held by Spouse & Minor Children		Shareholding Held in the Name of Others		Education and Work Experience (Note 2)	Positions Concurrently Held at Other Companies	Managerial Officer who Is Spouse or within the Second Degree of Kinship			Remark (Note 3)
					Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relation	
Vice President	R.O.C.	Chen, Shi-Hui	Male	September 26, 2014	3,607	0	0	0	0	0	Master's in Soil Science, National Chung Hsing University	■ Director and President of Taiyen (Xiamen) Import and Export Co., Ltd.	—	—	—	
Director of Auditing Office	R.O.C.	Wang, Ching-Sen	Male	December 31, 2019	0	0	0	0	0	0	Master's in Finance, National Chiao Tung University	■ Supervisor of Taiyen (Xiamen) Import and Export Co., Ltd.	—	—	—	
Director of President's Office	R.O.C.	Chen, Mei-Wen	Female	March 1, 2020	0	0	0	0	0	0	EMBA, Chang Jung Christian University	None	—	—	—	
Director of Legal Affairs Office	R.O.C.	Yang, Tung-Hsuan	Male	July 1, 2008	257	0	0	0	0	0	Master's in Science and Technology Law, National Yunlin University of Science and Technology	None	—	—	—	
Director of General Affairs Department	R.O.C.	Li, Ming-Ta	Male	February 1, 2018	0	0	0	0	0	0	Master's in Plant Pathology, National Chung Hsing University	None	—	—	—	
Director of Corporate Development Department	R.O.C.	Li, Chieh-Han	Male	May 31, 2019	1,784	0	0	0	0	0	Master of Business Administration, National Central University	■ Director of Taiyen Biotech (Hong Kong) Co., Ltd. ■ Director of Taiyen Green Energy Co., Ltd.	—	—	—	
Director of Occupational Safety and Health Office	R.O.C.	Lin, Hsi-Hung	Male	January 31, 2020	1,000	0	1,000	0	0	0	Master's in Industrial Engineering and Engineering Management, National Tsing Hua University	None	—	—	—	
Director of Salt and Water Business Division	R.O.C.	Huang, Keng-Hsien	Male	March 1, 2017	0	0	0	0	0	0	Master of Business Administration, Kun Shan University	■ Director and Vice President of Taiyen (Xiamen) Import and Export Co., Ltd.	—	—	—	
Director of Biotech Business Division	R.O.C.	Chuang, Chieh-Nan	Male	March 1, 2017	0	0	0	0	0	0	Master's in Labor and Human Resources, Chinese Culture University	None	—	—	—	
Director of Branding and Marketing Department	R.O.C.	Chen, Tai-Ni	Female	February 10, 2020	0	0	0	0	0	0	Bachelor's in Social Work, Soochow University	None	—	—	—	

Title (Note 1)	Nationality	Name	Gender	Date of Appointment	Shareholding		Shareholding Held by Spouse & Minor Children		Shareholding Held in the Name of Others		Education and Work Experience (Note 2)	Positions Concurrently Held at Other Companies	Managerial Officer who Is Spouse or within the Second Degree of Kinship			Remark (Note 3)
					Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relation	
Director of Financial Accounting Department	R.O.C.	Su Wei	Female	December 31, 2019	2,000	0	0	0	0	0	Master's in International Business Administration, National Yunlin University of Science and Technology	■ Director of Taiyen Biotech (Hong Kong) Co., Ltd.	—	—	—	
Director of R & D Department	R.O.C.	Tsao, Chih-Hsing	Male	July 1, 2017	681	0	0	0	0	0	Master's in Mechanical Engineering, National Cheng Kung University	None	—	—	—	
Manager at Taipei Sales Office	R.O.C.	Kuan, Ssu-Ying	Female	August 1, 2019	286	0	0	0	0	0	Master's in Management, Yuang Ze University	None	—	—	—	
Manager at Taichung Sales Office	R.O.C.	Lai, Tung-Kuo	Male	August 1, 2017	0	0	0	0	0	0	Bachelor's in Social Work, Tunghai University	None	—	—	—	
Manager at Kaohsiung Sales Office	R.O.C.	Kung, Pei-Jung	Female	December 1, 2015	2,564	0	0	0	0	0	Master's in Business Management, National Sun Yat-sen University	None	—	—	—	
Director of Biotech Health Products Factory	R.O.C.	Hung, Ya-Ping	Female	March 1, 2020	2,518	0	24,411	0.01%	0	0	Master's in Plant Pathology, National Chung Hsing University	None	—	—	—	
Director of Biotech Cosmetics Factory	R.O.C.	Chang, Yuan-Ssu	Male	March 1, 2020	314	0	0	0	0	0	Master's in Chemistry, National Cheng Kung University	None	—	—	—	
Director of Tung-Hsiao Electrodialysis Refined Salt Factory	R.O.C.	Liu, Hung-Chuan	Male	April 26, 2019	35	0	0	0	0	0	Master's in Mechanical Engineering, National Taiwan University	None	—	—	—	
Director of Cigu Salt Plant	R.O.C.	Li, Chun-Hung	Male	January 1, 2021	0	0	0	0	0	0	Master's in Political Science, National Chung-Cheng University	None	—	—	—	
Director of Import Salt Storage and Transportation Office	R.O.C.	Li, Chuan-Chou	Male	August 1, 2017	163	0	0	0	0	0	Master's in Materials Science and Engineering, National Cheng Kung University	None	—	—	—	

Note 1: Disclose information on the president, vice presidents, assistant vice presidents, and heads of all departments and branches, as well as positions equivalent to the president, vice presidents, and assistant vice presidents.

Note 2: Fill in the work experience in relation to the current position. In case of service at the CPAs' accounting firm or its affiliate, indicate the title and responsibility of the position.

Note 3: Where the Chairman and the President or an equivalent position (the highest level manager) are the same person, spouses, or relatives within the first degree of kinship, disclose the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g., appointment of independent directors and a majority of directors not serving concurrently as employees or managerial officers).

(III) Remuneration Paid during the Most Recent Fiscal Year to Directors, Supervisors, the President, and Vice Presidents

1. Remuneration to directors (disclose aggregate remuneration information with the names indicated for each remuneration range)

Unit: NT\$

Title	Name	Director Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Remuneration Received as Employee								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		Remuneration Received from Invested Companies Other than Subsidiaries of the Parent (Note 11)	
		Base Compensation (A) (Note 2)		Severance Pay and Pension (B)		Director Compensation (C) (Note 3)		Professional Practice Fee (D) (Note 4)				Salary, Bonus, and Allowance (E) (Note 5)		Severance Pay and Pension (F)		Employee Compensation (G) (Note 6)							
		The Company	All Companies in Financial Statements (Note 7)	The Company	All Companies in Financial Statements (Note 7)	The Company	All Companies in Financial Statements (Note 7)	The Company	All Companies in Financial Statements (Note 7)	The Company	All Companies in Financial Statements (Note 7)	The Company	All Companies in Financial Statements (Note 7)	The Company	All Companies in Financial Statements (Note 7)	The Company		All Companies in Financial Statements (Note 7)		The Company	All Companies in Financial Statements		
														Cash	Stock	Cash	Stock						
Chairman	Chen, Chi-Yu	6,372,703	6,372,703	0	0	7,172,678	7,202,132	720,000	780,000	3.91%	3.93%	1,601,690	1,601,690	0	0	70,413	0	70,413	0	4.37%	4.39%	None	
Director (Labor Representative)	Wang, Ching-Tien																						
Director	Liao, Hsien-Kuei																						
Director	Liu, Ya-Chuan																						
Director	Chen, Kuan-Ping																						
Director	Tsai, Wen-Chieh																						
Independent Director	Chan, Chien-Lung	1,620,000	1,620,000	0	0	0	0	0	0	0.44%	0.44%	0	0	0	0	0	0	0	0	0	0.44%	0.44%	None
Independent Director	Huang, Shun-Tien																						
Independent Director	Kuo, Ying-Man																						

1. Please describe the policy, system, standard, and structure of remuneration paid to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: The policy, system, standard, and structure of remuneration paid to independent directors have been resolved in the 2nd meeting of the 9th-term Board of Director based on the duties, risk, and time input of independent directors. In accordance with Article 35 of the Articles of Incorporation, no director compensation shall be paid to independent directors.  
 2. Other than as disclosed in the above table, remuneration paid to directors providing services (e.g., consulting services as a non-employee) for all companies in financial statements in the most current fiscal year: None.

Note: The Company has 9 directors. For information on the dismissal and appointment of representatives of juridical persons, refer to (I) Board of Directors, C. Implementation of Corporate Governance.



## Range of Remuneration

Range of Remuneration Paid to Directors	Name of Director			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	The Company (Note 8)	All Companies in Financial Statements (Note 9) H	The Company (Note 8)	All Companies in Financial Statements (Note 9) I
Less than NT\$1,000,000	Chan, Chien-Lung, Huang, Shun-Tien, Kuo, Ying-Man	Chan, Chien-Lung, Huang, Shun-Tien, Kuo, Ying-Man	Chan, Chien-Lung, Huang, Shun-Tien, Kuo, Ying-Man	Chan, Chien-Lung, Huang, Shun-Tien, Kuo, Ying-Man
NT\$1,000,000 (inclusive) ~ NT\$2,000,000	Wang, Ching-Tien, Liao, Hsien-Kuei, Liu, Ya-Chuan, Chen, Kuan-Ping, Tsai, Wen-Chieh	Wang, Ching-Tien, Liao, Hsien-Kuei, Liu, Ya-Chuan, Chen, Kuan-Ping, Tsai, Wen-Chieh	Liao, Hsien-Kuei, Liu, Ya-Chuan, Chen, Kuan-Ping, Tsai, Wen-Chieh	Liao, Hsien-Kuei, Liu, Ya-Chuan, Chen, Kuan-Ping, Tsai, Wen-Chieh
NT\$2,000,000 (inclusive) ~ NT\$3,500,000	-	-	Wang, Ching-Tien	Wang, Ching-Tien
NT\$3,500,000 (inclusive) ~ NT\$5,000,000	-	-	-	-
NT\$5,000,000 (inclusive) ~ NT\$10,000,000	Chen, Chi-Yu	Chen, Chi-Yu	Chen, Chi-Yu	Chen, Chi-Yu
NT\$10,000,000 (inclusive) ~ NT\$15,000,000	-	-	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000	-	-	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000	-	-	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000	-	-	-	-
More than NT\$100,000,000	-	-	-	-
<b>Total</b>	<b>9 people</b>	<b>9 people</b>	<b>9 people</b>	<b>9 people</b>

Note 1: List directors individually (for institutional shareholders, indicate the name of the institutional shareholder and its representative respectively), distinguish between general directors and independent directors, and disclose the amount of remuneration collectively. If directors concurrently serve as the President and Vice Presidents, fill in this table and Table 3 below.

Note 2: Compensation paid to the director for the most recent year (including the salary, duty allowances, severance pay, bonuses, and incentives).

Note 3: Director remuneration distributed for the most recent year upon approval of the Board of Directors.

Note 4: Professional practice fees paid to the director for the most recent year (including transportation expenses, special allowances, other allowances, accommodation, and company cars). If accommodation, company cars and other types of transportation, or personal expenses are provided, disclose the nature and cost of assets, rents paid at actual or fair market prices, fuel fees, and other expenses. Indicate any compensation paid to the driver in the note, but it is not included in the remuneration.

Note 5: The Salary, duty allowances, severance pay, bonuses, incentives, transportation expenses, special allowances, other allowances, accommodation, and company cars received by the director who concurrently serves as an employee (including the President, Vice President, managerial officer, etc.) for the most recent year. If accommodation, company cars and other types of transportation, or personal expenses are provided, disclose the nature and cost of assets, rents paid at actual or fair market prices, fuel fees, and other expenses. Indicate any compensation paid to the driver in the note, but it is not included in the remuneration. Any salary recognized under IFRS 2 Share-Based Payment, including employee share subscription warrants, new restricted employee shares, and share subscription for cash, should also be included in the remuneration.

Note 6: For employee compensation (in the form of either stock or cash) paid to the director who concurrently serves as an employee (including the President, Vice President, managerial officer, etc.) for the most recent year, disclose the amount of employee compensation distributed upon approval of the Board of Directors for the most recent year. If the amount of employee compensation is inestimable, indicate the proposed amount to be distributed this year based on the actual amount distributed last year, and fill in Appendix 1-3.

Note 7: Disclose the total remuneration paid to directors by all companies (including the Company) in the consolidated financial statements.

Note 8: Disclose the name of each director in the range of remuneration corresponding to the amount of total remuneration paid to each director by the Company.

Note 9: Disclose the name of each director in the range of remuneration corresponding to the amount of total remuneration paid to each director by all companies (including the Company) in the consolidated financial statements.

Note 10: Net income for the most current year refers to that specified in the parent company only or standalone financial statements for the most recent year.

Note 11: a. Disclose the amount of remuneration received by the directors from invested companies other than subsidiaries or the parent (indicate "None" if nil).

b. Where the directors receive remuneration from invested companies other than subsidiaries or from the parent, include such remuneration in the range of remuneration ("I") and rename the field "Parent and All Invested Companies."

c. Remuneration refers to compensation, remuneration (including compensation paid to employees and directors and supervisors), and professional practice fees received from invested companies other than subsidiaries or from the parent for service as directors supervisors, or managerial officers.

\* The remuneration disclosed in this table is calculated based on a concept which is different from the concept of income stipulated in the Income Tax Act. Therefore, this table is only meant for information disclosure, not for taxation.

2. Remuneration to the President and Vice Presidents (disclose aggregate remuneration information with the names indicated for each remuneration range)

Unit: NT\$

Title	Name	Salary (A) (Note 2)		Severance Pay and Pension (B)		Bonus and Special Allowance (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 8)		Remuneration Received from Invested Companies Other than Subsidiaries or the Parent (Note 9)
		The Company	All Companies in Financial Statements (Note 5)	The Company	All Companies in Financial Statements (Note 5)	The Company	All Companies in Financial Statements (Note 5)	The Company		All Companies in Financial Statements (Note 5)		The Company	All Companies in Financial Statements (Note 5)	
								Cash	Stock	Cash	Stock			
President	Wu, Hsu-Hui	4,355,000	4,355,000	5,040,725	5,040,725	2,757,326	2,954,780	356,354	0	356,354	0	3.43%	3.48%	None
Vice President	Chen, Shi-Hui													
Vice President	Tu, Chin-Han													

\* Regardless of the title, any position equivalent to the President or Vice President (e.g., general manager, chief executive officer, and director) should be disclosed.

Range of Remuneration

Range of Remuneration Paid to President and Vice Presidents	Name of President and Vice President	
	The Company (Note 6)	All Companies in Financial Statements (Note 7) E
Less than NT\$1,000,000		
NT\$1,000,000 (inclusive) ~ NT\$2,000,000		
NT\$2,000,000 (inclusive) ~ NT\$3,500,000	Chen, Shi-Hui	Chen, Shi-Hui
NT\$3,500,000 (inclusive) ~ NT\$5,000,000	Wu, Hsu-Hui	Wu, Hsu-Hui
NT\$5,000,000 (inclusive) ~ NT\$10,000,000	Tu, Chin-Han	Tu, Chin-Han
NT\$10,000,000 (inclusive) ~ NT\$15,000,000		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000		
More than NT\$100,000,000		
Total	3 people	3 people

Note 1: List the President and Vice Presidents individually and disclose the amount of remuneration collectively. If directors concurrently serve as the President and Vice Presidents, fill in this table and the table above.

Note 2: The salary, job allowances, and severance pay paid to the President and Vice Presidents for the most recent year.

Note 3: Remuneration, including the bonuses, incentives, transportation expenses, special allowances, other allowances, accommodation, and company cars, paid to the President and Vice Presidents for the most recent year. If accommodation, company cars and other types of transportation, or personal expenses are provided, disclose the nature and cost of assets, rents paid at actual or fair market prices, fuel fees, and other expenses. Indicate any compensation paid to the driver in the note, but it is not included in the remuneration. Any salary recognized under IFRS 2 Share-Based Payment, including employee share subscription warrants, new restricted employee shares, and share subscription for cash, should also be included in the remuneration.

Note 4: Disclose the amount of employee compensation (in the form of either stock or cash) distributed to the President or Vice President upon approval of the Board of Directors for the most recent year. If the amount of employee compensation is inestimable, indicate the proposed amount to be distributed this year based on the actual amount distributed last year, and fill in Appendix 1-3.

Note 5: Disclose the total remuneration paid to the President and Vice Presidents by all companies (including the Company) in the consolidated financial statements.

Note 6: Disclose the name of the President and each Vice President in the range of remuneration corresponding to the amount of total remuneration paid to the President and each Vice President by the Company.

Note 7: Disclose the name of the President and each Vice President in the range of remuneration corresponding to the amount of total remuneration paid to the President and each Vice President by all companies (including the Company) in the consolidated financial statements.

Note 8: Net income for the most current year refers to that specified in the parent company only or standalone financial statements for the most recent year.

Note 9: a. Disclose the amount of remuneration received by the President and Vice Presidents from invested companies other than subsidiaries

b. Where the President and Vice Presidents receive remuneration from invested companies other than subsidiaries or from the parent, include such remuneration in the range of remuneration ("E") and rename the field "Parent and All Invested Companies."

c. Remuneration refers to compensation, remuneration (including compensation paid to employees and directors and supervisors), and professional practice fees received from invested companies other than subsidiaries or from the parent for service as directors, supervisors, or managerial officers.

\* The remuneration disclosed in this table is calculated based on a concept which is different from the concept of income stipulated in the Income Tax Act. Therefore, this table is only meant for information disclosure, not for taxation.

### 3. Employee compensation distributed to managerial officers

May 1, 2021 Unit: NT\$

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Ratio of Total Compensation to Net Income (%)
Managerial Officer	President(Resigned)	Wu, Hsu-Hui	0	1,035,775	1035,775	0.2837%
	Vice President	Chen, Shi-Hui				
	Director of Financial Accounting Department	Su Wei				
	Manager at Taipei Sales Office	Kuan, Ssu- Ying				
	Manager at Taichung Sales Office	Lai, Tung-Kuo				
	Manager at Kaohsiung Sales Office	Kung, Pei- Jung				
	Director of Tung-Hsiao Electrodialysis Refined Salt Factory	Liu, Hung- Chuan				
	Director of Biotech Health Products Factory	Hung, Ya-Ping				
	Director of Biotech Cosmetics Factory	Chang, Yuan- Ssu				
	Director of Cigu Salt Plant	Li, Chun- Hung				
	Director of Imported Salt Storage	Li, Chuan- Chou				

Note 1: Disclose the name and title of the managerial officer separately; the amount of compensation distributed may be disclosed collectively.

Note 2: Disclose the amount of employee compensation (in the form of either stock or cash) distributed to the managerial officers upon approval of the Board of Directors for the most recent year. If the amount of employee compensation is inestimable, indicate the proposed amount to be distributed this year based on the actual amount distributed last year. Net income refers to that for the most current year; if the IFRS is adopted, net income shall refer to that specified in the parent company only or standalone financial statements for the most recent year.

Note 3: According to the Financial Supervisory Commission Order Tai-Cai-Zheng-Shan-Zi No. 0920001301 issued on March 27, 2003, the scope of managerial officers is defined as follows:

- (1) President and equivalents;
- (2) Vice president and equivalents;
- (3) Assistant vice president and equivalents;
- (4) Head of finance department;
- (5) Head of accounting department; or
- (6) Other people who have the right to manage affairs and sign on behalf of the Company.

Note 4: If directors, the President, and Vice Presidents receive employee compensation (in the form of either stock or cash), fill in this table and the table above.

### 4. Top 10 individuals receiving employee compensation

Name	Title	Cash	Remark
Wu, Hsu-Hui	President	1,146,706	Employee compensation in 2020 was distributed in cash only.
Chen, Shi-Hui	Vice President		
Chang, Man-Cheng	Senior Consultant		
Yang, Tung-Hsuan	Director		
Huang, Keng-Hsien	Director		
Li, Chieh-Han	Director		
Tsao, Chih-Hsing	Director		
Chen, Tai-Ni	Director		
Liu, Hung-Chuan	Director		
Chen, Rui-Yi	Vice Director		

5. Top 10 individuals receiving employee compensation (in the previous year)

			Unit: NT\$
Name	Title	Cash	Remark
Wu, Hsu-Hui	President(Resigned)	1,153,005	Employee compensation in 2019 was distributed in cash only.
Tu, Chin-Han	Vice President (retired)		
Chen, Shi-Hui	Vice President		
Chang, Man-Cheng	Senior Consultant		
Tai, Rui-Heng	Chief Auditor (retired)		
Yang, Tung-Hsuan	Director		
Huang, Keng-Hsien	Director		
Li, Chieh-Han	Director		
Tsao, Chih-Hsing	Director		
Chen, Rui-Yi	Vice Director		

(IV) Total Remuneration, as a Percentage of Net Income, Paid by the Company and All Companies in Financial Statements during the Past Two Fiscal Years to Directors, the President, and Vice Presidents, Along with Remuneration Policies, Standards, and Packages, Procedures for Determining Remuneration, and Linkage Thereof to Operating Performance and Future Risk Exposure

Title	The Company		All Companies in Consolidated Financial Statements	
	2019	2020	2019	2020
Director Remuneration	14,472,640	17,557,484	14,528,784	17,646,938
Ratio of Total Compensation to Net Income (%)	4.19%	4.81%	4.21%	4.83%
Supervisor Remuneration	270,000	-	270,000	-
Ratio of Total Compensation to Net Income (%)	0.08%	-	0.08%	-
President and Vice President Remuneration	23,066,809	12,509,405	23,326,953	12,706,859
Ratio of Total Compensation to Net Income (%)	6.68%	3.43%	6.75%	3.48%

Note: 1. Remuneration paid to directors: According to Article 35 of the Articles of Incorporation passed in the shareholders' meeting, "If the Company makes a profit during the year, it shall allocate 2.25% to 3.75% of the profit to employee compensation and less than 1.5% to director compensation to be distributed to directors in office at the end of the year (excluding independent directors)..." Remuneration paid to directors is directly related to the Company's operating performance (profit) for the year. If the Company has a good operating performance, relatively higher remuneration will be distributed to directors and supervisors. Remuneration paid to directors shall be submitted to the Remuneration Committee for review to avoid future risks effectively. The aforesaid profit refers to "the profit before tax net of compensation to employees and directors."

2. Remuneration paid to the President and Vice Presidents: According to the Guidelines for the Distribution of Performance Bonuses passed by the Board of Directors, remuneration paid to the President and Vice Presidents is directly related to the Company's operating performance (EPS) for the year. If the Company has a good operating performance, relatively higher performance bonuses will be distributed to managerial officers. Remuneration paid to the President and Vice Presidents shall be submitted to the Remuneration Committee for review to avoid future risks effectively.

### III. Implementation of Corporate Governance

#### (I) Board of Directors

A total of 7 meetings of the Board of Directors (A) were held in 2020. The attendance of the directors and supervisors is as follows:

Title	Name (Note 1)	Times of Attendance in Person (B)	Times of Attendance by Proxy	Attendance Rate (%) (B/A) (Note 2)	Remark
Chairman	Representative of Ministry of Economic Affairs Chen, Chi-Yu	7	0	100%	Re-elected as Chairman of the 12th-term Board of Directors on June 21, 2019 Resigned on February 1, 2021
Director	Representative of Ministry of Economic Affairs Liu, Ya-Chuan	7	0	100%	Succeeding Cheng, Kuo-Jung on August 12, 2019
Director	Representative of Ministry of Economic Affairs Liao, Hsien-Kuei	6	1	86%	Re-elected as director of the 12th-term Board of Directors on June 21, 2019
Director	Representative of Ministry of Economic Affairs Wang, Ching-Tien	7	0	100%	Succeeding Lai, Cheng-Neng on July 16, 2019
Director	Representative of Sunshine Protech Inc. Chen, Kuan-Ping	7	0	100%	Elected as director of the 12th-term Board of Directors on June 21, 2019
Director	Representative of Lungyen Life Service Corporation, Ltd. Tsai, Wen-Chieh	5	2	71%	Elected as director of the 12th-term Board of Directors on June 21, 2019
Independent Director	Chan, Chien-Lung	7	0	100%	Elected as independent director of the 12th-term Board of Directors on June 21, 2019
Independent Director	Huang, Shun-Tien	7	0	100%	Elected as independent director of the 12th-term Board of Directors on June 21, 2019
Independent Director	Kuo, Ying-Man	7	0	100%	Elected as independent director of the 12th-term Board of Directors on June 21, 2019

Other matters to be recorded:

- I. If any of the following circumstances occurs, the dates, terms of the Board meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions should be specified:
  - (I) Matters referred to in Article 14-3 of the Securities and Exchange Act.  
None.
  - (II) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above:  
None.
- II. Regarding recusals of directors from voting due to conflicts of interest, the names of the directors, contents of motions, reasons for recusal, and results of voting should be specified:
  - 12th meeting of the 12th-term Board of Directors on January 29, 2021:  
Chairman Chen, Chi-Yu:  
Proposal 3 for discussion: authorization of the General Affairs Department to approve the remuneration for the Chairman in accordance with relevant rules and the Act on Recusal of Public Servants Due to Conflicts of Interest  
As the discussion involved the remuneration for Chairman Chen, Chi-Yu, he recused himself from the discussion and voting due to the conflict of interest.
- III. The evaluation cycle and period, evaluation scope, method and evaluation content and other information of the self (or peer) evaluation of the Board of Directors (refer to (II) Board Evaluation below):  
The Company passed the "Self-Evaluation or Peer Evaluation of the Board of Directors" in the 4th meeting of the 12th-term Board of Directors on November 1, 2019 and started to carry out the annual evaluation of the Board of Directors in 2020. The results of the evaluation of the Board as a whole, the individual Board members, and functional committees in 2020 will be declared before the end of the first quarter of 2021. **(The declaration was completed on March 2, 2021.)**
- IV. Measures taken to strengthen the functionality of the Board (e.g., establishment of Audit Committee and transparency of information disclosure) and results thereof:
  1. Remuneration Committee  
In 2020, the Remuneration Committee convened twice on March 2, 2020 and December 11, 2020. The Remuneration Committee shall exercise the care of a good administrator in faithfully performing the official powers below: (1) prescribe and periodically review the performance evaluation and the policy, system, standards, and structure of remuneration (including travel allowances) for directors, supervisors, and managerial officers; and (2) periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers (including travel allowances).
  2. Audit Committee:  
In 2020, the Audit Committee convened six times on February 21, March 20, April 30, July 31, September 18, and November 6. As of today, the Audit Committee convened three times on January 28, 2021, March 22, 2021, and April 30, 2021. The Audit Committee shall exercise the care of a good administrator in helping the Board of Directors supervise the Company's compliance with the Company Act, the Securities and Exchange Act, and other relevant laws and regulations and faithfully performing the official powers prescribed in relevant laws and regulations.

3. Evaluation of the Executive Board of Directors and functional committees:  
 In 2020, the Company started to carry out the evaluation of the Board of Directors. The results of the evaluation of the Board as a whole, the individual Board members, and functional committees in 2020, as well as recommendations for improvement, were reported to the 12th meeting of the 12th-term Board of Directors on January 29, 2021. The results of the evaluation were declared before the end of the first quarter of 2021. **(The declaration was completed on March 2, 2021.)**

Note 1: If a director or supervisor is a judicial person, fill in the name of the institutional shareholder and its representative.

Note 2:

- (1) If a director or supervisor leaves office before the end of the year, the date of leaving should be indicated in "Remark." The attendance rate (%) is based on the number of meetings of the Board of Directors divided by times of attendance in person during service.
- (2) If there is a re-election of directors and supervisors before the end of the year, both the newly elected and former directors and supervisors should be listed, and whether the directors and supervisors are newly elected, former, or re-elected, as well as the date of re-election, should be indicated in "Remark." The attendance rate (%) is based on the number of meetings of the Board of Directors divided by times of attendance in person during service.

## (II) Board Evaluation

Evaluation Cycle (Note 1)	Evaluation Period (Note 2)	Scope of Evaluation (Note 3)	Evaluation Method (Note 4)	Content of Evaluation (Note 5)
Once every year	January 1, 2020~ December 31, 2020	Board of Directors	Self-evaluation of the Board	<b>Self-evaluation of the Board's performances</b> A. Participation in the operation of the Company B. Improvement of the quality of the Board of Directors' decision making C. Composition and structure of the Board of Directors D. Election and continuing education of the directors E. Internal control
		Individual Board members	Self-evaluation of the Board members	<b>Self-evaluation of the Board members' performances</b> A. Alignment of the goals and missions of the Company B. Awareness of the duties of a director C. Participation in the operation of the Company D. Management of internal relationship and communication E. The director's professionalism and continuing education F. Internal control
		Functional committees 1. Audit Committee 2. Remuneration Committee	Self-evaluation of the Board	<b>Self-evaluation of the Audit Committee's performances</b> A. Participation in the operation of the Company B. Awareness of the duties of the functional committee C. Improvement of quality of decisions made by the functional committee D. Makeup of the functional committee and election of its members E. Internal control <b>Self-evaluation of the Remuneration Committee's performances</b> A. Participation in the operation of the Company B. Awareness of the duties of the functional committee C. Improvement of quality of decisions made by the functional committee D. Makeup of the functional committee and election of its members

Note 1: The cycle when the evaluation of the Board of Director is conducted (e.g., once every year).  
 Note 2: The period when the Board of Director is evaluated (e.g., from January 1, 2019 to December 31, 2019).  
 Note 3: Include the respective performances of the Board of Directors, individual directors, and functional committees.

Note 4: Include the self-evaluation of the Board of Directors, the self (peer) evaluation of individual directors, and the external evaluation conducted by professional institutions or experts or otherwise appropriately.

Note 5: Include at least the following based on the scope of evaluation:

- (1) Performance of the Board of Directors: participation in the operation of the Company, improvement of the quality of the Board of Directors' decision-making, composition and structure of the Board of Directors, election and continuing education of directors, and internal control.
- (2) Performance of individual directors: alignment of the goals and missions of the Company, awareness of the duties of directors, participation in the operation of the Company, management of internal relationship and communication, professionalism and continuing education of directors, and internal control.
- (3) Performance of functional committees: participation in the operation of the Company, awareness of the duties of functional committees, improvement of the quality of functional committees' decision-making, composition of functional committees and election of members, and internal control.

### (III) Audit Committee

(1) The Company established the Audit Committee on June 21, 2019. The Audit Committee is composed of independent directors.

The Audit Committee has three members. The term of office of the incumbent (1st-term) members is from June 21, 2019 to June 20, 2022.

(2) The Audit Committee convened six times (A) in 2020. The attendance of independent directors is as follows:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Attendance Rate (%) (B/A) (Note)	Remark
Independent Director	Huang, Shun-Tien	6	—	100%	Convener
Independent Director	Chan, Chien-Lung	6	—	100%	
Independent Director	Kuo, Ying-Man	6	—	100%	

Other matters to be recorded:

I. If any of the following circumstances occurs, the dates, terms of the Board meetings, contents of motions, resolutions of the Audit Committee, and the Company's handling of the Audit Committee's opinions should be specified:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Board of Directors Date/Session	Content of Motion	Resolution	Handling of the Audit Committee's Opinions
March 20, 2020 6th meeting of 12th-term	1. "The 2019 Statement of Internal Control System." 2. The 2019 business report. 3. Consolidated and parent company only financial statements for 2019. 4. The distribution of earnings for 2019. 5. The change in the CPAs starting from the first quarter of 2020 in line with the accounting firm's rotation policy. 6. The amendment to the "Procedures for Acquisition or Disposal of Assets." 7. The amendments to the "Procedures for Loaning of Funds to Others" and "Procedures for Provision of Endorsements/Guarantees."	Passed by all members present as proposed	Submitted to the Board of Directors for approval
April 30, 2020 7th	The revision of the 2020 audit plan.	Passed by all members	Submitted to the Board of Directors



meeting of 12th-term		present as proposed	for approval
November 6, 2020 11th meeting of 12th-term	The 2021 audit plan.	Passed by all members present as proposed	Submitted to the Board of Directors for approval

(II) In addition to the aforementioned items, other resolutions passed by two-thirds of all the directors but yet to be approved by the Audit Committee:

None.

II. Regarding recusals of independent directors from voting due to conflicts of interest, the names of the independent directors, contents of motions, reasons for recusal, and results of voting should be specified  
None.

III. Communication between independent directors, the internal audit officer, and CPAs (including material issues, methods, and results of communication regarding the Company's finances and operations):

(I) Communication between the Audit Committee (independent directors) and the internal audit officer:

1. The Board of Directors resolved to hold the "Seminar on Internal Control System for Directors and Internal Auditors" once every year and report the minutes to the Board of Director.
2. According to the Audit Committee Charter, the Audit Committee shall convene at least once every quarter, and the chief auditor shall in the meeting report the implementation of audit, including the audit work specified in the annual audit plan, self-inspection results, key opinions on internal/external audits, and improvements made.

3. Communication in 2020:

Date	Focus	Result
February 21, 2020 4th meeting of 1st-term	The results of the audit on the "production cycle" of Tung-Hsiao Electrolysis Refined Salt Factory and Biotech Cosmetics Factory, the "subsidiary supervision procedures" for Taiyen (Xiamen) Import and Export Co., Ltd., and the "sales and collection cycle" of Taichung Sales Office from October 2019 to January 2020, the deficiencies found, and follow-up on recommendations for improvement.	Reported to the Board of Directors with all independent directors present notified
March 20, 2020 5th meeting of 1st-term	The results of the audit on the "research and development cycle," "insider trading," "Board operations," "Remuneration Committee operations," "Audit Committee operations," and "operating results" of the head office in February 2020, the deficiencies found, and follow-up on recommendations for improvement.	Reported to the Board of Directors with all independent directors present notified
March 20, 2020 Seminar on the review of the internal control system for directors and internal auditors	2019 audit work, deficiencies in internal control, and improvements in anomalies.	All independent directors present notified
April 30, 2020 6th meeting of 1st-term	The results of the audit on the "subsidiary supervision procedures" for Taiyen Green Energy Co., Ltd. and the "financial products trading" and "derivatives" of the head office in April 2020, the deficiencies found, and follow-up on recommendations for improvement.	Reported to the Board of Directors with all independent directors present notified
July 31, 2020 7th meeting of 1st-term	The results of the audit on the "subsidiary supervision procedures" for Taiyen Green Energy Co., Ltd., the "purchase and payment cycle" of Tung-Hsiao Electrolysis Refined Salt Factory, the "production cycle" of Import Salt Storage and Transportation Office, and the "operating results," "financial products trading," "lobbying," and	Reported to the Board of Directors with all independent directors present notified

	"derivatives" of the head office from April 2020 to June 2020, the deficiencies found, and follow-up on recommendations for improvement.	
September 18, 2020 8th meeting of 1st-term	The results of the audit on the "purchase and payment cycle" of Biotech Cosmetics Factory, the "sales and collection cycle" of Kaohsiung Office, and the "acquisition and disposal of assets," "investment management," and "derivatives" of the head office from July 2020 to August 2020; no deficiencies were found and no follow-up on recommendations for improvement was required.	Reported to the Board of Directors with all independent directors present notified
November 6, 2020 9th meeting of 1st-term	1. The results of the audit on the "purchase and payment cycle" of Cigu Salt Plant, the "sales and collection cycle" of Taipei Office, and the "financial statements preparation procedures," "commitments and contingencies," "financial information," "budget management," "financial products trading," and "derivatives" of the head office from September 2020 to October 2020; no deficiencies were found and no follow-up on recommendations for improvement was required. 2. The 2021 audit plan.	1. Reported to the Board of Directors with all independent directors present notified 2. Reported to the Board of Directors for discussion with all independent directors present resolving to pass; passed by the Board of Directors and declared on December 4, 2020

(II) Communication between the Audit Committee (independent directors) and CPAs:

1. The Audit Committee (independent directors) shall meet with CPAs at least twice every year on a regular basis, CPAs shall report to independent directors the reviewed or audited financial statements, as well as the audit results of important transactions and the internal control system. In case of material special matters or relevant statutory requirements, CPAs shall from time to time meet with the Audit Committee as a non-voting delegate to give explanations.

2. Communication in 2020:

Date	Focus	Result
February 21, 2020 Communication meeting for CPAs and the unit in charge of governance	1. The independence of CPAs. 2. The results of the audit on the consolidated and parent company only financial statements for 2019. 3. Key audit matters. 4. Updates on laws and regulations. 5. CPAs' answers to questions raised by independent directors and attendees.	CPAs attended the meeting in person to discuss the questions raised by independent directors.
March 20, 2020 5th meeting of 1st-term Audit Committee	1. The results of the audit on the consolidated and parent company only financial statements for 2019. 2. CPAs' answers to questions raised by independent directors and attendees	Reported to the Board of Directors for resolution with all independent directors present passing
April 30, 2020 6th meeting of 1st-term Audit Committee	1. The results of the review on the consolidated financial statements for the first quarter of 2020. 2. CPAs' answers to questions raised by independent directors and attendees	Reported to the Board of Directors with all independent directors present notified
July 31, 2020 7th meeting of 1st-term Audit Committee	1. The results of the review on the consolidated financial statements for the second quarter of 2020. 2. The plan for enhancing the preparation of financial statements.	Reported to the Board of Directors with all independent directors present notified

		3. Updates on laws and regulations 4. CPAs' answers to questions raised by independent directors and attendees	
November 6, 2020 9th meeting of 1st-term Audit Committee		1. The results of the review on the consolidated financial statements for the third quarter of 2020. 2. CPAs' answers to questions raised by independent directors and attendees	Reported to the Board of Directors with all independent directors present notified

(III) Auditing Office

The Auditing Office shall conduct audit according to the monthly audit plan, compile an audit report, and send it to independent directors by e-mail.

Note:

- \* If an independent director leaves office before the end of the year, the date of leaving should be indicated in "Remark." The attendance rate (%) is based on the number of meetings of the Audit Committee divided by times of attendance in person during service.
- \* If there is a re-election of independent directors before the end of the year, both the newly elected and former independent directors should be listed, and whether the independent directors are newly elected, former, or re-elected, as well as the date of re-election, should be indicated in "Remark." The attendance rate (%) is based on the number of meetings of the Audit Committee divided by times of attendance in person during service.

(IV) Implementation Status of Corporate Governance and Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Does the Company follow the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies to establish and disclose its corporate governance best practice principles?	V		The Company has established the Corporate Governance Best Practice Principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and disclose it on the company website.	None.
II. Shareholding structure & shareholders' rights				
(I) Does the Company have internal operating procedures for handling shareholders' suggestions, concerns, disputes and litigation matters? Are such matters handled according to the internal operating procedures?	V		(I) The Branding and Marketing Department (PR Team), Financial Accounting Department, Legal Affairs Office, and other relevant departments are responsible for handling shareholders' suggestions or disputes.	None.
(II) Does the Company maintain a register of major shareholders with controlling power and a register of persons exercising ultimate control over those major shareholders?	V		(II) The Company keeps abreast of the shareholding of directors, managerial officers, and major shareholders holding more than 10% of the shares.	None.
(III) Does the Company establish and enforce risk control and firewall systems with its affiliates?	V		(III) The Company has established relevant controls in the internal control system, the "Rules Governing Financial and Business Matters Between the Company and its Affiliates," and the "Regulations Governing Related Party Transactions" according to law.	None.
(IV) Does the Company establish internal rules to prohibit insiders from trading in securities using information not disclosed to the market?	V		(IV) 1. The Company has formulated the "Regulations Governing the Prevention of Insider Trading." 2. The Company communicated laws and regulations regarding insider trading prevention to insiders and all employees on January 30, 2020 and February 4, 2020.	None.

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
III. Composition and responsibility of the Board of Directors				
(I) Does the Board of Directors establish and implement the diversification policy for its composition?	V		(I) The Board of Directors has passed the Chapter 3 (Enhancing the Functions of the Board of Directors) of the "Corporate Governance Best Practice Principles," including the diversification policy. The nomination and selection of the Board members are handled according to the Articles of Incorporation, "Regulations for the Election of Directors," and "Corporate Governance Best Practice Principles" to ensure the diversity and independence of the Board members.  1. The 12th-term Board of Directors has 9 directors (including 3 independent directors), 2 of whom are female. One director is an employee nominated by the trade union. The Board members have extensive experience and expertise in finance and accounting, law, business administration, etc.  2. Of all directors, directors who are also employees account for 11%, independent directors for 33%, and female directors for 22%. Among 9 directors, no director is a spouse or a relative within the second degree of kinship of another director. Three independent directors' term of office is less than 3 years. One director is aged 60 and above, 7 aged 51~60, and 1 aged below 50. The percentage of female directors is set at 25% or more. Based on the principle of gender equality of the Board members, it will be taken into account in the future re-election of the Board of Directors.  3. For the diversification policy and its implementation, refer to Note 1 below.	None.
(II) Does the Company set up other functional committees voluntarily in addition to the Remuneration Committee and the Audit Committee that had been established as required by the law?	V		(II) In the 12th meeting of the 9th-term Board of Directors on September 23, 2011, the Company passed the establishment of the Remuneration Committee. After the re-election of the 12th-term Board of Directors in 2019, the Audit Committee was established, along with functional committees, depending on the need of corporate governance.	None.
(III) Does the Company formulate the regulations and method for the performance evaluation of the Board of Directors, conduct performance evaluations regularly every year, report the results of the performance evaluation to the Board of Directors, and take it as a reference for the remuneration, nomination and re-appointment of each director?	V		(III) The Company has formulated the "Self-Evaluation or Peer Evaluation of the Board of Directors." Starting from 2020, the Company will conduct the annual evaluation and declare its results on a regular basis.	None.
(IV) Does the Company evaluate the independence of CPAs on a regular basis?	V		(IV) The Financial Accounting Department is responsible for evaluating the independence of the CPAs once every year. The results of the evaluation were submitted to the 13th meeting of the 12th-term Board of Directors on March 23, 2021 for review and approval. The Financial Accounting Department found	None.

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
			CPAs Tseng, Yu-Che and Li, Fang-Wen from EY Taiwan in compliance with the independence criteria (Note 2) and eligible to serve as the CPAs of the Company. The declaration of independence was also issued by the accounting firm (Note 3).	
IV. Does the Company deploy an appropriate number of suitable corporate governance personnel and designate a corporate governance officer responsible for corporate governance-related matters (including but not limited to providing directors and supervisors information required to perform business, assisting directors and supervisors in complying with laws, handling matters related to meetings of the Board of Directors and shareholders' meetings on the basis of the laws, and preparing the minutes of the Board meetings and shareholders' meetings, etc.)?	V		The Board has resolved to appoint the Director of Corporate Development as the Corporate Governance Officer on April 30, 2021. The Corporate Governance Officer is responsible for handling matters related to meetings of the Board of Directors and shareholders' meetings, preparing the minutes of the Board meetings and shareholders' meetings, assisting directors and supervisors in assuming office and pursuing continuing education, providing directors and supervisors information required to perform business, assisting directors and supervisors in complying with laws, and handling other matters under the Article of Incorporation or contractual terms. The Company has organized continuing education and training courses and required at least 18 hours for the first year. At present, the number of training hours is 0.	None.
V. Does the Company establish a means of communication with its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and create a stakeholder section on the company website to respond to stakeholders' questions about its corporate social responsibility?	V		(I) The Branding and Marketing Department (PR Team), Financial Accounting Department, and relevant departments are responsible for communicating with stakeholders according to the circumstances. Contact information on spokespersons and related departments is also available on the company website. (II) The Company has created a stakeholder section on the company website.	None.
VI. Does the Company entrust a professional stock transfer agent to manage shareholders' meetings and other relevant affairs?	V		The Company entrusts the Transfer Agency of CTBC Bank to manage shareholders' meetings and other relevant affairs.	None.
VII. Information disclosure (I) Does the Company establish a company website to disclose information on its finances, business, and corporate governance? (II) Does the Company use other channels of information disclosure (e.g., maintaining an English website, designating persons to handling information collection and disclosure, appointing a spokesperson, and webcasting investor conferences)? (III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the financial statements for the first, second and third quarters and the monthly operations before	V  V  V		(I) The Company has set up a stakeholder section on the company website ( <a href="http://www.tybio.com.tw">http://www.tybio.com.tw</a> ) to disclose and regularly update information on its finances, business, and corporate governance. (II) The Branding and Marketing Department (PR Team), Corporate Development Department, Financial Accounting Department, and relevant departments are responsible for collecting and disclosing company information. The Company also has a spokesperson system in place, where Vice President serves as the spokesperson and Director of Financial Accounting Department as the deputy spokesperson. (III) The Company announces and reports the annual financial statements and the financial statements for the first, second and third quarters within the time limits prescribed in the Securities and Exchange Act. According to the regulations, the monthly operations are announced and reported before the 10th day of the following month.	None.  None.  None.

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
the prescribed period?				
VIII. Does the Company have other important information that can facilitate the understanding of its operations of corporate governance (including but not limited to employee rights and interests, employee care, investor relations, supplier relationships, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors)?	V		(I) For more information on employee rights and interests and employee care, refer to V. Labor Relations in Chapter Five. (II) For more information on investor relations, refer to I (IV). Major Shareholders (Top 10 Shareholders) in Chapter Four. (III) For more information on supplier relationships, refer to II (III). Supply of Main Raw Materials in Chapter Five. (IV) The Company has no bank loans or endorsements/guarantees. (V) According to the regulations, the Company arranges continuing education for directors every year (refer to the table below). (VI) For more information on the implementation of risk management policies and risk measurement standards, refer to Listing of Risks in Chapter Seven. (VII) The attendance at the Board meetings by directors is high (refer to the "Corporate Governance" section on the Market Observation Post System). (VIII) According to the Articles of Incorporation, the Company has purchased liability insurance for directors and managerial officers since 2004. (IX) The Company has formulated the "Code of Ethical Conduct for Directors and Senior Managerial Officers and Above" as a guideline for directors and senior managerial officers and above to abide by in the business activities and for stakeholders to better understand the Company's moral standards.	None.
IX. Improvements made based on the result of the latest Corporate Governance Evaluation announced by Taiwan Stock Exchange Corporation and priorities and measures for improvement (exempt if the Company is not included in the evaluation): According to the result of the 6th Corporate Governance Evaluation, the Company ranked among the top 36% to the top 50% of listed companies. The Company's corporate social responsibility has been disclosed in the Annual Report and on the company website. For priorities for improvement, the Company has made constant efforts to get a higher score, including establishing the Audit Committee in 2019.				

Note: Describe the implementation status in the summary whether "Yes" or "No."

Note 1:

**Taiyen Biotech Co., Ltd.  
Board Diversification Policy**

**One. Purpose**

To enhance the functions and structure of the Board of Directors, the Board Diversification Policy is established in accordance with Article 20 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."

**Two. Diversification Policy**

The structure of the Board of Directors shall be determined by choosing an appropriate number of the Board members, not less than five, in consideration of the Company's business scale, the shareholdings of its major shareholders, and practical operational needs.

The composition of the Board of Directors shall be determined by taking diversity into consideration. Directors concurrently serving as managerial officers shall not exceed one-third of the total number of the Board members, and a spousal relationship or a familial relationship within the second degree of kinship shall not exist among more than half of the directors. An appropriate diversification policy based on the Company's business operations, operating dynamics, and development shall be formulated and include, without being limited to, the following two general standards:

- I. Basic requirements and values: gender, age, nationality, and culture.
- II. Professional knowledge and skills: a professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

- I. Ability to make operational judgments.
- II. Ability to perform accounting and financial analysis.
- III. Ability to conduct management administration.
- IV. Ability to conduct crisis management.
- V. Knowledge of the industry.
- VI. An international market perspective.
- VII. Ability to lead.
- VIII. Ability to make policy decisions.

**Three. Management Goals**

- I. Each gender of the Board members shall be one-fourth of the total number of directors and above.
- II. Directors concurrently serving as managerial officers shall not exceed one-third of the total number of the Board members.
- III. A spousal relationship or a familial relationship within the second degree of kinship shall not exist among more than half of the directors.

Name/Title	Gender	Concurrent Employee	Age	Term of Independent Director	Business Administration	Finance Accounting	Legal Affairs	Leadership	Knowledge of Industry	Crisis Management
Wu, Jung-Hui Chairman	Male		61~70		V			V	V	V
Tseng, Wen-Sheng Acting Chairman	Male		51~60		V			V	V	V
Chen, Chi-Yu Chairman	Male		51~60		V			V	V	V
Chan, Chien-Lung Independent Director	Male		51~60	Less than 3 years	V	V		V	V	V
Huang, Shun-Tien Independent Director	Male		51~60	Less than 3 years	V		V	V	V	V
Kuo, Ying-Man Independent Director	Female		51~60	Less than 3 years	V		V	V	V	V
Liu, Ya-Chuan Director	Female		41-50		V		V	V	V	V
Liao, Hsien-Kuei Director	Male		51~60		V			V	V	V
Wang, Ching-Tien Director	Male	V	51~60		V			V	V	V
Chen, Kuan-Ping Director	Male		61-70		V	V		V	V	V
Tsai, Wen-Chieh Director	Male		51~60		V	V		V	V	V

Note 2: Criteria for Independence of CPAs

Evaluation Item	Evaluation Result	Independence
1. Is there a direct financial relationship between the CPAs and the Company?	No	Yes
2. Are the CPAs involved in any loans or guarantees with the Company or its directors?	No	Yes
3. Do the CPAs have a close business relationship and potential employment relationship with the Company?	No	Yes
4. Do the CPAs or the family members of the audit team members serve as the Company's directors, supervisors, or managerial officers or hold positions with a direct and significant influence on the audit work?	No	Yes
5. Do the CPAs or the audit team members currently or in the past two years serve as directors, supervisors, or managerial officers or hold positions with a direct and significant influence on the audit work?	No	Yes
6. Do the CPAs accept gifts or special offers from the Company?	No	Yes
7. Have the CPAs not been rotated for more than 7 years and been reappointed within 2 years after the rotation?	No	Yes
8. Do the CPAs provide the Company non-audit services that may directly affect the audit work?	No	Yes



Note 3: Declaration of Independence:



Ernst & Young  
11F, No. 189, Sec. 1, Yongfu Road  
Tainan City, Taiwan, R.O.C

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## Declaration of Independence

To the Board of Directors and the Audit Committee of Taiyen Biotech Co., Ltd. (the Company),

The Declaration of Independence is prepared in accordance with the Auditing Standards of the Republic of China with regard to the audit of the Company's consolidated financial statements for the year ended December 31, 2020.

In accordance with the Auditing Standards of the Republic of China, the certified public accountants shall provide the governing unit a declaration given by the accounting firm, its affiliates, and its personnel subject to the independence requirement in respect of compliance with the independence requirement prescribed in the Code of Ethics for Certified Public Accountants in the Republic of China, and shall communicate with the governing unit about the relationships and other matters that may have an impact on the independence of the certified public accountants (including protective measures).

Based on our professional judgment, we have not identified any relationships between our accounting firm or affiliates and the Company and other matters that may have an impact on our independence.

In accordance with the Auditing Standards of the Republic of China, we shall provide the governing unit the ratio of non-audit service fees to total audit service fees, 44.50%, rendered by our accounting firm and affiliates to the Company and its controlled entities in the financial reporting period to help the governing unit evaluate the impact of such non-audit service on our independence.

The Declaration of Independence is prepared for the Board of Directors, the Audit Committee, the management, and other insiders of the Company for reference only. The use of the Declaration of Independence for any other purposes is prohibited.

Sincerely,

EY Taiwan  
Tseng, Yu-Che  
CPA:  
Lee, Fang-Wen

March 23, 2021

## Continuing Education of Directors and Supervisors in 2020:

Title	Name	Course Name	Training Hours	Remark
Independent Director	Huang, Shun-Tien	1. Ten Required Courses on Corporate Governance 2. The Function of Independent Directors and the Audit Committee Practice	6	Taiwan Corporate Governance Association
Independent Director	Chan, Chien-Lung	1. Business Practice and the Latest Interpretations of the Company Act 2. Analysis of Unconventional Transactions of Directors and Supervisors	6	Securities & Futures Institute
Independent Director	Kuo, Ying-Man	1. Competition for the Right of Management and Case Study 2. How to Enhance Corporate Value through Impact Investing	6	Taiwan Corporate Governance Association
Director	Liao, Hsien-Kuei	1. Promotion on the Board's Responsibility for Intellectual Property Management in TWSE/TPEX Listed Companies 2. Intellectual Property Management from the Perspective of the Board 3. The Board's Responsibility for Financial Statement Fraud	8.5	1. Institute for Information Industry 2. Taiwan Corporate Governance Association
Director	Wang, Ching-Tien	2020 Training on Labor Director Expertise	8	Ministry of Labor
Director	Chen, Kuan-Ping	1. Promotion on the Board's Responsibility for Intellectual Property Management in TWSE/TPEX Listed Companies 2. Competition for the Right of Management and Case Study	5.5	1. Institute for Information Industry 2. Taiwan Corporate Governance Association
Director	Tsai, Wen-Chieh	1. Enterprise Risk Management and Compliance Practice 2. Summit on Corporate Governance 3.0 - Sustainable Development Roadmap for TWSE listed Companies	6	1. Taiwan Corporate Governance Association 2. Taiwan Stock Exchange Corporation

### (V) Composition, Duties and Operation of the Remuneration Committee

On September 23, 2011, the 9th-term Board of Directors in the 12th meeting resolved to pass the establishment of the Remuneration Committee. On July 26, 2019, the Board of Directors passed the appointment of Independent Director Huang, Shun-Tien, Independent Director Chan, Chien-Lung, and Attorney Chen, Hsin-Yi as members on the 4th-term Remuneration Committee, with Independent Director Huang, Shun-Tien serving as the convener and chairperson.

The Remuneration Committee shall exercise the care of a good administrator in faithfully performing the official duties below: (1) prescribe and periodically review the performance evaluation and the policy, system, standards, and structure of remuneration (including travel allowances) for directors, supervisors, and managerial officers; and (2) periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers (including travel allowances).

In 2020, the Remuneration Committee convened twice on March 2, 2020 and December 11, 2020.

As of today, a Remuneration Committee meeting has been held on March 5, 2021.

## 1. Composition of the Remuneration Committee

Identity (Note 1)	Qualifications	More than Five Years of Work Experience and One of the following Qualifications			Independence Criteria (Note 2)										Number of Other Public Companies where the Individual Concurrently Serves as Member on Remuneration Committee	Remark	
		Instructor or Higher Position in Department of Commerce, Law, Finance, Accounting, or Other Business-related Departments in Public or Private Junior College or University	Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Certified Professionals or Technical Specialists Required for Business Operations	Work Experience in Commerce, Law, Finance, Accounting, or Other Business-related Fields	1	2	3	4	5	6	7	8	9	10			
Independent Director	Huang, Shun-Tien		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Chan, Chien-Lung	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Other	Chen, Hsin-Yi	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Indicate director, independent director, or other.

Note 2: Please check (✓) the corresponding boxes if the member meets the following conditions during the two years prior to the appointment and during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or its affiliate. (However, this does not apply in a case where the person is also an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse and minor children or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or who is ranked in the top 10 in terms of shareholding.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of shares issued by the Company, that is ranked in the top 5 in terms of shareholding, or that appoints a representative to serve as the director or supervisor in accordance with Paragraph 1 or 2, Article 27 of the Company Act. (However, this does not apply in a case where the person is also an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).
- (6) Not a director, supervisor or employees of another company where the same person controls a majority of the Company's directors or shares with voting rights. (However, this does not apply in a case where the person is also an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).
- (7) Not a director, supervisor or employee of another company or institution who or whose spouse is also the Chairman, the President or an equivalent position of the Company. (However, this does not apply in a case where the person is also an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).

- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specific company or institution that has financial or business relations with the Company. (However, this does not apply in a case where a specific company or institution holds more than 20% but less than 50% of the total shares issued by the Company and also serves as an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).
- (9) Not a professional individual, sole proprietor, or partner or an owner, partner, director, supervisor, or managerial officer or a spouse thereof of a company or institution providing auditing or commercial, legal, financial, or accounting services for the Company or its affiliate with a cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in a case where a member on the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions who performs the duties in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not having any of the conditions defined in Article 30 of the Company Act.

## 2. Operation of the Remuneration Committee

- (1) The Remuneration Committee consists of 3 members.
- (2) The term of office of the incumbent members is from July 26, 2019 to June 20, 2022.

The 4th Remuneration Committee convened twice (A) in the most recent year. The attendance of the members is as follows:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Huang, Shun-Tien	2	0	100%	4th-term
Member	Chan, Chien-	2	0	100%	4th-term
Member	Chen, Hsin-Yi	2	0	100%	4th-term

Other matters to be recorded:

I. If the Board of Directors rejects or amends the suggestions of the Remuneration Committee, the date and session of the Board meeting, contents of the proposal, and resolution of the Board of Directors as well as the Company's actions in response to the opinions of the Remuneration Committee (if remuneration approved by the Board is better than that proposed by the Remuneration Committee, for example) should be stated: None.

II. Regarding resolutions of the meeting of the Remuneration Committee, if there is any written record or statement pertaining to members' objections or reservations, the date and session of the Remuneration Committee meeting, contents of the proposal, the opinion of the said member, and the actions in response to the said opinion should be stated: None.

Note: (1) If a member on the Remuneration Committee leaves office before the end of the year, the date of leaving should be indicated in "Remarks." The attendance rate (%) is based on the number of meetings of the Remuneration Committee divided by times of attendance in person during service.

- (2) If there is a re-election of members on the Remuneration Committee before the end of the year, both the newly elected and former members should be listed, and whether the members are newly elected, former, or re-elected, as well as the date of re-election, should be indicated in "Remarks." The attendance rate (%) is based on the number of meetings of the Remuneration Committee divided by times of attendance in person during service.

## 3. Resolutions of the Remuneration Committee in 2020 and in the most recent year up to the date of publication of the Annual Report, and the Company's actions in response to the members' opinions:

Date	Summary of Resolution	Action in Response to the Remuneration Committee's Opinions
March 2, 2020	<ul style="list-style-type: none"> <li>■ Passed the proposal for the distribution of compensation to directors and supervisors and employees for 2019</li> <li>■ Passed the percentage of compensation to be distributed to employees</li> </ul>	Submitted to the Board of Directors for approval

	and directors and supervisors of Taiyen Green Energy Co., Ltd. for 2019	
	<ul style="list-style-type: none"> <li>■ Passed the amendment to the Remuneration Committee Charter</li> </ul>	
March 5, 2021	<ul style="list-style-type: none"> <li>■ Passed the proposal for the distribution of compensation to directors and employees for 2020</li> <li>■ Passed the percentage of compensation to be distributed to employees and directors of Taiyen Green Energy Co., Ltd. for 2020</li> <li>■ Passed the proposal for the distribution of compensation to directors and supervisors of the subsidiaries</li> <li>■ Passed the severance pay of Former Chairman Chen, Chi-Yu</li> </ul>	Submitted to the Board of Directors for approval

(VI) Implementation Status of Corporate Social Responsibility and Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and Reasons Thereof

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
I. Does the Company conduct risk assessments of environmental, social, and corporate governance issues in relation to its operations in accordance with the materiality principles, and formulate relevant risk management policies or strategies? (Note 3)	V		The Company has conducted risk assessments of environmental, social, and corporate governance issues in relation to its operations in accordance with the materiality principles prescribed in the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," and formulated relevant risk management policies or strategies.	None.
II. Does the Company establish an exclusively (concurrently) dedicated unit to implement CSR (operated by the senior management upon authorization by the Board of Directors) and report to the Board of Directors?	V		The Company has established the Corporate Social Responsibility Committee, under which the task forces are responsible for relevant tasks.	None.
III. Environmental issues				
(I) Does the Company establish a suitable environmental management system based on its industrial characteristics?	V		(I) Based on the industrial characteristics, a Company's process has a low environmental impact and strictly conforms to relevant environmental regulations. In response to quality standards, each factory has established relevant operating procedures for the process and environmental management to reduce the impact on the environment.	None.
(II) Is the Company dedicated to improving the utilization efficiency of various resources and using recycled materials with a minimal adverse impact on the environment?	V		(II) As a responsible corporate citizen, the Company uses eco-friendly and recyclable materials in the production process to ensure that products are pollution-free to the environment.	None.
(III) Does the Company assess the current and future	V		(III) The Company is the food and biotechnology manufacturer. After	None.

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
<p>potential risks and opportunities of climate change to the Company, and adopt measures to respond to climate-related issues?</p> <p>(IV) Does the Company count the greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and formulate policies on energy saving and carbon reduction, reduction of greenhouse gas and water consumption, or other waste management?</p>	V		<p>assessing the impact of climate change on the business operations, the Company has identified relevant risks in the aspects of disasters, regulations, and markets and proposed response measures, so as to control climate risks effectively. Such response measures include reducing greenhouse gas emissions to increase energy efficiency and reduce costs, and developing renewable energy to mitigate global warming caused by greenhouse gas emissions.</p> <p>(IV) On August 26, 2010, the Tung-Hsiao Electrolysis Refined Salt Factory was certified by the Environmental Protection Administration, Executive Yuan as a qualified institution in terms of greenhouse gas emissions. The greenhouse gas system (ISO14064-1) is adopted to manage the internal environment. Upon external verification, greenhouse gas emissions in the past two years were 24,203.954 and 24,276.313 tons of CO<sub>2</sub>e/year. The Company continues to implement various energy saving and carbon reduction measures, including electronic operations that reduces paper consumption, air conditioning set at 27°C, printer management, adjustment of electricity contract capacity, purchase of products with green labels, and computers set to sleep.</p>	None.
<p>IV. Social issues</p> <p>(I) Does the Company formulate relevant management policies and procedures in accordance with related laws and regulations and international human rights conventions?</p> <p>(II) Does the Company formulate and implement reasonable employee benefits (including salary, leave and other benefits, etc.) and appropriately reflect the operating performance or results on the compensation of employees?</p> <p>(III) Does the Company provide a safe and healthy</p>	V		<p>(I) The Company has formulated proper management policies and procedures in accordance with related laws and regulations to protect the basic rights of employees.</p> <p>(II) The Company has drawn up an employee benefits policy. Based on the profit made every year, the Company adjusts pay (averaging 3% in 2020) and distributes performance bonuses and employee compensation on a yearly basis.</p> <p>(III) 1. The Company monitors the operations particularly hazardous to</p>	<p>None.</p> <p>None.</p> <p>None.</p>

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
work environment for employees and regularly organize health and safety training for employees?			<p>health as prescribed in the "Labor Health Protection Rules" and every six months and provides the workers of such operations a special health examination and suitable personal protective equipment every year. For workers whose health examination results require Level 3 management and above, the Company arranges a diplomate in occupational medicine to follow up on their health conditions and adjusts their work and work environment based on the diplomate's advice. The health examination is provided for employees each year, which exceeds the statutory requirement. Health seminars and occupational safety and health training programs are organized periodically to increase employees' safety awareness in the workplace.</p> <p>2. The Company takes the following measures to create a safe and healthy work environment:</p> <ol style="list-style-type: none"> <li>(1) Formulation of the occupational safety and health rules.</li> <li>(2) Appointment of qualified operators for dangerous equipment and regular inspections according to the law.</li> <li>(3) Automatic inspections of equipment according to the regulations.</li> <li>(4) Occupational safety and health training and emergency drills.</li> <li>(5) Provision of a safety data sheet and the list of hazardous chemicals and regular training.</li> <li>(6) Regular work environment monitoring.</li> <li>(7) Provision of personal protective equipment according to the safety requirements.</li> <li>(8) Monthly production safety audits and quarterly occupational safety and health audits.</li> <li>(9) Fire inspections and drills.</li> </ol> <p>3. On September 15, 2020, the Tung-Hsiao Electrodialysis Refined Salt Factory passed the ISO 45001:2018 and CNS 45001.</p> <p>4. According to the "Labor Health Protection Rules," the Tung-Hsiao Electrodialysis Refined Salt Factory</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
(IV) Does the Company establish effective career development and training plans for employees?	V		has implemented on-site health care for medical personnel since July 1, 2018. Physicians are engaged to provide on-site health care six times per year, and nurses are engaged to provide on-site health care six times per month. Since January 1, 2020, the head office and Biotech Cosmetics Factory has implemented on-site health care. Physicians are engaged to provide on-site health care four times per year, and nurses are engaged to provide on-site health care four times per month to improve the employees' safety and health in the workplace. (IV) Based on the organizational needs, the Company designs training plans every year to effectively enhance employees' competency.	None.
(V) Does the Company comply with relevant laws and regulations and international standards for the health and safety of customers, customer privacy, marketing and labeling of products and services, and formulate relevant consumer protection policies and complaint procedures?	V		(V) The Company's products are marketed and labeled in accordance with the regulations of the Food and Drug Administration, Ministry of Health and Welfare and other authorities in charge. All stores and customer service hotlines receive inquiries and handle consumer complaints in accordance with the "Guidelines for Handling Customer Complaints."	None.
(VI) Does the Company formulate a supplier management policy which requires suppliers to comply with the relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and disclose the suppliers' implementation?	V		(VI) The Company has stipulated in their contracts with major suppliers that the Company may terminate or rescind the contract at any time if suppliers violate the Company's corporate social responsibility policy. The Company stipulates in the procurement contracts the necessary conditions for the workers' living and work environments: In case of accidents, measures such as rescue, restoration, reconstruction, and compensation to Party A and third parties shall be taken immediately, and all waste, garbage, unnecessary or unqualified materials, tools and other equipment shall be removed from the site and surrounding areas to keep the environment safe and clean. Provisions on the protection of labor rights and insurance are also included. Party B shall comply with the Act of	None.



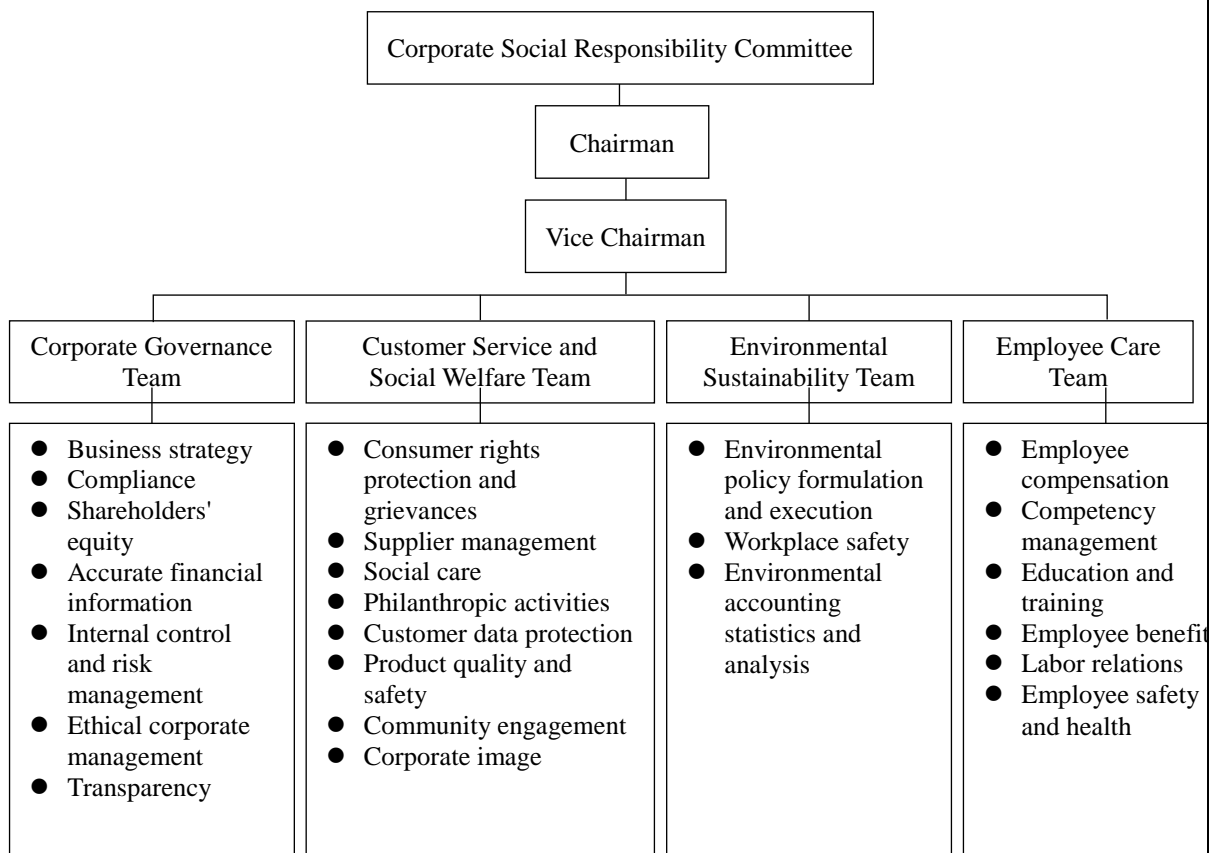
Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
			<p>Gender Equality in Employment, Sexual Harassment Prevention Act, and Labor Standards Act. If Party B's employees are not enrolled in labor and health insurance or are forced to work, child labor, or involved in the violation of gender equality or sexual harassment, Party A may immediately request Party B to improve within the time limit and pay punitive liquidated damages. If Party B fails to improve or commits another offense, Party A may terminate the contract. Party B also agrees that Party A may assign employees to conduct audits in accordance with labor laws and regulations in case of the above circumstances.</p> <p>Raw materials are subject to heavy metal tests, and test reports are compiled in accordance with the "Sanitation Standard for Food Utensils, Containers and Packages." Products are subject to food safety and quality assurance tests. If products are returned three times, the Company may cancel the contract and confiscate the performance bond, and Party B shall not object.</p>	
V. Does the Company refer to the reporting standards or guidelines which are accepted internationally for compiling reports on non-financial information of the Company such as the corporate social responsibility report? Does the previous report obtain the assurance or verification statement of a third-party verification unit?	V		<p>The Company refers to the GRI Standards released by the Global Reporting Initiative (GRI) in 2016 and compiles a corporate social responsibility report based on the Core Option under the GRI Standards and our social responsibility practices.</p> <p>The corporate social responsibility report has been assured by EY Taiwan in accordance with Items 1 to 7, Subparagraph 1, Paragraph 1, Article 4 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" and the GRI Standards, as well as based on limited assurance defined in the "Standard on Assurance Engagements No. 1 - Assurance on the Audit or Review of Non-financial Information" released by the Accounting Research and Development Foundation.</p>	None.
<p>VI. If the Company has formulated its corporate social responsibility best practice principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," any differences between the performance of corporate social responsibility and the principles should be disclosed: The Corporate Social Responsibility Committee was established to promote matters in relation to corporate social responsibility. On January 26, 2016, the "Corporate Social Responsibility Committee Charter" was enacted.</p>				

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	

According to the said charter, the President of the Company shall serve as the chairperson, Vice President as the vice chairperson, and heads of executive units as the members of the Corporate Social Responsibility Committee. A total of 4 teams are under the Corporate Social Responsibility Committee: Corporate Governance Team, Customer Service and Social Welfare Team, Environmental Sustainability Team, and Employee Care Team. The executive units of each team are as follows:

- (I) Corporate Governance Team: Corporate Development Department, Salt and Water Business Division, Branding and Marketing Department, General Affairs Department, Auditing Office, Legal Affairs Office, Financial Accounting Department, and the proceeding clerk of the Board of Directors.
- (II) Customer Service and Social Welfare Team: Branding and Marketing Department, Salt and Water Business Division, Biotech Business Division, R & D Department, Legal Affairs Office, Corporate Development Department, General Affairs Department, Tung-Hsiao Electrodialysis Refined Salt Factory, Biotech Health Products Factory, Biotech Cosmetics Factory, Cigu Salt Plant, and Import Salt Storage and Transportation Office.
- (III) Environmental Sustainability Team: Corporate Development Department, Tung-Hsiao Electrodialysis Refined Salt Factory, Biotech Health Products Factory, Biotech Cosmetics Factory, Cigu Salt Plant, Import Salt Storage and Transportation Office, General Affairs Department, Financial Accounting Department, Biotech Business Division, and Salt and Water Business Division.
- (IV) Employee Care Team: General Affairs Department, Occupational Safety and Health Office, Tung-Hsiao Electrodialysis Refined Salt Factory, Biotech Health Products Factory, Biotech Cosmetics Factory, Cigu Salt Plant, and Import Salt Storage and Transportation Office.

Organization of Corporate Social Responsibility Committee



The Corporate Social Responsibility Committee met on April 22, 2020 and December 15, 2020 to discuss matters in relation to corporate social responsibility.

VII. According to the industrial characteristics and the five principles of the AccountAbility's Stakeholder Engagement Standard (AA1000SES, 2001), namely dependency, responsibility, influence, diverse perspectives, and tension, the Company authorized the representative of each department to identify and weigh relevant stakeholders, including

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	

employees, customers, suppliers, investors, government agencies, the media, and communities. so as to pinpoint the material topics in 2019. The stakeholder engagement was carried out in the following steps and elaborated on in the 2019 corporate social responsibility report.

(I) Stakeholder identification:

(1) Identify stakeholders	The representative of each department was responsible for identifying relevant stakeholders, including employees, customers, suppliers/contractors/subcontractors, shareholders/investors, government agencies, the media, and communities.
(2) Pinpoint sustainability issues	Referring to the Global Reporting Initiative (GRI) Standards and issues of concern by the same industry at home and abroad, the Company pinpointed 29 sustainability issues related to the business operations of the Company.
(3) Analyze material topics	A total of 255 questionnaires were distributed to collect the stakeholders' concern on these sustainability issues, and they were analyzed and sorted for materiality.
(4) Summarize and communicate	There were 10 material topics included in the communication between the Company and the stakeholders.

(II) Key stakeholders, issues of concern, and ways of communication

Stakeholders	Issue of Concern	Way (Frequency) of Communication
Shareholders/ Investors	<ul style="list-style-type: none"> <li>● Corporate governance and ethical corporate management</li> <li>● Supply chain management</li> <li>● Consumer relationship management</li> <li>● Wastewater and waste management</li> <li>● Quality management</li> </ul>	Shareholders' meeting (regular) Company website (from time to time) CSR questionnaire (from time to time)
Employees	<ul style="list-style-type: none"> <li>● Quality management</li> <li>● Consumer/Customer health and safety</li> <li>● Corporate governance and ethical corporate management</li> <li>● Employee compensation and benefits</li> </ul>	Grievance email (instant) Labor-management meeting (every three month) Staff meeting (from time to time) CSR questionnaire (from time to time)
Customers/ Consumers	<ul style="list-style-type: none"> <li>● Consumer/Customer health and safety</li> <li>● Quality management</li> <li>● Labor-management communication</li> </ul>	Customer satisfaction survey (every year) Customer service hotline (instant) Company website (from time to time) CSR questionnaire (from time to time)
Suppliers/ Contractors/ Subcontractors	<ul style="list-style-type: none"> <li>● Consumer/Customer health and safety</li> <li>● Anti-corruption</li> <li>● Corporate governance and ethical corporate management</li> <li>● Policy and compliance</li> <li>● Quality management</li> </ul>	Telephone/email/face-to-face interview (from time to time) Grievance email (instant) Supplier management system (instant) Telephone interview or written communication between business units and franchisees (from time to time, every week) Regular audit (every year) CSR questionnaire (from time to time)
Government agencies	<ul style="list-style-type: none"> <li>● Corporate governance and ethical corporate management</li> <li>● Consumer/Customer health and safety</li> <li>● Quality management</li> <li>● Anti-corruption</li> <li>● Occupational health and safety</li> </ul>	Annual report (every year) Telephone/email/official letter (from time to time) Food industry "fadenbook" (from time to time) Official letter (from time to time) CSR questionnaire (from time to time)

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary (Note 2)	
Communities	<ul style="list-style-type: none"> <li>● Quality management</li> <li>● Employee compensation and benefits</li> <li>● Product labeling and sales responsibility</li> <li>● Water resources management</li> </ul>		Company website (from time to time) External communication email (from time to time) Seminar/hearing (from time to time) CSR questionnaire (from time to time)	
Media	<ul style="list-style-type: none"> <li>● Quality management</li> <li>● Corporate governance and ethical corporate management</li> <li>● Policy and compliance</li> </ul>		Product launch (from time to time) Company website (from time to time) Meeting (from time to time) Telephone and email (from time to time) CSR questionnaire (from time to time)	

VIII. Other important information that helps to understand the performance of corporate social responsibility:  
 The Company's corporate social responsibility report is available on the company website ([www.tybio.com.tw](http://www.tybio.com.tw)). For more information, visit our website.

Note 1: If the implementation status is "Yes," explain the key policies, strategies, measures adopted and their implementation; if "No," explain the reasons and plans for adopting relevant policies, strategies, and measures in the future.

Note 2: If the corporate social responsibility report has been prepared, indicate the access to the corporate social responsibility report and page numbers.

Note 3: The materiality principles refer to environmental, social, and corporate governance issues that have a significant impact on the investors and other stakeholders.

(VII) Implementation Status of Ethical Corporate Management and Measures Taken

To establish a corporate culture of ethical corporate management and to strengthen corporate governance and risk management, the Board of Directors approved the "Ethical Corporate Management Best Practice Principles" (23 articles in total) on March 23, 2012. The amendment to the "Ethical Corporate Management Best Practice Principles" was approved by the Board of Directors and took effect on February 21, 2020 and is set to be reported in the shareholders' meeting on June 19, 2020. The "Ethical Corporate Management Best Practice Principles" clearly specifies that the directors, managerial officers, and employees of the Company shall abide by laws and regulations and prevent any unethical conduct in business activities. The "Ethical Corporate Management Best Practice Principles" has been made available on the company website (Investor Zone → "Company Management") since March 3, 2020.

The Company implements ethical corporate management in accordance with the Company Act, Securities and Exchange Act Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, and relevant regulations on TWSE/TPEX listing or other relevant laws on business conduct.

When performing duties, directors, managerial officers, employees, and persons having substantial control over the Company shall not directly or indirectly offer, promise to offer, request or accept any form of improper benefits, including rebates, commissions, and facilitation payments, nor shall they offer or receive improper benefits to or from customers, agents, contractors, suppliers, public servants or other stakeholders through other means.

Implementation Status of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and Reasons Thereof

Evaluation Item	Implementation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Establishing ethical corporate management policies and measures				
(I) Does the Company develop ethical corporate management policies approved by the Board of Directors and clearly state its policies and practices of ethical corporate management in the regulations and external documents? Are the Board of Directors and the senior management committed to implementing these business policies?	V		(I) On January 30, 2020 and February 4, 2020, the Company communicated relevant laws and regulations to the insiders and the staff, enabling them to understand the Company's resolution to implement ethical corporate management, policies, and prevention programs taken, as well as the consequences against unethical conduct.	None.
(II) Does the Company establish an assessment system for the risks of unethical conduct and regularly analyze and assess the business activities with higher risks of unethical conduct within its business scope? Does the Company establish prevention programs against unethical conduct which at least cover prevention measures for the conduct specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		(II) The Company has formulated the "Ethical Corporate Management Best Practice Principles," "Code of Ethics for Directors and Senior Executives," and "Guidelines for Handling Complaints/Grievances" for implementation.	None.
(III) Does the Company establish and implement operating procedures, code of conduct, penalties for violation and complaint system in the prevention programs against unethical conduct, and review and revise the said programs regularly?	V		(III) According to the "Regulations Governing Establishment of Internal Control Systems by Public Companies," the Company has an internal control system set up and periodically reviewed; a complaint/whistle-blowing system and the Personnel Review Committee are also in place to deal with any violations, bribery or unethical conduct. Violators will be punished according to the rules for rewards/disciplinary actions.	None.
II. Implementing ethical corporate management				
(I) Does the Company evaluate	V		(I) The Company selects	None.

Evaluation Item	Implementation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
<p>the ethical records of transaction partners, and stipulate the clauses of ethical conduct in the contracts signed with the transaction partners?</p> <p>(II) Does the Company establish a unit under the Board of Directors that is exclusive for the promotion of ethical corporate management and reports regularly (at least once a year) to the Board of Directors the supervision of ethical corporate management policies and prevention programs against unethical conduct?</p>	V		<p>dealers/distributors according to the dealer/distributor selection regulations (forms: distributor selection application, customer profile, customer line of credit evaluation form, response to refund inquiry, etc.) and stipulates the clauses of ethical conduct in the contracts (payment and performance guarantee).</p> <p>(II) To improve ethical corporate management, the Administration Division is responsible for the formulation and supervision of the ethical corporate management policy and prevention programs. Starting from 2021, the Administration Division should report to the Board once every year. The Company's auditing unit is responsible for internal control and auditing on matters in relation to ethical corporate management. If any defects are found, the auditing unit shall require immediate corrections from relevant units and report to the Board. The dedicated unit is responsible for collecting and compiling the lobbying incidents received by each unit every quarter and approving them or submits them to the Board for approval. The Board shall give guidance and supervise the incidents reported by the dedicated unit.</p>	None.
<p>(III) Does the Company adopt policies to prevent conflicts of interest and provide a proper appeal system and implement them thoroughly?</p>	V		<p>(III) No conflicts of interest occur in the Company. The "Ethical Corporate Management Best Practice Principles" clearly specifies that offering or taking bribes or offering illegal political donations, improper charitable donations or sponsorships, improper gifts or entertainment, or other improper benefits shall be prohibited. Any conflicts of interest may be filed or reported in accordance with the "Guidelines for Handling Complaint/Grievances."</p>	None.
<p>(IV) Does the Company have an effective accounting system and internal control system set up to facilitate ethical corporate management? Does the internal audit unit formulate audit plans</p>	V		<p>(IV) The Company has an effective accounting system and internal control system set up, and engages CPAs to conduct the annual audit on relevant account books and issue an auditor's report; in addition, the Auditing Office is responsible for conducting the audit every month</p>	None.

Evaluation Item	Implementation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
<p>based on risk assessment results of unethical conduct, and audit compliance with the unethical conduct prevention programs by itself or by the CPAs?</p> <p>(V) Does the Company organize internal and external training on ethical corporate management on a regular basis?</p>	V		<p>based on the audit plan, issuing a written audit report, and following up the improvements of each department on a regular basis. The audit report is submitted to the Chairman for approval and reported to the Board of Directors.</p> <p>(V) Based on the business needs, employees are assigned to attend training courses organized by the Company or third parties from time to time.</p>	From time to time.
<p>III. Implementing the whistle-blowing system</p> <p>(I) Does the Company formulate a concrete whistle-blowing and reward system, build convenient grievance channels, and assign the appropriate personnel to investigate the reported parties?</p> <p>(II) Does the Company establish standard operating procedures for the investigation of complaints and the follow-up measures to be adopted after the investigation is completed, as well as relevant confidentiality mechanisms?</p> <p>(III) Does the Company take measures to protect whistle-blowers from inappropriate disciplinary actions?</p>	V		<p>(I) To protect the interests of the Company and employees, a dedicated officer has been assigned to handle complaints and grievances in accordance with the "Guidelines for Handling Complaints/Grievances."</p> <p>(II) During the investigation, all complaints and grievances are handled confidentially.</p> <p>(III) The Company makes every effort to keep a whistle-blower's identity secret and to protect the whistle-blower from any form of retaliation and threats.</p>	<p>None.</p> <p>None.</p> <p>None.</p>
<p>IV. Enhancing disclosure of information</p> <p>Does the Company disclose the content and performance of the Ethical Corporate Management Best Practice Principles on the company website and Market Observation Post System?</p>	V		The "Ethical Corporate Management Best Practice Principles" is available on the company website (Investor Zone - Company Management) for the shareholders and employees to search.	None.
<p>V. If the Company has formulated its ethical corporate management best practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," any differences between the performance of ethical corporate management and the principles should be disclosed: None.</p>				
<p>VI. Other significant information that helps to understand the implementation of ethical corporate management (e.g., review of and amendments to ethical corporate management policies): None.</p>				

Note: Describe the implementation status in the summary whether "Yes" or "No."

(VIII) Access to the Corporate Governance Best Practice Principles and Related Bylaws:

At present, the Company has the following rules in relation to corporate governance: "Corporate Governance Best Practice Principles," "Rules of Procedure for Shareholders Meetings," "Rules of Procedure for Board of Directors Meetings," "Self-Regulatory Rules on Disclosure of Merger and Acquisition Information," "Ethical Corporate Management Best Practice Principles," "Code of Ethics for Directors and Senior Executives," and "Remuneration Committee Charter." For more information, visit the Market Observation Post System (Corporate Governance) and the company website (Company Management).

(IX) Other Significant Information that Provides Better Understanding of the Implementation Status of Corporate Governance: None.



(X) Implementation Status of Internal Control System

1. Statement of Internal Control System

The Statement of Internal Control System as attached was passed in the 13<sup>th</sup> meeting of the 12th-term Board of Directors on March 23, 2021.

Statement on Internal Control of Public Company

<p style="text-align: center;"><b>Taiyen Biotech Co., Ltd.</b></p> <p style="text-align: center;"><b>Statement of Internal Control System</b></p> <p style="text-align: right;">Date: March 23, 2021</p> <p>Based on the findings of a self-assessment, Taiyen Biotech Co., Ltd. (the Company) states the following with regard to its internal control system during the year 2020:</p> <ol style="list-style-type: none"><li>1. The Company, with certainty, takes the establishment, implementation, and maintenance of the internal control system as the responsibility of the Company's Board of Directors and management. The Company has established the internal control system, of which the purpose is to provide reasonable assurance over the effectiveness and efficiency of its operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, and transparency of its reporting, and compliance with applicable laws and regulations.</li><li>2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide a reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to the extenuating circumstances beyond control. However, the Company's internal control system contains a self-monitoring mechanism, and the Company takes immediate remedial actions in response to any identified deficiencies.</li><li>3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (the "Regulations"). The criteria adopted by the "Regulations" identify five key components of managerial internal control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each element further includes several items which can be referred to in the provisions of the "Regulations."</li><li>4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.</li><li>5. Based on the findings of such evaluation, the Company believes that, as of December 31, 2020, it has maintained an effective internal control system (including the supervision and management of subsidiaries) to provide reasonable assurance over the Company's operational effectiveness and efficiency, reliability, timeliness, and transparency of its reporting, and compliance with applicable laws and regulations.</li><li>6. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the <i>Securities and Exchange Act</i>.</li><li>7. This Statement was approved by the Company's Board of Directors on March 23, 2021. Among the 9 directors present, 0 people held dissenting opinions, whereas the others agreed to the content of this Statement. The Statement is concluded herein.</li></ol> <p style="text-align: center;">Taiyen Biotech Co., Ltd.</p> <p style="text-align: center;">Acting Chairman: <u>Jen-Sheng Tseng</u></p> <p style="text-align: center;">General Manager: <u>Selina Wu</u></p>
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2. If a CPA has been hired to carry out a special audit of the internal control system, the audit report should be disclosed: None.

(XI) Penalties against the Company or Its Internal Personnel, or Any Disciplinary Actions by the Company against Its Internal Personnel for Violation of Internal Control System, during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report, and Main Shortcomings and Condition of Improvement: None.

(XII) Major Resolutions of Shareholders' Meeting and Board Meetings during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

1. Major resolutions of the shareholders' meeting and implementation in 2020 and up to the date of publication of the Annual Report

Date	Summary of Resolution	Implementation
June 19, 2020 2020 shareholders' meeting	<ol style="list-style-type: none"> <li>1. Acknowledged the 2019 business report and financial statements.</li> <li>2. Acknowledged the distribution of earnings for 2019.</li> <li>3. Passed the amendment to Article 35 of the Articles of Incorporation.</li> <li>4. Passed the amendment to the "Rules of Procedure for Shareholders Meetings."</li> <li>5. Passed the amendment to the "Procedures for Acquisition or Disposal of Assets."</li> <li>6. Passed the amendment to the "Procedures for Loaning of Funds and Making of Endorsements/Guarantees."</li> </ol>	<ol style="list-style-type: none"> <li>1. Acknowledged as proposed by vote.</li> <li>2. Acknowledged as proposed by vote; cash dividends at NT\$1.5 per share to be distributed in September.</li> <li>3. Adopted as proposed by vote and disclosed on the company website.</li> <li>4. Adopted as proposed by vote and disclosed on the company website.</li> <li>5. Adopted as proposed by vote and disclosed on the company website.</li> <li>6. Adopted as proposed by vote and disclosed on the company website.</li> </ol>

2. Major resolutions of the Board meetings in 2020 and up to the date of publication of the Annual Report

Date	Summary of Resolution
February 21, 2020	<ul style="list-style-type: none"> <li>■ Passed the amendment to Article 35 of the Articles of Incorporation.</li> <li>■ Passed the remuneration system, standard, and structure for directors, supervisors, and managerial officers.</li> <li>■ Passed the basis of accounting estimates for compensation to directors and employees for 2020.</li> <li>■ Passed the amendment to the "Audit Committee Charter."</li> <li>■ Passed the amendments to the "Procedures for Professional Accounting Judgments and Changes in Accounting Policies and Estimates" and "Regulations for Application of the International Financial Reporting Standards."</li> <li>■ Passed the amendment to the "Regulations for Related Party Transactions."</li> <li>■ Passed the amendment to the "Regulations for Insider Trading Prevention."</li> <li>■ Passed the amendment to the "Ethical Corporate Management Best Practice Principles."</li> <li>■ Passed the amendment to the "Regulations Governing Procedure for Board of Directors Meetings."</li> <li>■ Passed the power and responsibility at the Company.</li> <li>■ Passed the amendment to the "Regulations for Cash Notes and Securities."</li> <li>■ Passed the appointment of supervisors of Taiyen (Xiamen) Import and Export Co., Ltd.</li> </ul>
March 20, 2020	<ul style="list-style-type: none"> <li>■ Passed the "2019 Statement of Internal Control System."</li> <li>■ Passed the 2019 audit plan.</li> <li>■ Passed the consolidated and parent company only financial statements for 2019.</li> <li>■ Passed the distribution of earnings for 2019.</li> <li>■ Passed the evaluation on the independence of CPAs providing certification of financial statements and attestation of tax returns for 2019.</li> <li>■ Passed the change in the CPAs starting from the first quarter of 2020 in line with the accounting firm's rotation policy.</li> <li>■ Passed the amendment to the "Procedures for Acquisition or Disposal of Assets."</li> <li>■ Passed the amendments to the "Procedures for Loaning of Funds to Others" and "Procedures for Provision of Endorsements/Guarantees."</li> <li>■ Passed the distribution of compensation to employees and directors and supervisors for 2019.</li> <li>■ Passed the percentage of compensation to be distributed to employees and directors and supervisors of Taiyen Green Energy Co., Ltd. for 2019.</li> <li>■ Passed the amendment to the Remuneration Committee Charter.</li> <li>■ Passed the amendment to the "Rules of Procedure for Shareholders Meetings."</li> </ul>

Date	Summary of Resolution
	<ul style="list-style-type: none"> <li>■ Passed the date of 2020 shareholders' meeting.</li> <li>■ Passed the agenda of 2020 shareholders' meeting.</li> <li>■ Passed the application to Taiwan Cooperative Bank for an overall credit limit of NT\$100 million.</li> <li>■ Passed the amendment to the "Regulations for the Preparation of Financial Statements."</li> </ul>
April 30, 2020	<ul style="list-style-type: none"> <li>■ Passed the revision of the 2020 audit plan.</li> <li>■ Passed the amendment to the "Corporate Governance Best Practice Principles."</li> <li>■ Passed the purchase of "Square PET Bottle for 850ml Alkaline Ion Water."</li> <li>■ Passed the addition to the 2020 shareholders' meeting agenda.</li> </ul>
July 31, 2020	<ul style="list-style-type: none"> <li>■ Passed the record date of the distribution of cash dividends for 2020.</li> <li>■ Passed the salary adjustment of outstanding employees in 2020.</li> <li>■ Passed the service purchasing project on "bulk transportation of salt and bottled water in Tung-Hsiao Electrodialysis Refined Salt Factory" and authorized the management to handle the purchase.</li> </ul>
September 18, 2020	<ul style="list-style-type: none"> <li>■ Passed the revision of the standards for supervisory differential pay.</li> <li>■ Passed the Taiyen Green Energy Co., Ltd.'s bid for the "fishery and electricity symbiosis EPC contract in Yizhu Township, Chiayi County" by TCC Jiachien Green Energy Corporation.</li> <li>■ Passed the Taiyen Green Energy Co., Ltd.'s application to Taishin International Bank for the project finance for the "fishery and electricity symbiosis EPC contract in Yizhu Township, Chiayi County" at the amount of NT\$918,580,000.</li> </ul>
November 6, 2020	<ul style="list-style-type: none"> <li>■ Passed the 2021 audit plan.</li> <li>■ Passed the power and responsibility at the Company.</li> <li>■ Passed the amendment to the "Guidelines for Short-term and Long-term Investments."</li> <li>■ Passed the operating budget and capital expenditures for 2021.</li> <li>■ Passed the date of 2021 shareholders' meeting.</li> </ul>
January 29, 2021	<ul style="list-style-type: none"> <li>■ Passed the policy, system, standards, and structure of remuneration.</li> <li>■ Passed the basic principles of accounting estimates of the directors' and employees' remuneration for 2021.</li> <li>■ Passed the authorization of the General Affairs Department to approve the remuneration for the Chairman in accordance with relevant rules.</li> <li>■ Passed the appointment of the 6th-term board of directors, chairman, and president of Taiyen (Xiamen) Import and Export Co., Ltd.</li> <li>■ Passed the R&amp;D Department's purchase of leased land in Tainan Technology Industrial Park.</li> <li>■ Passed Yalipex Trade Co., Ltd.'s commission to manufacture its bottled water.</li> </ul>
March 23, 2021	<ul style="list-style-type: none"> <li>■ Passed the "2020 Statement of Internal Control System."</li> <li>■ Passed the 2020 business report.</li> <li>■ Passed the consolidated and parent company only financial statements for 2020.</li> <li>■ Passed the distribution of earnings for 2020.</li> <li>■ Passed the evaluation on the independence of CPAs providing certification of financial statements and attestation of tax returns for 2020.</li> <li>■ Passed the amendment to the "Procedures for Acquisition or Disposal of Assets."</li> <li>■ Passed the distribution of compensation to employees and directors and supervisors for 2020.</li> <li>■ Passed the percentage of compensation to be distributed to employees and directors and supervisors of Taiyen Green Energy Co., Ltd. for 2020.</li> <li>■ Passed the revision of travel allowances for the directors and supervisors of subsidiaries.</li> <li>■ Passed the distribution of severance pay of Former Chairman Chen, Chi-Yu.</li> <li>■ Passed the code of ethical conduct for the Company's directors and executives.</li> <li>■ Passed the amendment to the "Regulations for Management of Subsidiaries."</li> <li>■ Passed the date of 2021 shareholders' meeting.</li> <li>■ Passed the agenda of 2021 shareholders' meeting.</li> </ul>

(XIII) Any Dissenting Opinions Expressed by Directors or Supervisors with Respect to Major Resolutions Passed by the Board of Directors during the Most Recent Fiscal Year or during the Current Year up to the Date of Publication of the Annual Report, where Said Dissenting Opinions Have Been Recorded or Prepared as Written Declarations: None.

(XIV) A Summary of Resignations and Dismissals of Chairperson, President, Accounting Manager, Financial Manager, Chief Internal Auditor, Corporate Governance Officer,

or Research and Development Officer during the Most Recent Fiscal Year or during the Current Year and up to the Date of Publication of the Annual Report

May 1, 2021

Title	Name	Date of Appointment	Date of Dismissal	Reason for Resignation or Dismissal
Vice President	Tu, Chin-Han	April 26, 2019	January 30, 2020	Retirement
Chairman	Chen, Chi-Yu	June 13, 2016	February 1, 2021	Resigned
Director Acting Chairman	Tseng, Wen-Sheng	February 4, 2021	April 23, 2021	Stop Acting
President	Wu, Hsu-Hui	September 30, 2016	April 30, 2021	Resigned

Note: People concerned herein refer to the chairperson, president, accounting manager, financial manager, chief auditor, corporate governance officer, and research and development officer.

(XV) Managerial Officers' Participation in Corporate Governance Training

Title	Name	Course Name	Date	Training Hour	Remark
Vice President	Chen, Shi-Hui	A Successful Workplace Culture and Blind Spots of Leadership	March 13, 2020	2.5	Dale Carnegie Training
Director of Auditing Office	Wang, Ching-Sen	Pre-employment Training for Internal Auditors	January 15, 2020~January 17, 2020	18	The Institute of Internal Auditors-Chinese Taiwan
		Establishment and Management of Enterprise Risk Management Framework	August 7, 2020	6	The Institute of Internal Auditors-Chinese Taiwan
Director of General Affairs Department	Li, Ming-Ta	A Successful Workplace Culture and Blind Spots of Leadership	March 13, 2020	2.5	Dale Carnegie Training
Director of Financial Accounting Department	Su Wei	Selection and Practice of Corporate Spokespersons	February 19, 2020	6	China Industrial & Commercial Research Institute
		Corporate Governance Practice: Employee Compensation Strategies and Tools	May 15, 2020	3	Accounting Research and Development Foundation
		Supervision of Business Management Using Financial Statements	May 26, 2020	6	Accounting Research and Development Foundation
		Corporate Governance Practice: Improvement in Operating Results Using "Artificial Intelligence" and "Blockchain"	June 11, 2020	3	Accounting Research and Development Foundation
		Key Messages Hidden in Financial Statements	July 23, 2020	3	Allied Association of for Science Park Industries
		Corporate Financial Planning, Capital Movement, and Bank Transactions	August 11, 2020	6	China Industrial & Commercial Research Institute

(XVI) Procedures for Handling Material Inside Information

The Procedures for Handling Material Inside Information are established in accordance with the "Code of Ethics for Directors, Supervisors, and Senior Executives" and "Regulations Governing the Prevention of Insider Trading." Material information is disclosed in accordance with the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities." To prevent insider trading, people who are aware of material information within the Company are required to sell or buy the securities of the Company in accordance with Article 157-1 of the Securities and Exchange Act. The Company has an internal control system in place and communicates with directors, managerial officers, and employees about the

"Regulations Governing the Prevention of Insider Trading" and relevant laws and regulations in a timely manner to avoid any violations or insider trading. Internal policies and regulations are available on the company website for employees to review.

#### IV. Information on CPA Professional Fees

Accounting Firm	CPA		Period of Audit	Remarks
EY Taiwan	Tseng, Yu-Che	Lee, Fang-Wen	2020.01- 2020.12	

Note: In case of any change in the CPA or accounting firm, indicate the period of audit separately and explain the reason for the change in "Remarks."

#### Range of CPA Professional Fees (Choose a Range or Fill in Amount)

Unit: NT\$1,000

Range		Category of Fees	Audit Fees	Non-audit Fees	Total
1	Less than NT\$2,000,000		-	-	-
2	NT\$2,000,000 (inclusive)~NT\$4,000,000		2,180	970	3,150
3	NT\$4,000,000 (inclusive)~NT\$6,000,000		-	-	-
4	NT\$6,000,000 (inclusive)~NT\$8,000,000		-	-	-
5	NT\$8,000,000 (inclusive)~NT\$10,000,000		-	-	-
6	More than NT\$10,000,000 (inclusive)		-	-	-

The Company should disclose the following, if any:

- (I) Amount of Audit Fees and Non-audit Fees and Contents of Non-audit Services (if Non-audit Fees Paid to CPAs, Accounting Firm and Its Affiliates Are One-quarter or More of Audit Fees Paid Thereto:

#### CPA Professional Fees

Unit: NT\$1,000

Name of Accounting Firm	Name of CPA	Audit Fees	Non-audit Fees					Period of Audit	Remarks
			System Design	Business Registration	Human Resources	Others (Note 2)	Total		
EY Taiwan	Tseng, Yu-Che	2,180	—	—	—	970	970	January 2020~December 2020	Note 2: Others, NT\$970 thousand, were the assurance fee for the corporate social responsibility report.
	Lee, Fang-Wen							January 2020~December 2020	

Note 1: In case of any change in the CPA or accounting firm, indicate the period of audit separately, explain the reason for the change in "Remarks," and disclose the audit fees and non-audit fees.

Note 2: Non-audit fees should be indicated separately by service item. If "Others" accounts for 25% of the total non-audit fees, the service items should be indicated in "Remarks."

- (II) Amount of Audit Fees before and after the Change (if the Company Changes Its Accounting Firm and Audit Fees Paid for the Year of Change Are Lower than Those for the Previous Year) and the Reason:

None.

(III) Amount of Audit Fees before and after the Change (if Audit Fees Paid for the Current Year Are Lower than Those for the Previous Year by 15% or More) and the Reason:

None.

## V. Information on Replacement of CPAs

The Company should disclose the following information on any replacement of CPAs in the last two years and subsequent periods:

### (I) Former CPAs

Date of Replacement	Passed in the 6th meeting of the 12th-term Board of Directors on March 20, 2020		
Reason for Replacement and the Description	Due to the accounting firm's internal adjustment, CPAs Li, Fang-Wen and Huang, Shih-Chien were replaced by CPAs Tseng, Yu-Che and Lee, Fang-Wen, effective in the first quarter of 2020.		
Termination by the Client or CPAs	Party	CPA	Client
	Situation		
	Voluntary termination	N/A	N/A
	Declination	N/A	N/A
Opinions Other than Unqualified Opinions in the Most Recent Two Years and Reason	None.		
Different Opinions with the Issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Other
	None	V	
	Note: N/A		
Other Disclosures (under Items 1-4 to 1-7, Subparagraph 6, Article 10 of the Regulations)	None.		

## (II) New CPAs

Name of Accounting Firm	EY Taiwan
Name of CPA	Tseng, Yu-Che and Lee, Fang-Wen
Date of Appointment	Passed in the 6th meeting of the 12th-term Board of Directors on March 20, 2020
Inquiry about Accounting Treatment or Accounting Principles of Specific Transactions and Potential Audit Opinions on the Financial Statements before engagement	None.
Written Opinions on Different Opinions with the Former CPAs	None.

(III) Response by the Former CPAs by Mail to the Disclosure under Items 1 and 2-3, Subparagraph 6, Article 10 of the Regulations:

N/A

VI. Chairperson, President, or Any Managerial Officer in Charge of Financial or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the CPAs' Accounting Firm or at an Affiliate of Such Accounting Firm (The term "affiliate of a CPA's accounting firm" means one in which the CPAs at the accounting firm of the attesting CPA hold more than 50% of the shares, or of which such CPAs hold more than half of the directorships, or a company or institution listed as an affiliate in the external publications or printed materials of the accounting firm of the CPAs.)

None.

VII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (in the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report) by Directors, Supervisors, Managerial Officers, or Shareholders with a Stake of More than 10%

(Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, the relationship between that party and the Company as well as the Company's directors, supervisors, and ten-percent shareholders, and the number of shares transferred or pledged.)

(I) Change in Equity Interests by Directors, Supervisors, Managerial Officers, or Shareholders with a Stake of More than 10%

Title (Note 1)	Name	Unit: Share			
		2019		As of April 27, 2021	
		Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged	Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged
Chairman	Wu, Jung-Hui	0	0	0	0
Director	Liu, Ya-Chuan				
Director	Liao, Hsien-Kuei				
Director	Wang, Ching-Tien				
	Representative of Ministry of Economic Affairs				

Ten-percent Shareholder	Ministry of Economic Affairs					
Director	Sunshine Protech Inc. Representative: Chen, Kuan-Ping	0	0	0	0	0
Director	Lungyen Life Service Corporation, Ltd. Representative: Tsai, Wen-Chieh	0 (3,750,000)	0	0	0	0
Independent Director	Chan, Chien-Lung	0	0	0	0	0
Independent Director	Huang, Shun-Tien	0	0	0	0	0
Independent Director	Kuo, Ying-Man	0	0	0	0	0
President	Wu, Hsu-Hui	0	0	0	0	0
Vice President	Chen, Shi-Hui	0	0	0	0	0
Director of Financial Accounting Department	Su Wei	0	0	0	0	0
Director of Auditing Office	Wang, Ching-Sen	0	0	0	0	0
Vice President	Tu, Chin-Han (Date of dismissal: January 31, 2020)	0	0	0	0	0

Note 1: Shareholders with a stake of more than 10% should be identified as majority shareholders and indicated separately.

Note 2: Fill in the following table if the counterparty of equity interests transferred or pledged is a related party.

## (II) Transfer of Equity Interests

Name (Note 1)	Reason for Transfer (Note 2)	Transaction Date	Counterparty	Relationship between Counterparty and the Company, Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10%	Number of Shares	Price (NT\$)
-	-	-	None	-	-	-

Note 1: Indicate the name of the director, supervisor, managerial officer, or shareholder with a stake of more than 10%.

Note 2: Indicate acquisition or disposal.

## (III) Pledge of Equity Interests

Name (Note 1)	Reason for Pledge (Note 2)	Pledge Date	Counterparty	Relationship between Counterparty and the Company, Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10%	Number of Shares	Shareholding Rate (%)	Pledge Rate (%)	Amount of Pledge (Redemption) (NT\$)
-	-	-	None	-	-	-	-	-

Note 1: Indicate the name of the director, supervisor, managerial officer, or shareholder with a stake of more than 10%.

Note 2: Indicate pledge or redemption.



## VIII. Relationship among Ten Largest Shareholders

Name (Note 1)	Shareholding Held in Person		Shareholding Held by Spouse & Minor Children		Shareholding Held in the Name of Others		Shareholder Being a Related Party, Spouse or Relative within the Second Degree of Kinship of Another (Note 3)		Remark
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Title (Name)	Relation	
Ministry of Economic Affairs	77,768,272	38.88%	—	—	—	—	—	—	
Representative of Ministry of Economic Affairs: Wu, Jung-Hui	—	—	—	—	—	—	—	—	
Representative of Ministry of Economic Affairs: Liu, Ya-Chuan	—	—	—	—	—	—	—	—	
Representative of Ministry of Economic Affairs: Liao, Hsien-Kuei	—	—	—	—	—	—	—	—	
Representative of Ministry of Economic Affairs: Wang, Ching-Tien	—	—	—	—	—	—	—	—	
Tungwei Construction: Chao, Kuo-Hsiang	6,698,000	3.49%	—	—	—	—	—	—	
Lungyen Life Service Corporation, Ltd.: KELLY LEE	5,743,000	2.87%	—	—	—	—	—	—	
CTBC Bank as Custodian of Taiyen Biotech Co., Ltd.'s Employee Stock Ownership Account	4,765,786	2.38%	—	—	—	—	—	—	
Citibank Taiwan as Custodian of Norges Bank	3,108,080	1.55%	—	—	—	—	—	—	
Standard Chartered as Custodian of KGI Asia Limited	2,028,041	1.01%	—	—	—	—	—	—	
Concord International Securities Co., Ltd.: Hsu, Wen-Ke	1,610,653	0.81%	—	—	—	—	—	—	
J.P. Morgan Taipei as Custodian of Vanguard Equity Index Group Investment Account for Vanguard Emerging Markets Stock Index Fund	1,596,000	0.80%	—	—	—	—	—	—	
Standard Chartered Bank Department of Business as Custodian of SPDR® Exchange Traded Funds	1,364,500	0.68%	—	—	—	—	—	—	
Taiwan Fire & Marine Insurance Company, Ltd.: Li, Tai-Hung	1,227,273	0.61%	—	—	—	—	—	—	

Note 1: All top 10 shareholders should be listed. In case of institutional shareholders, indicate the name of the institutional shareholder and its representative respectively.

Note 2: Shareholding (%) is calculated by shareholding held in person, shareholding held by spouse and minor children, and shareholding held in the name of others.

Note 3: The relationship among top 10 shareholders consisting of judicial persons and natural persons should be disclosed in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

IX. Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its Directors and Supervisors, Managerial Officers, and Any Companies Controlled Either Directly or Indirectly by the Company

Unit: Share, %

Reinvestment (Note)	Investment by the Company		Investment by Directors, Supervisors, Managerial Officers, and Directly or Indirectly Controlled Businesses		Total Ownership	
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)
Taiyen Biotech (Samoa) Co., Ltd.	1,600,000	100%	—	—	1,600,000	100%
Taiyen Green Energy Co., Ltd.	24,741,970	66.75%	—	—	24,741,970	66.75%

Note: Investment using the equity method.

## Chapter Four. Information on Capital Raising Activities

### I. Capital and Shares

#### (I) Source of Capital

April 27, 2021

Unit: Thousand shares, NT\$1,000

Date	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Issuance of Shares for Consideration Other than Cash	Other
July 1995	10	4,039,198	40,391,980	4,039,198	40,391,980	—	NT\$39,411,324 through net equity of Taiwan Salt Works (TSW)	None
June 1998	10	4,039,289	40,392,890	4,039,289	40,392,892	—	Capital increase by NT\$912 through land payment	Note 1
June 1998	10	2,948,263	29,482,626	2,948,263	29,482,628	Capital reduction NT\$ 10,910,264	—	Note 2
June 1998	10	5,000,000	50,000,000	2,306,699	23,066,997	—	Capital reduction by NT\$6,415,631 through fixed assets	Note 2
October 2002	10	800,000	8,000,000	2,799,620	27,996,201	—	Capital increase by NT\$4,929,204 through premium on capital stock	Note 3
October 2002	10	800,000	8,000,000	250,000	2,500,000	—	Capital reduction by NT\$25,496,201 through land and fixed assets	Note 3
July 2004	10	800,000	8,000,000	264,474	2,644,737	Capital increase by NT\$144,737 through earnings	—	Note 4
June 2005	10	800,000	8,000,000	278,096	2,780,955	Capital increase by NT\$136,218 through earnings	—	Note 5
December 2013	10	800,000	8,000,000	200,000	2,000,000	Capital reduction by NT\$780,955	—	Note 6

Note 1: Approved in the Executive Yuan Letter Tai-1996-Xiao-Shou-Er-Zi No. 10836.

Note 2: Approved in the Executive Yuan Letter Tai-1997-Zhong-Shou-San-Zi No. 02342.

Note 3: Approved in the Executive Yuan Letter Tai-Jing-Zi No. 0910051321.

Note 4: Approved in the Securities and Futures Bureau Letter Tai-Cai-Zheng-Yi-Zi No. 0930126344.

Note 5: Approved in the Financial Supervisory Commission Letter Jin-Guang-Zheng-Yi-Zi No. 0940126030 dated June 29, 2005.

Note 6: Approved in the Financial Supervisory Commission Letter Jin-Guang-Zheng-Fa-Zi No. 1020041362 dated October 24, 2013.

April 27, 2021 Unit: Share

Type of Share	Authorized Capital			Remark
	Issued Shares (Note)	Unissued Shares	Total	
Common Share	200,000,000	600,000,000	800,000,000	Listed in November 2003

Note: Indicate whether the stock is listed on the TWSE or TPEX (or is restricted from trading).

Information on shelf registration: None.

## (II) Shareholder Structure

Record Date: June 25, 2021

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Institutions	Foreign Institutions and Individuals	Individuals	Treasury Stock	Total
Number of People	1	7	161	107	44,352	0	44,628
Number of Shares	77,768,272	8,372,059	18,846,951	19,250,428	75,762,290	0	200,000,000
Shareholding (%)	38.88%	4.19%	9.42%	9.63%	37.88%	0.00%	100.00%

Note: Primary TWSE/TPEX listed companies should disclose the shareholding percentage of Chinese investments; Chinese investments refers to people, corporations, organizations, or other institutions in the Mainland area or their investments in third areas set forth in Article 3 of the Regulations Governing Investment Permit to the People of the Mainland Area.

## (III) Diffusion of Ownership

### 1. Common stock (NT\$10/share)

Class of Shareholding	Number of Shareholders	Number of Shares	Shareholding (%)
1~999	30,171	2,651,691	1.33%
1,000~5,000	11,841	23,138,291	11.57%
5,001~10,000	1,500	11,616,773	5.81%
10,001~15,000	372	4,715,188	2.36%
15,001~20,000	205	3,787,483	1.89%
20,001~30,000	186	4,664,721	2.33%
30,001~50,000	81	2,862,179	1.43%
50,001~100,000	56	2,630,735	1.32%
50,001~100,000	115	8,220,893	4.11%
100,001~200,000	46	6,186,867	3.09%
200,001~400,000	20	5,674,033	2.84%
400,001~600,000	11	5,614,707	2.81%
600,001~800,000	9	6,664,254	3.33%
800,001~1,000,000	1	955,580	0.48%
1,000,001 or more	14	110,616,605	55.30%
Total	44,628	200,000,000	100%

2. Preferred stock (NT\$10/share)

April 27, 2021

Class of Shareholding	Number of Shareholders	Number of Shares	Shareholding (%)
Class of Shareholding	—	—	—
Total	—	—	—

(IV) Major Shareholders

April 27, 2021

Major Shareholder	Share	Number of Shares	Shareholding (%)
Ministry of Economic Affairs		77,768,272	38.88%
Tungwei Construction: Chao, Kuo-Hsiang		6,986,000	3.49%
Lungyen Life Service Corporation, Ltd.: KELLY LEE		5,743,000	2.87%
CTBC Bank as Custodian of Taiyen Biotech Co., Ltd.'s Employee Stock Ownership Account		4,765,786	2.38%
Citibank Taiwan as Custodian of Norges Bank		3,108,080	1.55%
Standard Chartered as Custodian of KGI Asia Limited		2,028,041	1.01%
Concord International Securities Co., Ltd.: Hsu, Wen-Ke		1,610,653	0.81%
J.P. Morgan Taipei as Custodian of Vanguard Equity Index Group Investment Account for Vanguard Emerging Markets Stock Index Fund		1,596,000	0.80%
Standard Chartered Bank Department of Business as Custodian of SPDR® Exchange Traded Funds		1,364,500	0.68%
Taiwan Fire & Marine Insurance Company, Ltd.: Li, Tai-Hung		1,227,273	0.61%

Note: Major shareholders are shareholders with a stake of 5% or more or top 10 shareholders.

(V) Market Price, Net Worth, Earnings, and Dividend per Share and Related Information for the Most Recent Two Years

Unit: NT\$/share

Item	Year		2019	2020	As of March 31, 2021 (Note 8)
Market Price per Share (Note 1)	Highest		35.90	33.50	34.30
	Lowest		29.60	26.30	31.85
	Average		32.32	31.44	32.58
Net Worth per share (Note 2)	Before distribution		30.76	31.15	31.66
	After distribution		29.26	31.15	31.66
Earnings per Share (Note 3)	Weighted average number of shares		200,000,000	200,000,000	200,000,000
	Earnings per Share	Before adjustment	1.73	1.83	0.51
		After adjustment	1.73	1.83	0.51

Dividend per Share	Cash (Note 4)		1.50	1.35	—
	Stock	Appropriated from earnings	—	—	—
		Appropriated from capital reserve	—	—	—
	Accumulated undistributed dividends (Note 4)		—	—	—
Return on Investment	Price-to-earnings ratio (Note 5)		18.68	17.18	—
	Price-to-dividend ratio (Note 6)		21.55	23.29	—
	Cash dividend yield (Note 7)		0.05	0.04	—

\* If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: Set forth the highest and lowest market prices per common share for each year, and calculate each year's average market price based upon that year's transaction value and transaction volume.

Note 2: Use the number of issued shares at year end and the resolution in the shareholders' meeting of the following year as the basis.

Note 3: If retrospective adjustment is required due to circumstances such as the distribution of stock dividends, indicate the earnings per share before and after adjustment.

Note 4: If there is any accumulated unpaid dividend that can be distributed in a profitable year according to the conditions for the issuance of equity securities, disclose the accumulated unpaid amount as of the year.

Note 5: Price-to-earnings ratio = Average closing price per share for the year / Earnings per share.

Note 6: Price-to-dividend ratio = Average closing price per share for the year / Cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / Average closing price per share for the year.

Note 8: For net worth per share and earnings per share, disclose the information audited (reviewed) by the CPAs for the most recent quarter as of the date of publication of the Annual Report; for other fields, disclose the information for the year as of the date of publication of the Annual Report.

#### (VI) Dividend Policy Specified in Articles of Incorporation and Distribution of Dividends Resolved in the Shareholders' Meeting (Explain Any Significant Change in the Dividend Policy)

##### 1. Dividend policy:

Paragraph 2, Article 35 of the Articles of Incorporation

If the Company makes a profit in a year, it shall pay taxes and make up for the accumulated losses first, and set aside 10% of the remaining amount as legal reserve unless the legal reserve has reached the total capital; then, the Company may set aside or reverse special reserve according to business needs or statutory requirements; after the dividends are distributed, the shareholders' meeting shall decide whether to distribute bonuses to shareholders using the surplus, if any. For the distribution of dividends to shareholders, more than 10% of the accumulated undistributed earnings may be set aside additionally, and cash dividends shall not be less than 50%.

The Board of Directors shall propose the distribution of dividends to shareholders in the shareholders' meeting on a yearly basis. The dividends to shareholders for 2020 are estimated at 65% of the earnings available for distribution.

##### 2. Distribution of dividends proposed in the shareholders' meeting:

The distribution of earnings for 2020 was approved at the 13th meeting of the 12th-term Board of Directors. NT\$270,000,000 in cash dividends at NT\$1.35 per share is to be distributed.

3. Future significant change in the dividend policy: None.

(VII) Effect of Any Proposed Distribution of Stock Dividends on Business Performance and Earnings per Share

Item		Year	2021 (Estimate)
Paid-in Capital, Beginning of Year			NT\$2,000,000,000
Cash/Stock Dividend	Cash dividend per share		NT\$1.35
	Stock dividend per share through earnings		—
	Cash dividend per share through capital reserve		—
	Stock dividend per share through capital reserve		—
Change in Business Performance	Operating income		(Note)
	Increase/decrease in operating income YoY (%)		
	Net income		
	Increase/decrease in net income YoY (%)		
	Earnings per share		
	Increase/decrease in earnings per share YoY (%)		
	Annual average return on investment (reciprocal of annual average price-to-earnings ratio)		
Pro forma earnings per share & price-to-earnings ratio	Capital increase through earnings - cash dividend only	Pro forma earnings per share	(Note)
		Pro forma annual average return on investment	
	No capital increase through capital reserve	Pro forma earnings per share	
		Pro forma annual average return on investment	
	No capital increase through capital reserve & capital increase through earnings - cash dividend only	Pro forma earnings per share	
		Pro forma annual average return on investment	

Note: The Company has not disclosed the full version of the financial forecast for 2021, so there is no need to disclose the estimates for 2021.

(VIII) Remuneration Paid to Employees and Directors and Supervisors

1. Percentage or range of remuneration paid to employees and directors and supervisors under the Articles of Incorporation

Paragraph 1, Article 35 of the Articles of Incorporation

If the Company makes a profit during the year, it shall allocate 2.25% to 3.75% of the profit to employee compensation and less than 1.5% to director compensation to be distributed to directors in office at the end of the year (excluding independent directors). If the Company has accumulated losses, it shall reserve the amount for compensation. The distribution of remuneration paid to employees, directors and supervisors shall be adopted through a resolution by a majority vote of the directors present at the Board meeting attended by two-thirds of the directors and reported in the shareholders' meeting.

2. Basis for estimating the amount of remuneration paid to employees and directors and supervisors, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of any discrepancy between the actual distributed amount and the estimated figure for the year:

- (1) Basis for estimating the amount of remuneration paid to employees, directors (excluding independent directors) and supervisors:  
Refer to the Articles of Incorporation.
  - (2) Basis for calculating the number of shares to be distributed as employee remuneration:  
No stock dividends are to be distributed for the year.
  - (3) Accounting treatment of any discrepancy between the actual distributed amount and the estimated figure for the year: None.
3. Distribution of remuneration paid to employees as approved by the Board of Directors
- (1) The Board of Directors adopted the proposed distribution of NT\$17,931,696 to employees and NT\$7,172,678 to directors (excluding independent directors) and supervisors in cash for 2020.
  - (2) The proposed and recognized distribution of remuneration to employees and directors other than independent directors and supervisors totaled NT\$25,105 thousand.  
Cause for discrepancy: None.  
Accounting treatment of discrepancy: None.
  - (3) The proposed distribution of stock dividends to employees as approved by the Board of Directors and its proportion to the sum of net income and cash dividends to employees for the year: None.
  - (4) Earnings per share after considering the proposed distribution of remuneration to employees, directors (excluding independent directors), and supervisors:  
Refer to the major accounting items (earnings per share) in the financial statements.
4. Actual distribution of remuneration to employees, directors and supervisors for the previous year (including number of shares, amount, and share price), and the amount, cause, and treatment of discrepancy with the estimate
- (1) The proposed cash distribution of NT\$16,743,272 as remuneration to employees and NT\$4,464,872 as remuneration to directors (excluding independent directors) and supervisors for 2018 was adopted by the Board of Directors on March 20, 2020 and reported at the shareholders' meeting on June 19, 2020.
  - (2) Any discrepancy with the recognized distribution of remuneration to employees and directors other than independent directors and supervisors, reason thereof, and treatment: The distributed and recognized amounts of remuneration to employees and directors other than independent directors and supervisors were the same, totaling NT\$21,208 thousand.  
Cause for discrepancy: None.  
Treatment of discrepancy: None.

(IX) Repurchase of the Company's Shares:

None.

II. Corporate Bonds

None.

III. Preferred Shares



None.

#### IV. Global Depository Shares

None.

#### V. Employee Share Subscription Warrants

None.

#### VI. New Restricted Employee Shares

None.

#### VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies

None.

#### VIII. Implementation of Capital Allocation Plans

Pending issuance or private placement of securities as of the quarter before the date of publication of the Annual Report or benefits of the plans in the most recent three years: None.

## Chapter Five. Overview of Operations

### I. Description of Business

#### (I) Scope of Business

1. The scope of business is as follows:

1. C109010            Manufacture of Seasoning.
2. C110010            Beverage Manufacturing.
3. C199990            Manufacture of Other Food Products Not Elsewhere Classified.
4. F203010            Retail Sale of Food Products and Groceries.
5. C801010            Basic Industrial Chemical Manufacturing.
6. C802100            Cosmetics Manufacturing.
7. F208040            Retail Sale of Cosmetics.
8. C802090            Cleaning Products Manufacturing.
9. F207030            Retail Sale of Cleaning Supplies.
10. CF01011            Medical Devices Manufacturing.
11. F108031            Wholesale of Medical Devices.
12. F208031            Retail Sale of Medical Equipment.
13. C802041            Drugs and Medicines Manufacturing.
14. F108021            Wholesale of Western Pharmaceuticals.
15. F208021            Retail Sale of Western Pharmaceuticals.
16. C201010            Feed Manufacturing.
17. F401010            International Trade.
18. I199990            Other Consulting Service.
19. J701020            Amusement Parks.
20. F501060            Restaurants.
21. G202010            Parking area Operators.
22. F212011            Gasoline Stations.
23. ZZ99999            All Business Items that Are Not Prohibited or Restricted by Law,  
Except Those that Are Subject to Special Approval.

## 2. Major Lines and Weight of Business

Unit: NT\$1,000; %

Major Line of Business	Weight of Business	
	Amount	%
Salt	1,377,583	44
Bottled Water	884,727	28
Cosmetics	180,919	6
Cleaning Products	173,446	6
Health Food	131,260	4
Others	382,412	12
Total	3,130,347	100

Note: Others include commodities, recreational products, services, etc.

## 3. New products (services) to be developed

### (1) Key raw materials (materials)

- A. For collagen, we plan to integrate coating penetration technology and develop a new-generation functional raw material (material).
- B. In response to environmental changes and market demand, we plan to develop health materials with better protection.
- C. We continue improving the new-generation dental materials.
- D. Quick liquefiable, highly absorptive, high permeable masks.

### (2) Cleaning products and cosmetics

The following products are to be developed based on target consumers' needs and market trends:

- A. Upgrade of Taiyen Beauty lines.
- B. Upgrade of MÉDECUR lines.
- C. Optimization of toothpaste taste.

### (3) Health food

The following products are to be developed based on market trends and consumers' needs:

- A. "Glucosamine Plus - Peptide Drink" and "Collagen Powder" were developed and launched to maintain a competitive advantage in mobility and skin care.
- B. "Type II Plus - Collalife (Soybeans)" has proven by the "healthy food-bone health" certification to delay bone loss.

### (4) Salt

The following products are to be developed to meet the diverse needs and tastes of consumers:

- A. Import of "Himalayan Pink Salt" and "Mediterranean Sea Salt."
- B. Upgrade of "Salt."

## (II) Industry Overview

### 1. Current state and development

#### (1) Salt

Salt is a daily necessity. Nearly 100 countries around the world produce salt. The production equipment has evolved from sunlight to advanced evaporation equipment. Salt production in North America accounts for more than a quarter

of the world's production. The producing countries in the Americas include the United States, Canada, Mexico, and Brazil; Europe is also a main salt producing area, where Germany, France, and the United Kingdom are the main producing countries. Main producing countries in other regions are China, India, and Australia.

In early days, salt was produced using sunlight in Taiwan. Due to the high cost of sun-dried salt, the Company closed all sun-dried salt fields in 2002, putting an end to solar salt production. Officially established in 1975, the Tung-Hsiao Electrolysis Refined Salt Factory uses ion exchange membrane electrolysis to produce salt. From raw materials to finished products, the entire production process is automated without manual operation, making it the world's most advanced process for food-grade salt in terms of quality, health, and safety. A variety of food-grade salt products produced here contribute to most of the food-grade salt market in Taiwan.

In the past, the domestic salt industry was directly managed by the government. As a state-owned business, the Company was also regulated by the "Salt Management Regulations." The Company managed the food-grade salt market in Taiwan. With the privatization of the Company on November 14, 2003 and the abolition of the "Salt Management Regulations" on January 20, 2004, our products have been widely trusted and received by domestic consumers.

## (2) Bottled water

In recent years, the bottled water market has grown year by year. According to the market surveys, the domestic sales of bottled water in 2019 was estimated to be approximately NT\$10 billion.

For bottled water, we use 1.2-meter-diameter HDPE pipelines that draw clean seawater 1,580 meters away from the coast and 12 meters deep, filter clean seawater through a sand filter bed, and isolate it from heavy metals, surfactants, dioxin, pesticides, and other harmful substances using Japanese advanced ion exchange membrane electrolysis to obtain concentrated brine. Then, concentrated brine undergoes a strict purification process, including high temperature evaporation and condensation, micron filtration, RO purification, ultraviolet sterilization, and 0.2 $\mu$ m filtration, to produce quality water. After testing and analysis, our bottled water has met the Drinking Water Quality Standards promulgated by the Environmental Protection Administration, Executive Yuan and has been certified by the Taiwan Quality Food Association (TQF), ISO 9001:2015 quality management system, ISO 22000:2018 food safety management system, Halal, and health and safety management system for the food industry. Using differentiated water quality and the characteristics of small molecular clusters of water, we have been developing quality and healthy bottled water based on consumer demand. Since its launch, the sales volume of bottled water has increased from more than 6000 tons per year to more than 80,000 tons per year. At present, our bottled water line consists of Ocean Water, Small Molecule Ocean Water, and Ocean Alkaline Ion Water. Ocean Water and Small Molecule Ocean Water are the purest boiled ocean water obtained through a special process. The target market and competition are mineral water and pure water; Ocean Alkaline Ion Water is a small molecular cluster of water obtained through a special process that can adjust the body's constitution. Ocean Alkaline Ion Water passed the SNQ in 2009 and has won the first prize in the bottled water (mineral water) category in the "Readers' Choice for Health Brands" of Commonhealth Magazine for 7 consecutive years (2008~2014) and the first prize in the alkaline bottled water (mineral water) category in the "Readers' Vote for

Trusted Brands" of Commonhealth Magazine for 3 consecutive years (2018~2020), and consecutively won the first prize in the beverage category - bottled water in the "2019 Health Brand Awards." Our bottled water has also won several international awards. Ocean Alkaline Ion Water won the 3-star Superior Taste Awards in the 2015 and 2018 ITQI Awards, the Gold in the Monde Selection 5 times in a row, and the Grand Gold in the Monde Selection between 2014 and 2016; Small Molecule Ocean Water won the 3-star Superior Taste Awards consecutively in the 2019 and 2020 ITQI Awards for its quality. In the 5th China (Guangzhou) International High-end Drinking Water Industry Expo, "Taiyen Ocean Alkaline Ion Water" won a gold in the 2016 Guangzhou International Water Tasting Competition for its quality taste. According to Nielsen statistics, our alkaline ion water has consistently ranked first in the bottled water market for many years. The competition in the domestic bottled water market is quite intense as many new products are launched every year. The Company will take consumer health as the top priority and adjust our marketing strategy in a timely manner to keep leading and growing in the bottled water market with exclusive patents.

(3) Cosmetics (skin care products and cleaning products)

As the COVID-19 pandemic continues, social distancing has changed consumers' purchasing behavior. According to AC Nielsen's market survey, the overall sales of skin care products fell by 12-14% year-on-year.

Due to the COVID-19 pandemic, consumers are paying more attention to nature and safety. Featuring plant extracts, simple ingredients, and no preservatives and fragrances, our products allow consumers to stay comely when wearing masks amid the pandemic. As skin care products are trending towards fast moving consumer goods, the Company continues to bring new news to consumers such as making small changes in packages or dosage forms, as an incentive to buy. While maintaining the core technologies and effects of our products, we market by telling compelling stories to attract consumers to buy.

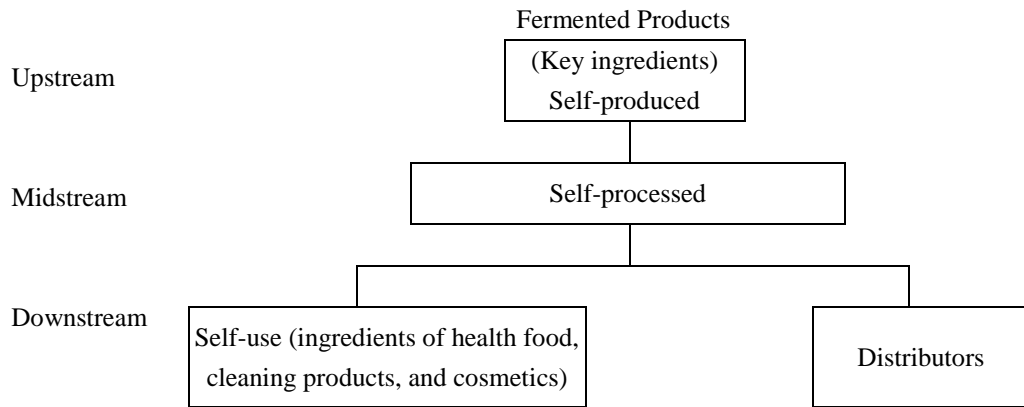
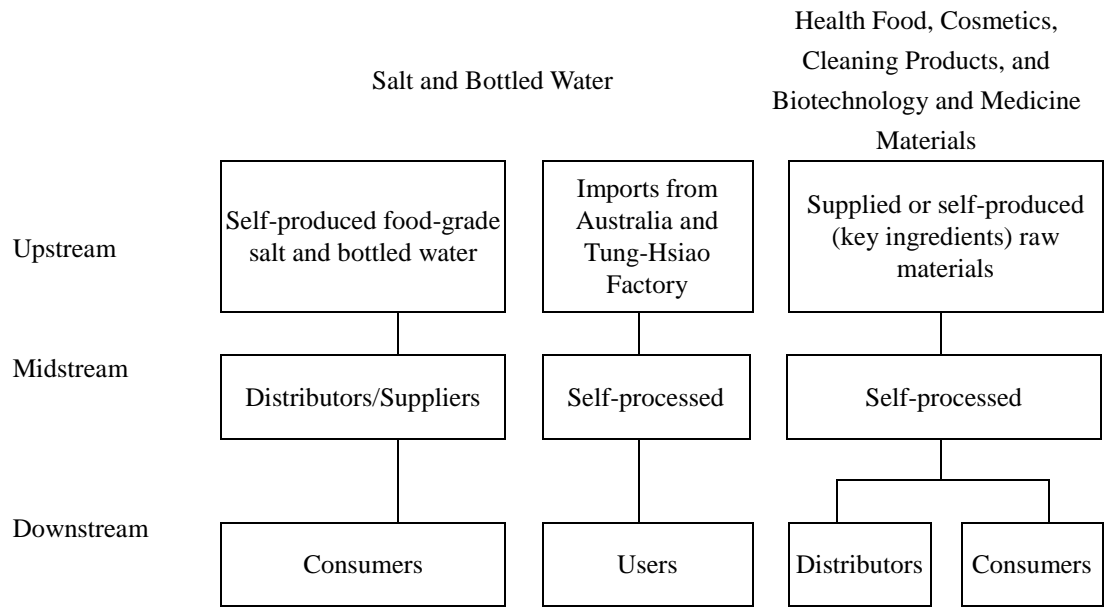
(4) Health food

In 2019, the scale of health food - dietary supplement market in Taiwan was approximately NT\$79.1 billion, with a growth rate of 6.5%. In the wake of the COVID-19 pandemic, the need for health food featuring immunity enhancement has increased, with the overall growth rate estimated to be 7.87%; in particular, dietary supplements show relatively strong growth.

With the increased populations of seniors and people who take their health seriously, the dietary needs of the elderly are the underlying focus in the world. Especially in 2020, the global median population exceeded 30 years old for the first time, driving the demand for health management of people in their 30s.

The future focus of health food will be: (1) increased global demand; (2) potential value and function of Chinese herbal medicine-grade ingredients, (3) creation of additional value of health food ingredients by emerging technology, and (4) enhancement of customer service and user experience through e-commerce or sales platforms.

## 2. Links between upstream, midstream, and downstream segments



### 3. Development trends of products

#### (1) Salt and bottled water

Salt is an indispensable daily necessity and raw material for agriculture, industry, and fishery. As standards of living improve, quality, healthy and diversified salt products are being developed. Iodine is a trace element necessary for humans and various organisms. According to the World Health Organization (WHO), "iodine deficiency" will lead to low intelligence, which has a direct impact on children's learning ability, poor women's health, and lower quality of life and production. Governments of all countries are called on to eliminate iodine deficiency. The simplest and most effective way to solve this problem is to add iodine to table salt. However, large ingestion of iodine for iodine deficiency will lead to hyperthyroidism. In view of this, the Company has been offering various types of iodized salt (Iodized High Quality Salt, Iodized Superior Fine Salt, Iodized Taiwan Salt, Iodized Sea Salt, Low-sodium Salt, Low-sodium Salt (30% Less Sodium), and Fluoridated Iodized Salt), and iodine-free salt (High Quality Salt (iodine-free), Non-iodized Salt, Compound Cooking Salt, and Original Taste Cooking Sea Salt, Salt, Mediterranean Sea Salt, and Himalayan Pink Salt) for consumers to choose. Salt was opened for free import and export in 2004, and a variety of well salt, rock salt, and sea salt products imported from abroad are iodine-free. More and more consumers, restaurants, and food processing companies chose such salt products, which could cause iodine deficiency for some people. To take care of people's health, the Ministry of Health and Welfare amended the regulations governing packaged food nutrition descriptions, stipulating that commercially available iodized salt must contain 20-33ppm iodine. The amendment took effect in July 2017.

Tooth decay among children in Taiwan is serious. In 2011, the number of decayed, missing, and filled permanent teeth (DMFT) of 12-year-old children in 189 countries worldwide was 1.67. In 2013, the DMFT of 12-year-old children in Taiwan was 2.5, far behind the world average; the figures in 2011 also indicated that the rate of 5-year-old children without tooth decay was 20.7% only. To help people prevent tooth decay, the government promoted fluoride salt in July 2016. The World Health Organization (WHO) issued a new dietary guideline in 2013, encouraging adults to embrace a low-sodium and high-potassium diet (except for patients with kidney disease who need to control potassium intake). People should keep the daily sodium intake below 2,000 mg and consume at least 3,510 mg of potassium per day, which is conducive to control over diet-related chronic diseases. Domestic nutritionists agree with this new dietary guideline because a low-sodium, high-potassium diet is actually "DASH" (dietary approaches to stop hypertension) with more whole grains, fruits and vegetables, which can reduce the dosage of hypertension drugs and delay metabolic diseases and chronic diseases such as diabetes. To maintain people's health, the Company has long been committed to offering a variety of healthy and delicious salt products to consumers with different needs. We will continue to keep abreast of the trends in healthy diet and provide more diverse choices.

According to the statistics in 2015, the overall output value of domestic seasonings was approximately NT\$18 billion, of which 80% came from the domestic market. Seasonings are divided into 4 categories: monosodium glutamate (MSG), soy sauce, food-grade salt, and seasonings. Other seasonings have continued to grow in the past decade, with an average annual sales value of NT\$9.3 billion. With the increasing awareness of natural

seasonings, in 2018, the Company rolled out 100% natural "Fresh Choice Shio Koji Bonito Flavor" and "Fresh Choice Shio Koji Mushroom Flavor" in supermarkets and hypermarkets. Due to consumers' concern about plasticizers in the beverage market, the sales of natural and zero-calorie bottled water increased as a result. In Taiwan, the sales volume of bottled water has been good and continued to grow from 2012 to 2015, and hit a relatively high in 2016. As growth slowed down between 2017 and 2020, the penetration rate has hit record highs in recent years. It shows that food safety has become the major public concern. In the future, safe, healthy, and transparent products will remain an attraction for consumers. Despite the COVID-19 pandemic, the sales of bottled water continued to grow steadily in 2020, showing that safety, health, and transparency in product declarations are still the basis for attracting consumers to buy.

(2) Cosmetics (skin care products and cleaning products)

The COVID-19 pandemic took a toll on the skin care market in the first half of 2020. According to Kantar Worldpanel Taiwan, the Asian skin care market is now experiencing the U-shaped recovery; 30% of consumers believed that it would take another year to recover. In Taiwan, the overall skin care market reduced 6.98 million consumers, which was the main cause of the market decline. In the post-epidemic era, skin care products such as basic cleaning and revitalization became trending again. Among them, essence was the top trending product, with a growth of 14% over last year, followed by lotions and creams. These products emphasize effects such as highly absorptive, moisturizing, mild, anti-allergic, and non-greasy.

They were mainly sold through offline stores, followed by off-the-shelf shops. However, both the sales volumes of offline stores and off-the-shelf shops decreased. The sales volumes of medical channels and online stores increased the most.

In terms of cleaning products, oral cleaning products feature a stable market size and a low growth rate and demand for personalization, specialization, and functionality, with new tastes, new concepts, whitening and repairing, gum protection, anti-sensitive being the main appeals; in addition, high-priced multi-functional toothpaste is quite acceptable to consumers. The Company will focus on brand repositioning and uniform visual design and packaging to develop functional toothpaste products and multiple offline channels in addition to the existing traditional channels and hypermarkets.

As to body and hair cleaning products, the Company will enhance the products and packages and put more emphasis on an effective, long-lasting, and comfortable experience in hopes of redefining our cleaning products as salon-grade and medical-grade products.

Watsons, the leading health care and beauty care chain store, released the "2021 Health and Beauty Trends," which points out the new consumer behavior in the wake of the COVID-19 pandemic: (1) Make-up and skin care with masks on: Wearing masks for a long time can cause sensitive skin problems, making sensitive skin care products become one of the hot selling products. (2) Domestic skin care becomes trending again. (3) Exercising at home becomes a trend as people pay more attention to health. (4) New technologies such as artificial intelligence (AI), augmented reality (AR), virtual reality (VR), and smart payment, have been introduced to provide a total solution for consumers. (5) Consumers pay more attention to the appearance and additional effects of epidemic prevention products in addition to their basic functions. (6) Thai makeup suddenly emerges with its high price-performance ratio. (7) With the change in the overall age structure, the business opportunities created by the new generation



are beyond doubt. (8) Minimalism becomes a key to purchase. Compared with other generations, zoomers care more about the content and ingredients of the products on which they spend and feel more at ease with minimal and pure products.

### (3) Health food

According to the 2020 Food Industry, the top three health food channels in Taiwan are direct sales, drugstores, and online stores, among which online stores have grown substantially. It is obvious that consumers are not opposed to online shopping of health products. It is advisable to invest more in marketing.

This year, the focus of our health products remained mobility and body figure management. We completed the efficacy analysis of the main products successively. It is expected that our future products will satisfy consumers' needs for anti-aging and weight loss.

Mintel, a global market research company, released three major trends in the food industry in 2019: sustainability, healthy aging, and convenience. The World Health Organization (WHO) estimated that from 2015 to 2050, the proportion of the world's population aged over 60 would double from 12% to 22%. Aging is about to face every country around the world. Since aging is inevitable, healthy aging has become important. Therefore, one of the three major trends in the food industry in 2019 was "healthy aging."

According to Kantar Worldpanel Taiwan, the aging population in Taiwan has made people pay more and more attention to health, driving the sales of health food by 6% year-on-year for three consecutive years. Studies have also found that the top buyers with the highest spending on health food spend an average of NT\$20,000 per year, showing that Taiwanese people have a substantial demand for health food. Statistics show that despite the continuous introduction of new products on the market, people buy three kinds of health food most frequently each year: joint function, vision care (lutein and astaxanthin), and beauty.

According to Kantar Worldpanel Taiwan, mobility is not only the desire of the elderly, but also the key to health care for the young people before they age. As a result, the sales of health food featuring joint function have grown by 10% year-on-year for three consecutive years. Among them, tablets have shown strong growth. In 2018, Taiwanese people spent nearly NT\$2500 on health food for beauty; in addition to ready-to-drink bird's nest and collagen drinks, the sales of tablets grew by nearly 20%.

The Company has been developing health food featuring mobility and skin care and researching the effects of main products. In response to healthy aging, we plan to roll out an extensive range of products that better address consumers' pain points and needs.

## 4. Competition

In terms of salt, the "Salt Management Regulations" were abolished in January 2004, allowing salt to be freely managed and sold competitively. Currently, various salt products are imported from China, Thailand, Iran, Vietnam, India, Australia, Mexico, the United States, Israel, Britain, France, Austria, Denmark, and New Zealand. On the part of skin care products, cleaning products and cosmetics are perfect competition in Taiwan with various brands; in addition, international companies leverage their rich marketing experience and first-mover brands to dominate the domestic market. The competition is quite intense.

(III) Overview of Technologies and Research and Development Works

1. Research and development expenditures in 2020 and as of March 31, 2021

Unit: NT\$1,000

Item \ Year	2020	As of March 31, 2021
Research and Development Expenditures	73,984	13,164

2. Results achieved in 2020 and before the date of publication of the Annual Report.

Year	Product Development and Technological Improvement
2020	<p>I. Product Development</p> <p>1. Cosmetics and cleaning products</p> <p>(1) Cosmetics: The Company upgraded 4 products in the "Lumiel Lines," developed 2 products in "MÉDECURA Line," upgraded 2 long-selling products, and rolled out "Taiyen Beauty - Hematite Gold Facial Soap."</p> <p>(2) Cleaning products: The Company rolled out "EZ Health Plus - Clear Gel Shampoo," "Collagen Lab - Hand Lotion," and "Super Protection - Lady Care Cleanser."</p> <p>2. Health food</p> <p>"Glucosamine Plus - Peptide Drink" and "Collagen Powder" were developed and launched; in addition, "Type II Plus - Collalife (Soybeans)" has proven by the "healthy food-bone health" certification to delay bone loss.</p> <p>3. Salt</p> <p>"Himalayan Pink Salt" and "Mediterranean Sea Salt" were developed and launched, and "Salt" was upgraded.</p> <p>II. Patent Applications</p> <p>甲、 The Company obtained 1 patent in the Republic of China, namely, "Composition with Mitochondrial Regeneration, Promoting Collagen Proliferation and Anti-aging Effect."</p> <p>乙、 The application for a patent on "High Purity and Undenatured Collagen and Method of Forming the Same" in China, Thailand, and Japan is ongoing.</p> <p>III. Awards</p> <p>1. "Taiyen Toothpaste - Herbal Collagen" won the 2021 Taiwan Excellence Awards.</p> <p>2. In the 2020 Monde Selection, an European quality certification body, "Lumiel Ultimate Hydra - Collagen Revitalizing Essense" and "EZ Health Plus - Clear Gel Shampoo" won the gold.</p> <p>3. In the 2020 International Taste Institute (former ITQI) Award, "Small Molecule Ocean Water" won the 3-star Superior Taste Award, and "Himalayan Pink Salt" and "Mediterranean Sea Salt" won the 2-star Superior Taste Award.</p> <p>4. 2019~2020 Victoires de la Beauté awards, "Lumiel Resilience Lift - Platinum Reviving Repair Serum" won the Best Innovation Award.</p>
As of the Date of Publication of the 2021 Annual Report	"Lumiel Ex Superior Line - Anti-aging Rejuvenation Lyothilized Kit" was rolled out.

(IV) Long-term and Short-term Business Development Plans

1. Short-term business development plans

- (1) Marketing strategy
  - A. Salt: Obtain stable supply of quality and cheap sun-dried salt from other countries, maintain and leverage the Company's brand value, and control channels of distribution to offer "safe, healthy domestic salt" with competitive prices and services. Currently, high-priced salt remains our key product. The Company plans to increase the sales of high-priced salt through promotions during festivals. To maintain brand loyalty and target consumers' willingness to buy, we will sell healthy and safe salt through channels and digital media.
  - B. Bottled water: By leveraging our brand equity, we continue to develop customized products to take care of consumers' health. We will also work with leading companies (e.g., Taiwan High Speed Rail) and adjust our marketing strategy in line with the trends to stay ahead in the bottled water market. To maintain brand loyalty, the Company will work with multiple media outlets to emphasize the value and features of our products while developing more channels to increase sales. In addition, social media marketing for Alkaline Ionized Water has significantly caught every consumer's eye. In addition to interacting with consumers on social media, we will increase online marketing resources given the prevalence of mobile devices. We expect to expand online and offline promotions in order to connect consumers with our brands and products effectively, further increasing market share.
  - C. Biotech products: With core technologies and award-winning inventions, the Company will optimize existing the product lines and develop new products while integrating promotional resources to increase revenue and profits.
  - D. Channels: The Company will build the chains' expertise in cosmetics for the long-term development of chains. In addition, brand and product segmentation will be introduced, coupled with the expansion of offline key accounts (e.g., hypermarkets such as Carrefour, A.mart, and RT-Mart, drugstores such as Watsons, Cosmed, and Poya, PX Mart, and 7-11), TV shopping, and online channels, to improve the distribution and visibility of products.
  - E. Overseas market: The Company expects to establish a supply chain in China to introduce safe, reliable products to Chinese people. In addition to obtaining the Halal certification, we are expanding the Southeast Asian market in line with the New Southbound Policy to enhance the market value of our brand.
- (2) Production policy
  - A. Sun-dried salt for domestic demand is supplied by foreign salt farms, while refined salt is produced by the Company. We will continue replacing production to improve productivity.
  - B. The Company will implement the quality management policy by controlling the quality of raw materials and introducing traceability to ensure the safety of products.
  - C. By product type, production is classed as inventory-based, plan-based, and order-based to meet market demand and prompt and proper supply and to effectively reduce inventory costs.
- (3) Product development
  - A. Based on market demand, the Company will continue developing salt, bottled water, cosmetics, hair products, health food, and biotech medical

devices with core technologies.

- B. We will apply for the certification of health products to increase brand loyalty and customer loyalty. By obtaining national certification, we distinguish ourselves and set a bar in the market, which will add value to our products and sales.
- C. In response to diversified channels in the consumer market, we plan to develop different channels for brands and product lines while obtaining ODM/OEM orders, dual brands, and franchising/licensing with our strengths in R&D and production.
- D. We will continue searching and evaluating unique and available technologies to strengthen R&D capabilities while shortening the development process with resources from the industry, the government, and academia.
- E. Internal and external resources will be used effectively to facilitate the marketing campaigns with scientific evidence.

(4) Scale of business

The Company will continue expanding overseas markets to increase the business and sales. In China, we established a subsidiary in Xiamen in 2010 to develop municipalities, including Shanghai and Beijing. A supply chain was also set up to increase business growth. In response to the New Southbound Policy, the Company will tap into the emerging Asian markets of potential to create product lines that meet local needs through local distributors, further increasing the accessibility and visibility of our brands.

(5) Allocation of funds

Our funds are allocated to day-to-day operations. According to the guidelines for the operation of financial products, the Company may invest excess cash in time deposits, funds, and stocks to keep the business safe and profitable.

2. Long-term business development plans

In the future, the focus of our business will be marine science and biotechnology. To expand our competitive advantages, we plan to invest in the biotechnology and medicine industry with our rich experience in biotechnology. Committed to promoting the idea of "holistic health," the Company aims to become the leader in this area. The Company will continue advancing transformation, corporate development, and internationalization in line with the development of different businesses.

(1) Marketing strategy

- A. We will strengthen control over overseas salt to stabilize market supply.
- B. We will maintain and leverage our brand value, develop new channels, and strengthen control over channels through marketing campaigns and testimonials.
- C. We plan to develop marine science, biotechnology and medicine materials, cosmetics, and health products and markets, invest in online channels, and expand the scale of business at home and abroad.

(2) Production policy

- A. Only competitive products are kept. Uncompetitive products will be eliminated.
- B. New technologies will be introduced to expand the scale of production, creating a cost advantage.

### (3) Scale of business

In response to the continuous growth of business, the Company will plan and expand the scale of business at home and abroad as needed.

### (4) Allocation of funds

Based on the long-term development of main business activities, the Company will make a sound financial plan to ensure that funds are used effectively and generate long-term, stable return on capital in the best interests of our shareholders.

## II. Analysis of Market as well as Production and Marketing Situation

### (I) Market Analysis

#### 1. Sales region of main products

Our main products are sold domestically except for a small amount of salt, skin care products, cleaning products, and bottled water that are exported to China and other regions. The sales regions of main products and the percentages of domestic and foreign sales in the past 3 years are as follows:

Unit: NT\$1,000

Sales Region \ Year	2018		2019		2020	
	Sales	Percentage (%)	Sales	Percentage (%)	Sales	Percentage (%)
Domestic	2,966,347	98.83	2,870,209	98.75	3,099,891	99.03
Foreign	35,115	1.17	36,406	1.25	30,456	0.97
Total	3,001,462	100.00	2,906,615	100.00	3,130,347	100.00

#### 2. Market share

- (1) Superior fine salt: As of the end of 2020 more than 20 brands were imported in Taiwan, where the Company had about 80% share.
- (2) Refined salt: As of the end of 2020 more than 5 brands were imported in Taiwan, where the Company had about 85% share.
- (3) Dietary low-sodium salt: A small number of manufacturers imported or launched similar products, and the Company accounted for about 65% of the market.
- (4) Sun-dried salt: Sun-dried salt was imported by manufacturers. Among them, large-scale alkali-chlorine companies imported sun-dried salt for their own use (about 90%), and the remaining 10% were imported by the Company, Sesoda Corporation, and Taiwan Chlorine Industries Ltd. to supply small and medium-sized enterprises. Competitors also imported sun-dried salt from Australia. At present, the Company accounts for about 82% of the market.
- (5) Bottled water: The shipments of the Company's bottled water were about 5 million boxes. According to the sales statistics, the Company's market share was estimated to be 14% or more.
- (6) Cleaning products: There are many domestic and imported cleaning brands in the market, where the Company has about 0.5~1.7% share.
- (7) Cosmetics: The scale of the domestic cosmetics market is about NT\$60 billion, and the Company's market share is estimated at 0.3~0.5%.
- (8) Health food: The scale of the domestic health food market is about NT\$100 billion, and the Company's market share is estimated at 0.1%.

#### 3. Future supply and demand of the market and growth potential

(1) Salt and Water Business Division

Our salt products include imported natural salt (coarse salt), natural salt for food processing, iodized high quality salt, refined salt, iodized superior fine salt, table salt, low-sodium Salt, and fresh choice, which are used for agriculture, industry, and fishery, food, and food processing. As salt products are mature products, consumers prefer dietary low-sodium salt. With imported brands, the market has sufficient supply and demand, so there is less room for growth.

Bottled water products include ocean alkaline ion water and small molecule ocean water. With the increasing awareness of health and the Company's investment in marketing resources, the sales of ocean alkaline ion water continue to grow year by year; however, competitors also roll out more products and spend more on marketing resources, so the competition remains intense.

(2) Biotech Business Division

With increasing demand for cosmetics, the average expenditures on cosmetics in Taiwan came out on top in Asian countries, second only to Japan and South Korea. As demand is unmet, there is still room for growth. Taiwanese manufacturers have performed well in recent years, with the internal and external sales growing steadily year by year. The Company has ranked among the top 30 manufacturers in the domestic cosmetics market. The Company will take active action with changes in markets at home and abroad.

With the deterioration of organs in an aging society, the scale of the health product market expanded gradually in 2019. As Viartril-S is no longer covered by the National Health Insurance, the market value of bone and joint supplements has increased. The markets for probiotics and lutein are expanding year by year. We will continue investing in and following up the needs of gastrointestinal health and vision care.

The population size remains the deciding factor in the biotechnology and medicine market. China has a population of 1.3 billion, and its economy has developed rapidly in recent years. As people attach more importance to health and quality of life, the government of China starts to make healthcare reforms. Taiwan should seize this opportunity to develop medical device and medical service industries for Chinese people. The government of China continues to promote the five-year plan, hoping to catch up with advanced countries by increasing the output value of the pharmaceutical industry to RMB3 trillion. The government of China has gradually approved the establishment of Taiwanese wholly-owned hospitals in China. It is an opportunity for Taiwanese hospitals to introduce the experience and expertise in medical devices, home care, and clinical trials to China. The biotechnology and medicine industry has long investment time and high risks, but the result can be substantial. In Taiwan, the results of biotechnology and medicine research and development have been remarkable in the past decade, gradually improving the technical standards of the biotechnology and medicine industry and the investment environment. Cross-strait relations have become stabilized. At present, the overall environment is conducive to the development of the biotechnology and medicine industry. In the next ten years, Taiwan's biotechnology and medicine industry will gradually mature and prosper.

(3) Competitive niches

A. Sophisticated equipment, advanced salt production technology, premium quality, and perfect distribution system.

The Company is currently the producer of refined salt in Taiwan. Produced with ion-exchange membranes, refined salt is free of heavy metal pollution, which is a competitive advantage over other salt products. The Company has an in-depth understanding of the market demand for salt products and has established a sound distribution system, which is a high threshold for new players.

B. Excellent R&D team, strong innovation capabilities

In the short run, the Company takes good advantage of our creativity and core strengths to exchange technology with many universities and research institutions. With academic and research resources, we are able to shorten the development timeline and seize market opportunities ahead, quickly improving our technical capabilities and competitiveness. In the medium and long run, the Company continues to utilize our knowledge to build excellent technical capabilities that are used to develop products with market potential and segmentation.

In terms of collagen, the Company has been investing in the purification of raw materials for many years. Such technology has been widely used to develop new products. At present, different types of collagen have been used to develop skin care products, health food, and wound dressings. In addition to the moisturizing effect, the Company has developed a new generation of reviving ingredients that induce skin's self-healing ability to amplify consumers' skin care. In addition, a collagen application other than skin care has also been developed for hair fitness treatment in hopes of improving consumers' hair loss issues and helping them regain their confidence. To improve the professional image of our toothpaste products, we have also started to develop hydroxyapatite from the same source as marine collagen to strengthen the enamel.

The development of important active ingredients in health food and skin care products using fermented yeast is also the Company's core technology. In recent years, we have started to establish activity evaluation technology to sieve out the key ingredients of cosmetics featuring whitening, anti-oxidation, anti-aging and other effects. According to the characteristics of key raw materials, we have applied for the INCI names (International Nomenclature of Cosmetic Ingredients). Among them, "PME" won a bronze in the 2010 Seoul International Invention Fair Awards. PME also won a gold in the 2011 Malaysia ITEX International Invention Exhibition for its anti-glycation effect, and "PGF" also won a silver in the same event. In the same year, our "ATGC" won a gold in the Seoul International Invention Fair Awards. In 2019, "KalloTai III" in the Lumiel New Collagen Line and "Collagen Peptide XVI-Hair growth" obtained the INCI names. As of 2020, the Company obtained a total of 17 INCI names. As toothpaste will be officially included in cosmetics management on July 1, 2021, the Company will continue to test for the effect of toothpaste containing our key raw materials as the basis for marketing.

On the part of health food, we have introduced a new aluminum bag for our main mobility product, "Glucosamine Plus - Peptide Drink," allowing consumers to more quickly and conveniently replenish joint nutrition and reduce muscle damage. In addition, "Type II Plus - Collalife (Soybeans)" has proven by the "healthy food-bone health" certification to delay bone loss. The dual effects of joints and bones boost consumers' confidence in

the product.

In terms of salt, in response to the diversity of food and cuisine, the Company has imported premium "Himalayan Pink Salt" and "Mediterranean Sea Salt." With strict quality control, we strain to provide consumers tasty and safe choices of salt.

The Company has a strong foothold in health products, salt seasonings, and bottled water. In the future, we will continue developing differentiated products and proving efficacy with our core technologies; preliminary studies on the products in relation to consumers' health problems will also be conducted to respond to market changes. The Company will also cooperate with academic and research institutions on the features and added value of products to improve research and development capabilities and competitive advantages.

C. Good company reputation and brand image

The Company has an image of being stable and innovative. The Company has established a good brand image and reputation in the market, for the quality of our products is highly trusted by consumers. Upholding the idea of "putting the customer first," the Company offers fast service to increase customer satisfaction and loyalty.

D. Close-knit marketing channels and complete service network

The Company has sales offices and stores in North, Central, and South Taiwan. In addition to close-knit franchise partners, we work with experienced distributors (e.g., brick-and-mortar stores such as Carrefour, A.mart, RT-Mart, Watsons, Cosmed, Poya, PX Mart, and 7-11 and virtual channels such as TV shopping and online shopping) to provide quick and quality services for our customers and to stay competitive.

E. Sound finances

The Company has stable operations and excellent performances. In terms of solvency, the current ratio and the quick ratio were 417.40% and 360.39% respectively in 2020, indicating that the Company had sound finances and operations. This gave us a considerable advantage in a competitive market.

F. Quality manpower

The Company firmly believes that the future growth and prosperity of a company depends on outstanding talent. Based on our business strategies and needs, we are recruiting professionals in various fields to improve the operating performance and profitability. In the R&D Department, 88% of the employees hold a master's or doctoral degree. With excellent human resources, the Company captures the core competency of various fields and constantly introduces and develops the required technologies to improve competitiveness.

G. Leading testing technology

The Company has been certified by the Taiwan Accreditation Foundation (TAF). We are currently the only certified laboratory in Taiwan that has passed the "Heavy Metals Test for Salt." The technology and quality of the Company's laboratory to test heavy metals in salt have been far leading from other competitors. In addition, we have successively obtained the TAF's certification of testing technology for "cosmetics heavy metals (arsenic, lead, cadmium, and mercury), cosmetics microorganisms (total



bacteria count and total fungi), and food microorganisms (total bacteria count, Escherichia coli, and Coliform bacteria)" to increase the credibility of our testing technology.

(4) Positive and negative factors for future development and response measures

⊕ Positive factors:

A. Complete and diversified product lines with a long life cycle

Salt products are one of the Company's major lines of business. The Company has expertise in salt production and continues to roll out various products. Our salt products are highly accepted and received by customers for their superior quality. Salt has always been a necessity for people's life, agriculture, industry, and fishery, and there is no substitute for it. Salt has a long life cycle, which is conducive to the Company's revenue and profit. Our bottled water comes from the ocean and remains alkaline after electrolysis, so it is very healthy. Recognition has been rapidly growing in recent years and is highly received by consumers.

B. Strong innovation capabilities in line with market trends

In response to consumers' demand for health and quality of life, the Company continues to develop new products such as Fluoridated Iodized Salt, Iodized Superior Fine Salt, Iodized Sea Salt, Fresh Choice Shio Koji, Himalayan Pink Salt, and Mediterranean Sea Salt. Salt-containing cleaning and bath products are also marketed through differentiation to secure market share. As Taiwan is an island country with a lack of resources, the Company makes good use of marine resources and electro dialysis to produce pure and safe food-grade salt. We have also developed bottled water with marine chemical technology to meet consumers' demand for safe and healthy products. The Company is the first choice of ocean alkaline water. In response to the development of medical products, cosmetics, and food products, the Company uses collagen production technology and fermentation technology for medical products to develop cosmetics and health food. By expanding the product line based on the market trend, we further increase the added value of the products.

C. Strong expertise and excellent quality

The Company is committed to using the state-of-the-art technology to provide the best quality products for consumers. We spare no efforts to invest in production equipment and technologies in hopes of delivering the best quality. Taking salt products for example, refined salt is produced using ion exchange membrane electro dialysis that can remove heavy metals. Among all salt production methods, it is the safest way to produce salt.

The Company continues to innovate and establish various R&D platforms and key technologies to strengthen competitive advantages:

a. Activity evaluation platform for efficacy ingredients

With various activity evaluation platforms, potential substances in various biological libraries can be quickly screened and explored and further developed into unique key core components or raw materials for product innovation. Cell tests are conducted to eliminate sources of negative ingredients to ensure the safety of products.

b. Cosmetics effectiveness testing

The Company has constructed and internationally synchronized microbiological effectiveness testing and quality control technology, and

continues to develop formulation reliability testing to optimize formulas, improve safety, and meet international quality standards.

c. Key raw materials with natural active ingredients

Developing active ingredients that are consistent with the Company's product strategy can enable the company to lead in skin care products and health food. As of today, we have obtained a total of 17 names from the International Nomenclature of Cosmetic Ingredients (INCI), among which "Marin-KalloTai," "PME," "Tung Extract," "Red Quinoa Extract," "ATGC," and "Cosmetic Acidic Water" have been used in the development of skin care products and are halal-certified ingredients for collagen products. A key raw material of the Lumiel New Collagen Line was also certified by the INCI. In addition to raw materials for skin care products, we manage turmeric production and obtain the organic certification of the processing line. Turmeric can be used to develop anti-aging, anti-inflammatory health food.

d. Database of formulas for skin care products and cleaning products

In recent years, the skin care market has changed rapidly with diversified channels and consumer needs. Product need to be customized to meet the different consumer needs. In response to this market trend, the Company has developed various types of formulas for skin care products, completed relevant tests, and established a database of various formulas. The scope of the database is constantly expanded to quickly and effectively respond to market changes.

Thus, the Company has considerable advantages of quality, production, and research and development.

② Negative factors and response measures:

A. Intensive competition after privatization

After the privatization of the Company, the "Salt Management Regulations" were abolished in January 2004, allowing salt to be freely managed and sold competently.

Response measures:

- a. We strengthened the diversification of products to meet consumer needs.
- b. Market segmentation and positioning of quality products are introduced to compete with imported low-priced and low-quality salt products.
- c. The Company strengthens the control of marketing channels and strategies, so that consumers can purchase our products in the most convenient and efficient way and be loyal to our products.
- d. We continue to improve the quality of imported natural salt to improve competitiveness and to regain lost customers.

B. Perfect competition in the cosmetics market

The cleaning product market in Taiwan is perfect competition, and internationally renowned manufacturers account for the greatest share of the market. For the Company, the competition will be intense.

Response measures:

- a. We integrate offline and online marketing resources and create contacts with new customers to increase their willingness to buy.
- b. We get reliable consumer information to roll out the most suitable products while establishing the Company's brand image.
- c. We organize community activities to enhance the function of channels, and emphasize the brand image through the media.

- d. The Company expects to cooperate with experienced agents and distributors to increase the market share of products through their marketing experience and skills.

C. Competition in the food market

Frequent food safety issues reduce consumers' willingness to buy, affecting the growth of the health product market.

Response measures:

- a. We accelerate the certification of health products to assure the efficacy of the products that meet consumer expectations.
- b. With a sound quality monitoring system, the Company ensures that the quality of products meets food safety regulations and consumer expectations.
- c. The Company strengthens the safety of products by implementing a traceability system. To set every consumer's mind at rest, information and reports on the inspections of raw materials, production processes, and finished products are available for inquiry on the public website by production date and production batch.

D. Limited water source in the expansion of the bottled water market

At present, the source of bottled water comes from evaporating and condensed water produced in the process of salt production. With the continuous expansion of the bottled water market, water is slightly insufficient.

Response measures:

By increasing the recovery rate of evaporating and condensed water in the salt production process and strengthening the bottled water process, the output of bottled water can be increased to improve market share.

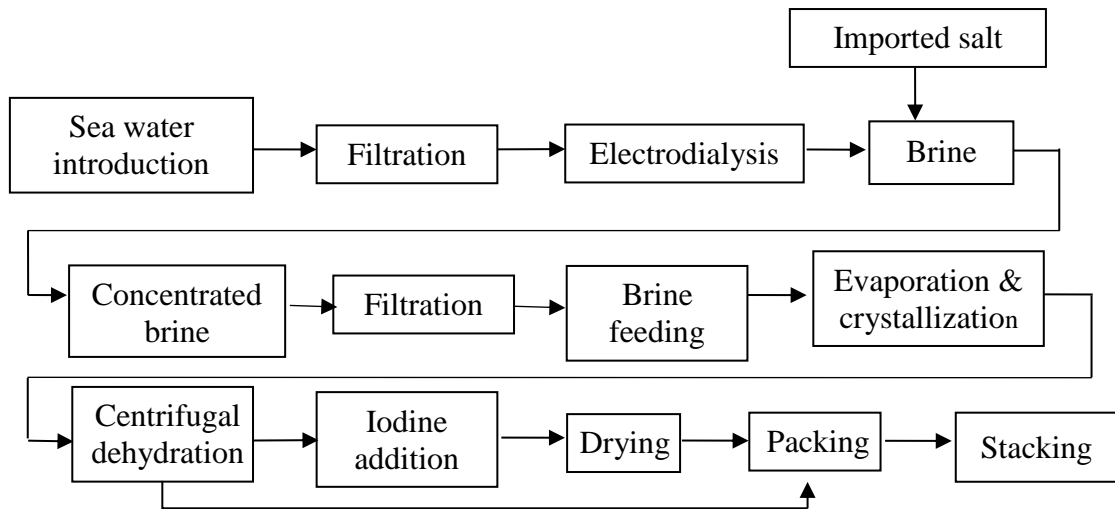
(II) Usage and Manufacturing Processes of Main Products

1. Usage of main products

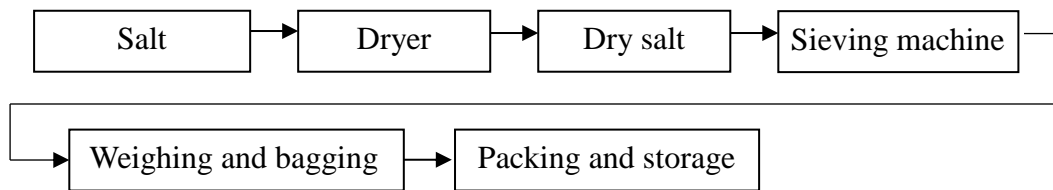
Main Product	Usage or Function
Natural Salt	For industry, agriculture, food processing, and fishery
Coarse-grained Salt	Raw material for titanium dioxide production
Iodized High Quality Salt	For cooking, pickling, and soaking fruits and vegetables, added with "iodine"
Refined Salt	For industry, agriculture, and food processing
Low-sodium Salt	For cooking and seasoning, replacing sodium with potassium to reduce sodium and increase potassium intake
Bottled Water	Drinking water
Cosmetics	For daily skin care, moisturizing, anti-aging, whitening, and sun protection
Cleaning Products	Daily cleaning and bath products and toothpaste
Health Food	For daily body health
Snacks	General food
Medical Devices	Wound dressing to speed up wound healing
Fermented Products	Raw materials for health products, cleaning products, cosmetics

## 2. Manufacturing processes of main products

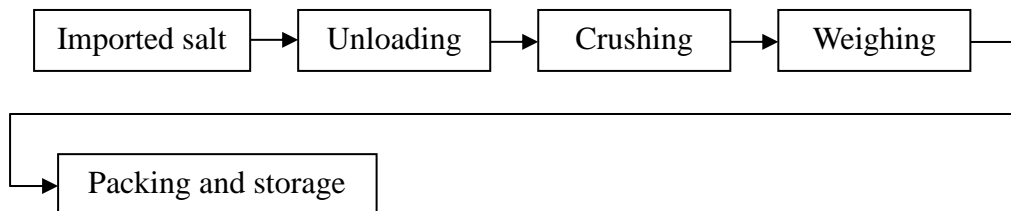
### (1) Refined salt



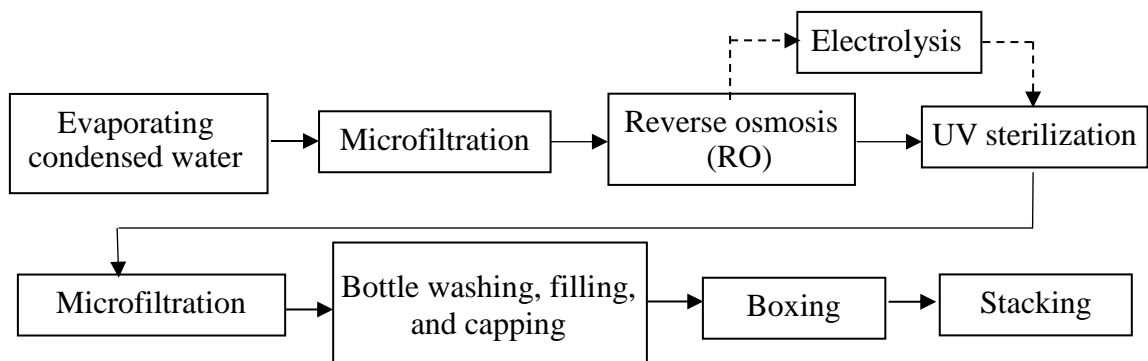
### (2) Coarse-grained salt



### (3) Natural salt

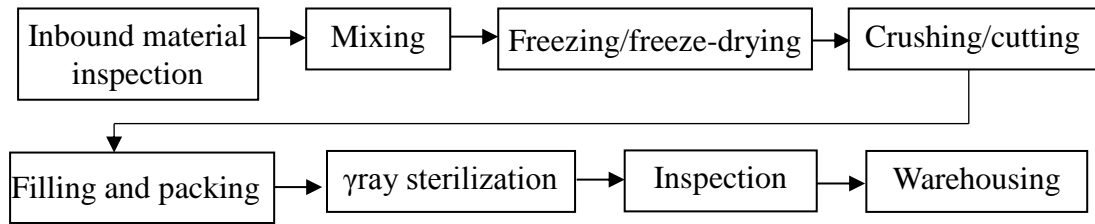


### (4) Bottled water

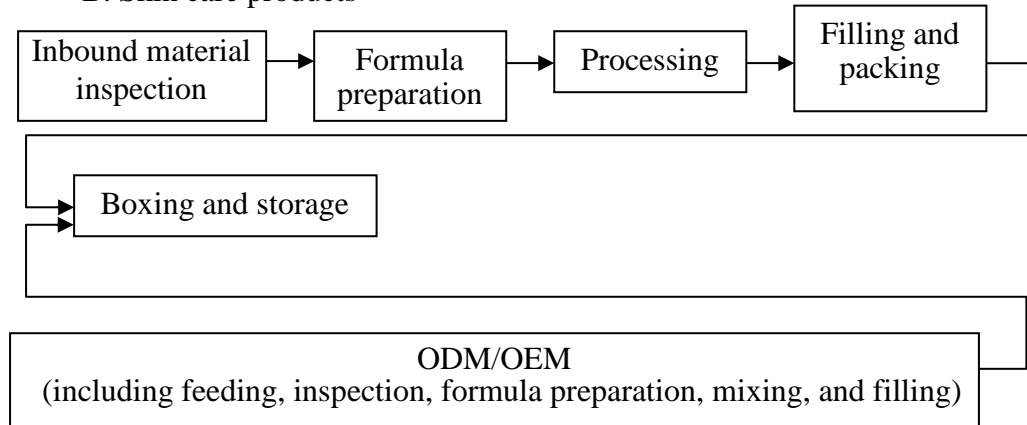


(5) Biological wound dressings, health food, and skin care products

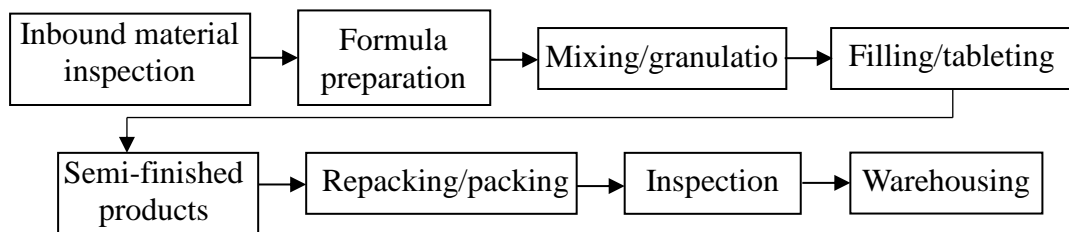
A. Biological wound dressings



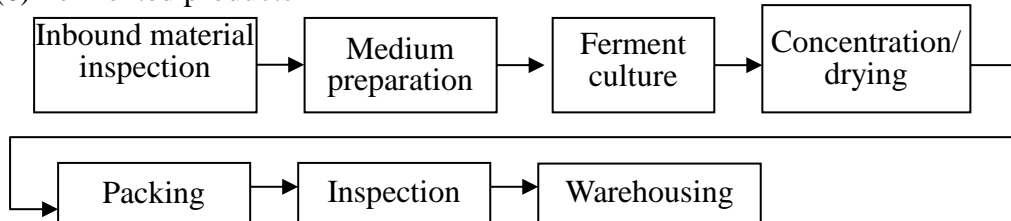
B. Skin care products



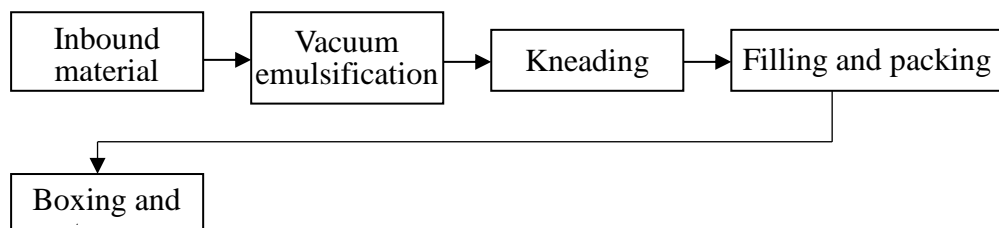
C. Health food



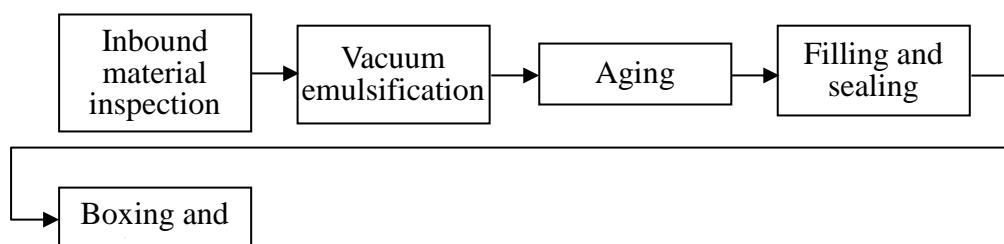
(6) Fermented products



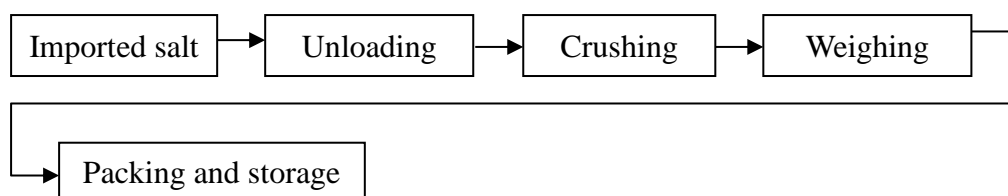
(7) Toothpaste



(8) Facial cleanser, shampoo, and body wash



(9) Crushed salt



(III) Supply of Main Raw Materials

Main Raw Materials	Source	Supply Situation
Salt	Australia	Stable
Packaging Materials	Taiwan	Stable
Health Food Ingredients	Taiwan, India, Japan, the U.S., and China	Stable
Skin Care Product Ingredients	Taiwan, the U.S., Japan, and Europe	Stable
Cleaning Product Ingredients	Taiwan, the U.S., Malaysia, and China	Stable

(IV) Suppliers and Clients Accounting for 10% or More of the Total Procurement (Sales) Amount in Either of the Most Recent Two Years, and Amount, Percentage, and Reason for Increase/Decrease Thereof

List of Major Suppliers in the Most Recent Two Years

Unit: NT\$1,000; %

Item	2019				2020				As of Q1 2021 (Note 2)			
	Name	Amount	Percentage of Annual Net Purchases (%)	Relationship with Issuer	Name	Amount	Percentage of Annual Net Purchases (%)	Relationship with Issuer	Name	Amount	Percentage of Net Purchases As of Q1 2021(%)	Relationship with Issuer
1	TPD00004	234,290	24	None	TPD00004	275,904	28	None	TPD00004	68,815	30	None
2	D03522***	208,657	22	None	D03522***	230,019	24	None	D03522***	48,822	21	None
	Other	524,093	54	None	Other	472,514	48	None	Other	115,228	49	None
	Net purchases	967,040	100		Net purchases	978,437	100		Net purchases	232,865	100	

Note 1: List suppliers accounting for 10% or more of the total procurement amount in either of the most recent two years, and the amount and percentage of procurement, or indicate supplier codes if suppliers are not to be disclosed according to the contractual requirements or counterparts are individuals other than related parties.

Note 2: If, before the date of publication of the Annual Report, there is any financial information for the most recent period audited and attested or reviewed by the CPAs, it should also be disclosed.

## List of Major Clients in the Most Recent Two Years

Unit: NT\$1,000; %

Item	2019				2020				As of Q1 2021 (Note 2)			
	Name	Amount	Percentage of Annual Net Sales (%)	Relationship with Issuer	Name	Amount	Percentage of Annual Net Sales (%)	Relationship with Issuer	Name	Amount	Percentage of Net Sales As of Q1 2021 (%)	Relationship with Issuer
1	105366	794,468	27	None	105366	790,554	25	None	105366	194,106	25	None
2	—	—			—	—			—	—		
	Other	2,112,147	73	—	Other	2,339,793	75	—	Other	595,979	75	
	Net sales	2,906,615	100	—	Net sales	3,130,347	100	—	Net sales	790,085	100	

Note 1: List clients accounting for 10% or more of the total sales amount in either of the most recent two years, and the amount and percentage of procurement, or indicate client codes if clients are not to be disclosed according to the contractual requirements or counterparts are individuals other than related parties.

Note 2: If, before the date of publication of the Annual Report, there is any financial information for the most recent period audited and attested or reviewed by the CPAs, it should also be disclosed.

## (V) Production Volume and Value for the Most Recent Two Years

Production Capacity/Volume/Value Unit: Metric ton; bottle; box; unit/NT\$1,000

Production Volume and Value Main Product (or Segment)	Year	2019			2020		
		Capacity	Volume	Value	Capacity	Volume	Value
Salt		390,506	245,939	745,283	354,829	240,644	695,706
Cosmetics		4,734,745	2,140,294	117,708	4,446,599	1,589,730	97,984
Cleaning Products		6,396,889	2,526,549	84,529	7,832,966	3,818,911	116,914
Health Food		649,648	451,121	55,388	811,413	594,888	65,910
Bottled Water		65,054,118	100,228,778	493,040	65,054,118	102,269,398	492,663
Other		—	443,642	19,506	—	342,482	13,127
Total		—	—	1,515,454	—	—	1,482,304

Note 1: Capacity refers to the quantity that the Company can produce under normal operations using existing production equipment after considering necessary shutdowns, holidays and other factors

Note 2: If the production of each product is substitutable, the production capacity may be combined with an explanation given.

## (VI) Sales Volume and Value for the Most Recent Two Years

Unit: Metric ton/NT\$1,000

Production Volume and Value Main Product (or Segment)	Year	2019				2020			
		Domestic		Foreign		Domestic		Foreign	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Salt		271,655	1,331,266	9,252	25,640	267,867	1,359,745	7,002	17,838
Cosmetics		—	209,098	—	418	—	180,763	—	156
Cleaning Products		—	114,983	—	(799)	—	173,298	—	148
Health Food		—	105,766	—	—	—	131,260	—	—
Bottled Water		—	846,321	—	11,147	—	872,413	—	12,314
Other		—	262,775	—	—	—	382,412	—	—
Total		—	2,870,209	—	36,406	—	3,099,891	—	30,456

Note: The volume of skin care products, cleaning products, health products, and bottled water is not totaled because of different units.

### III. Information on Employees for the Two Most Recent Fiscal Years and during the Current Fiscal Year Up to the Date of Publication of the Annual Report

Year		2019	2020	As of February 28, 2021 (Note 1)
Number of Employees	Managerial officers	24	22	22
	Sales staff	135	131	134
	Administration staff	77	88	87
	Direct staff	246	241	241
	Total	482	482	484
Average Age		44.00	44.05	44.88
Average Years of Service (Note 2)		14.14	14.94	14.70
Education	PhD	1%	1%	1%
	Master's	27%	30%	29%
	Bachelor's	57%	56%	57%
	Senior high	14%	12%	12%
	Below junior high	1%	1%	1%

Note 1: Information as of the date of publication of the Annual Report.

Note 2: Years of service before privatization in November 2003 are included.

### IV. Disbursements for Environmental Protection

#### (I) Pollution Control and Prevention Measures

##### 1. Wastewater control and prevention

Wastewater (sewage) of Biotech Health Products Factory, Biotech Cosmetics Factory, and Tung-Hsiao Electrodialysis Refined Salt Factory should be



controlled. The Biotech Health Products Factory collects rainwater and sewage separately and is equipped with sewage treatment facilities. Wastewater is treated according to the standards of the Tainan Technology Industrial Park and then discharged through the sewer system; at the Tung-Hsiao Electrodialysis Refined Salt Factory, the approved discharge volume of wastewater (sewage) is 314.4CMD (operating wastewater: 234.4CMD + domestic sewage: 80CMD). According to law, a Class B wastewater treatment specialist is appointed to be responsible for the operation and maintenance of wastewater (sewage) treatment facilities and the renewal and extension of water pollution prevention and control permits; the quality of the discharged water is tested every six months, with the test results meeting the Effluent Standards. The Biotech Cosmetics Factory regularly maintains wastewater treatment facilities and tests the quality of the discharged water every six months, with the test results meeting the Effluent Standards.

2. Waste control and prevention

Waste of Biotech Health Products Factory, Biotech Cosmetics Factory, and Tung-Hsiao Electrodialysis Refined Salt Factory should be controlled. Only general industrial waste is produced in these three factories, and the amount and flow of waste are reported via the Internet every month. Qualified suppliers are entrusted to dispose of waste. The containers and their sales volumes in the previous two months are reported every odd month, with a container recycling fee paid together. The Cigu Salt Plant only produces general domestic waste, which is also disposed of by qualified suppliers.

3. Exhaust control and prevention

Stationary pollution sources of Biotech Health Products Factory, Biotech Cosmetics Factory, and Tung-Hsiao Electrodialysis Refined Salt Factory should be controlled. Air pollution fees and emissions are reported on a quarterly basis. In the Tung-Hsiao Electrodialysis Refined Salt Factory, the boilers use natural gas to generate power. According to the regulations, an approved testing company is entrusted every year to test whether the NO<sub>x</sub> concentration of exhaust emitted by the boilers meets the emission standards and to maintain discharge pipes (including chimneys); a small amount of exhaust from the Biotech Health Products Factory and the Biotech Cosmetics Factory has met the air pollution control standards. The Cigu Salt Plant produced no exhaust.

4. Noise control and prevention

The noise at the perimeter of each factory has met the noise control standards.

5. Toxic chemicals control and prevention

Toxic chemicals are used in the Biotech Health Products Factory, Biotech Cosmetics Factory, and Tung-Hsiao Electrodialysis Refined Salt Factory only, with the volume used below the minimum control limit. In accordance with the "Regulations for the Labeling and Materials Safety Data Sheets for Toxic and Concerned Chemical Substances," these factories update the safety data sheet, the hazardous chemical list, and toxic chemical labels, record the daily volume used, and report the record of the previous month before the 10th of each month.

(II) Losses for the Most Recent Two Years Due to Environmental Pollution Incidents

(Any losses in the most recent fiscal year and up to the date of publication of the Annual Report due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in

the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made)

None.

### (III) Countermeasures

#### 1. Corrective measures

The Company was not subject to any compensation for pollution. In response to increasingly stringent environmental standards, the Company will improve pollution prevention equipment or strengthen management in accordance with relevant environmental regulations.

#### 2. Impact after correction

The Company has always attached great importance to environmental protection. We control exhaust, wastewater, and waste in accordance with environmental regulations and discharge standards. In the future, we will continue reducing waste and pollution in the production process while investing in pollution prevention equipment. By managing pollution strictly, we are able to minimize environmental pollution and thus fulfill our corporate social responsibility.

### (IV) Estimated Disbursements for Environmental Protection for the Next Three Years

Item		2021	2022	2023
Equipment to Be Purchased or Expenditures	Maintenance and update of exhaust gas and waste (sewage) water treatment equipment	1,303	10,500 (Note)	522
	Improvement in processes at risk of pollution	0	0	0
	Purchase of waste (sewage) water testing equipment	12	12	12
Amount (NT\$1,000)		1,315	10,512	534

Note: In response to the construction of Qigu Salt Mountain Recreation Area in 2022, the cost of construction of a wastewater treatment plant is estimated at NT\$10 million.

Expected improvements:

1. The concentration of exhaust and wastewater discharges meet the standards of environmental laws and regulations.
2. The process is stably controlled.
3. Waste and pollution are reduced and prevented.

## V. Labor Relations

### (I) Employee Benefit Plans, Continuing Education and Training, Retirement Systems and Their Implementation, Labor-management Agreements, and Measures for Preserving Employees' Rights and Interests

#### 1. Employee benefit plans

- (1) In addition to labor and health insurance, group insurance, and employee stock ownership trusts, the Company pays bonuses by unit and individual performances based on the Company's earnings, implements employee compensation, and organizes education and training.
- (2) The Employee Welfare Committee is in place to allocate employee benefits monthly for organizing trips, distributing festival gifts, and holding other activities.

- (3) Labor-management meetings are held to improve employees' working conditions and work environment. The purpose of labor-management meetings is to facilitate the cooperation and harmony between the employer and the employees.

2. Continuing education and training

Year	2018	2019	2020
Number of Courses	247	239	216
Number of Trainees	2,318	2,183	1,715
Number of Training Hours	9,689	9,909	6,987
Average Number of Training Hours per Person	20	21	14
Training Expense (NT\$)	1,474,437	1,498,451	806,603
Average Training Expense per Person (NT\$)	3,034	3,109	1,673

3. Retirement systems

According to the Labor Standards Act, a retirement reserve is appropriated monthly and deposited in the employee's dedicated account at the Department of Trust, Bank of Taiwan. The Company pays the pensions to employees in accordance with the Labor Standards Act. Starting from July 1, 2005, for employees who choose to apply the pension system under the Labor Pension Act, 6% of their monthly salary will be appropriated to their dedicated pension account at the Bureau of Labor Insurance.

4. Labor-management agreements and measures for preserving employees' rights and interests

Falling into an industry applicable to the Labor Standards Act, the Company operates based on the Labor Standards Act. The Company has a complaint/grievance system and supervisor mailboxes set up to accept complaints and solicit opinions from employees. We have also entered into a collective bargaining agreement with the salt industry union to carry out regular negotiations and to make amendments for the rights and interests of our employees. The Company values employee benefits and two-way communication with employees, so the labor-management relations are harmonious. There have been no labor disputes since establishment.

5. Code of conduct or ethics

- (1) To maintain order and ethics in the workplace, the following employee rules are drawn up as a code of conduct for all employees:

9 Dos
1. All employees should put the Company's interests first and never engage in transactions that are not beneficial for the Company.
2. All employees should strive to work professionally and attentively and take a proactive attitude to do things better.
3. All employees should do everything transparently, fairly, and with reason, and answer questions with a clear conscience.
4. Each unit should grant/impose rewards/punishments clearly, disallow repeated mistakes, and forgive first offenders depending on the case and punish repeat offenders.
5. Supervisors at all levels are responsible for supervising, following up, and evaluating the meeting resolutions or assignments to improve work

<p>efficiency and effectiveness.</p> <ol style="list-style-type: none"> <li>6. Supervisors at all levels should lead by example.</li> <li>7. Supervisors at all levels should carry out management by walking around and have the courage to discover and solve problems at any time.</li> <li>8. All employees should take action and face challenges in the intense competition after the privatization of the Company.</li> <li>9. Senior employees should share their experience with new recruits and take care of younger generations.</li> </ol>
10 Don'ts
<ol style="list-style-type: none"> <li>1. Don't give gifts to superiors.</li> <li>2. Don't ask people to lobby on promotion and transfer.</li> <li>3. Don't purchase goods from relatives.</li> <li>4. Don't accept gifts from any counterparties.</li> <li>5. Don't gain private ends in public cause, or strict punishment will ensue.</li> <li>6. Don't perform work perfunctorily; streamline processes to increase productivity.</li> <li>7. Don't snoop or leak company secrets.</li> <li>8. Don't waste company resources; be provident.</li> <li>9. Don't be complacent about immediate results and overlook future challenges.</li> <li>10. Don't leave office with undone work.</li> </ol>
10 Norms
<ol style="list-style-type: none"> <li>1. Taiyen's business philosophy: integrity, dedication, pleasure at work.</li> <li>2. Taiyen's culture: professionalism, innovation, efficiency.</li> <li>3. Taiyen's competitive advantages: Low-cost, high-quality, quickest-service, biggest features.</li> <li>4. Be lazy at work today, be on unemployment tomorrow.</li> <li>5. Employees make an all-out effort to innovate, turning "salt" into gold.</li> <li>6. The only unchanging rule is to "change." "Being better" is Taiyen's sustainable development goal.</li> <li>7. Employees strive to achieve what's beneficial to the Company.</li> <li>8. Respect customers and go beyond their expectations.</li> <li>9. View customer complaints as gifts and treat customers with gratitude.</li> <li>10. Put the customer first.</li> </ol>

- (2) The Company identifies "professionalism, innovation, efficiency" as the corporate culture and expects employees to fulfill "integrity, responsibility, and productivity." The Company has formulated the guidelines for rewards and punishments, requesting employees to comply with the code of conduct and clearly specifying the rewards/punishments imposed on encouragements/unethical conduct.
6. Protective measures for the work environment and personal safety
- (1) Fire inspections and drills are organized.
  - (2) Health checkups are provided for employees working in general and special operations.
  - (3) Operators should wear earplugs or earmuffs and other personal protective equipment if the work environment exceeds the standard.
  - (4) The lighting should be improved if the work environment does not meet the lighting standard.
  - (5) Occupational safety and health rules and equipment operation safety standards are formulated and implemented.
  - (6) Leak alarms and material safety data sheets are set up for hazardous materials

- or devices, and statutory education and training is organized for operators.
- (7) Qualified operators for statutory dangerous equipment are appointed, and regular inspections are carried out according to law.
  - (8) Occupational safety and health training and emergency drills are organized according to law.
  - (9) Provision of personal protective equipment according to the safety requirements.

(II) Any Losses Arising from Labor Disputes in the Most Recent Year and Up to the Date of Publication of the Annual Report, an Estimate of Losses Incurred to Date and in the Future, and Response Measures (If a Reasonable Estimate Cannot Be Made, an Explanation of the Facts of Why It Cannot Be Made):

The Company attaches great importance to employee benefits and training. The labor-management relations are harmonious, and no labor disputes have occurred.

## VI. Important Contracts (with a Contract Amount of NT\$50 million or More)

(Contracting parties, major content, restrictive clauses, and the commencement dates and expiration dates of supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts are either still effective as of the date of publication of the Annual Report, or expired in 2020)

Nature	Contracting Party	Commencement/Expiration Dates	Content	Restrictive Clause
Distribution Contract	Tico Inc.	2020.01.01~2021.12.31	Alkaline Ion Water	
Distribution Contract	PX Mart Co., Ltd.	2019.12.07~2020.12.31	Low-sodium Salt, Low-sodium Salt (30% Less Sodium), Iodized High Quality Salt, Iodized Superior Fine Salt, and Original Taste Cooking Sea Salt	
Distribution Contract	Refined salt sales contract with 148 suppliers, including Mingqing Firm	2020.03.01~2021.02.28	Iodized High Quality Salt, Iodized Superior Fine Salt	
Distribution Contract	Fu Chu Vivid Enterprise Co., Ltd.	2020.01.01~2021.12.31	TV Shopping Contract	
Franchise Contract	Franchise	2017.04.01~2021.03.31	Franchise contract	
Property Contract	A salt company in Australia	2018.01.01~2022.04.30	Purchase of imported salt	
Property Contract	CPC Corporation	2019.07.01~2022.06.30	Industrial natural gas sale/purchase	
Property Contract	Far Eastern New Century Corporation	Delivery in batches starting from 2020.09.21	Bottled Water Container	Close the case after delivery
Service Contract	Hongmao Express Co., Ltd.	2020.11.15~2022.11.14	Bulk transportation of salt and bottled water	

Nature	Contracting Party	Commencement/Expiration Dates	Content	Restrictive Clause
Construction Contract	Taiwan Cogeneration Corporation	2019.10.01~2021.10.20	Replacement and installation of cogeneration equipment in Tung-Hsiao Electrolysis Refined Salt Factory	

## Chapter Six. Overview of Financial Status

### I. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years

#### (I) Condensed Balance Sheets and Statements of Comprehensive Income - IFRS

##### 1. Condensed balance sheets - parent company only

Unit: NT\$1,000

Item	Year	Financial Information for the Past Five Years (Note 1)				
		2016	2017	2018	2019	2020
Current Assets		2,678,245	2,456,461	2,443,069	2,384,498	2,311,809
Property, Plant, and Equipment (Note 2)		2,716,250	2,951,766	3,033,136	3,188,754	3,203,200
Intangible Assets		—	—	—	—	—
Other Assets (Note 2)		1,627,989	1,774,540	1,737,740	1,837,836	1,875,412
Total Assets		7,022,484	7,182,767	7,213,945	7,411,088	7,390,421
Current Liabilities	Before distribution	434,425	519,964	436,173	567,331	489,919
	After distribution	734,425	819,964	796,173	867,331	Note 4
Non-current Liabilities		601,717	644,263	622,180	690,968	671,021
Total Liabilities	Before distribution	1,036,142	1,164,227	1,058,353	1,258,299	1,160,940
	After distribution	1,336,142	1,464,227	1,418,353	1,558,299	Note 4
Equity Attributable to Owners of the Parent		5,986,342	6,018,540	6,155,592	6,152,789	6,229,481
Share Capital		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Capital Surplus		2,488,261	2,488,261	2,486,289	2,486,320	2,501,653
Retained Earnings	Before distribution	1,502,133	1,532,672	1,672,097	1,670,108	1,730,822
	After distribution	1,202,133	1,234,672	1,312,097	1,370,108	Note 4
Other Equity		(4,052)	(2,393)	(2,794)	(3,639)	(2,994)
Treasury Stock		—	—	—	—	—
Non-controlling Interests		—	—	—	—	—
Equity Total	Before distribution	5,986,342	6,018,540	6,155,592	6,152,789	6,229,481
	After distribution	5,686,342	5,718,540	5,795,592	5,852,789	Note 4

Note 1: The above financial information has been audited and attested by the CPAs.

Note 2: For any asset revaluation conducted in the year, the date and amount of such asset revaluation should be disclosed.

Note 3: If, before the date of publication of the Annual Report, there is any financial information for the most recent period audited and attested or reviewed by the CPAs, it should also be disclosed.

Note 4: The figures before distribution should be based on the resolution passed in the shareholders' meeting.

Note 5: For the Company having been notified by the authority in charge to revise or correct the financial information, all the figures/numbers used should be the revised or corrected ones, and the status and reasons for such revision or correction should be noted.

Note 6: The Company started to apply the International Accounting Standards approved by the Financial Supervisory Commission on January 1, 2013.

## 2. Condensed statements of comprehensive income - parent company only

Unit: NT\$1,000, NT\$ for earnings per share

Item \ Year	Financial Information for the Past Five Years (Note 1)				
	2016	2017	2018	2019	2020
Sales Revenues	2,749,507	2,682,011	2,793,889	2,705,457	2,797,226
Gross Profit	1,146,549	1,121,091	1,122,870	1,128,709	1,222,438
Operating Income	413,356	429,166	378,245	408,609	457,118
Non-operating Income and Expenses	1,463	(2,688)	145,435	16,670	(4,044)
Net Income before Tax	414,819	426,478	523,680	425,279	453,074
Net Income from Continuing Operations	351,967	353,694	452,741	345,503	365,085
Loss from Discontinued Operations	—	—	—	—	—
Net Income (Loss)	351,967	353,694	452,741	345,503	365,085
Other Comprehensive Income (Net, after Tax)	(2,651)	(21,496)	(14,821)	11,663	(3,726)
Total Comprehensive Income	349,316	332,198	437,920	357,166	361,359
Net Income Attributable to Stockholders of the Parent	—	—	—	—	—
Net Income Attributable to Non-controlling Interests	—	—	—	—	—
Total Comprehensive Income Attributable to Stockholders of the Parent	—	—	—	—	—
Total Comprehensive Income Attributable to Non-controlling Interests	—	—	—	—	—
Earnings Per Share-basic	1.76	1.77	2.26	1.73	1.83

Note 1: The above financial information has been audited and attested by the CPAs.

Note 2: If, before the date of publication of the Annual Report, there is any financial information for the most recent period audited and attested or reviewed by the CPAs, it should also be disclosed.

Note 3: Loss from discontinued operations is net after income tax.

Note 4: For the Company having been notified by the authority in charge to revise or correct the financial information, all the figures/numbers used should be the revised or corrected ones, and the status and reasons for such revision or correction should be noted.

Note 5: The Company started to apply the International Accounting Standards approved by the Financial Supervisory Commission on January 1, 2013.



### 3. Condensed balance sheets - consolidated

Unit: NT\$1,000

Item	Year	Financial Information for the Past Five Years (Note 1)					Financial Information As of March 31, 2021 (Note 3)
		2016	2017	2018	2019	2020	
Current Assets		2,718,253	2,713,831	2,772,251	2,708,904	2,900,430	3,160,223
Property, Plant, and Equipment (Note 2)		2,716,308	2,957,195	3,045,220	3,273,123	3,301,281	3,387,527
Intangible Assets		—	—	—	—	—	—
Other Assets (Note 2)		1,618,830	1,576,121	1,508,541	1,619,435	1,596,008	1,593,049
Total Assets		7,053,391	7,247,147	7,326,012	7,601,462	7,797,719	8,140,799
Current Liabilities	Before distribution	450,477	572,019	535,145	744,597	694,877	932,979
	After distribution	750,477	872,019	895,145	1,044,597	Note 4	—
Non-current Liabilities		616,572	656,588	635,275	704,076	738,614	741,666
Total Liabilities	Before distribution	1,067,049	1,228,607	1,170,420	1,448,673	1,433,491	1,674,645
	After distribution	1,367,049	1,528,607	1,530,420	1,748,673	Note 4	—
Equity Attributable to Owners of the Parent		5,986,342	6,018,540	6,155,592	6,152,789	6,229,481	6,331,927
Share Capital		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Capital Surplus		2,488,261	2,488,261	2,486,289	2,486,320	2,501,653	2,501,686
Retained Earnings	Before distribution	1,502,133	1,532,672	1,672,097	1,670,108	1,730,822	1,833,385
	After distribution	1,202,133	1,234,672	1,312,097	1,370,108	Note 4	—
Other Equity		(4,052)	(2,393)	(2,794)	(3,639)	(2,994)	(3,144)
Treasury Stock		—	—	—	—	—	—
Non-controlling Interests		—	—	—	—	134,747	134,227
Equity Total	Before distribution	5,986,342	6,018,540	6,155,592	6,152,789	6,364,228	6,466,154
	After distribution	5,686,342	5,718,540	5,795,592	5,852,789	Note 4	—

Note 1: The above financial information has been audited and attested by the CPAs.

Note 2: For any asset revaluation conducted in the year, the date and amount of such asset revaluation should be disclosed.

Note 3: If, before the date of publication of the Annual Report, there is any financial information for the most recent period audited and attested or reviewed by the CPAs, it should also be disclosed.

Note 4: The figures before distribution should be based on the resolution passed in the shareholders' meeting.

Note 5: For the Company having been notified by the authority in charge to revise or correct the financial information, all the figures/numbers used should be the revised or corrected ones, and the status and reasons for such revision or correction should be noted.

Note 6: The Company started to apply the International Accounting Standards approved by the Financial Supervisory Commission on January 1, 2013.

#### 4. Condensed statements of comprehensive income - consolidated

Unit: NT\$1,000, NT\$ for earnings per share

Item \ Year	Financial Information for the Past Five Years (Note 1)					Financial Information As of March 31, 2021 (Note 2)
	2016	2017	2018	2019	2020	
Sales Revenues	2,755,185	2,757,075	3,001,462	2,906,615	3,130,347	790,085
Gross Profit	1,148,840	1,138,857	1,201,073	1,210,316	1,307,592	321,589
Operating Income	409,823	418,088	418,502	419,758	463,321	129,449
Non-operating Income and Expenses	4,996	8,390	113,088	8,789	718	(1,844)
Income before Tax	414,819	426,478	531,590	428,547	464,039	127,605
Net Income from Continuing Operations	351,967	353,694	452,741	345,503	374,589	102,043
Income from Discontinued Operations (Note 3)	—	—	—	—	—	—
Net Income (Loss)	351,967	353,694	452,741	345,503	374,589	102,043
Other Comprehensive Income (Net, after Tax)	(2,651)	(21,496)	(14,821)	11,663	(3,726)	(150)
Total Comprehensive Income	349,316	332,198	437,920	357,166	370,863	101,893
Net Income Attributable to Stockholders of the Parent	351,967	353,694	452,741	345,503	365,085	102,563
Net Income Attributable to Non-controlling Interests	—	—	—	—	9,504	(520)
Net Income Attributable to Stockholders of the Parent	349,316	332,198	437,920	357,166	361,359	102,413
Total Comprehensive Income Attributable to Non-controlling Interests	—	—	—	—	9,504	(520)
Earnings Per Share-basic	1.76	1.77	2.26	1.73	1.83	0.51

Note 1: The above financial information has been audited and attested by the CPAs.

Note 2: If, before the date of publication of the Annual Report, there is any financial information for the most recent period audited and attested or reviewed by the CPAs, it should also be disclosed.

Note 3: Loss from discontinued operations is net after income tax.

Note 4: For the Company having been notified by the authority in charge to revise or correct the financial information, all the figures/numbers used should be the revised or corrected ones, and the status and reasons for such revision or correction should be noted.

Note 5: The Company started to apply the International Accounting Standards approved by the Financial Supervisory Commission on January 1, 2013.

#### (II) Name of CPAs and Audit Opinions for the Last Five Years

Year	2016	2017	2018	2019	2020
Accounting Firm	EY Taiwan				
CPA	Huang, Shih-Chien Hu, Tzu-Ren	Huang, Shih-Chien Hu, Tzu-Ren	Huang, Shih-Chien Hu, Tzu-Ren	Lee, Fang-Wen Huang, Shih-Chien	Tseng, Yu-Che Lee, Fang-Wen
Audit Opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion

## II. Financial Analyses for the Past Five Fiscal Years

### (I) Financial Analyses - consolidated under IFRS

Year (Note 1)		Financial Analyses for the Past Five Fiscal Years					Financial Analyses As of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Item (Note 3)							
Financial Structure (%)	Debt-asset ratio	15.12	16.95	15.97	19.05	18.38	20.57
	Long-term Fund to Property, Plant and Equipment Ratio	243.08	225.72	223.00	209.48	215.15	212.77
Solvency (%)	Current ratio	603.41	474.43	518.03	363.80	417.40	338.72
	Quick ratio	533.22	410.86	452.67	313.72	360.39	281.92
	Interest coverage ratio	N/A	N/A	N/A	179.93	129.72	96.29
Operating Ability	Receivables turnover (times)	13.54	14.78	15.02	10.05	7.03	6.14
	Average collection days	27	25	24	36	52	59.44
	Inventory turnover (times)	4.90	4.93	5.28	5.08	5.33	5.23
	Payables turnover (times)	15.86	10.52	18.26	14.72	8.91	7.40
	Average inventory turnover days	74	74	69	72	68	70
	Property, plant and equipment turnover (times)	1.02	0.97	1.00	0.92	0.95	0.94
	Total asset turnover (times)	0.39	0.38	0.41	0.38	0.40	0.39
Profitability	Return on assets (%)	5.06	4.94	6.21	4.65	4.90	1.29
	Return on equity (%)	5.94	5.89	7.43	5.61	5.98	1.59
	Pre-tax income to paid-in capital ratio (%) (Note 7)	20.74	21.32	26.57	21.42	23.20	6.38
	Net Profit Margin (%)	12.77	12.82	15.08	11.88	11.96	12.91
	Earnings per share (NT\$)	1.76	1.77	2.26	1.73	1.83	0.51
Cash Flow	Cash flow ratio (%)	126.10	92.73	84.05	44.42	48.83	5.72
	Cash flow adequacy ratio (%)	81.26	92.88	92.12	83.75	75.56	N/A
	Cash flow reinvestment ratio (%)	4.51	2.94	1.84	(0.36)	0.46	N/A
Leverage	Operating leverage	2.91	2.87	2.98	2.92	2.80	2.63
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.01
Reasons for changes in financial ratios by 20% or more for the most recent two years:							
1. Interest coverage ratio: A28% decrease from 2019 due to a YoY increase in interest expense.							
2. Receivables turnover: A 30% decrease from 2019 due to a YoY increase in accounts receivable and contract assets.							
3. Average collection days: A 44% increase from 2019 due to a YoY increase in accounts receivable and contract assets.							
4. Payables turnover: A 39% decrease from 2019 due to a YoY increase in accrued payables.							
5. Cash flow reinvestment ratio: A 228% increase from 2019 due to a YoY increase in net cash flows generated from operating activities after the distribution of cash dividends.							

(II) Financial Analyses - parent company only under IFRS

Item (Note 2)		Year (Note 1)		Financial Analyses for the Past Five Fiscal Years				
		2016	2017	2018	2019	2020		
Financial Structure	Debt-asset ratio	14.75	16.20	14.67	16.97	15.70		
	(%)	Long-term Fund to Property, Plant and Equipment Ratio	242.54	225.72	223.45	214.62	215.42	
Solvency	Current ratio	616.50	472.42	560.11	420.30	471.87		
	(%)	Quick ratio	544.64	409.65	489.35	359.47	404.48	
	Interest coverage ratio	N/A	N/A	N/A	193.17	201.03		
Operating Ability	Receivables turnover (times)	13.45	16.17	19.47	16.01	16.18		
	Average collection days	27	23	19	23	23		
	Inventory turnover (times)	4.98	4.92	5.06	4.75	4.62		
	Payables turnover (times)	15.89	10.28	17.31	16.90	13.91		
	Average inventory turnover days	73	74	72	77	79		
	Property, plant and equipment turnover(times)	1.02	0.94	0.93	0.86	0.87		
	Total asset turnover (times)	0.39	0.37	0.38	0.36	0.37		
Profitability	Return on assets (%)	5.08	4.97	6.28	4.74	4.95		
	Return on equity (%)	5.94	5.89	7.43	5.61	5.89		
	Pre-tax income to paid-in capital ratio (%) (Note 7)	20.74	21.32	26.18	21.26	22.65		
	Net Profit Margin (%)	12.80	13.18	16.20	12.77	13.05		
	Earnings per share (NT\$)	1.76	1.77	2.26	1.73	1.83		
Cash Flow	Cash flow ratio (%)	130.91	109.32	94.51	79.00	104.43		
	Cash flow adequacy ratio (%)	81.22	95.59	93.30	91.66	89.16		
	Cash flow reinvestment ratio (%)	4.53	3.44	1.38	1.09	2.56		
Leverage	Operating leverage	2.89	2.89	3.10	2.85	2.69		
	Financial leverage	1.00	1.00	1.00	1.00	1.00		
Reasons for changes in financial ratios by 20% or more for the most recent two years:								
1. Cash flow ratio: A 32% increase from 2019 due to a YoY increase in income after tax.								
2. Cash flow reinvestment ratio: A135% increase from 2019 due to a YoY increase in net cash flows generated from operating activities after the distribution of cash dividends.								

Note 1: The above financial information has been audited and attested by the CPAs.

Note 2: If, before the date of publication of the Annual Report, there is any financial information for the most recent period audited and attested or reviewed by the CPAs, it should also be analyzed.

Note 3: The following formulas should be listed at the end of this table:

1. Financial Structure

(1) Debt-asset ratio = Total liabilities / Total assets.

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Total equity + Non-current liabilities) / Net value of property, plant, and equipment.

2. Solvency

(1) Current ratio = Current assets / Current liabilities.

(2) Quick ratio = (Current assets–Inventory–Prepaid expenses) / Current liabilities.

(3) Interest coverage ratio = Income before income tax and interest expenses / Current interest expenses.

3. Operating Ability

(1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover = Net sales / Average receivables (including accounts receivable and notes receivable arising from business operations) for each period.

- (2) Average collection days =  $365 / \text{Receivables turnover}$ .
- (3) Inventory turnover =  $\text{Cost of sales} / \text{Average inventory}$ .
- (4) Payables (including accounts payable and notes payable arising from business operations) turnover =  $\text{Cost of sales} / \text{Average payables (including accounts payable and notes payable arising from business operations)}$  for each period.
- (5) Average inventory turnover days =  $365 / \text{Inventory turnover rate}$ .
- (6) Property, plant, and equipment turnover =  $\text{Net sales} / \text{Average net value of property, plant, and equipment}$ .
- (7) Total asset turnover =  $\text{Net sales} / \text{Average total assets}$ .

#### 4. Profitability

- (1) Return on assets =  $[\text{Net income} + \text{Interest expenses (1- Tax rate)}] / \text{Average total assets}$ .
- (2) Return on equity =  $\text{Net income} / \text{Average total equity}$ .
- (3) Net profit margin =  $\text{Net income} / \text{Net sales}$ .
- (4) Earnings per share =  $(\text{Income attributable to owners of the parent} - \text{Dividends on preferred shares}) / \text{Weighted average number of issued shares}$ . (Note 4)

#### 5. Cash Flow

- (1) Cash flow ratio =  $\text{Net cash flows from operating activities} / \text{Current liabilities}$ .
- (2) Net cash flow adequacy ratio =  $\text{Net cash flows from operating activities for the most recent five years} / (\text{Capital expenditures} + \text{Inventory increase} + \text{Cash dividends})$ .
- (3) Cash flow reinvestment ratio =  $(\text{Net cash flows from operating activities} - \text{Cash dividends}) / (\text{Gross value of property, plant, and equipment} + \text{Long-term investment} + \text{Other non-current assets} + \text{Working capital})$ . (Note 5)

#### 6. Leverage

- (1) Operating leverage =  $(\text{Net revenue} - \text{Variable operating costs and expenses}) / \text{Operating income}$  (Note 6).
- (2) Financial leverage =  $\text{Operating income} / (\text{Operating income} + \text{Interest expenses})$ .

Note 4: When the above formula for calculation of earnings per share is used during measurement, give special attention to the following matters:

1. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
2. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation should be considered in calculating the weighted average number of shares.
3. In the case of capital increase out of earnings or capital reserve, the calculation of earnings per share for the past fiscal year and the fiscal half-year should be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) should be subtracted from the net income after tax, or added to the net loss after tax. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares should be subtracted from the net income after tax; if there is loss, then no adjustment needs to be made.

Note 5: Give special attention to the following matters when carrying out cash flow analysis:

1. Net cash flows from operating activities mean net cash in-flow amounts from operating activities listed in the statement of cash flows.
2. Capital expenditures mean the amounts of cash out-flows for annual capital investment.
3. Inventory increase will only be entered when the ending balance is larger than the beginning balance. An inventory decrease at year end will be deemed zero for calculation.
4. Cash dividends include cash dividends from both common shares and preferred shares.
5. Gross value of property, plant, and equipment means the total value of property, plant, and equipment prior to the subtraction of accumulated depreciation.

Note 6: Issuers should separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, give special attention to their reasonableness and to maintaining consistency.

Note 7: In the case of a company whose shares have no par value or have a par value other than NT\$10, for the calculation of the above-mentioned paid-in capital ratio, the ratio of equity attributable to owners of the parent as stated in the balance sheet should be substituted.

### III. Supervisors' Report for the Most Recent Fiscal Year's Financial Statements

#### **Taiyen Biotech Co., Ltd.**

#### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2020 Business Report, Earnings Distribution Plan, and Financial Statements. Of these items, the Financial Statements have been audited by CPAs Tseng, Yu-Chu and Lee, Fang-Wen from EY Taiwan. The Audit Committee has reviewed the aforementioned financial statements and documents, and concluded all information is presented fairly. We hereby submit this report pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

2021 General Shareholders' Meeting of Taiyen Biotech Co., Ltd.

Taiyen Biotech Co., Ltd.

Convener of Audit Committee:



March 22, 2021

**IV. Financial Statements for the Most Recent Fiscal Year**

Please refer to the financial statements for 2020.

**V. Consolidated Financial Statements for the Most Recent Fiscal Year, Certified by CPAs.**

Please refer to the consolidated financial statements for 2020 certified by CPAs.

**VI. Any Financial Difficulties Experienced by the Company or Its Affiliates in the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report, and How Said Difficulties Will Affect the Company's Financial Situation**

None.

**VII. Other Notes to Financial Statements**

None.

## Chapter Seven. Review and Analysis of Financial Situation and Financial Performance and Listing of Risks

### I. Financial Situation

Unit: NT\$1,000

Item	Year	As of 2020	As of 2019	Variation	
				Amount	(%)
Current Assets		2,900,430	2,708,904	191,526	7.07
Fixed Assets		3,301,281	3,273,123	28,158	0.86
Other Assets (Including Intangible Assets, Long-term Investments, and Other Non-current Financial Assets)		1,596,008	1,619,435	(23,427)	(1.45)
Total Assets		7,797,719	7,601,462	196,257	2.58
Current Liabilities		694,877	744,597	(49,720)	(6.68)
Long-term Liabilities (Including Provisions and Other Liabilities)		738,614	704,076	34,538	4.91
Total Liabilities		1,433,491	1,448,673	(15,182)	(1.05)
Share Capital		2,000,000	2,000,000	—	—
Capital Surplus		2,501,653	2,486,320	15,333	0.62
Retained Earnings		1,730,822	1,670,108	60,714	3.64
Other Equity		(2,994)	(3,639)	645	17.72
Treasury Stock		—	—	—	—
Non-controlling Interests		134,747	—	134,747	—
Total Equity		6,364,228	6,152,789	211,439	3.44
Analysis for any variation plus and minus (+/-) 20%: None					



## II. Financial Performance

### (I) Main Reasons for Any Material change in Revenue, Operating income, and Income before Tax during the Past Two Fiscal Years

Unit: NT\$1,000

	2020		2019		Increase(Decrease) Amount	Change Percentage (%)
	Subtotal	Total	Subtotal	Total		
Sales Revenues		3,130,347		2,906,615	223,732	7.70
Cost of Goods Sold		<u>1,822,755</u>		<u>1,696,299</u>	126,456	7.45
Gross Profit		1,307,592		1,210,316	97,276	8.04
Operating Expenses		<u>844,271</u>		<u>790,558</u>	53,713	6.79
Operating Income		463,321		419,758	43,563	10.38
Non-operating Income and Expenses		718		8,789	(8,071)	(91.83)
Other Revenue	87,527		97,633			
Finance Costs	(3,605)		(2,395)			
Other Gain and Loss	(82,650)		(84,693)			
Share of profit (loss) of associates and joint ventures accounted for using equity method	(554)		(1,756)			
Net Income before Tax		464,039		428,547	35,492	8.28
Income Tax Expense		<u>89,450</u>		<u>83,044</u>	6,406	7.71
Net Income		374,589		345,503	29,086	8.42
Other Comprehensive Income (Loss), Net of Income Tax		<u>(3,726)</u>		<u>11,663</u>	(15,389)	(131.95)
Total Comprehensive Income		<u>\$370,863</u>		<u>\$357,166</u>	13,697	3.83
Net Income Attributable to Stockholders of the parent		<u>\$365,085</u>		<u>\$345,503</u>	19,582	5.67
Comprehensive Income Attributable to Stockholders of the parent		<u>\$361,359</u>		<u>\$357,166</u>	4,193	1.17

#### Analysis of variation by 20% above:

- (1) Non-operating income and expenses: A 91.83% decrease of 2020 comparing to 2019 was mainly due to a decrease in interest income.
- (2) Other comprehensive income (after tax): A 131.95% decrease of 2020 comparing to 2019 was mainly due to an increase in the loss on remeasurement of defined benefit plans.

(II) Sales Volume Forecast and Basis

The Company estimates the sales volume for 2021 based on the business strategy and each department's goal and budget, and taking into account the prospects and trends of the industry and operating performance over the years. The sales volume forecast is as follows:

Item \ Year	Sales Volume Forecast for 2021	Unit
Salt	290,000	Metric ton
Bottled Water	90,000	Metric ton
Cosmetics	960,000	Bottle/Box/Set
Cleaning Products	3,100,000	Bottle/Box/Set
Health Food	960,000	Bottle/Box/Set

(III) Effect upon the Financial Operations and Measures to Be Taken in Response

In addition to expanding the scale of business, the Company is committed to adjusting the financial structure and stabilizing financial ratios. In 2020, the current ratio and quick ratio were 417.40% and 360.39% respectively. With the stable and sound financial structure, the Company is poised to advance business growth.

### III. Cash Flow

(I) Analysis of Changes in Cash Flow for the Past Two Fiscal Years

Item \ Year	2020	2019	Increase(Decrease) Percentage (%)
Cash Flow Ratio (%)	48.83	44.42	10
Cash Flow Adequacy Ratio (%)	75.56	83.75	(10)
Cash Flow Reinvestment Ratio (%)	0.46	(0.36)	228

Analysis of any change by 20% or more:  
1. Cash flow reinvestment ratio: A 228% increase of 2020 comparing to 2019 was mainly due to an increase in net cash flows from operating activities net of cash dividends paid.

(II) Liquidity Analysis for the Coming Year

Unit: NT\$1,000

Cash Balance, Beginning of Period (1)	Expected Net Cash Flows from Operating Activities in 2021 (2)	Expected Cash Flows Used in 2021 (3)	Expected Cash Surplus (Deficit) (1)+(2)-(3)	Expected Corrective Measures for Cash Deficit	
				Investment Plans	Financing Plans
1,505,641	762,652	1,054,254	1,214,039	—	—

Note:

- Analysis of changes in cash flow for the coming year:
  - Operating activities: Net cash flows generated from operating activities, NT\$762,652 thousand, will be mainly due to cash flows generated from net profits in 2021.
  - Investing activities: Net cash flows used in investing activities will be mainly due to the purchase of fixed assets.
  - Financing activities: Net cash flows used in financing activities will be mainly due to the distribution of cash dividends for 2021.
- Expected corrective measures for cash deficit and liquidity analysis: N/A.

#### IV. Effect Upon Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year

##### (I) Use of Major Capital Expenditures and Source of Funds

Unit: NT\$1,000

Project	Actual or Expected Source of Funds	Actual or Expected Date of Completion	Amount Required	Actual or Expected Use of Funds		
				2019	2020	2021
Cogeneration Plant	Working capital	2021.07	625,000	93,750	406,250	125,000

##### (II) Expected Benefits

The cogeneration system in the Tung-Hsiao Electrolysis Refined Salt Factory is an important facility for the Company to produce refined salt and bottled water through electrolysis. In 2020, revenue reached NT\$3,130,347 thousand, to which refined salt contributed NT\$801,114 thousand (26%) and bottled water contributed NT\$884,727 thousand (28%). If the cogeneration system fails, resulting in the failure of the smooth production of salt and bottled water, the Company's revenue will be affected by as much as 54%, which may cause a shortage of domestic food-grade salt.

#### V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for the Coming Year

Description Item	Amount (NT\$1,000)	Policy	Main Reasons for Profits/Losses	Improvement Plan	Future Investment Plans
Taiyen Biotech (Samoa) Co., Ltd.	NT\$49,541 thousand	Holding company	A company was established in China in 2010. In recent years, China has experienced changes in relevant laws and regulations, product specifications, and market conditions, resulting in losses. In 2020, the company actively developed customers, strengthened its import/export, and effectively reduced costs to turn losses into profits.	The indirect investment in China will continue to expand market share and increase profits.	None
Taiyen Green Energy Co., Ltd.	NT\$235,616 thousand	Green energy industry	Business operations have bettered. Stable profits have been made since 2018.	None	None

#### VI. Listing of Risks

The following matters during the most recent fiscal year and as of the date of publication of the Annual Report should be analyzed and assessed:

##### (I) Effect of Interest and Exchange Rate Fluctuations and Inflation on the Company's Profit or Loss, and Measures to Be Taken in Response

To effectively reduce the impact of exchange rate changes on revenue and profits, the

Company constantly collects information about exchange rate changes and takes the following measures to reduce the risk of exchange rate changes:

1. The Company consults foreign banks about foreign exchange hedges.
2. Business units consider exchange rates when buying and quoting.

The Company also pays attention to relevant information such as changes in interest rates and inflation at any time.

(II) Policies on High-risk, Highly Leveraged Investments, Lending of Funds to Other Parties, Making of Endorsements/Guarantees, and Derivatives Trading, Main Reasons for Profits/Losses Generated Thereby, and Measures to Be Taken in Response

1. At present, the Company does not engage in and does not plan to engage in high-risk, highly leveraged investments, leading of funds to others, and/or making of endorsements/guarantees.
2. The Company will monitor foreign exchange market changes and take appropriate measures to minimize the impact of exchange rate changes.

(III) Future Research and Development Plans and Expected Expenditures on Future Research and Development

1. Current research and development plans and progress

Plan	Progress	Expected Expenditure (NT\$1,000)	Expected Mass Production Time	Key to Future Success in R&D
Cosmetics development and product safety and efficacy evaluation	Formula design and proofing according to the plan; progress: 25%	3,100	2021.12	1. The safety and efficacy of the formulas meet the expected standards. 2. New products meet market trends and needs of channels.
Trending health product research and health food certification	Formula design and development according to the plan; progress: 25%	4,000	2021.12	1. The safety and efficacy of the formulas meet the expected standards 2. New products meet market trends and needs of channels.
Salt and condiment development and quality research	Formula design and development according to the plan; progress: 10%	2,150	2021.12	1. Products meet food culture trends. 2. Processed and costs are well controlled.
Construction of trending dosage platform technology and development and verification of new materials	Progress: 20%	9,930	2020.12	1. Innovation and efficiency improvement 2. Cost control 3. Products meet consumer needs.

2. Future research and development plans

- (1) Development of health products, cleaning products, skin care products, salt, and seasonings and efficacy verification.
- (2) Development of ingredients for skin care products, cleaning products, and health products.

3. Expected expenditures on future research and development: NT\$18,400 thousand.

(IV) Effect of Important Policies Adopted and Changes in the Legal Environment at Home and Abroad on the Company' s Financial Operations and Measures to Be Taken in

## Response

1. The Company has formulated the "Procedures for Loaning of Funds to Others" and "Procedures for Provision of Endorsements/Guarantees" in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" enacted by the Securities and Futures Bureau and the "Procedures for Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" enacted by the Financial Supervisory Commission, Executive Yuan to reduce the market risk, financial risk, liquidity risk, credit risk and other related risks.
2. According to the Presidential Order Hua-Tsung-Yi-Yi No. 09300010091, the "Salt Management Regulations" were abolished on January 20, 2004, allowing salt to be freely managed and sold competitively. It has an impact on the Company's operations in terms of industrial salt or food-grade salt. In response to this competition, the Company has adjusted the marketing strategy flexibly to secure our share in the domestic salt market.

### (V) Effect of Changes in Technology and Industry on the Company's Financial Operations and Measures to Be Taken in Response

New media has changed the way consumers receive information. In response to this trend, the Company will strengthen the use of new media (FB, IG, Youtube) to communicate with new-generation consumers, increasing their loyalty to our brand.

### (VI) Effect of Changes in the Corporate Image on the Company's Crisis Management and Measures to Be Taken in Response

Since privatization in 2003, the Company has been committed to establishing long-term relationships with employees and communities while maintaining stable business operations. We have supported disadvantaged groups and participated in philanthropic activities to establish a good corporate image. We are constantly improving our internal control to achieve the best crisis management. In case of any crisis, the Company will immediately convene a meeting of the contingency team to draw up countermeasures, so as to minimize potential negative impacts.

### (VII) Expected Benefits and Possible Risks Associated with Mergers and Acquisitions and Measures to Be Taken in Response

In the most recent year and as of the date of publication of the Annual Report, the Company had no merger/acquisition plan. When making any merger/acquisition plans, the Company will carefully evaluate and consider the effects of the mergers/acquisitions to ensure the original shareholders' rights and interests.

### (VIII) Expected Benefits and Possible Risks Associated with Plant Expansion and Measures to Be Taken in Response: None.

### (IX) Risks Associated with Consolidation of Purchasing or Sales Operations and Measures to Be Taken in Response

The customer (105366) accounted for more than 10% of the Company's net sales in 2020. Revenue is expected to grow in 2021. According to the long-term contracts, the suppliers (TPD00004 and D03522\*\*\*) accounted for 28% and 24% of the Company's net purchases respectively in 2020, which did not cause any risk of consolidation.

### (X) Effect on and Risk to the Company in the Event a Major Quantity of Shares Belonging to Directors, Supervisors, or Shareholders Holding Greater than a 10% Stake Has Been Transferred or Has Otherwise Changed Hands and Measures to Be Taken in Response Except for the Ministry of Economic Affairs, which is the major shareholder holding

more than 10% of the shares of the Company, our directors and supervisors hold less than 10% of the shares. As a result, there was no significant impact on the Company.

(XI) Effect on and Risk to the Company Associated with Changes in Management Rights and Measures to Be Taken in Response: N/A.

(XII) Litigious or Non-litigious Matters

(List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any director, supervisor, managerial officer, person with actual responsibility, major shareholder holding a stake of greater than 10%, and/or company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the Annual Report should be disclosed.)

1. Major litigious, non-litigious or administrative disputes that: (1) involve the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the Annual Report: None.
2. Major litigious, non-litigious or administrative disputes that: (1) involve any of the Company's director, supervisor, managerial officer, person with actual responsibility, major shareholder holding a stake of greater than 10%, and/or company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the Annual Report: None.

(XIII) Information Security Risks

1. The Company has formulated the regulations governing information equipment, system accounts, and network use, as well as information security emergency response plans as controls over information security.
2. In terms of software and hardware, the advanced persistent threat (APT) system and information security-related software such as anti-virus and monitoring have been introduced to strengthen the control over information security.

(XIV) Other Important Risks: None.

(XV) Risk Management Organization

Based on the nature of business, each unit in charge is responsible for managing operational risks. The Auditing Office is responsible for making a risk-based audit plan and reviewing the existing or potential operational risks. The units in charge and responsibilities are as follows:

1. President's Office: Responsible for making business decisions, supervising and coordinating related matters of departments, and ensuring operational effectiveness and efficiency to reduce strategic risks.
2. Legal Affairs Office: Responsible for managing legal risks and handling contracts and litigation disputes to reduce legal risks.
3. Occupational Safety and Health Office: Responsible for managing occupational

- safety and health, formulating safety and health policies, and supervising implementation to ensure labor safety and health and to reduce the risks and losses arising from occupational disasters.
4. General Affairs Department: Responsible for managing and developing human resources, formulating and implementing human resources policies, and reducing human resources risks; responsible for improving procurement benefits to reduce procurement risks; and responsible for handling cash operations under the risk control and monitoring system, paying attention to safety, and establishing a hedging mechanism to reduce cash risks.
  5. Financial Accounting Department: Responsible for formulating, implementing, and improving accounting systems, analyzing operating benefits, and ensuring the reliability of financial reporting. Responsible for financial planning and application under the risk control and monitoring system, paying attention to safety, liquidity, and profitability, and establishing a hedging mechanism to reduce financial risks; and responsible for planning and handling asset activation to increase asset value and to reduce asset management risks.
  6. Corporate Development Department: Responsible for making business decisions and evaluating medium and long-term return on investments to reduce strategic investment risks. Responsible for managing information security and taking protective measures to reduce information security risks; and responsible for managing production technology, quality, and production and sales to reduce production risks.
  7. Salt and Water Business Division: Responsible for planning the expansion, sales, and management of salt and bottled water, collecting and analyzing business information, and planning and executing promotions. Responsible for proposing and launching new products, managing domestic and foreign channels, and responsible for developing and managing customers to reduce operational risks.
  8. Biotech Business Division: Responsible for planning the expansion, sales, and management of biotech products, collecting and analyzing business information, and planning and executing promotions. Responsible for proposing and launching new products, managing domestic and foreign channels, and responsible for developing and managing customers to reduce operational risks.
  9. Branding and Marketing Department: Responsible for planning and managing brand strategies for various products, conducting and analyzing market and consumer behavior surveys, and handling visual design and application of products and the corporate image; responsible for making media marketing plans and managing the corporate image and public relations to reduce the risks of brand value or goodwill impairment.
  10. R & D Department: Responsible for making, proposing, executing, and managing research plans, conducting the test runs on new products, and developing key raw materials. Responsible for analyzing, following up, handling, and improving quality abnormalities and customer complaints to reduce R&D risks.

## VII. Other Important Matters

### Key Performance Indicator (KPI)

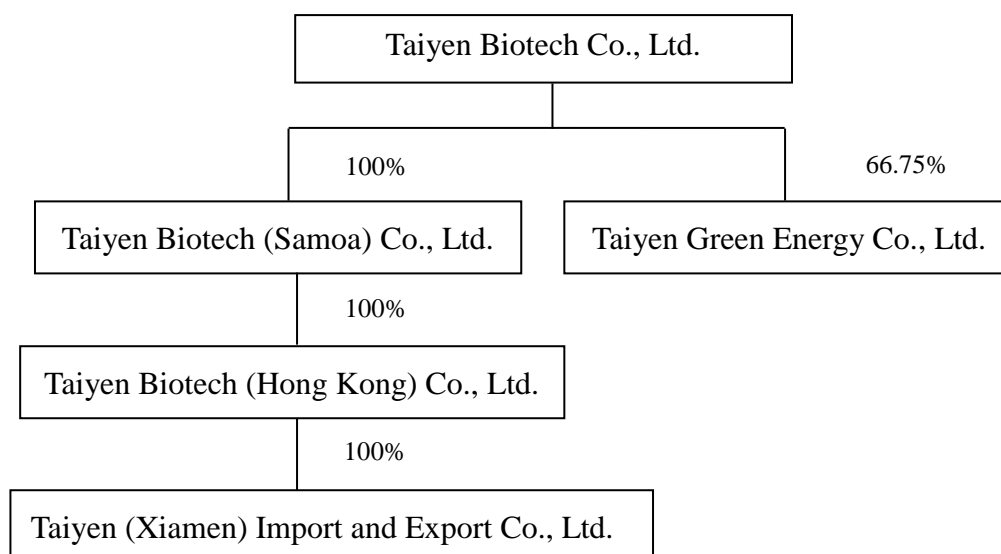
As the parent company falls into a manufacturing industry and operates a biotech chain, "receivables turnover rate" is an important indicator for the use of the Company's funds. The receivables turnover for 2020 and 2019 was 16.18 and 16.01 respectively, and the number of days for cash collection averaged 23 days. The number of new products launched and market share are non-financial KPIs in the industry into which the Company falls.

## Chapter Eight. Special Disclosure

### I. Information on Affiliates

#### (I) Consolidated Business Report Covering Affiliates

##### 1. Organizational chart of affiliates



##### 2. Basic information on affiliates

Affiliate	Date of Incorporation	Address	Paid-in Capital	Major Lines of Business or Production
Taiyen Biotech (Samoa) Co., Ltd.	July 28, 2009	Novasage Chambers, PO Box 3018, Level 2 CCCS Building, Beach Road, Apia, Samoa	US\$1.6 million	Reinvestment
Taiyen Biotech (Hong Kong) Co., Ltd.	September 24, 2009	Room 2701, 27/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong	US\$1.6 million	Reinvestment
Taiyen (Xiamen) Import and Export Co., Ltd.	March 9, 2010	Unit A03, 5F, Taiwan Chamber of Commerce Building, No. 860, Xianyue Road, Huli District, Xiamen City	US\$1.6 million	Trading and import/export of commodities
Taiyen Green Energy Co., Ltd.	March 13, 2017	No. 48, Section 2, Zhongzheng South Road, Guiren District, Tainan City	NT\$371 million	Green energy

3. Same shareholders under presumption of a relationship of control or subordination: None.
4. Industries covered by the overall business operated by affiliates  
Industries covered by the overall business operated by affiliates include the sale of the Company's products and solar photovoltaic business.



### 5. Directors, supervisors, and presidents of affiliates May 1, 2021

Affiliate	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding (%)
Taiyen Biotech (Samoa) Co., Ltd.	Director	Representative of Taiyen Biotech Co., Ltd.: Wu, Shu-Hui	1,600,000	100%
Taiyen Biotech (Hong Kong) Co., Ltd.	Director	Representative of Taiyen Biotech Co., Ltd.: Wu, Shu-Hui, Li, Chieh-Han, Su Wei	1,600,000	100%
Taiyen (Xiamen) Import and Export Co., Ltd.	Chairman	Representative of Taiyen Biotech Co., Ltd.: Wu, Shu-Hui	—	100%
	Director	Representative of Taiyen Biotech Co., Ltd.: Chen, Shi-Hui		
	Director	Representative of Taiyen Biotech Co., Ltd.: Huang, Keng-Hsien		
	Supervisor	Representative of Taiyen Biotech Co., Ltd.: Wang, Ching-Sen		
	President	Chen, Shi-Hui		
Taiyen Green Energy Co., Ltd.	Chairman	Representative of Taiyen Biotech Co., Ltd.: Wu, Jung-Hui	24,740,000	66.75%
	Director	Representative of Taiyen Biotech Co., Ltd.: Li, Chieh-Han		
	Director	Representative of Taiyen Biotech Co., Ltd.: Su, Kun-Huang		
	President	, Su, Kun-Huang		

### 6. Overview of business operations of affiliates

Unit: NT\$1,000

Affiliate	Capital	Total Assets	Total Liabilities	Net Worth	Revenue	Operating Income	Profit or Loss	Earnings per Share (NT\$)
Taiyen Biotech (Samoa) Co., Ltd.	US\$1.6 million	15,459	—	15,459	—	—	199	—
Taiyen Biotech (Hong Kong) Co., Ltd.	US\$1.6 million	15,459	—	15,459	—	—	199	—
Taiyen (Xiamen) Import and Export Co., Ltd.	US\$1.6 million	16,045	586	15,459	16,717	780	199	—
Taiyen Green Energy Co., Ltd.	NT\$371 million	687,911	282,657	405,254	332,647	3,497	5,647	0.19

### 7. Lending of funds to other parties, making of endorsements/guarantees, and derivatives trading: None.

#### (II) Consolidated Financial Statements of Affiliates

Please refer to the audit and attested consolidated financial statements for 2020.

## II. Private Placement of Securities during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

(Disclose the date on which the placement is approved in a shareholders' meeting, the amount

thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons are selected, the reasons why the private placement method is necessary, and, for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of use of the capital raised through the private placement of securities, the implementation progress of the plan, and the realization of the benefits of the plan.)

N/A.

### III. Holding or Disposal of Shares in the Company by Subsidiaries during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

N/A

### IV. Other Supplementary Information

Statutory certificates obtained by personnel in relation to the transparency of financial information such as internal auditors, financial officers, and accountants (statutory certification refers to internal control proficiency tests organized by the Securities & Futures Institute, international internal auditor tests organized by the Institute of Internal Auditors-Chinese, and proficiency tests for CPAs, lawyers, securities and futures professionals, and shareholder service professionals) (This indicator is related to the transparency of the Company's employee quality):

Number of attorneys of the Republic of China: 1 in Auditing Office and 1 in Legal Affairs Office.

Number of certified public accounts of the Republic of China: 2 in Financial Accounting Department.

### V. Explanation of Any Material Differences from the Rules of the R.O.C. in Relation to the Protection of Shareholder Equity

N/A.

Chapter Nine. Any Situations Listed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act Which Might Materially Affect Shareholders' Equity or the Price of Securities Occurring during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report:

None.

## Financial Statements for the Most Recent Fiscal Year:

Appendix 1: Parent Company Only Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditor's' Report

Appendix 2: Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditor's' Report

**TAIYEN BIOTECH CO.,LTD.**  
**PARENT COMPANY ONLY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**  
**WITH**  
**REPORT OF INDEPENDENT AUDITORS**

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

## **Independent Auditors' Report Translated from Chinese**

To TAIYEN BIOTECH CO.,LTD.

### **Opinion**

We have audited the accompanying parent company only balance sheets of TAIYEN BIOTECH CO.,LTD. (the "Company") as of 31 December 2020 and 2019, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **1. Disclosure of investment property fair value**

As of 31 December 2020, the Company's net investment properties at cost amounted to NT\$1,326,351 thousand, which accounted for 18% of total assets of parent company, was material to the financial statement. As the fair value assessment procedure for investment property by the management of TAIYEN BIOTECH CO., LTD was complex, in which the relevant assumptions were based on external expert assessment reports and may be affected by the expected future market or economy, we therefore determined this a key audit matter.

Our audit procedures of key assumption used in disclosure of investment property included, but not limited to, understanding evaluation report by external specialists offered by the Company, and the methods of assumption and assessment used, especially the rent and land price of the subject, which we compared to open market information to analyze the reasonability. We also used internal specialists to assist in evaluating the reasonability of the assumption and assessment method by external specialists used by the Company.

We also assessed the adequacy of disclosures of Investment property. Please refer to Notes V and VI(10) to the Company's parent company only financial statements.

## 2. Valuation for slow-moving inventories

As of December 31 2020, the Company's net inventories amounted to NT\$314,862 thousand, and constitutes 7% of total asset. Considering that the assessment of slow-moving inventories should take into consideration product validity period and changes in market, therefore involving significant judgement of management, and that the amount of inventory write-downs is significant to the Company, we determined this as a key audit matter.

Our audit procedures included, but not limited to, testing the effectiveness of internal control on inventories established by management; evaluating the appropriateness of management's accounting policies regarding slow-moving and obsolete inventory, including sample testing the accuracy of inventory aging interval and reviewing the consumption of raw material and sales of finished goods; and evaluating the reasonableness of the policy of slow-moving inventories and the circumstances in which loss of slow-moving inventories should be individually booked.

We also assessed the adequacy of disclosures of inventories. Please refer to Notes V and VI(7) to the Company's parent company only financial statements.

## **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

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

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

### **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Tseng, Yu-Che

Lee, Fang-Wen

Ernst & Young, Taiwan  
23 March 2021

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

TAIYEN BIOTECH CO.,LTD.

PARENT COMPANY ONLY BALANCE SHEETS

31 December 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	31 Dec. 2020	31 Dec. 2019	LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 Dec. 2020	31 Dec. 2019
Current assets				Current liabilities			
Cash and cash equivalents	IV/VI.1	\$1,406,355	\$1,482,822	Current contract liabilities	IV/VI.15	\$28,114	\$20,028
Current financial assets at fair value through profit or loss	IV/VI.2	381,044	368,702	Notes payable		90,158	161,455
Current financial assets at fair value through other comprehensive income	IV/VI.3	1,930	1,540	Accounts payable		43,546	46,041
Notes receivable-net	IV/VI.5、16	2,617	1,616	Other payables		229,774	238,744
Accounts receivable-net	IV/VI.6、16	163,193	177,910	Current tax liabilities	IV/VI.21	47,221	42,932
Inventories-net	IV/VI.7	314,862	321,779	Lease liability-current	IV/VI.17	13,277	11,930
Other current assets		41,808	30,129	Other current liabilities		37,829	46,201
Total current assets		<u>2,311,809</u>	<u>2,384,498</u>	Total current liabilities		<u>489,919</u>	<u>567,331</u>
Non-current assets				Non-current liabilities			
Non-current financial assets at amortised cost	IV/VI.4/VIII	33,960	33,960	Deferred tax liabilities	IV/VI.21	33,934	33,786
Investments accounted for using equity method	IV/VI.8	285,966	233,333	Lease liability-non current	IV/VI.17	98,293	106,634
Property, plant and equipment	IV/VI.9	3,203,200	3,188,754	Long-term deferred revenue	IV/VI.12	345,784	358,649
Right-of-use asset	IV/VI.17	125,961	125,728	Net defined benefit liability, non-current	IV/VI.13	124,510	124,431
Investment Property	IV/VI.10、17	1,326,351	1,340,051	Guarantee deposit received		65,256	65,161
Intangible assets		6,116	3,587	Other non-current liabilities, others		3,244	2,307
Deferred tax assets	IV/VI.21	64,144	62,909	Total non-current liabilities		<u>671,021</u>	<u>690,968</u>
Prepayments for business facilities		7,379	6,776	Total liabilities		<u>1,160,940</u>	<u>1,258,299</u>
Other non-current assets	IV/VI.11	25,535	31,492	Equity attributable to the parent company			
Total non-current assets		<u>5,078,612</u>	<u>5,026,590</u>	Common stock	IV/VI.14	2,000,000	2,000,000
				Capital surplus	IV/VI.14	2,501,653	2,486,320
				Retained earnings	IV/VI.14		
				Legal reserve		1,269,873	1,230,449
				Special reserve		45,420	45,420
				Unappropriated earnings		415,529	394,239
				Subtotal		<u>1,730,822</u>	<u>1,670,108</u>
				Other equity		(2,994)	(3,639)
				Total equity		<u>6,229,481</u>	<u>6,152,789</u>
Total assets		<u>\$7,390,421</u>	<u>\$7,411,088</u>	Total liabilities and equity		<u>\$7,390,421</u>	<u>\$7,411,088</u>

English Translation of Financial Statements Originally Issued in Chinese

TAIYEN BIOTECH CO.,LTD.

PARENT COMPANY ONLY OF COMPREHENSIVE INCOME

For the years ended 31 December 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

ITEMS	NOTES	2020.1.1~ 2020.12.31		2019.1.1~ 2019.12.31	
Sales revenues	IV/VI.15/VII	\$2,797,226	100	\$2,705,457	100
Cost of goods sold	IV/VI.7、11、13、18	(1,574,788)	(56)	(1,576,748)	(58)
Gross profit		1,222,438	44	1,128,709	42
Operating expenses	IV/VI.11、13、16、17、18				
Sales and marketing expenses		(536,088)	(19)	(501,948)	(19)
General and administrative expenses	VII	(174,738)	(6)	(170,626)	(6)
Research and development expenses		(54,494)	(3)	(47,526)	(2)
Subtotal		(765,320)	(28)	(720,100)	(27)
Operating income		457,118	16	408,609	15
Non-operating income and expenses					
Other revenue	IV/VI.19	74,865	3	91,104	3
Other gain and loss	IV/VI.11、19	(72,986)	(3)	(77,492)	(3)
Financial costs	IV/VI.19	(2,265)	-	(2,213)	-
Share of (loss) profit of associates and joint ventures accounted for using equity method	IV/VI.8	(3,658)	-	5,271	-
Subtotal		(4,044)	-	16,670	0
Income from continuing operations before income tax		453,074	15	425,279	16
Income tax expense	IV/VI.21	(87,989)	(3)	(79,776)	(3)
Net income		365,085	13	345,503	13
Other comprehensive income	IV/VI.20				
Items that may not be reclassified subsequently to profit or loss					
Remeasurements of the defined benefit plan		(5,464)	-	15,635	1
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		390	-	(263)	-
Income tax related to items that may not be reclassified subsequently		1,093	-	(3,127)	-
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of a foreign operations		255	-	(582)	-
Total other comprehensive income, net of tax		(3,726)	-	11,663	-
Total comprehensive income		\$361,359	13	\$357,166	12
Earnings per share (NTD)	VI.22				
Earnings per share-basic		\$1.83		\$1.73	
Earnings per share-diluted		\$1.82		\$1.72	

English Translation of Financial Statements Originally Issued in Chinese  
 TAIYEN BIOTECH CO.,LTD.  
 PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
 For the years ended 31 December 2020 and 2019  
 (Expressed in Thousands of New Taiwan Dollars)

ITEMS	Common Stock	Capital Surplus	Retained Earnings			Other equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences resulting from translating the financial statements of a foreign operations	Unrealized gain (Loss) on financial assets at fair value through other comprehensive income	
	3100	3200	3310	3320	3350	3410	3420	3XXX
Balance as of 1 January 2019	\$2,000,000	\$2,486,289	\$1,186,739	\$45,420	\$439,938	\$(2,794)	\$-	\$6,155,592
Appropriation and distribution of 2018 retained earning								
Legal Reserve	-	-	43,710	-	(43,710)	-	-	-
Cash dividends	-	-	-	-	(360,000)	-	-	(360,000)
Other changes in additional paid-in capital	-	31	-	-	-	-	-	31
Net income for the year ended 31 December 2019	-	-	-	-	345,503	-	-	345,503
Other comprehensive income, net of tax for the year ended 31 December 2019	-	-	-	-	12,508	(582)	(263)	11,663
Total comprehensive income	-	-	-	-	358,011	(582)	-	357,166
Balance as of 31 December 2019	<u>\$2,000,000</u>	<u>\$2,486,320</u>	<u>\$1,230,449</u>	<u>\$45,420</u>	<u>\$394,239</u>	<u>\$(3,376)</u>	<u>\$(263)</u>	<u>\$6,152,789</u>
Balance as of 1 January 2020	\$2,000,000	\$2,486,320	\$1,230,449	\$45,420	\$394,239	\$(3,376)	\$(263)	\$6,152,789
Appropriation and distribution of 2019 retained earning								
Legal Reserve	-	-	39,424	-	(39,424)	-	-	-
Cash dividends	-	-	-	-	(300,000)	-	-	(300,000)
Other changes in additional paid-in capital	-	16	-	-	-	-	-	16
Net income for the year ended 31 December 2020	-	-	-	-	365,085	-	-	365,085
Other comprehensive income, net of tax for the year ended 31 December 2020	-	-	-	-	(4,371)	255	390	(3,726)
Total comprehensive income	-	-	-	-	360,714	255	390	361,359
Changes in ownership interests in subsidiaries	-	15,317	-	-	-	-	-	15,317
Balance as of 31 December 2020	<u>\$2,000,000</u>	<u>\$2,501,653</u>	<u>\$1,269,873</u>	<u>\$45,420</u>	<u>\$415,529</u>	<u>\$(3,121)</u>	<u>\$127</u>	<u>\$6,229,481</u>

English Translation of Financial Statements Originally Issued in Chinese

TAIYEN BIOTECH CO.,LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended 31 December 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

ITEMS	2020.1.1~ 2020.12.31	2019.1.1~ 2019.12.31	ITEMS	2020.1.1~ 2020.12.31	2019.1.1~ 2019.12.31
Cash flows from (used in) operating activities:			Cash flows from (used in) investing activities		
Net income before tax	\$453,074	\$425,279	Acquisition of financial assets at fair value through other comprehensive income	-	(1,803)
Adjustments for:			Acquisition of financial assets at amortised cost	-	(3,000)
Income and expense adjustments:			Acquisition of financial assets at fair value through profit or loss	(90,000)	(130,000)
Depreciation	165,749	154,238	Proceeds from disposal of financial assets at fair value through profit or loss	83,161	256,000
Amortization	12,506	14,163	Acquisition from disposal of Investments accounted for using equity method	(35,616)	-
Net (gain) on financial assets or liabilities at fair value through profit or loss	(2,342)	(6,625)	Acquisition of property, plant and equipment	(246,458)	(209,515)
Interest expense	2,265	2,213	Proceeds from disposal of property, plant and equipment	27	-
Interest revenue	(15,131)	(22,128)	Increase in refundable deposits	(603)	(231)
Share of loss of associates for using the equity method	3,658	(5,271)	Acquisition of intangible assets	(2,186)	(506)
Loss on disposal of property, plant and equipment	2,546	869	Acquisition of investment property	(787)	-
Gains on disposals of investment property	(787)	-	Proceeds from disposal of investment property	2,088	-
Loss on disposals of intangible assets	-	90	Interest received	15,577	23,565
(Gain) on disposal of investments	(3,161)	(1,866)	Net cash flows from (used in) investing activities	<u>(274,797)</u>	<u>(65,490)</u>
Realized (gain) on inter-affiliate accounts	(7,553)	(1,511)	Cash flows from (used in) financing activities		
Losses on disaster		477	Increase in guarantee deposits received	95	-
Changes in operating assets and liabilities:			Decrease in guarantee deposits received	-	(4,484)
Notes receivable-net	(1,001)	2,164	Payments of lease liabilities	(13,452)	(12,944)
Accounts receivable-net	14,717	(23,519)	Cash dividends paid	(300,000)	(360,000)
Inventories	(7,848)	(33,691)	Other change in capital surplus	16	31
Other current assets	(12,125)	(8,988)	Net cash flows from (used in) financing activities	<u>(313,341)</u>	<u>(377,397)</u>
Contract liabilities	8,086	2,988	Net (Decrease) Increase in cash and cash equivalents	(76,467)	3,107
Notes payable	19,677	11,241	Cash and cash equivalents at beginning of period	1,482,822	1,479,715
Accounts payable	(2,495)	11,333	Cash and cash equivalents at end of period	<u>\$1,406,355</u>	<u>\$1,482,822</u>
Other payables	(8,970)	(4,977)			
Other current liabilities	(8,372)	10,039			
Net defined benefit liability	(5,385)	(5,814)			
Other non-current liabilities	(11,928)	(12,062)			
Cash inflow generated from operations	<u>595,180</u>	<u>508,642</u>			
Interest paid	(2,265)	(2,213)			
Dividend received	2,450	14,400			
Income tax paid	(83,694)	(74,835)			
Net cash flows from (used in) operating activities	<u>511,671</u>	<u>445,994</u>			

English Translation of Financial Statements Originally Issued in Chinese

TAIYEN BIOTECH CO.,LTD.

NOTES TO FINANCIAL STATEMENTS

31 December 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

I. HISTORY AND ORGANIZATION

1. Taiyen Biotech Co., Ltd. (the “Company”), formerly known as China Salt Company, was reorganized into a state-owned salt factory of Taiwan in 1951 and restructured into the main salt factory of Taiwan in 1952, which was under the charge of the Ministry of Economic Affairs. In 1995, the main salt factory was restructured and renamed as Taiyen Biotech Co., Ltd. As of 31 December 2020 and 2019, the Ministry of Economic Affairs held 38.88% ownership of Taiyen Biotech Co., Ltd. The Company’s registered office and the main business location is at No.297, Sec. 1, Chien-Kang Rd., South District ,Tainan, Republic of China (R.O.C.).
2. The Company became a listed company on Taiwan Stock Exchange on 18 November 2003.
3. Current main business item:
  - (1) Production, sales, import and export of the following products, by-products and their derivatives:
    - A. Various salt products.
    - B. Various seawater chemical products.
    - C. Bath salt, bath salt milk, salt soap, algae soap, and shampoo.
    - D. Beverage and drinking water.
    - E. Toothpaste, salt mouthwash, and eyeglasses maintenance liquid.
    - F. Salt for washing vegetable, fruits and others.
    - G. Food and food additives.
    - H. Pharmaceuticals.
    - I. Cosmetics manufacturing.
    - J. Environmental medicine manufacturing.
  - (2) Sales, import and export of daily necessities and cosmetic products.
  - (3) Supply, introduction and management consulting of domestic and foreign industrial salt technology.

II. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements of the Company for the years ended 31 December 2020 and 2019 were authorized for issue in accordance with a resolution of the Board of directors on 23 March 2021.

### III. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

#### 1. Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2020. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Company.

#### 2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

#### (a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies’ financial statements:

- A. A company will not have to derecognize or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after 1 January 2021 have no material impact on the Company.

3. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022
e	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023

(a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.



(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a Company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) Estimates of future cash flows;
- (2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) A risk adjustment for non-financial risk.

The carrying amount of a Company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

*Amendment to IFRS 1*

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

*Amendment to IFRS 9 Financial Instruments*

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

*Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

*Amendment to IAS 41*

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

(e) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(f) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under, it is not practicable to estimate their impact on the Company at this point in time. The remaining new or amended standards and interpretations have no material impact on the Company.

#### IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 1. Statement of compliance

The Company's parent company only financial statements were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (Regulations).

##### 2. Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

### 3. Foreign currency transactions

The Company’s parent company only financial statements are presented in NT\$, which is also the Company’s functional currency. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

#### 4. Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or partial disposal of an interest in an associate that includes a foreign operation is financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

#### 5. Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Company holds the asset primarily for the purpose of trading
- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle
- (b) The Company holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

## 6. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 7. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

### (1) Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Company's business model for managing the financial assets and
- B. the contractual cash flow characteristics of the financial asset.

### Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, account receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

### Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposing of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

*Financial asset measured at fair value through profit or loss*

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.



Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

## (2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For account receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note XII for further details on credit risk.

### (3) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

### (4) Financial liabilities and equity

#### Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

#### Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

### Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### (5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### 8. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

## 9. Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on a first in, first out basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

## 10. Investments accounted for using the equity method

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

## 11. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Land improvements	3~40 years
Buildings	2~65 years
Machine equipment	2~50 years
Transportation equipment	2~20 years
Other equipment	2~30 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

## 12. Investment property

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal Company that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Land improvements	3~35 years
Structures	4~55 years
Buildings	33~55 years
Warehouse and factories	10~40 years
Others	4~40 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers properties to or from investment properties according to the actual use of the properties.

The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

### 13. Leases

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

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

#### Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and



- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

### Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

#### 14. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

### Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (2 to 10 years).

## 15. Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or companies of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

## 16. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

## 17. Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

### Sale of goods

The Company manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is high-end machinery and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts to the Company estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Company's sale of goods is from 90 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as account receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

#### 18. Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

## 19. Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

### Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

### Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

## V. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### 1. Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

#### Operating lease commitment – Company as the lessor

The Company has entered commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

## 2. Estimation and assumptions

The key assumptions concerning the future and other key sources for estimating uncertainty at the reporting date, that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

### (1) Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example the discounted cash flow model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note XII for more details.

### (2) Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made.

### (3) Fair value of investment properties

When the fair value of investment properties cannot be quoted in the active market, the fair value is measured via the fair value model, including income approach – discounted cash flow method, or market approach. The changes of appraisal parameters used in the assessments might vary the fair value of investment properties. Please refer to Note VI for more details.

### (4) Impairment of Non-financial Assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from



the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note VI.

(5) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination rate, future salary increases, and decrease.

(6) Revenue Recognition-Sales Returns and Discounts

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, estimates are made on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note VI for more details.

(7) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

## VI. CONTENTS OF SIGNIFICANT ACCOUNTS

### 1. Cash and Cash Equivalents

	As at	
	31 Dec. 2020	31 Dec. 2019
Cash on hand	\$1,106	\$1,122
Saving account	460,116	629,784
Cash equivalents		
Time deposits with maturities within 12 months	945,133	851,916
Total	<u>\$1,406,355</u>	<u>\$1,482,822</u>

Cash and Cash Equivalents were not pledged.

### 2. Financial assets at fair value through profit or loss

	As at	
	31 Dec. 2020	31 Dec. 2019
Mandatorily measured at fair value through profit or loss:		
Funds	<u>\$381,044</u>	<u>\$368,702</u>
Current	<u>\$381,044</u>	<u>\$368,702</u>

Financial assets at fair value through profit or loss were not pledged.

### 3. Financial assets at fair value through other comprehensive income

	As at	
	31 Dec. 2020	31 Dec. 2019
Equity instrument investments measured at fair value through other comprehensive income – Current:		
Corporate bonds	<u>\$1,930</u>	<u>\$1,540</u>

Financial assets at fair value through other comprehensive income were not pledged.

For equity instrument investments measured at fair value through other comprehensive income, the Company recognized dividends in the amount of NT\$51 thousand and NT\$120 thousand for the years ended 31 December 2020 and 2019, the full amount is related to investments held at the end of the reporting period.

#### 4. Financial assets measured at amortized cost

	As at	
	31 Dec. 2020	31 Dec. 2019
Time deposits	\$33,960	\$33,960
Non-current	\$33,960	\$33,960

Please refer to Note VI (16) for more details on accumulated impairment and Note VIII for more details on financial assets measured at amortized cost under pledge and Note XII for more details on credit risk.

#### 5. Notes Receivable

	As at	
	31 Dec. 2020	31 Dec. 2019
Note receivable - from operating	\$2,617	\$1,616
Less: allowance for doubtful accounts	-	-
Total	\$2,617	\$1,616

No notes receivable was pledged.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note VI (16) for more details on accumulated impairment and Note XII for more details on credit risk.

#### 6. Accounts Receivable and Accounts Receivables-Related Parties

	As at	
	31 Dec. 2020	31 Dec. 2019
Accounts receivable	\$163,018	\$177,179
Less: allowance for doubtful accounts	(132)	(132)
Subtotal	162,886	177,047
Accounts receivable-related parties	307	863
Less: allowance for doubtful accounts	-	-
Subtotal	307	863
Total	\$163,193	\$177,910

No accounts receivable was pledged.

Accounts receivables are generally on 90-150 day terms. Accounts receivable amounted to NT\$ 163,325 thousand and NT\$178,042 thousand as at 31 December 2020 and 2019.

Please refer to Note VI (16) for more details on impairment of accounts receivable for the years ended 31 December 2020 and 2019 and please refer to Note XII for credit risk disclosure.

## 7. Inventories

	As at	
	31 Dec. 2020	31 Dec. 2019
Raw materials	\$23,184	\$15,585
Supplies and parts	99,709	91,250
Work in process	17,593	16,881
Finished goods	127,134	137,441
Merchandise	47,242	60,622
Net	<u>\$314,862</u>	<u>\$321,779</u>

The cost of inventories recognized in expenses amounted to NT\$1,574,788 thousand and NT\$1,576,748 thousand for the years ended 31 December 2020 and 2019, respectively, including the write-down of inventory of NT\$2,729 thousand for the year ended 31 December 2020 and reversal of write-down of inventories of NT\$4,000 thousand for the year ended 31 December 2019 because of circumstances that caused the net realizable value of inventory to be lower than its cost no longer existed, respectively.

No Inventories were pledged.

## 8. Investments Accounted For Using The Equity Method

Details are as follows:

Investee Company	As at			
	31 Dec. 2020		31 Dec. 2019	
	Amount	Percentage of ownership	Amount	Percentage of ownership
<u>Investments in subsidiaries</u>				
Taiyen Biotech Co.,Ltd. ,Samoa	\$15,459	100%	\$7,452	100%
Taiyen Green Energy Co.,Ltd.	270,507	100%	225,881	100%
Total	<u>\$285,966</u>		<u>\$233,333</u>	

Investments in subsidiaries are shown as ‘Investments Accounted of Using the Equity Method’ in standalone financial statement with necessary fair value adjustments.

## 9. Property, plant and equipment

	As at	
	31 Dec. 2020	31 Dec. 2019
Owner occupied property, plant and equipment	<u>\$3,203,200</u>	<u>\$3,188,754</u>

	Land	Land improvements	Buildings	Machinery and equipment	Transportation equipment	Other facilities	Construction in progress	Total
Cost:								
1 Jan. 2020	\$1,683,597	\$184,463	\$1,287,631	\$2,619,160	\$28,623	\$94,646	\$101,251	\$5,999,371
Addition	-	-	552	2,907	401	879	150,745	155,484
Disposal	-	(681)	(6,880)	(25,960)	(2,541)	(1,965)	-	(38,027)
Transfer	-	2,192	18,281	60,422	5,854	4,861	(91,610)	-
Other	-	-	-	(28)	-	-	7,901	7,873
31 Dec. 2020	\$1,683,597	\$185,974	\$1,299,584	\$2,656,501	\$32,337	\$98,421	\$168,287	\$6,124,701
1 Jan. 2019	\$1,683,597	\$176,211	\$1,238,165	\$2,235,782	\$28,692	\$90,978	\$356,064	\$5,809,489
Addition	-	-	940	7,733	-	1,519	281,940	292,132
Disposal	-	(52)	(386)	(100,150)	(112)	(1,185)	-	(101,885)
Transfer	-	8,304	48,912	475,381	43	3,334	(535,974)	-
Other	-	-	-	414	-	-	(779)	(365)
31 Dec. 2019	\$1,683,597	\$184,463	\$1,287,631	\$2,619,160	\$28,623	\$94,646	\$101,251	\$5,999,371
Depreciation and impairment:								
1 Jan. 2020	\$5,356	\$141,713	\$694,486	\$1,862,482	\$23,752	\$82,828	\$-	\$2,810,617
Depreciation	-	8,935	44,309	86,048	1,603	5,443	-	146,338
Disposal	-	(643)	(5,444)	(24,912)	(2,508)	(1,947)	-	(35,454)
Transfer	-	-	(3)	3	-	-	-	-
Other	-	-	-	-	-	-	-	-
31 Dec. 2020	\$5,356	\$150,005	\$733,348	\$1,923,621	\$22,847	\$86,324	\$-	\$2,921,501
1 Jan. 2019	\$5,356	\$131,701	\$649,811	\$1,888,911	\$22,179	\$78,395	\$-	\$2,776,353
Depreciation	-	10,059	45,009	72,916	1,685	5,611	-	135,280
Disposal	-	(47)	(334)	(99,345)	(112)	(1,178)	-	(101,016)
Transfer	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
31 Dec. 2019	\$5,356	\$141,713	\$694,486	\$1,862,482	\$23,752	\$82,828	\$-	\$2,810,617
Net book value:								
31 Dec. 2020	\$1,678,241	\$35,969	\$566,236	\$732,880	\$9,490	\$12,097	\$168,287	\$3,203,200
31 Dec. 2019	\$1,678,241	\$42,750	\$593,145	\$756,678	\$4,871	\$11,818	\$101,251	\$3,188,754

Property, plant and equipment were not pledged.

10. Investment property

	Land			Total
	Land	Improvements	Buildings	
Cost:				
As at 1 Jan. 2020	\$984,314	\$5,598	\$463,258	\$1,453,170
Additions	-	-	787	787
Disposals	(1,267)	(73)	-	(1,340)
As at 31 Dec. 2020	<u>\$983,047</u>	<u>\$5,525</u>	<u>\$464,045</u>	<u>\$1,452,617</u>
As at 1 Jan. 2019	\$984,314	\$5,598	\$463,258	\$1,453,170
Additions	-	-	-	-
Disposals	-	-	-	-
As at 31 Dec. 2019	<u>\$984,314</u>	<u>\$5,598</u>	<u>\$463,258</u>	<u>\$1,453,170</u>
Depreciation and impairment:				
As at 1 Jan. 2020	\$5,715	\$4,727	\$102,677	\$113,119
Depreciation	-	73	13,113	13,186
Disposal	-	(39)	-	(39)
As at 31 Dec. 2020	<u>\$5,715</u>	<u>\$4,761</u>	<u>\$115,790</u>	<u>\$126,266</u>
As at 1 Jan. 2019	\$5,715	\$4,651	\$89,575	\$99,941
Depreciation	-	76	13,102	13,178
Disposal	-	-	-	-
As at 31 Dec. 2019	<u>\$5,715</u>	<u>\$4,727</u>	<u>\$102,677</u>	<u>\$113,119</u>
Net carrying amount as at:				
31 Dec. 2020	<u>\$977,332</u>	<u>\$764</u>	<u>\$348,255</u>	<u>\$1,326,351</u>
31 Dec. 2019	<u>\$978,599</u>	<u>\$871</u>	<u>\$360,581</u>	<u>\$1,340,051</u>

	For the years ended 31 December	
	2020	2019
Rental income from investment property	\$32,022	\$31,457
Less: Direct operating expenses from investment property generating rental income	(24,330)	(24,503)
Direct operating expenses from investment property not generating rental income	(682)	(683)
Total	<u>\$7,010</u>	<u>\$6,271</u>

No investment property was pledged.

As at 31 December 2020 and 2019, the fair value of investment properties held by the Company amounted to NT\$3,303,990 thousand and NT\$3,237,209 thousand. The above-mentioned fair value was assessed by independent external valuation professionals, and was classified at level 3.

Fair value has been determined under the support of market evidence. Leased plants and lands in the signed lease contract, should be assessed using the income approach. Construction lands should be comprehensively assessed using the land development analysis approach of the comparison method and the cost approach, among which farming and grazing lands are subject to development restrictions therefore can only be assessed using the comparison method. Buildings should be assessed using the cost method, below are the parameters mainly used:

Income approach: An approach that the subject property which apply an appropriate capitalization rate on the date of value opinion to capitalize the average objective annual net operating income in the future into an indication of value.

	As at	
	31 Dec. 2020	31 Dec. 2019
Average income capitalization rate	1.15%-1.93%	1.23%-1.89%

Comparison method: A method based on the value of the comparable properties is through comparison, analysis, adjustment and other means to estimate the value of the subject property comparing.

	As at	
	31 Dec. 2020	31 Dec. 2019
Condition adjustment percentage	100%	100%
Date adjustment percentage	98%-106%	100%-104%
Local factor adjustment percentage	94%-105%	88%-106%
Individual factor adjustment percentage	61-115%	60%-116%

Cost approach: An approach to estimate the value of the subject property, by deducting the accrued depreciation or other item due to be subtracted from the reproduction or replacement cost, based on the date of value opinion.

	As at	
	31 Dec. 2020	31 Dec. 2019
Residual price rate	0-10%	0-10%
Residual service life	0-37.6 years	0-38.6 years

## 11. Other non-current assets

	As at	
	31 Dec. 2020	31 Dec. 2019
Tourism assets	\$6,840	\$7,812
Other non-current assets - other	18,695	23,680
Total	<u>\$25,535</u>	<u>\$31,492</u>

Tourism assets include the Salt Mountain in Cigu. In order to operate in the tourism and travel industry, and preserve the salt history of Taiwan, the salt mountains were recognized as the tourism assets in 2009 and was amortized in 20 years based on its future economic benefits.

Other assets are mainly purchased and recognized as materials by the company and were transferred to other assets according to their nature, amortized in three to five years based on their future economic benefits.

The amortization costs of the Company's tourism assets in 2020 and 2019 amounted to NT\$972 thousand and NT\$1,078 thousand respectively, booked under non-operating income and expenses – other gain and loss.

The amortization costs of the Company's operating costs and expenses in 2020 and 2019 amounted to NT\$10,283 thousand and NT\$11,928 thousand, respectively.

## 12. Deferred revenue

	As at	
	31 Dec. 2020	31 Dec. 2019
Deferred revenue	<u>\$345,784</u>	<u>\$358,649</u>

NOTE1: The Company signed a real estate lease contract with Quanhua Investment Co., Ltd. on April 19, 2012 in order to activate the land asset (the lease period was from April 25, 2012 to April 25, 2047, a total of 35 years.) Five parcels of land located in Emei Section 750, 750-1, 751, 752, and Yancheng Section 781 at Taoyuan City were leased to Quanhua Investment Co., Ltd., with the lessee being the builder of the buildings for the Group (the proprietor and the applicant for the first registration of the ownership of the building are both the Group). After the construction was completed, the new building and the underlying property of the lease will be operated by Quanhua Investment Co., Ltd., and Quanhua Investment Co., Ltd. should pay rent and royalties. The construction cost of the new building totaled \$400,000 thousand (tax included). According to the regulations, it should be regarded as the rental income of the Group and amortized using the residual years after the completion and actual operation. The unamortized amount as of 31 December, 2020 was \$319,000 thousand (tax included).



NOTE2: The Company and the Tainan Technology Industrial Park Service Center of the Industrial Development Bureau, Ministry of Economic Affairs signed a land lease agreement for the Biotechnology Plant No.1 and the R&D Center. During the lease period, the Group applied to purchase the lease of land of the Biotechnology Plant No.1 under the land leasing regulations of the Tainan Technology Industrial Park. The leased land was acquired at the original price when the lease was approved and the contract was signed, the rent paid during the lease period can be used to offset the payment without interest. Since April 2016, the rent paid has been recognized in deferred income and amortized using the residual service life of Biotechnology Plant No.1. As of 31 December, 2020 the unamortized amount was NT\$26,784 thousand.

### 13. Post-employment benefits

#### Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended 31 December 2020 and 2019 are NT\$13,360 thousand and NT\$12,578 thousand, respectively.

#### Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% ~ 15% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before end of each year, the Company and subsidiaries make estimates of the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the following year, the Company will make up the difference in one appropriation before the end of March of the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under a mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes control and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with IAS 19. The Company expects to contribute NT\$10,297 thousand to its defined benefit plan during the 12 months beginning after 31 December 2020.

The average duration of the defined benefits plan obligation as at 31 December 2020 and 2019 are 12 years.

Pension costs recognized in profit or loss are as follows:

	<u>For the years ended 31 December</u>	
	<u>2020</u>	<u>2019</u>
Current service cost	\$10,560	\$11,880
Net interest on the net defined benefit liabilities	921	1,590
Total	<u>\$11,481</u>	<u>\$13,470</u>

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	<u>As at</u>		
	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>	<u>1 Jan. 2019</u>
Defined benefit obligation	\$364,232	\$369,007	\$392,407
Plan assets at fair value	(239,722)	(244,576)	(246,527)
Net defined benefit liabilities	<u>\$124,510</u>	<u>\$124,431</u>	<u>\$145,880</u>

Reconciliations of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of 1 January, 2019	\$392,407	\$(246,527)	\$145,880
Current service cost	11,880	-	11,880
Interest expense (income)	4,277	(2,687)	1,590
Subtotal	<u>408,564</u>	<u>(249,214)</u>	<u>159,350</u>
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	(128)	-	(128)
Actuarial gains and losses arising from changes in financial assumptions	(1,772)	-	(1,772)
Experience adjustments	(4,912)	-	(4,912)
Remeasurements of the defined benefit assets	-	(8,822)	(8,822)
Subtotal	<u>(6,812)</u>	<u>(8,822)</u>	<u>(15,634)</u>
Payment of benefit obligation	(32,745)	32,745	-
Contribution by employer	-	(19,285)	(19,285)
As of 31 December, 2019	\$369,007	\$(244,576)	\$124,431
Current service cost	10,560	-	10,560
Interest expenses (income)	2,731	(1,810)	921
Subtotal	<u>382,298</u>	<u>(246,386)</u>	<u>135,912</u>
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	(778)	-	(778)
Actuarial gains and losses arising from changes in financial assumptions	19,123	-	19,123
Experience adjustments	(4,258)	-	(4,258)
Remeasurements of the defined benefit assets	-	(8,623)	(8,623)
Subtotal	<u>14,087</u>	<u>(8,623)</u>	<u>5,464</u>
Payment of benefit obligation	(32,153)	32,153	-
Contribution by employer	-	(16,866)	(16,866)
As of 31 December, 2020	<u>\$364,232</u>	<u>\$(239,722)</u>	<u>\$124,510</u>

The principal assumptions used in determining the Company's defined benefit plan are shown below:

	As at	
	31 Dec. 2020	31 Dec. 2019
Discount Rate decrease by 0.5%	0.28%	0.74%
Rate of future salary increase by 0.5%	3.00%	3.00%

A sensitivity analysis for significant assumption as of 31 December 2020 and 2019 is shown below:

	For the years ended 31 December			
	2020		2019	
	Defined benefit obligations increase	Defined benefit obligations decrease	Defined benefit obligations increase	Defined benefit obligations decrease
Discount Rate increase by 0.5%	\$-	\$20,636	\$-	\$20,546
Discount Rate decrease by 0.5%	22,437	-	22,390	-
Rate of future salary increase by 0.5%	21,710	-	21,767	-
Rate of future salary decrease by 0.5%	-	20,207	-	20,208

The sensitivity analysis above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

## 14. Equity

### (1) Common stock

As of 31 December 2020 and 2019 the Company's authorized common stock both amounted to NT\$8,000,000 thousand. The outstanding common stocks were both NT\$2,000,000 thousand, divided into 200,000 thousand shares and at NT\$10 par value.

(2) Capital surplus

	As at	
	31 Dec. 2020	31 Dec. 2019
Additional paid-in capital	\$2,477,486	\$2,477,486
Donated assets received	8,775	8,775
Changes in ownership interests in subsidiaries	15,317	-
Other	75	59
Total	<u>\$2,501,653</u>	<u>\$2,486,320</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(3) Retained earnings and dividend policies

The Company's Articles of Incorporation provide that the current net income, after deducting the previous years' losses, shall appropriate 10% as legal reserve and special reserve according to the company laws and other regulations of R.O.C. If there is still more than the accumulated undistributed income in the previous year, the board of directors shall propose a income distribution proposal. The distribution of dividends to shareholders can be combined with all or part of the accumulated undistributed surplus, of which the cash portion should not be less than 50%.

The Company's dividend distribution policy must be based on the Company's current and future investment environment, capital needs, domestic and foreign competition conditions, capital budgets and other factors, taking into account the interests of shareholders, balancing dividends and the company's long-term financial planning, etc.. The distribution shall be proposed by the board of directors every year in accordance with the law and be submitted to the shareholders meeting.

According to the R.O.C. Company Act, the Company's net income, after deducting previous years' losses, if any, is appropriated as legal reserve prior to any distribution until such reserve is equal to the Company's paid-in capital. The Company Act provides that where legal reserve may be distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gain and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve based on the difference between the amount already set aside and the total debit balance of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of 31 December 2020 and 2019, the Company adopted the IFRS for the first time that the special reserve amounts were both NT\$45,420 thousand.

Details of the 2020 earnings distribution and dividends per share as resolved by the board's meeting on 23 March 2021 and 2019 earnings distribution and dividends per share as resolved by the general shareholders' meeting on 19 June 2019.

	For the years ended 31 December			
	Appropriation of earnings		Cash dividend per share	
	2020	2019	2020	2019
Legal reserve	\$36,071	\$39,424		
Cash dividends	270,000	300,000	\$1.35	\$1.5

Please refer to Note VI (18) for relevant information about estimation basis and recognized amounts for employees' compensation and remuneration to directors.

## 15. Sales

	For the years ended 31 December	
	2020	2019
Revenue from contracts with customers		
Sale of goods	\$2,797,226	\$2,705,457

Analysis of revenue from contracts with customers during the year ended 31 December 2020 and 2019 are as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2020:

	Salt products and packaged water	Biotech cleaning and maintenance	Other Dept.	Total
Sales - Merchandise	<u>\$2,262,310</u>	<u>\$485,625</u>	<u>\$49,291</u>	<u>\$2,797,226</u>
Timing of revenue recognition :				
At a point in time	<u>\$2,262,310</u>	<u>\$485,625</u>	<u>\$49,291</u>	<u>\$2,797,226</u>

For the year ended 31 December 2019:

	Salt products and packaged water	Biotech cleaning and maintenance	Other Dept.	Total
Sales - Merchandise	<u>\$2,214,374</u>	<u>\$429,466</u>	<u>\$61,617</u>	<u>\$2,705,457</u>
Timing of revenue recognition :				
At a point in time	<u>\$2,214,374</u>	<u>\$429,466</u>	<u>\$61,617</u>	<u>\$2,705,457</u>

(2) Contract balances

A. Contract liabilities - current

	As at		
	31 Dec. 2020	31 Dec. 2019	1 Jan. 2019
Sales - Merchandise	<u>\$28,114</u>	<u>\$20,028</u>	<u>\$17,040</u>

The significant changes in the Company's balances of contract liabilities for the years ended 31 December 2020 and 2019 are as follows:

	For the years ended 31 December	
	2020	2019
The opening balance transferred to revenue	\$(16,124)	\$(12,929)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	24,210	15,917

16. Expected credit losses / (gains)

	<u>For the years ended 31 December</u>	
	<u>2020</u>	<u>2019</u>
Operating Expense- Expected credit losses		
Contract assets	\$-	\$-
Notes Receivable	-	-
Accounts Receivable	-	-
Total	<u>\$-</u>	<u>\$-</u>

Please refer to Note XII for more details on credit risk.

The credit risk for measured at amortized cost is assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses. As the Company transacts with are financial institutions with good credit, no allowance for losses has been provided in this period in 2020 and 2019.

The Company measures the loss allowance of its Contract Assets and Accounts Receivable (including note receivables and accounts receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at 31 December 2020 and 2019 is as follows:

Accounts receivable considers the counterparty's credit rating, region and industry characteristics, using a provision matrix to measure the loss allowance, with 0.08% and 0.07% of loss allowance respectively, the relevant information is as follows:

As at 31 December 2020

	<u>Not yet due</u>	<u>Overdue</u>			<u>Total</u>
		(Note)	<=90 days	90-180 days	
Gross carrying amount	\$163,266	\$59	\$-	\$-	\$163,325
Loss ratio					0.08%
Lifetime expected credit losses					(132)
Carrying amount					<u>\$163,193</u>

Note: No notes receivable of the Company were overdue.



As at 31 December 2020

	Not yet due (Note)	Overdue			Total
		<=90 days	90-180 days	>=180 days	
Gross carrying amount	\$177,712	\$330	\$-	\$-	\$178,042
Loss ratio					0.07%
					(132)
Carrying amount					<u>\$177,910</u>

Note: No notes receivable of the Company were overdue.

The movement in the provision for impairment of note receivables and accounts receivables for the years ended 31 December 2020 and 2019 is as follows:

	Notes receivables	Accounts receivables
Balance as at 1 Jan. 2020	\$-	\$132
Addition / (reversal) for the current period	-	-
Write off	-	-
Balance as at 31 Dec. 2020	<u>\$-</u>	<u>\$132</u>
Balance as at 1 Jan. 2019	\$-	\$132
Addition / (reversal) for the current period	-	-
Write off (Note)	-	-
Balance as at 31 Dec. 2019	<u>\$-</u>	<u>\$132</u>

## 17. Leases

### (1) Company as a lessee

The Company leases various properties, including real estate such as land and buildings, transportation equipment, and other equipment. The lease terms range from 1 to 20 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	As at	
	31 Dec. 2020	31 Dec. 2019
Land	\$115,253	\$116,123
Buildings	5,006	6,119
Transportation equipment	5,551	3,486
Other equipment	151	-
Total	\$125,961	\$125,728

For the years ended 31 December 2020 and 2019, the Company's additions to right-of-use assets amounting to NT\$6,458 thousand and NT\$2,333 thousand, respectively.

(b) Lease liabilities

	As at	
	31 Dec. 2020	31 Dec. 2019
Lease liabilities	\$111,570	\$118,564
Current	\$13,277	\$11,930
Non-current	98,293	106,634
Total	\$111,570	\$118,564

Please refer to Note VI (21) for the interest on lease liabilities recognized for the years ended 31 December 2020 and 2019 and refer to Note XII (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2020 and 2019.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2020	2019
Land	\$1,964	\$1,975
Buildings	1,113	1,113
Transportation equipment	3,134	2,692
Other equipment	14	-
Total	\$6,225	\$5,780

C. Income and costs relating to leasing activities

	For the years ended 31 December	
	2020	2019
The expenses relating to short-term leases	\$2,356	\$3,021

D. Cash outflow relating to leasing activities

For the years ended 31 December 2020 and 2019, the Company's total cash outflows for leases amounting to NT\$18,070 thousand and NT\$18,175 thousand.

(2) Company as a lessor

Please refer to Note VI(10) for details on the Company's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended 31 December	
	2020	2019
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$32,022	\$31,457

Please refer to Note VI(10) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at 31 December 2020 and 2019 are as follow:

	As at	
	31 Dec. 2020	31 Dec. 2019
Not later than one year	\$28,051	\$27,720
Later than one year but not later than two years	19,977	22,011
Later than two years but not later than three years	19,990	18,354
Later than three years but not later than four years	19,286	18,354
Later than four years but not later than five years	18,478	17,585
Later than five years	373,332	381,092
Total	\$479,114	\$485,116

18. Employee benefit, depreciation, and amortization expense are summarized as follows:

	For the years ended 31 December					
	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$180,083	\$270,295	\$450,378	\$183,610	\$259,120	\$442,730
Labor and health insurance	15,607	20,968	36,575	15,642	21,309	36,951
Pension	12,248	12,593	24,841	13,017	13,031	26,048
Director's remuneration	-	9,513	9,513	-	3,127	3,127
Other personnel expenses	8,807	10,917	19,724	8,685	10,342	19,027
Depreciation	113,301	52,448	165,749	101,379	52,859	154,238
Amortization	9,263	3,243	12,506	10,908	3,255	14,163

The number of employees of the company were 491 and 489 for the years ended 31 December 2020 and 2019, respectively, of which 8 were directors who were not concurrently employees.

Companies whose stocks have been listed on the stock exchange or OTC trading center should also disclose the following information:

- (1) The average employee benefit expense this year was NT\$1,100 thousand ((Total amount of employee benefit expense this year – total amount of the director's remuneration) / (the number of employees in the year – the number of directors who are not employees))  
The average employee benefit expense in the previous year was NT\$1,091 thousand ((Total amount of employee benefit expense in the previous year – total amount of the director's remuneration) / (the number of employees in the previous year – the number of directors who are not employees))
- (2) The average employee salary was NT\$932 thousand this year (the total salary expense of the year / (the number of employees this year- the number of directors who are not employees))  
The average employee salary was NT\$920 thousand in the previous year (the total salary expense last year / (the number of employees in the previous year- the number of directors who are not employees))
- (3) The adjustment of the average of the salary expenses increased by 1%. ((The average amount of the salary expense this year – the average amount of the salary expense previous year) / the average amount of the salary expense previous year)

(4) The supervisor's remuneration this year was NT\$0 thousand, and the supervisor's remuneration last year was NT\$0 thousand. The company has set up an audit committee to replace the supervisory system, therefore, the amount was NT\$0 thousand.

(5) The Company's salary and remuneration policy (including directors, supervisors, managers and employees):

According to the Articles of Incorporation, 2.25~3.75% of profit of the current year is distributable as employees' compensation and no higher than 1.5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit level, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for year ended 31 December 2020 to be 3.75% of profit of the year and 1.5% of profit of the year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2020 amount to NT\$17,932 thousand and NT\$7,173 thousand, respectively. A resolution was passed at a Board of Directors meeting held on 23 March 2021 to distribute employees' compensation and remuneration to directors and supervisors of 2020, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2020.

The Company actual the amounts of the employees' compensation and remuneration to directors and supervisors for year ended 31 December 2019 to be 3.75% of profit of the year and 1% of profit of the year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2019 amount to NT\$16,743 thousand and NT\$4,465 thousand, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2019.

## 19. Non-operating income and expenses

### (1) Other income

	For the years ended 31 December	
	2020	2019
Rental income	\$32,022	\$31,457
Interest income		
Financial assets measured at amortized cost	15,131	22,128
Others	27,712	37,519
Total	<u>\$74,865</u>	<u>\$91,104</u>

Other income — Mainly tourism income and parking fees of Ciqu Salt Mountain

### (2) Other gains and losses

	For the years ended 31 December	
	2020	2019
(Losses) on disposal of property, plant and equipment	\$(2,546)	\$(869)
Gains on disposal of investment property	787	-
Foreign exchange (gains), net	(17,612)	(18,584)
Gains on financial assets at fair value through profit or loss	2,342	6,625
(Losses) on disaster	-	(477)
Gain on disposal of investments	3,161	1,866
Other	(59,118)	(66,053)
Total	<u>\$(72,986)</u>	<u>\$(77,492)</u>

Other expenses — Mainly depreciation expenses of Ciqu Salt Mountain's property, plant and equipment, maintenance expenses, and currency remittance commissions.

### (3) Finance costs

	For the years ended 31 December	
	2020	2019
Interest expenses	<u>\$(2,265)</u>	<u>\$(2,213)</u>

## 20. Components of other comprehensive income

For the year ended 31 December 2020:	Arising during the period	Reclassification	Tax Benefit (Expense)	Net of Tax
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit pension plans	\$(5,464)	\$-	\$1,093	\$(4,371)
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	390	-	-	390
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	255	-	-	255
<b>Total other comprehensive income</b>	<b>\$(4,819)</b>	<b>\$-</b>	<b>\$1,093</b>	<b>\$(3,726)</b>
For the year ended 31 December 2019:	Arising during the period	Reclassification	Tax Benefit (Expense)	Net of Tax
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit pension plans	\$15,635	\$-	\$(3,127)	\$12,508
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	(263)	-	-	(263)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(582)	-	-	(582)
<b>Total other comprehensive income</b>	<b>\$14,790</b>	<b>\$-</b>	<b>\$(3,127)</b>	<b>\$11,663</b>

## 21. Income tax

The major components of income tax expense (income) are as follows:

### Income tax expense (income) recognized in profit or loss

	<u>For the years ended 31 December</u>	
	<u>2020</u>	<u>2019</u>
Current income tax expense:		
Current income tax charge	\$90,250	\$83,126
Adjustments in respect of current income tax of prior periods	(2,267)	(2,304)
Deferred tax expense(income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	6	(1,046)
Total income tax expense	<u>\$87,989</u>	<u>\$79,776</u>

### Income tax relating to components of other comprehensive income

	<u>For the years ended 31 December</u>	
	<u>2020</u>	<u>2019</u>
Deferred tax expense (income):		
Remeasurements of the defined benefit plan	<u>\$(1,093)</u>	<u>\$3,127</u>
Income tax relating to components of other comprehensive income	<u>\$(1,093)</u>	<u>\$3,127</u>

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate is as follows:

	<u>For the years ended 31 December</u>	
	<u>2020</u>	<u>2019</u>
Accounting profit before tax from continuing operations	<u>\$453,074</u>	<u>\$425,279</u>
Tax at the domestic rates applicable to profits in the country concerned	\$90,615	\$85,055
Tax effect of revenues exempt from taxation	(379)	(2,990)
Tax effect of expenses not deductible for tax purposes	20	15
Tax effect of deferred tax assets/liabilities	-	-
Adjustments in respect of current income tax of prior periods	<u>(2,267)</u>	<u>(2,304)</u>
Total income tax expenses recorded in profit or loss	<u>\$87,989</u>	<u>\$79,776</u>



Significant components of deferred income tax assets and liabilities are as follows:

For the years ended 31 December 2020

	As of 1 Jan. 2020	Recognized in income	Recognized in other comprehensive income	As of 31 Dec. 2020
Temporary differences				
Unrealized allowance for inventory valuation losses	\$4,177	\$546	\$-	\$4,723
Unrealized exchange (gain)	9,628	3,470	-	13,098
Unrealized sales returns and discounts	7,335	(1,393)	-	5,942
Unallocated fixed manufacturing expenses	1,327	(50)	-	1,277
Land appreciation tax preparation	(33,339)	-	-	(33,339)
Unrealized impairment loss	5,117	(186)	-	4,931
Compensated absence	2,529	377	-	3,306
Deferred income	407	(133)	-	274
Net defined benefit liability, non-current.	24,925	(1,077)	1,093	24,941
Affiliate transaction	1,511	(1,511)	-	-
Other	5,506	(149)	-	5,357
Deferred income tax (expenses)		<u>\$(6)</u>	<u>\$1,093</u>	
Deferred tax assets and liability net	<u>\$29,123</u>			<u>\$30,210</u>
As presented on the financial statement:				
Deferred tax assets	<u>\$62,909</u>			<u>\$64,144</u>
Deferred tax liabilities	<u>\$(33,786)</u>			<u>\$(33,934)</u>

For the years ended 31 December 2019

	As of 1 Jan. 2019	Recognized in income	Recognized in other comprehensive income	As of 31 Dec. 2019
Temporary differences				
Unrealized allowance for inventory valuation losses	\$4,977	\$(800)	\$-	\$4,177
Unrealized exchange (gain)	7,227	2,401	-	9,628
Unrealized sales returns and discounts	5,754	1,581	-	7,335
Unallocated fixed manufacturing expenses	1,278	49	-	1,327
Land appreciation tax preparation	(33,339)	-	-	(33,339)
Unrealized impairment loss	5,340	(223)	-	5,117
Compensated absence	2,622	(93)	-	2,529
Deferred income	278	129	-	407
Net defined benefit liability, non-current.	29,215	(1,163)	(3,127)	24,925
Affiliate transaction	1,813	(302)	-	1,511
Other	5,654	(148)	-	5,506
change in value of current financial assets at fair value through profit or loss	385	(385)	-	-
Deferred income tax (expenses)		<u>\$1,046</u>	<u>\$(3,127)</u>	
Deferred tax assets and liability net	<u>\$31,204</u>			<u>\$29,123</u>
As presented on the financial statement:				
Deferred tax assets	<u>\$64,841</u>			<u>\$62,909</u>
Deferred tax liabilities	<u>\$(33,637)</u>			<u>\$(33,786)</u>

The assessment of income tax returns

As of 31 December 2020, the Company and subsidiaries' income tax filings are as follows:

	<u>The assessment of income tax returns</u> 2018
The Company	

22. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible bonds payable) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the years ended 31 December</u>	
	<u>2020</u>	<u>2019</u>
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$365,085</u>	<u>\$345,503</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>200,000</u>	<u>200,000</u>
Basic earnings per share (NT\$)	<u>\$1.83</u>	<u>\$1.73</u>
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$365,085</u>	<u>\$345,503</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>200,000</u>	<u>200,000</u>
Effect of dilution:		
Employee bonus – stock (in thousands)	<u>548</u>	<u>515</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>200,548</u>	<u>200,515</u>
Diluted earnings per share (NT\$)	<u>\$1.82</u>	<u>\$1.72</u>

During the reporting date and the date the financial statement was prepared, no other transactions affected the common shares and dilutive potential ordinary shares.

## VII. RELATED PARTIES TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follow:

### Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Taiyen (Xiamen) Import&Export Co.,Ltd (Taiyen Xiamen)	Sub-subsidiary of the company
Taiyen Green Energy Co.,Ltd (Taiyen Green Energy)	Subsidiary of the company

## Significant related party transactions

### 1. Sales

	For the years ended 31 December	
	2020	2019
Taiyen Xiamen	\$1,020	\$155
Taiyen Green Energy	128	80
Total	<u>\$1,148</u>	<u>\$235</u>

The prices and payment conditions are the same between associates industries and non-related parties.

### 2. Purchases

	For the years ended 31 December	
	2020	2019
Taiyen Xiamen	<u>\$15,095</u>	<u>\$15,065</u>

The prices and payment conditions are the same between associates industries and non-related parties.

### 3. Key management personnel compensation

	For the years ended 31 December	
	2020	2019
Short-term employee benefits	\$19,354	\$22,926
Post-employment benefits	590	590
Total	<u>\$19,944</u>	<u>\$23,516</u>

## VIII. ASSETS PLEDGED AS COLLATERAL

Item	Amount		Purpose of pledge
	31 Dec. 2020	31 Dec. 2019	
Financial assets measured at amortized costs	<u>\$33,960</u>	<u>\$33,960</u>	Guarantee Deposits

## IX. Significant Contingencies and Unrecognized Contract

1. The Company signed a contract with a salt company and a shipping company in Australia on 22 October, 2019 to the purchase and import industrial sun-dried salt and agreed on related transportation terms. The contract period was 2 years (From 1 January, 2020 to 31 December, 2021). According to this contract, the Company can acquire a fixed amount of sun-dried salt for industrial and food processing purpose in accordance with the agreed price each year. The annual purchase amount (including transportation costs) is about NT\$300 million. After the contract expires, the Company will reopen the bid-.
2. The Company signed a natural gas sales contract for industrial fuel use with CPC Corporation, Taiwan (hereinafter referred to as CPC) on 26 June, 2019. The contract period was 3 years (From 1 July, 2019 to 30 June, 2022). According to this contract, the Company agrees to purchase a quantity of 800 thousand cubic meters of gas from CPC in accordance with the CPC natural gas price list each month, and the Company will base its use on this amount evenly.

The Company signed a property purchase contract with Far Eastern New Century Co., Ltd. (hereinafter referred to as FENC) on 21 September, 2020. The Company purchased PET bottles from FENC for approximately \$210 million. According to this contract, after the Company signs the contract, the contracted goods will be delivered to the designated place in batches according to the notice of Tung-Hsiao Fine Salt Factory to complete the transaction until the contract volume is reached (at least 700,000 pieces per day).

3. As of 31 December 2020, the Company was involved in the following activities that were not shown in the financial statements:

Unused letters of credit (in thousands):

<u>Currency</u>	<u>31 Dec. 2020</u>
USD	USD1,830

4. As of 31 December 2020, the Company still has major contracts as follows:

<u>Project</u>	<u>Contract amount</u>	<u>Amount paid</u>	<u>Unpaid amount</u>
Replacement project of cogeneration equipment	\$601,700	\$134,054	\$467,646

## X. SIGNIFICANT DISASTER LOSS

None.

## XI. SIGNIFICANT SUBSEQUENT EVENTS

Taiyan's former chairman, Qiyu Chen, resigned on 1 February, 2021, due to his personal career plan. Therefore, Wensheng Tseng, vice minister of the Ministry of Economic Affairs, will temporarily replaced him as the chairman.

## XII. OTHER

### 1. Categories of financial instruments

#### Financial Assets

	As at	
	31 Dec. 2020	31 Dec. 2019
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	\$381,044	\$368,702
Financial assets at fair value through other comprehensive income	1,930	1,540
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	1,405,249	1,481,700
Financial assets measured at amortized cost	33,960	33,960
Notes receivables	2,617	1,616
Account receivables	163,193	177,910
Other receivable	26,248	6,485
Guarantee deposits paid	7,379	6,776
Subtotal	1,638,646	1,708,447
Total	\$2,021,620	\$2,078,689

## Financial liabilities

	As at	
	31 Dec. 2020	31 Dec. 2019
Financial liabilities at amortized cost:		
Trade and other payables	\$363,478	\$446,240
Guarantee deposit received	65,256	65,161
Lease liability	111,570	118,564
Total	<u>\$540,304</u>	<u>\$629,965</u>

## 2. Financial risk management objectives and policies

The Company's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

## 3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise currency risk, interest rate risk, and other price risk (such as equity instruments related risks).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

## Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly affected by USD, CNY and AUD. Sensitivity analysis is as follows:

- (1) When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2020 and 2019 decreases/increases by NT\$4,907 thousand and NT\$3,163 thousand, respectively
- (2) When NTD strengthens/weakens against AUD by 1%, the profit for the years ended 31 December 2020 and 2019 decreases/increases by NT\$596 thousand and NT\$563 thousand, respectively.
- (3) When NTD strengthens/weakens against CNY by 1%, the profit for the years ended 31 December 2020 and 2019 decreases/increases by NT\$2,722 thousand and NT\$2,608 thousand, respectively.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company mainly invests in financial assets with fixed interest rates, so the interest rate risk has no significant impact on the company.

#### Equity price risk

The Company's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's board of directors reviews and approves all equity investment decisions.



At the reporting date, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT\$19 thousand and NT\$15 thousand on the equity attributable to the Company for the years ended 31 December 2020 and 2019, respectively.

Please refer to Note XII (8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

#### 4. Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancement procedures, such as requesting for prepayment or insurance.

As of 31 December 2020 and 2019, accounts receivables from top ten customers represented 80% and 82% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

#### 5. Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings and convertible bonds. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

### Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
31 Dec. 2020					
Payables	\$363,478	\$-	\$-	\$-	\$363,478
Lease liability(Note)	15,546	27,491	57,259	25,920	126,216
31 Dec. 2019					
Payables	\$446,240	\$-	\$-	\$-	\$446,240
Lease liability(Note)	14,138	25,884	66,518	28,683	135,223

Note: The following table provides further information on the maturity analysis of lease liabilities:

	<u>Maturities</u>				
	<u>Less than 5 year</u>	<u>6 to 10 years</u>	<u>11 to 15 years</u>	<u>&gt; 15 years</u>	<u>Total</u>
31 Dec. 2020	\$100,296	\$10,800	\$10,800	\$4,320	\$126,216
31 Dec. 2019	106,540	11,403	10,800	6,480	135,223

### 6. Reconciliation of liabilities arising from financing activities

	<u>Leases liabilities</u>
As at 1 Jan. 2020	\$118,564
Cash flows	(15,714)
Non-cash changes	8,720
As at 31 Dec 2020	<u>\$111,570</u>
As at 1 Jan. 2019	\$129,175
Cash flows	(15,154)
Non-cash changes	4,543
As at 31 Dec 2019	<u>\$118,564</u>

### 7. Fair values of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
  - b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
  - c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
  - d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
  - e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).
- (2) Fair value of financial instruments measured at amortized cost
- The Company's book value of financial assets and liabilities measured by amortized cost reasonably approximated their fair value.
- (3) Fair value measurement hierarchy for financial instruments
- Please refer to Note XII(8) for fair value measurement hierarchy for financial instruments of the Company.

## 8. Fair value measurement hierarchy

### (1) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

### (2) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As at 31 December 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	\$381,044	\$-	\$-	\$381,044
Financial assets at fair value through other comprehensive income				
income	1,930	-	-	1,930

As at 31 December 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	\$368,702	\$-	\$-	\$368,702
Bonds	1,540	-	-	1,540

Transfers between Level 1 and Level 2 during the period

During the year ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

- (3) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As at 31 December 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	\$-	\$-	\$1,326,351	\$1,326,351
Investments accounted for using equity method	-	-	285,966	285,966

As at 31 December 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	\$-	\$-	\$1,340,051	\$1,340,051
Investments accounted for using equity method	-	-	233,333	233,333

## 9. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

Financial assets	As at 31 December 2020		
	Foreign currencies	Foreign exchange rate	NTD
Monetary items:			
USD	\$17,231	\$28.480	\$490,738
AUD	2,714	21.950	59,572
CNY	62,197	4.377	272,236

Financial assets	As at 31 December 2019		
	Foreign currencies	Foreign exchange rate	NTD
Monetary items:			
USD	\$10,550	29.980	\$316,289
AUD	2,681	21.005	56,314
CNY	60,590	4.305	260,840

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Company has various functional currencies, no information about the foreign exchange gains or losses by a specific currency is available. For the years ended 31 December 2020 and 2019, the foreign exchange gains or losses on monetary financial assets and financial liabilities were NT\$17,612 thousand and NT\$18,584 thousand, respectively.

## 10. Financial Asset Transfer Information

Entirely derecognize transferred financial asset

Part of the Company's accounts receivable has signed non-recourse transfer contracts with financial institutions. In addition to the transfer of the rights of these accounts receivable to the cash flow contracts, the Company is also not required to bear the credit risk of the inability to recover these accounts receivable according to the contract (except for commercial disputes), which met the conditions for derecognizing financial assets. Transaction related information is as follows:

As at 31 Dec. 2020

<u>Purchaser</u>	<u>Factoring Amount</u>	<u>Advanced Amount</u>	<u>Transfer to other Receivables</u>	<u>Credit</u>
Bank Sinopac	<u>\$565</u>	<u>\$-</u>	<u>\$565</u>	<u>\$10,000</u>

As at 31 Dec. 2019

<u>Purchaser</u>	<u>Factoring Amount</u>	<u>Advanced Amount</u>	<u>Transfer to other Receivables</u>	<u>Credit</u>
Bank Sinopac	<u>\$838</u>	<u>\$-</u>	<u>\$838</u>	<u>\$10,000</u>

## 11. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

## XIII. ADDITIONAL DISCLOSURES

- (1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau:
  - (a) Financing provided to others for the year ended 31 December 2020: None.
  - (b) Endorsement/Guarantee provided to others for the year ended 31 December 2020: None.
  - (c) Securities held as of 31 December, 2020 (excluding subsidiaries, associates and joint venture): Please refer to Attachment 1.
  - (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2020: None.
  - (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2020: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the years ended 31 December 2020: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock f for the years ended 31 December 2020: None.

(h) Financial instruments and derivative transactions: None.

(2) Information on investees:

(a) The investee the Company has significant influence or controller directly or indirectly: Please refer to Attachment 2.

(b) If the Company has direct or indirect control over the investee, it must disclose the information of the invest engaged in the first to ninth transactions of the preceding paragraph: None.

(3) Investment in Mainland China:

(a) Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 3.

(b) Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: None.

(4) Information on major shareholders: Please refer to Attachment 4.

#### XIV. OPERATING SEGMENT INFORMATION

Please refer to the consolidated financial statements of TAIYEN BIOTECH CO., LTD. and subsidiaries for operating segment information.



## Attachment 1

Securities held as of December 31, 2020

Holding Company	Type and name of securities(note)	Relations with securities issuer	Account	As of 31 December, 2020				Note
				Number of shares or units	Amount	Holding ratio	Fair Value	
The Company	Currency Fund – JIH SUN currency market	-	Financial assets at fair value through profit or loss - current	2,094,435.14	\$31,312	-	\$31,312	
	Currency Fund – First Financail Holding currency market	-	"	2,039,641.60	31,479	-	31,479	
	Currency Fund – Eastspring Investments Well Pool Money Market Fund	-	"	2,250,170.60	30,856	-	30,856	
	Currency Fund – Yuanta Wan Tai currency	-	"	684,186.40	10,437	-	10,437	
	Currency Fund – Yuanta De-Li currency	-	"	615,695.30	10,121	-	10,121	
	Currency Fund – Nomura Taiwan currency market	-	"	3,181,374.36	52,314	-	52,314	
	Currency Fund – Shin Kong Chi-Shin currency market	-	"	1,969,750.74	30,741	-	30,741	
	Currency Fund – Franklin Templeton Sinoam currency market	-	"	2,959,309.49	30,861	-	30,861	
	Currency Fund – Taishin 1699 currency market	-	"	2,241,886.69	30,593	-	30,593	
	Currency Fund – Cathay Taiwan currency market	-	"	2,432,059.50	30,484	-	30,484	
	Currency Fund – Fubon Chi-Hsiang currency market	-	"	1,278,422.10	20,204	-	20,204	
	Currency Fund – Union Money Market Fund	-	"	764,198.81	10,171	-	10,171	
	Currency Fund – SinoPac TWD Money Market Fund	-	"	724,653.40	10,162	-	10,162	
	Currency Fund – Prudential Financial Money Market Fund	-	"	1,275,006.10	20,343	-	20,343	
	Bond Fund – PineBridge US Dual Core Income Fund-A	-	"	827,869.40	10,420	-	10,420	
	Bond Fund – PineBridge Frontier Emerging Markets High Yield Bond Fund A	-	"	1,000,650.42	20,546	-	20,546	
				subtotal		\$381,044		\$381,044
Listed Stock – Walsin Lihwa Corporation	-	Financial assets at fair value through other comprehensive income - current	100,000	\$1,930		\$1,930		

Note: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items mentioned in IFRS No. 9 "Financial Instruments".

Attachment 2

The investee Company has significant influence or controller directly or indirectly

Name of investment company	Investee company name	Location	Main Business	Original investment amount		Held at the end of the period			Net income (loss) of investee company	Investment income (loss)
				31-Dec-20	31-Dec-19	Number of shares	Ratio	Amount		
The Company	Taiyen Green Energy	No. 48, Section 2, Zhongzheng South Road, Guiren District, Tainan City	Energy-related business	\$235,616	\$200,000	24,741,970	66.75%	\$270,507	\$5,647	\$(3,857)
The Company	Taiyen Samoa	Novasage Chambers, PO Box 3018, Level 2 CCCS Building, Beach Road, Apia, Samoa	Reinvestment Business	\$49,541	\$49,541	1,600,000	100%	\$15,459	\$199	\$7,752
Taiyen Samoa	Taiyen Hong Kong	Room 2701, 27/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong	Reinvestment Business	\$49,541 (USD1,600 thousand)	\$49,541 (USD1,600 thousand)	1,600,000	100%	\$15,459	\$199	\$199

## Attachment 3

## Investment in Mainland China

Name of Investee company in Mainland China	Main business	Total Amount of Capital	Method of Investment (Note 1)	Outflow of investments from Taiwan at beginning of the period	Accumulated inflow and outflow of investments from Taiwan		Accumulated outflow of investments from Taiwan at the	Net income (loss) of investee company	Percentage of direct(indirect) ownership by the Company	Investment income (loss) (Note 2)	Carrying amount of investments at the end of the period (Note 2)	Cumulated inward remittance of earnings and limits on investment in Mainland China
					Outflow	Inflow						
Taiyen Xiamen	Operating various commodity sales and import and export business	USD1,600 thousand	2	USD1,600 thousand	-	-	USD1,600 thousand	\$199	100%	\$199	\$15,459	-
Henan Tianjian Daily Chemical Co., Ltd of Pingmei Shenma Group	Operating various commodity trading and daily necessities manufacturing etc.	RMB20,000 thousand	3	- (Note 3)	-	-	- (Note 3)	\$-	0%	\$(554)	\$-	-

Accumulated outflow of investments in Mainland China from Taiwan at the end of the period	The amount of investment approved by the Investment Commission, MOEA	According to the regulations of the Investment Commission, MOEA, about investments to Mainland China
\$45,568 (USD1,600 thousand) (Note 4)	\$45,568 (USD1,600 thousand) (Note 4)	Equity \$6,229,481*60%=\$3,737,689 (Note 5)

Note 1: Method of investments are divided into following three types; the table can be only noted with type number:

1. Direct investment in Mainland China.
2. Through the third region-Taiyen Samoa invested in the establishment of Taiyen Hong Kong and then invested in the mainland.
3. Other methods.

Note 2: The financial statements of the investee company has been audited by independent auditors of EY.

Note 3: The company invested Henan Tianjian Daily Chemical Co., Ltd of Pingmei Shenma Group through the mainland invested business's reinvestment. Since the investment business in mainland area is not a holding company, the reinvestment doesn't need to be approved by the Investment Committee.

Note 4: The amount of NTD in the table is calculated with exchange rate 28.48 at the end of December 2020.

Note 5: According to 97.8.22 "Licensing Measures for Engagement in the Mainland Area or Technology Cooperation", "Investment or Technology Cooperation Review Principles in the Mainland Area" Amendments, investors' upper limit ratio of the investment cumulative amount in Mainland Area is : 60% of the net value or net value of the merger, whichever is higher.

Note 6: The equity of Henan Tianjian Daily Chemical Co., Ltd has been disposed, and the equity has been transferred in

Attachment 4

Information of major shareholders

Name of major shareholder	Number of shares	Ratio
Ministry of Economic Affairs, R.O.C.	77,768,272	38.88%

Note 1: The information of major shareholders in this table is based on the last business day of the end of each quarter by China National Security Corporation, which calculates that shareholders hold more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). As for the share capital recorded in the company's financial report and the company's actual number of shares delivered without physical registration, there may be differences or differences due to different calculation bases.

Note 2: In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in individual accounts by the trustee who opened the trust account by the trustee. As for shareholders' declarations for insider equity holdings exceeding 10% in accordance with the Securities and Exchange Act, its shareholding includes my own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. shareholding declarations. Please refer to the Public Information Observatory for information on insider

TAIYEN BIOTECH CO.,LTD.

1.Table of cash and cash equivalents

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Items	Summary	Subtotal	Total	Note
Cash		\$92	\$92	1.Exchange Rate of USD to NTD is 1:28.480
Petty Cash		1,014	1,014	
Subtotal			1,106	
Bank check deposits			29,898	2.Exchange Rate of AUD to NTD is 1:21.950
Bank demand deposits			402,799	
Bank foreign currency deposits	USD 841 thousand	23,956		3.Exchange Rate of RMB to NTD is 1:4.377
	AUD 34 thousand	748		
	RMB 620 thousand	2,715		
Subtotal			27,419	
Cash equivalents			460,116	
Time deposits with maturities within 12 months		945,133	945,133	
Total			\$1,406,355	

TAIYEN BIOTECH CO.,LTD.

2.Table of accounts receivable-net

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Client	Name	Summary	Amount	Note
A Company			\$87,009	The amount of individual client in others does not exceed 5% of the account balance.
B Company			11,341	
C Company			9,167	
Others			55,808	
Subtotal			163,325	
Less: allowance for doubtful accounts			(132)	
Total			\$163,193	

TAIYEN BIOTECH CO.,LTD.

3. Table of Net Inventories

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Items	Summary	Amount		Note
		Cost	Market Price	
Raw materials		\$26,398	\$25,654	The market price is the net realizable value.
Supplies and parts		109,794	109,270	
Work in process		18,837	18,637	
Finished goods		134,400	133,174	
Merchandise		49,046	48,947	
Total		338,475	\$335,682	
Less: Allowance for inventory valuation losses		(23,613)		
Total		\$314,862		

TAIYEN BIOTECH CO.,LTD.

4. Statements of Changes in Investments Accounted For Under The Equity Method

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Investee Company	Amount at the beginning of the period		Increase				Decrease				Amount at the end of the period		Market Price or Net Equity		Accrual basis	Situation of warranty or pledge provided	Note
	Number of shares (thousand)	Amount	Number of shares (thousand)		Amount		Number of shares (thousand)		Amount		Number of shares (thousand)	Amount	Unit Price (NTD)	Total Price	(Shareholding Ratio)		
Taiyen Samoa	1,600	\$7,452	-		\$7,752		-		\$-		1,600	\$15,459		\$15,459	100%	None	
Taiyen Green Energy	21,400	225,881	245	(Note 5)		(Note 3)	-		(3,857)	(Note 4)	24,742	270,507		405,254	66.75%	None	
			3,097	(Note 3)	35,616	(Note 7)			(2,450)	(Note 6)							
					1,446	(Note 8)											
					13,871												
Total		\$233,333			\$58,940				\$(6,307)			\$285,966					

Note1 : Net investment profit accounted for using equity method(The sale of the patent rights has been realized).

Note2 : Exchange differences resulting from translating the financial statements of a foreign operations.

Note3 : Net investment income accounted for using equity method.

Note4 : Net investmentloss accounted for using equity method.

Note5 : Stock dividend issued by the invested company.

Note6 : Cash dividend issued by the invested company.

Note7 : Changes in ownership equity in invested company.

Note8 : The difference between the adjustment of not subscribing to new shares in proportion to the shareholding ratio.



TAIYEN BIOTECH CO.,LTD.

5. Table of Notes Payable

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Name of Supplier	Summary	Amount	Note
D Company		\$26,160	The amount of individual client in others does not exceed 5% of the account balance.
E Company		5,001	
F Company		4,920	
Others		54,077	
Total		\$90,158	

TAIYEN BIOTECH CO.,LTD.

6. Table of Accounts Payable

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Name of Supplier	Summary	Amount	Note
G Company		\$12,992	The amount of individual client in others does not exceed 5% of the account balance.
H Company		2,392	
Others		28,162	
Total		\$43,546	

TAIYEN BIOTECH CO.,LTD.

7. Table of Other Payable

As at 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Salaries Payable		\$102,256	The amount of individual client in others does not exceed 5% of the account balance.
Other expenses payable	Mainly gas expenses and deliver expenses.	74,431	
Employee compensations payable		17,932	
Provision of employee benefits		15,031	
Others		20,124	
Total		\$229,774	

TAIYEN BIOTECH CO.,LTD.

8. Table of Net Sales Revenues

For the year ended 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Items	Numbers	Amount	Note
Salt Products	2,657,402 pcs	\$1,380,205	
Packaged Drinking Water	100,174,063 pcs	922,195	
Beauty care products	3,316,463 pcs	187,737	
Health Products	854,304 pcs	181,466	
Cleaning Products	563,393 pcs	131,117	
Merchandise	292,020 pcs	48,343	
Others	769 pcs	1,821	
		2,852,884	
Less: Sales Return		(55,658)	
Total		\$2,797,226	

TAIYEN BIOTECH CO.,LTD.  
9.STATEMENT OF OPERATING COSTS  
For the year ended 31 December 2020  
(Expressed in Thousands of New Taiwan Dollars)

Items	Amount	Note
Cost of Goods Sold of Self-made Product		
Direct material:Beginning of year	\$17,952	
Add:Raw material purchased	(26,398)	
Less:Raw material, end of year	(26,398)	
Transfer to other account title	(3,626)	
Other	(7,792)	
Direct material used	(46,262)	
Indirect material		
Indirect material, beginning of year	99,763	
Add: Indirect material purchased	580,939	
Less: Indirect material, end of year	(109,794)	
Transfer to other account title	(27,353)	
Indirect material used	(24,471)	
Material used	519,084	
Direct labor	69,838	
Manufacturing Expenses	530,262	
Manufacturing cost	1,072,922	
Work in process, beginning of year	17,655	
Add: Transfer to merchandise	256,748	
Transfer to Finished goods	26,417	
Less: Work in process, end of year	(18,837)	
Transfer to other account title	(692)	
Other	(23,008)	
Manufacturing cost	1,331,205	
Finished goods, beginning of year	144,765	
Aadd: Other	20,453	
Less: Finished goods, end of year	(134,400)	
Transfer to other account title	(14,786)	
Transfer to work in process	(26,417)	
other	(718)	
Cost of finished goods	1,320,102	
Cost of Goods Sold of Merchandise		
Merchandise : Beginning of year	62,528	
Add:Merchandise purchased	309,905	
Less: Merchandise, end of year	(49,046)	
Transfer to other account title	(1,212)	
Transfer to work in process	(256,748)	
Other	(300)	
Cost of Goods Sold of Self-made Product	65,127	
Cost of Goods Sold of Merchandise	1,385,229	
Add: Fixed manufacturing expenses under-applied	68,842	
Loss on scrap of inventories	5,204	
Other	96	
Less: Gain on sale of scrap	(1,303)	
Gain on Inventory valuation recovery	2,729	
Total Operating Costs	\$1,460,797	

TAIYEN BIOTECH CO.,LTD.

10. Table of Manufacturing Expenses

For the year ended 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Items	Amount	Note
Indirect labor expenses	\$149,645	The amount of other items in others does not exceed 5% of the account balance.
Water, Electricity and Gas Expenses	46,901	
Taxes	39,680	
Depreciation	113,301	
Outsourcing expenses	57,142	
Fuel Expenses	66,833	
Other Expenses	56,760	
合 計	\$530,262	

TAIYEN BIOTECH CO.,LTD.

11. Table of Operating Expenses

For the year ended 31 December 2020

(Expressed in Thousands of New Taiwan Dollars)

Items	Marketing Expenses	Administration Expenses	Research and development expenses	Total	Note
Salaries Expenses	\$140,547	\$119,430	\$29,583	\$289,560	The amount of other items in others does not exceed 5% of the account balance.
Deliver Expenses	106,503	149	27	106,679	
Advertisement Expenses	147,460	429	54	147,943	
Commission Expenses	52,204	-	-	52,204	
Depreciation	18,686	7,233	5,131	31,050	
Insurance Fee	11,234	8,531	2,135	21,900	
Labor Fee	1,627	5,377	7,307	14,311	
Consumption Expenses	-	1,043	3,314	4,357	
Other Expenses	57,827	32,546	6,943	97,316	
Total	\$501,948	\$170,626	\$47,526	\$765,320	

**TAIYEN BIOTECH CO.,LTD. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**

**WITH**

**REPORT OF INDEPENDENT AUDITORS**

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.



## **Independent Auditors' Report**

To TAIYEN BIOTECH CO.,LTD.

### **Opinion**

We have audited the accompanying consolidated balance sheets of TAIYEN BIOTECH CO.,LTD. and its subsidiaries (hereinafter referred to as “the Group”) as of 31 December 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2020 and 2019, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2020 and 2019, and their consolidated financial performance and cash flows for the years ended 31 December 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Disclosure of investment property fair value

As of 31 December 2020, the Group's net investment property at cost amounted to NT\$1,326,351 thousand, and constitutes 17% of total consolidated asset, and is significant to financial statements. Considering the evaluation process on investment property fair value by management is complicated, and relevant assumptions are based on evaluation report by external specialists and affected by expected future market or economy, we therefore determined this as a key audit matter.

Our audit procedures of key assumption used in disclosure of investment property included, but not limited to, understanding evaluation report by external specialists offered by the Group, and the methods of assumption and assessment used, especially the rent and land price of the subject, which we compared to open market information to analyze the reasonability. We also used internal specialists to assist in evaluating the reasonability of the assumption and assessment method by external specialists used by the Group.

We also assessed the adequacy of disclosures of investment property. Please refer to Notes V and VI(10) to the Group's consolidated financial statements.

### Valuation for slow-moving inventories

As of 31 December 2020, the Group's net inventories amounted to NT\$315,556 thousand, and constitutes 4% of total consolidated asset. Considering that the assessment of slow-moving inventories should take into consideration product validity period and changes in market, therefore involving significant judgement of management, and that the amount of inventory write-downs is significant to the Group, we determined this as a key audit matter.

Our audit procedures included, but not limited to, testing the effectiveness of internal control on inventories established by management; evaluating the appropriateness of management's accounting policies regarding slow-moving and obsolete inventory, including sample testing the accuracy of inventory aging interval and reviewing the consumption of raw material and sales of finished goods; and evaluating the reasonableness of the policy of slow-moving inventories and the circumstances in which loss of slow-moving inventories should be individually booked.

We also assessed the adequacy of disclosures of inventories. Please refer to Notes V and VI(7) to the Group's consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Group.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2020 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2020 and 2019.

Tseng, Yu-Che

Lee, Fang-Wen

Ernst & Young, Taiwan  
23 March 2021

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese  
 TAIYEN BIOTECH CO.,LTD. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 31 December 2020 and 2019  
 (Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	31 Dec. 2020	31 Dec. 2019	LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 Dec. 2020	31 Dec. 2019
Current assets				Current liabilities			
Cash and cash equivalents	IV/VI.1	\$1,505,641	\$1,599,105	Short-term loans	IV/VI.12	\$30,000	\$103,600
Current financial assets at fair value through profit or loss	IV/VI.2	381,044	368,702	Current contract liabilities	IV/VI.17	33,182	22,253
Current financial assets at fair value through other comprehensive income	IV/VI.3	1,930	1,540	Notes payable		90,158	161,605
Current financial assets at amortised cost	IV/VI.4、18/VIII	2,000	2,000	Accounts payable		182,990	89,127
Current contract assets	IV/VI.7、18	372,131	159,746	Other payables		250,660	256,371
Notes receivable-net	IV/VI.5、18	2,994	1,668	Current tax liabilities	IV/VI.23	47,221	42,932
Accounts receivable-net	IV/VI.6、18	165,739	187,757	Lease liability-current	IV/VI.19	15,163	13,153
Inventories-net	IV/VI.7	315,556	321,779	Long-term liabilities, current portion	IV/VI.13/VIII	4,287	-
Other current assets		153,395	66,607	Other current liabilities		41,216	55,556
Total current assets		<u>2,900,430</u>	<u>2,708,904</u>	Total current liabilities		<u>694,877</u>	<u>744,597</u>
Non-current assets				Non-current liabilities			
Non-current financial assets at amortised cost	IV/VI.4、18/VIII	33,960	33,960	Non-current portion of non-current borrowings	IV/VI.13/VIII	57,369	-
Investments accounted for using equity method	IV/VI.8	-	9,567	Deferred tax liabilities	IV/VI.23	33,934	33,786
Property, plant and equipment	IV/VI.9	3,301,281	3,273,123	Lease liability-non current	IV/VI.19	100,532	108,633
Right-of-use asset	IV/VI.19	130,086	128,951	Long-term deferred revenue	IV/VI.14	345,784	367,689
Investment Property	IV/VI.10、19	1,326,351	1,340,051	Net defined benefit liability, non-current	IV/VI.15	124,510	124,431
Intangible assets		8,023	5,008	Guarantee deposit received		73,241	66,135
Deferred tax assets	IV/VI.23	64,428	63,125	Other non-current liabilities-others		3,244	3,402
Prepayments for business facilities		-	350	Total non-current liabilities		<u>738,614</u>	<u>704,076</u>
Guarantee deposits paid		7,625	6,931	Total liabilities		<u>1,433,491</u>	<u>1,448,673</u>
Other non-current assets	IV/VI.11	25,535	31,492	Equity attributable to the parent company			
Total non-current assets		<u>4,897,289</u>	<u>4,892,558</u>	Capital			
				Common stock	IV/VI.16	2,000,000	2,000,000
				Capital surplus	IV/VI.16	2,501,653	2,486,320
				Retained earnings	IV/VI.16		
				Legal reserve		1,269,873	1,230,449
				Special reserve		45,420	45,420
				Unappropriated earnings		415,529	394,239
				Subtotal		<u>1,730,822</u>	<u>1,670,108</u>
				Other equity		(2,994)	(3,639)
				Non-controlling interests	VI.25	134,747	-
				Total equity		<u>6,364,228</u>	<u>6,152,789</u>
Total assets		<u>\$7,797,719</u>	<u>\$7,601,462</u>	Total liabilities and equity		<u>\$7,797,719</u>	<u>\$7,601,462</u>

English Translation of Financial Statements Originally Issued in Chinese  
 TAIYEN BIOTECH CO.,LTD. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 For the year ended 31 December 2020 and 2019  
 (Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

ITEMS	NOTE	2020.1.1~ 2020.12.31	2019.1.1~ 2019.12.31
Sales revenues	IV/VI.17/VII	\$3,130,347	\$2,906,615
Cost of goods sold	IV/VI.7、11、15、20	<u>(1,822,755)</u>	<u>(1,696,299)</u>
Gross profit		<u>1,307,592</u>	<u>1,210,316</u>
Operating expenses	IV/VI.11、15、18、19、20		
Sales and marketing expenses		(558,111)	(521,647)
General and administrative expenses	VII	(212,176)	(200,293)
Research and development expenses		<u>(73,984)</u>	<u>(68,618)</u>
Subtotal		<u>(844,271)</u>	<u>(790,558)</u>
Operating income		<u>463,321</u>	<u>419,758</u>
Non-operating income and expenses			
Other revenue	IV/VI.21	87,527	97,633
Other gain and loss	IV/VI.11、21	(82,650)	(84,693)
Financial costs	IV/VI.21	(3,605)	(2,395)
Share of profit (loss) of associates and joint ventures accounted for using equity method	IV/VI.8	(554)	(1,756)
Subtotal		<u>718</u>	<u>8,789</u>
Income from continuing operations before income tax		464,039	428,547
Income tax expense	IV/VI.23	<u>(89,450)</u>	<u>(83,044)</u>
Net income		<u>374,589</u>	<u>345,503</u>
Other comprehensive income	IV/VI.22		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plan		(5,464)	15,635
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		390	(263)
Income tax related to items that may not be reclassified subsequently		1,093	(3,127)
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of a foreign operations		255	(582)
Total other comprehensive income, net of tax		<u>(3,726)</u>	<u>11,663</u>
Total comprehensive income		<u>\$370,863</u>	<u>\$357,166</u>
Net income attributable to:			
Stockholders of the parent		<u>\$365,085</u>	<u>\$345,503</u>
Non-controlling interests		<u>\$9,504</u>	<u>\$-</u>
Comprehensive income attributable to:			
Stockholder of the parent		<u>\$361,359</u>	<u>\$357,166</u>
Non-controlling interests		<u>\$9,504</u>	<u>\$-</u>
Earnings per share (NTD)	VI.24		
Earnings per share-basic		<u>\$1.83</u>	<u>\$1.73</u>
Earnings per share-diluted		<u>\$1.82</u>	<u>\$1.72</u>

English Translation of Financial Statements Originally Issued in Chinese  
 TAIYEN BIOTECH CO.,LTD. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 For the year ended 31 December 2020 and 2019  
 (Expressed in Thousands of New Taiwan Dollars)

ITEMS	Equity attributable to the parent company								Non-controlling interests	Total Equity
	Common Stock	Capital Surplus	Retained Earnings			Other equity		Total equity attributable to owners of parent		
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences resulting from translating the financial statements of a foreign operations	Unrealized gain (Loss) on financial assets at fair value through other comprehensive income			
Balance as of 1 January 2019	\$2,000,000	\$2,486,289	\$1,186,739	\$45,420	\$439,938	\$(2,794)	\$-	\$6,155,592	\$-	\$6,155,592
Appropriation and distribution of 2018 retained earning										
Legal Reserve	-	-	43,710	-	(43,710)	-	-	-	-	-
Cash dividends	-	-	-	-	(360,000)	-	-	(360,000)	-	(360,000)
Other changes in additional paid-in capital	-	31	-	-	-	-	-	31	-	31
Net income for the year ended 31 December 2019	-	-	-	-	345,503	-	-	345,503	-	345,503
Other comprehensive income, net of tax for the year ended 31 December 2019	-	-	-	-	12,508	(582)	(263)	11,663	-	11,663
Total comprehensive income	-	-	-	-	358,011	(582)	(263)	357,166	-	357,166
Balance as of 31 December 2019	<u>\$2,000,000</u>	<u>\$2,486,320</u>	<u>\$1,230,449</u>	<u>\$45,420</u>	<u>\$394,239</u>	<u>\$(3,376)</u>	<u>\$(263)</u>	<u>\$6,152,789</u>	<u>\$-</u>	<u>\$6,152,789</u>
Balance as of 1 January 2020	\$2,000,000	\$2,486,320	\$1,230,449	\$45,420	\$394,239	\$(3,376)	\$(263)	\$6,152,789	\$-	\$6,152,789
Appropriation and distribution of 2019 retained earning										
Legal Reserve	-	-	39,424	-	(39,424)	-	-	-	-	-
Cash dividends	-	-	-	-	(300,000)	-	-	(300,000)	-	(300,000)
Other change in capital surplus	-	16	-	-	-	-	-	16	-	16
Net income for the year ended 31 December 2020	-	-	-	-	365,085	-	-	365,085	9,504	374,589
Other comprehensive income, net of tax for the year ended 31 December 2020	-	-	-	-	(4,371)	255	390	(3,726)	-	(3,726)
Total comprehensive income	-	-	-	-	360,714	255	390	361,359	9,504	370,863
Changes in ownership interests in subsidiaries	-	15,317	-	-	-	-	-	15,317	125,243	140,560
Balance as of 31 December 2020	<u>\$2,000,000</u>	<u>\$2,501,653</u>	<u>\$1,269,873</u>	<u>\$45,420</u>	<u>\$415,529</u>	<u>\$(3,121)</u>	<u>\$127</u>	<u>\$6,229,481</u>	<u>\$134,747</u>	<u>\$6,364,228</u>

English Translation of Financial Statements Originally Issued in Chinese  
 TAIYEN BIOTECH CO.,LTD. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the year ended 31 December 2020 and 2019  
 (Expressed in Thousands of New Taiwan Dollars)

ITEMS	2020.1.1~ 2020.12.31	2019.1.1~ 2019.12.31	ITEMS	2020.1.1~ 2020.12.31	2019.1.1~ 2019.12.31
Cash flows from (used in) operating activities:			Cash flows from (used in) investing activities:		
Net income before tax	\$464,039	\$428,547	Acquisition of financial assets at fair value through other comprehensive income	-	(1,803)
Adjustments for:			Acquisition of financial assets at amortised cost	-	(5,000)
Income and expense adjustments:			Proceeds from disposal of financial assets at amortised cost	-	8,200
Depreciation	173,053	157,064	Acquisition of financial assets at fair value through profit or loss	(90,000)	(130,000)
Amortization	12,955	14,284	Proceeds from disposal of financial assets at fair value through profit or loss	83,161	256,000
Net (gain) on financial assets or liabilities at fair value through profit or loss	(2,342)	(6,625)	Proceeds from disposal of investments accounted for using equity method	5,670	-
Interest expense	3,605	2,395	Acquisition of property, plant and equipment	(264,770)	(282,503)
Interest revenue	(15,188)	(22,304)	Proceeds from disposal of property, plant and equipment	27	18
Share of loss (profit) of associates and joint ventures accounted for using equity method	554	1,756	Increase in refundable deposits	(694)	(30)
Loss on disposal of property, plant and equipment	2,546	872	Acquisition of intangible assets	(3,124)	(1,579)
Gains on disposals of investment property	(787)	-	Acquisition of investment property	(787)	-
Loss on disposals of intangible assets	-	90	Proceeds from disposal of investment property	2,088	-
(Gain) on disposal of investments	(4,124)	(3,208)	Increase in prepayments for business facilities	-	(169)
Loss on disposals of investments accounted for using equity method	3,292	-	Decrease in prepayments for business facilities	350	-
Losses on disaster	-	477	Interest received	15,634	23,741
Changes in operating assets and liabilities:			Net cash flows from (used in) investing activities	<u>(252,445)</u>	<u>(133,125)</u>
Contract assets	(212,385)	(96,432)	Cash flows from (used in) financing activities		
Notes receivable-net	(1,326)	3,212	Increase in short-term loans	40,200	103,600
Accounts receivable-net	22,018	(27,442)	Decrease in short-term loans	(50,000)	-
Inventories	(8,542)	(32,506)	Repayments of long-term debt	(2,144)	-
Other current assets	(88,145)	4,544	Increase in guarantee deposits received	7,106	-
Contract liabilities	10,929	(10,423)	Decrease in guarantee deposits received	-	(4,857)
Notes payable	19,527	11,054	Payments of lease liabilities	(15,139)	(14,311)
Accounts payable	93,863	54,082	Cash dividends paid	(300,000)	(360,000)
Other payables	(6,724)	(61,441)	Interest paid	(1,275)	(122)
Other current liabilities	(14,343)	17,579	Change in non-controlling interests	140,560	-
Net defined benefit liability	(5,385)	(5,814)	Other change in capital surplus	16	31
Other non-current liabilities	(21,095)	(11,982)	Net cash flows from (used in) financing activities	<u>(180,676)</u>	<u>(275,659)</u>
Cash inflow generated from operations	<u>425,995</u>	<u>417,779</u>	Effect of exchange rate changes on cash and cash equivalents	301	(562)
Interest paid	(2,327)	(2,273)	Net (decrease) in cash and cash equivalents	(93,464)	(80,687)
Income tax paid	(84,312)	(86,847)	Cash and cash equivalents at beginning of period	1,599,105	1,679,792
Net cash flows from (used in) operating activities	<u>339,356</u>	<u>328,659</u>	Cash and cash equivalents at end of period	<u>\$1,505,641</u>	<u>\$1,599,105</u>



English Translation of Financial Statements Originally Issued in Chinese

TAIYEN BIOTECH CO.,LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

I. HISTORY AND ORGANIZATION

1. Taiyen Biotech Co., Ltd. (the “Company”), formerly known as China Salt Company, was reorganized into a state-owned salt factory of Taiwan in 1951 and restructured into the main salt factory of Taiwan in 1952, which was under the charge of the Ministry of Economic Affairs. In 1995, the main salt factory was restructured and renamed as Taiyen Biotech Co., Ltd. As of 31 December 2020 and 2019, the Ministry of Economic Affairs held 38.88% ownership of Taiyen Biotech Co., Ltd. The Company’s registered office and the main business location is at No.297, Sec. 1, Chien-Kang Rd., South District, Tainan, Republic of China (R.O.C.).
2. The Company became a listed company on Taiwan Stock Exchange on 18 November 2003.
3. Current main business item:
  - (1) Production, sales, import and export of the following products, by-products and their derivatives:
    - A. Various salt products
    - B. Various seawater chemical products
    - C. Bath salt, bath salt milk, salt soap, algae soap, and shampoo
    - D. Beverage and drinking water
    - E. Toothpaste, salt mouthwash, and eyeglasses maintenance liquid
    - F. Salt for washing vegetable, fruits and others
    - G. Food and food additives
    - H. Pharmaceuticals
    - I. Cosmetics manufacturing
    - J. Environmental medicine manufacturing
  - (2) Sales, imports and exports of daily necessities and cosmetic products
  - (3) Supply, introduction and management consulting of domestic and foreign industrial salt technology. introduction and management consulting of domestic and foreign salt industry technology

## II. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and subsidiaries (hereinafter referred to as "the Company") for the years ended 31 December 2020 and 2019 were authorized for issue in accordance with a resolution of the Board of directors on 23 March 2021.

## III. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

### 1. Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2020. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Group.

### 2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

#### (a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

- A. A company will not have to derecognize or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect
- B. the change to the alternative benchmark rate;
- C. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and

D. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after 1 January 2021 have no material impact on the Group.

3. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022
e	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023

(a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a Company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) Estimates of future cash flows;
- (2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) A risk adjustment for non-financial risk.

The carrying amount of a Company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

*Amendment to IFRS 1*

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

*Amendment to IFRS 9 Financial Instruments*

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

*Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

*Amendment to IAS 41*

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

(e) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(f) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under, it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

#### IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 1. Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (Regulations), IFRSs, IASs, IFRIC and SIC, which are endorsed by FSC (TIFRSs).

##### 2. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

##### 3. Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			31Dec. 2020	31 Dec. 2019
The Company	TAIYEN BIOTECH CO.,LTD. ,SAMOA (TAIYEN SAMOA)	Reinvestment business	100%	100%
The Company	Taiyen Green Energy CO., LTD. (Taiyen Green Energy)	Energy related business	66.75% (Note)	100%
TAIYEN SAMOA	TAIYEN BIOTECH CO., LIMITED (TAIYEN HONG KONG)	Reinvestment business	100%	100%
TAIYEN HONG KONG	TAIYEN (XIAMEN) IMPORT&EXPORT CO., LTD.	Commodity trading, import and export business	100%	100%

Note: The Board of Directors of Taiyen Green Energy Co., Ltd, passed the cash capital increase proposal at the shareholder's meeting held on 15 October 2019. The record date of the capital increase was set on 16 June 2020, with capital increase in the amount of NT\$175,950 thousands. The Company did not subscribe to the stocks according to its shareholding ratio, therefore, the ownership interest in Taiyen Green Energy Co., Ltd., decreased from 100% to 66.75%.

#### 4. Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.



All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

## 5. Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

## 6. Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

## 7. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 8. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Group's business model for managing the financial assets and
- B. the contractual cash flow characteristics of the financial asset.

*Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, accounts receivable, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

*Financial asset measured at fair value through other comprehensive income*

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

### *Financial asset measured at fair value through profit or loss*

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

### (2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note XII for further details on credit risk.

### (3) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

### (4) Financial liabilities and equity

#### Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

#### Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

### Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

### (5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

## 9. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

## 10. Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on a first in, first out basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

## 11. Non-current assets held for sale

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.



Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro-rata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The abovementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

## 12. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Land improvements	3~40 years
Buildings	2~65 years
Machinery and equipment	2~50 years
Transportation equipment	2~20 years
Other equipment	2~30 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 13. Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Land improvements	3~35 years
Structure	4~55 years
Buildings	33~55 years
Warehouse and factory	10~40 years
Other	4~40 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

## 14. Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

### Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;

- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

## Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

## 15. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

#### Patents and licences

The patents is amortized on a straight-line basis over the estimated useful life (8 years).

#### Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (2 to 10 years).

### 16. Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

## 17. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

When the unavoidable cost of meeting the obligations under the contract exceeds the expected receivable economic benefits from the contract, the provision of onerous contract should be recognized. Before the recognition of the provision, the impairment loss of the related contract should be evaluated and recognized.

### Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

## 18. Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

### Sale of goods



The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is high-end machinery and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts to the Group estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Group's sale of goods is from 90 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivable. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

#### Labor Contract Revenue

The contract of the Group follows the regulation of IFRS 15, throughout the process of providing labor services, the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, meets the criteria which satisfies a performance obligation and recognizes revenue over time

Most of the contractual considerations of the Group are collected evenly throughout the contract periods. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

When the outcome of the construction contract couldn't be reasonably estimated, cost recovery method would be applied. Revenue could only be recognized to the same amount of costs incurred.

When the situation changes, the estimation of revenue, costs and stage of completion should be revised. During the period that the management was informed, the changes should be reflected on the income.

### Construction Contract

The Group mostly provides solar energy construction services. As the Group provides the services over the contract period, the customers simultaneously receive control of the asset. Hence, the related revenue are recognized by the percentage of completion method over the contract period.

Most of the contractual considerations of the Group are collected evenly throughout the contract periods. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

When the outcome of the construction contract couldn't be reasonably estimated, cost recovery method would be applied. Revenue could only be recognized to the same amount of costs incurred.

When the situation changes, the estimation of revenue, costs and stage of completion should be revised. During the period that the management was informed, the changes should be reflected on the income.

The Group usually reclassifies the aforementioned contract liability to revenue within a year and hence doesn't lead to a significant financial component.

## 19. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 20. Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

## 21. Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

## 22. Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

### Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

### Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## V. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

## 1. Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

### Operating lease commitment—Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

## 2. Estimation and assumptions

The key assumptions concerning the future and other key sources for estimating uncertainty at the reporting date, that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

### (1) Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example the discounted cash flow model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note XII for more details.

### (2) Inventory Valuation

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made.

### (3) Fair value of investment properties

When the fair value of investment properties cannot be quoted in the active market, the fair value is measured via the fair value model, including income approach – discounted cash flow method, or market approach. The changes of appraisal parameters used in the assessments will vary the fair value of investment properties. Please refer to Note VI for more details.

### (4) Impairment of Non-financial Assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note VI.

### (5) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination rate, future salary increases, and decrease.

### (6) Revenue Recognition-Sales Returns and Discounts

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the above-mentioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note VI for more details.



(7) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

VI. CONTENTS OF SIGNIFICANT ACCOUNTS

1. Cash and Cash Equivalents

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Cash on hand	\$1,185	\$1,214
Saving account	559,323	745,975
Cash equivalents		
Time deposits with maturities within 12 months	945,133	851,916
Total	<u>\$1,505,641</u>	<u>\$1,599,105</u>

Cash and Cash Equivalents were not pledged.

2. Financial assets at fair value through profit or loss

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Mandatorily measured at fair value through profit or loss:		
Funds	<u>\$381,044</u>	<u>\$368,702</u>
Current	<u>\$381,044</u>	<u>\$368,702</u>

Financial assets at fair value through profit or loss were not pledged.

### 3. Financial assets at fair value through other comprehensive income

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Equity instrument investments measured at fair value through other comprehensive income –		
Current:		
Listed Company Stocks	<u>\$1,930</u>	<u>\$1,540</u>

Financial assets at fair value through other comprehensive income were not pledged.

For equity instrument investments measured at fair value through other comprehensive income, the Group recognized dividends in the amount of NT\$51 thousand and NT\$120 thousand for the years ended 31 December 2020 and 2019, the full amount is related to investments held at the end of the reporting period.

### 4. Financial assets measured at amortized cost

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Time deposits	<u>\$35,960</u>	<u>\$35,960</u>
Current	\$2,000	\$2,000
Non-current	<u>33,960</u>	<u>33,960</u>
Total	<u>\$35,960</u>	<u>\$35,960</u>

Please refer to Note VI(18) for more details on accumulated impairment and Note VIII. for more details on financial assets measured at amortized cost under pledge and Note XII for more details on credit risk.

### 5. Notes Receivable

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Notes receivable — from operating	\$2,994	\$1,668
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
Total	<u>\$2,994</u>	<u>\$1,668</u>

No notes receivable were pledged.

The Group adopted IFRS 9 for impairment assessment . Please refer to Note VI(18) for more details on accumulated impairment and Note XII for more details on credit risk.

## 6. Accounts Receivable

	31 Dec. 2020	31 Dec. 2019
Accounts receivable	\$165,871	\$187,889
Less: allowance for doubtful accounts	(132)	(132)
Total	<u>\$165,739</u>	<u>\$187,757</u>

No accounts receivable were pledged.

Accounts receivable are generally on 90-150 day terms. Account receivable amounted to NT\$ 165,871 thousand and NT\$187,889 thousand as at 31 December 2020 and 2019.

Please refer to Note VI(18) for more details on impairment of accounts receivable for the years ended 31 December 2020 and 2019 and please refer to Note XII for credit risk disclosure.

## 7. Inventories

	31 Dec. 2020	31 Dec. 2019
Raw materials	\$23,184	\$15,585
Supplies and parts	99,709	91,250
Work in process	17,593	16,881
Finished goods	127,134	137,441
Merchandise	47,936	60,622
Net	<u>\$315,556</u>	<u>\$321,779</u>

The cost of inventories recognized in expenses amounted to NT\$1,822,755 thousand and NT\$1,696,299 thousand for the years ended 31 December 2020 and 2019, respectively, including the write-down of inventories of NT\$1,772 thousand for the year ended 31 December 2020 and reversal of write-down of inventories of NT\$4,409 thousand for the year ended 31 December 2019 because of circumstances that caused the net realizable value of inventory to be lower than its cost no longer existed, respectively.

No Inventories were pledged.

## 8. Investments Accounted For Under The Equity Method

Details are as follows:

Investee Company	31 Dec. 2020		31 Dec. 2019	
	Amount	Percentage of ownership	Amount	Percentage of ownership
<u>Unlisted company</u>				
Pingmei Shenma Group Henan Tianjian Rihua Co., Ltd.	\$-	-	\$9,567	15%

Note: The subsidiary – Taiyen (Xiamen) IMPORT&EXPORT CO., LTD.'s board of directors approved the divestment of Henan Tianjian Rihua, and finished the equity transfer on October 2020.

The Group's investments in the associates are not individually material. The related share of investment from the associates amounted to NT\$0 thousand and NT\$9,567 thousand for the years ended 31 December 2020 and 2019. The aggregate financial information of the Group's investments in associates is as follows:

	For the years ended 31 December	
	2020	2019
Profit or loss from continuing operations	\$(554)	\$(1,756)
Other comprehensive income (post-tax)	(51)	(371)
Total comprehensive income	\$(605)	\$(2,127)

The associates had no contingent liabilities or capital commitments and investment in the associates were not pledged as of 31 December 2020 and 2019.

## 9. Property, plant and equipment

	31 Dec. 2020	31 Dec. 2019
Owner occupied property, plant and equipment	\$3,301,281	\$3,273,123

	Land	Land improvements	Buildings	Machinery and equipment	Transportation equipment	Other facilities	Construction in progress	Total
Cost:								
1 Jan. 2020	\$1,683,597	\$184,463	\$1,287,631	\$2,619,198	\$28,623	\$102,500	\$181,371	\$6,087,383
Addition	-	-	552	2,907	402	1,406	169,578	174,845
Disposal	-	(681)	(6,881)	(25,960)	(2,541)	(1,966)	-	(38,029)
Transfer	-	2,191	18,282	143,698	5,853	6,270	(176,294)	-
Exchange difference	-	-	-	-	-	10	-	10
Other	-	-	-	(28)	-	-	7,901	7,873
31 Dec. 2020	<u>\$1,683,597</u>	<u>\$185,973</u>	<u>\$1,299,584</u>	<u>\$2,739,815</u>	<u>\$32,337</u>	<u>\$108,220</u>	<u>\$182,556</u>	<u>\$6,232,082</u>
1 Jan. 2019	\$1,683,597	\$176,211	\$1,238,165	\$2,235,820	\$28,692	\$97,986	\$363,581	\$5,824,052
Addition	-	-	940	7,733	-	2,495	355,199	366,367
Disposal	-	(52)	(386)	(100,150)	(112)	(1,380)	-	(102,080)
Transfer	-	8,304	48,912	475,381	43	3,989	(536,629)	-
Exchange difference	-	-	-	-	-	(19)	-	(19)
Other	-	-	-	414	-	(571)	(780)	(937)
31 Dec. 2019	<u>\$1,683,597</u>	<u>\$184,463</u>	<u>\$1,287,631</u>	<u>\$2,619,198</u>	<u>\$28,623</u>	<u>\$102,500</u>	<u>\$181,371</u>	<u>\$6,087,383</u>
Depreciation and impairment:								
1 Jan. 2020	\$5,356	\$141,713	\$694,486	\$1,862,506	\$23,752	\$86,447	\$-	\$2,814,260
Depreciation	-	8,936	44,309	90,113	1,603	7,026	-	151,987
Disposal	-	(643)	(5,444)	(24,912)	(2,509)	(1,948)	-	(35,456)
Transfer	-	-	(3)	3	-	-	-	-
Exchange difference	-	-	-	-	-	10	-	10
Other	-	-	-	-	-	-	-	-
31 Dec. 2020	<u>\$5,356</u>	<u>\$150,006</u>	<u>\$733,348</u>	<u>\$1,927,710</u>	<u>\$22,846</u>	<u>\$91,535</u>	<u>\$-</u>	<u>\$2,930,801</u>
1 Jan. 2019	\$5,356	\$131,701	\$649,811	\$1,888,922	\$22,179	\$80,863	\$-	\$2,778,832
Depreciation	-	10,059	45,009	72,929	1,685	7,058	-	136,740
Disposal	-	(47)	(334)	(99,345)	(112)	(1,352)	-	(101,190)
Transfer	-	-	-	-	-	-	-	-
Exchange difference	-	-	-	-	-	(18)	-	(18)
Other	-	-	-	-	-	(104)	-	(104)
31 Dec. 2019	<u>\$5,356</u>	<u>\$141,713</u>	<u>\$694,486</u>	<u>\$1,862,506</u>	<u>\$23,752</u>	<u>\$86,447</u>	<u>\$-</u>	<u>\$2,814,260</u>
Net book value:								
31 Dec. 2020	<u>\$1,678,241</u>	<u>\$35,967</u>	<u>\$566,236</u>	<u>\$812,105</u>	<u>\$9,491</u>	<u>\$16,685</u>	<u>\$182,556</u>	<u>\$3,301,281</u>
31 Dec. 2019	<u>\$1,678,241</u>	<u>\$42,750</u>	<u>\$593,145</u>	<u>\$756,692</u>	<u>\$4,871</u>	<u>\$16,053</u>	<u>\$181,371</u>	<u>\$3,273,123</u>

Please refer to Note VIII for more details on property, plant and equipment under pledge.

10. Investment property

	Land			Total
	Land	improvements	Buildings	
<b>Cost:</b>				
As at 1 Jan. 2020	\$984,314	\$5,598	\$463,258	\$1,453,170
Addition	-	-	787	787
Disposal	(1,267)	(73)	-	(1,340)
As at 31 Dec. 2020	<u>\$983,047</u>	<u>\$5,525</u>	<u>\$464,045</u>	<u>\$1,452,617</u>
As at 1 Jan. 2019	\$984,314	\$5,598	\$463,258	\$1,453,170
Addition	-	-	-	-
Disposal	-	-	-	-
As at 31 Dec. 2019	<u>\$984,314</u>	<u>\$5,598</u>	<u>\$463,258</u>	<u>\$1,453,170</u>
<b>Depreciation and impairment :</b>				
As at 1 Jan. 2020	\$5,715	\$4,727	\$102,677	\$113,119
Depreciation	-	73	13,113	13,186
Disposal	-	(39)	-	(39)
As at 31 Dec. 2020	<u>\$5,715</u>	<u>\$4,761</u>	<u>\$115,790</u>	<u>\$126,266</u>
As at 1 Jan. 2019	\$5,715	\$4,651	\$89,575	\$99,941
Depreciation	-	76	13,102	13,178
Disposal	-	-	-	-
As at 31 Dec. 2019	<u>\$5,715</u>	<u>\$4,727</u>	<u>\$102,677</u>	<u>\$113,119</u>
<b>Net carrying amount as at:</b>				
31 Dec. 2020	<u>\$977,332</u>	<u>\$764</u>	<u>\$348,255</u>	<u>\$1,326,351</u>
31 Dec. 2019	<u>\$978,599</u>	<u>\$871</u>	<u>\$360,581</u>	<u>\$1,340,051</u>

	For the years ended 31 December	
	2020	2019
Rental income from investment property	\$31,122	\$30,558
Less: Direct operating expenses from investment property generating rental income	(24,330)	(24,503)
Direct operating expenses from investment property not generating rental income	(682)	(683)
Total	<u>\$6,110</u>	<u>\$5,372</u>

No investment property was pledged.

As of 31 December 2020 and 2019, the fair value of investment properties held by the Group both amounted to NT\$3,303,990 and NT\$3,237,209 thousands. The above-mentioned fair value was assessed by independent external valuation professionals, and was classified at level 3.

Fair value has been determined under the support of market evidence. Leased plants and lands in the signed lease contract, should be assessed using the income approach. Construction lands should be comprehensively assessed using the land development analysis approach of the comparison method and the cost approach, among which farming and grazing lands are subject to development restrictions therefore can only be assessed using the comparison method. Buildings should be assessed using the cost method, below are the parameters mainly used:

Income approach: An approach that the subject property which apply an appropriate capitalization rate on the date of value opinion to capitalize the average objective annual net operating income in the future into an indication of value.

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Average income capitalization rate	1.15%-1.93%	1.23%-1.89%

Comparison method: A method based on the value of the comparable properties is through comparison, analysis, adjustment and other means to estimate the value of the subject property comparing.

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Condition adjustment percentage	100%	100%
Date adjustment percentage	98%-106%	100%-104%
Local factor adjustment percentage	94%-105%	88%-106%
Individual factor adjustment percentage	61-115%	60%-116%

Cost approach: An approach to estimate the value of the subject property, by deducting the accrued depreciation or other item due to be subtracted from the reproduction or replacement cost, based on the date of value opinion.

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Residual price rate	0-10%	0-10%
Residual service life	0-37.6 years	0-38.6 years

## 11. Other non-current assets

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Tourism assets	\$6,840	\$7,812
Other non-current assets - other	18,695	23,680
Total	<u>\$25,535</u>	<u>\$31,492</u>

Tourism assets include the Salt Mountain in Cigu. In order to operate in the tourism and travel industry, and preserve the salt history of Taiwan, the salt mountains were recognized as the tourism assets in 2009 and was amortized in 20 years based on its future economic benefits.

Other assets are mainly purchased and recognized as materials by the Company and were transferred to other assets according to their nature, amortized in three to five years based on their future economic benefits.

The amortization costs of the Group's tourism assets in 2020 and 2019 amounted to NT\$972 thousand and NT\$1,078 thousand respectively, booked under non-operating income and expenses – other gain and loss.

The amortization costs of the Group's operating costs and expenses in 2020 and 2019 amounted to NT\$10,283 thousand and NT\$11,928 thousand, respectively.

## 12. Short-term borrowings

	Interest		
	Rates (%)	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Unsecured bank loans	1.15%	<u>\$30,000</u>	<u>\$103,600</u>

The Group's unused short-term lines of credits amount to NT\$266,044 thousand and NT\$24,653 thousand as at 31 December 2020 and 2019, respectively.

(Note) Subsidiary - Taiyen Green Energy engaged in borrowing to replenish capital.



### 13. Long-term borrowings

Debits are as follows:

<u>Creditors</u>	<u>31 Dec. 2020</u>	<u>Rate</u>	<u>Redemption</u>
Taishin International Bank – secured bank loan	\$61,656	1.57%	From 16 June 2020 to 16 June 2035, with interest payable monthly from the start date. Principal is repaid in 179 monthly installments in the amount of NT\$357 thousand. The remaining principal and interest shall be paid in full by the last installment.
Less: current portion	<u>(4,287)</u>		
Total	<u><u>\$57,369</u></u>		

Note: Subsidiary - Taiyen Green Energy Co., Ltd engaged in borrowing to replenish capital.

31 Dec. 2019: None

Please refer to Note VIII for aforementioned long-term borrowings' secured and mortgage information.

### 14. Deferred revenue

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Deferred revenue	<u><u>\$345,784</u></u>	<u><u>\$367,689</u></u>

Note1: The Group signed a real estate lease contract with Quanhua Investment Co., Ltd. on 19 April 2012 in order to activate the land asset (the lease period was from 25 April 2012 to 25 April 2047, a total of 35 years.) Five parcels of land located in Emei Section 750, 750-1, 751, 752, and Yancheng Section 781 at Taoyuan City were leased to Quanhua Investment Co., Ltd., with the lessee being the builder of the buildings for the Group (the proprietor and the applicant for the first registration of the ownership of the building are both the Group). After the construction was completed, the new building and the underlying property of the lease will be operated by Quanhua Investment Co., Ltd., and Quanhua Investment Co., Ltd. should pay rent and royalties. The construction cost of the new building totaled NT\$400,000 thousand (tax included). According to the regulations, it should be regarded as the rental income of the Group and amortized using the residual years after the completion and actual operation. The unamortized amount as of 31 December 2020 was NT\$319,000 thousand (tax included).

Note2 : The Group and the Tainan Technology Industrial Park Service Center of the Industrial Development Bureau, Ministry of Economic Affairs signed a land lease agreement for the Biotechnology Plant No.1 and the R&D Center. During the lease period, the Group applied to purchase the lease of land of the Biotechnology Plant No.1 under the land leasing regulations of the Tainan Technology Industrial Park. The leased land was acquired at the original price when the lease was approved and the contract was signed, the rent paid during the lease period can be used to offset the payment without interest. Since April 2016, the rent paid has been recognized in deferred income and amortized using the residual service life of Biotechnology Plant No.1. As of 31 December 2020 the unamortized amount was NT\$26,784 thousand.

#### 15. Post-employment benefits

##### Defined contribution plan

The Group adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended 31 December 2020 and 2019 are NT\$15,708 thousand and NT\$14,464 thousand, respectively.

##### Defined benefits plan

The Group adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group contributes an amount equivalent to 2% ~ 15% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before end of each year, the Group and subsidiaries make estimates of the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the following year, the Company will make up the difference in one appropriation before the end of March of the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under a mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes control and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with IAS 19. The Company expects to contribute NT\$10,297 thousand to its defined benefit plan during the 12 months beginning after 31 December 2020.

The average duration of the defined benefits plan obligation as at 31 December 2020 and 2019 are 12 years.

Pension costs recognized in profit or loss are as follows:

	For the years ended 31 December	
	2020	2019
Current service cost	\$10,560	\$11,880
Net interest on the net defined benefit liabilities	921	1,590
Total	\$11,481	\$13,470

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	31 Dec. 2020	31 Dec. 2019	1 Jan. 2019
Defined benefit obligation	\$364,232	\$369,007	\$392,407
Plan assets at fair value	(239,722)	(244,576)	(246,527)
Net defined benefit liabilities	\$124,510	\$124,431	\$145,880

Reconciliations of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of 1 January 2019	\$392,407	\$(246,527)	\$145,880
Current service cost	11,880	-	11,880
Interest expense (income)	4,277	(2,687)	1,590
Subtotal	<u>408,564</u>	<u>(249,214)</u>	<u>159,350</u>
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	(128)	-	(128)
Actuarial gains and losses arising from changes in financial assumptions	(1,772)	-	(1,772)
Experience adjustments	(4,912)	-	(4,912)
Remeasurements of the defined benefit assets	-	(8,822)	(8,822)
Subtotal	<u>(6,812)</u>	<u>(8,822)</u>	<u>(15,634)</u>
Payment of benefit obligation	(32,745)	32,745	-
Contribution by employer	-	(19,285)	(19,285)
As of 31 December 2019	\$369,007	\$(244,576)	\$124,431
Current service cost	10,560	-	10,560
Interest expenses (income)	2,731	(1,810)	921
Subtotal	<u>382,298</u>	<u>(246,386)</u>	<u>135,912</u>
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	(778)	-	(778)
Actuarial gains and losses arising from changes in financial assumptions	19,123	-	19,123
Experience adjustments	(4,258)	-	(4,258)
Remeasurements of the defined benefit assets	-	(8,623)	(8,623)
Subtotal	<u>14,087</u>	<u>(8,623)</u>	<u>5,464</u>
Payment of benefit obligation	(32,153)	32,153	-
Contribution by employer	-	(16,866)	(16,866)
As of 31 December 2020	<u>\$364,232</u>	<u>\$(239,722)</u>	<u>\$124,510</u>

The principal assumptions used in determining the Company's defined benefit plan are shown below:

	31 Dec. 2020	31 Dec. 2019
Discount Rate	0.28%	0.74%
Rate of future salary increases	3.00%	3.00%

A sensitivity analysis for significant assumption as of 31 December 2020 and 2019 is shown below:

	For the years ended 31 December			
	2020		2019	
	Defined benefit obligations increase	Defined benefit obligations decrease	Defined benefit obligations increase	Defined benefit obligations decrease
Discount Rate increase by 0.5%	-	20,636	-	20,546
Discount Rate decrease by 0.5%	22,437	-	22,390	-
Rate of future salary increase by 0.5%	21,710	-	21,767	-
Rate of future salary decrease by 0.5%	-	20,207	-	20,208

The sensitivity analysis above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

## 16. Equity

### (1) Common stock

As of 31 December 2020 and 2019 the Group's authorized common stock both amounted to NT\$8,000,000 thousand. The outstanding common stocks were both NT\$2,000,000 thousand, divided into 200,000 thousand shares and at NT\$10 par value.

(2) Capital surplus

	31 Dec. 2020	31 Dec. 2019
Additional paid-in capital	\$2,477,486	\$2,477,486
Donated assets received	8,775	8,775
Changes in ownership interests in subsidiaries	15,317	-
Other	75	59
Total	<u>\$2,501,653</u>	<u>\$2,486,320</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(3) Retained earnings and dividend policies

The Company's Articles of Incorporation provide that the current year's earnings shall be reserve for tax payments and deducting the accumulated losses in previous years firstly, then appropriate 10% of leftover profits as legal reserve. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock. Thirdly, allocated or reverse of special reserves as required by law or government authorities. The remaining net profits will be allocated as shareholders' dividend by a resolution of shareholders' meeting. The distribution of dividends to shareholders can be combined with all or part of the retained earnings, of which the cash portion should not be less than 50%.

The Company's dividend distribution policy must be based on the Company's current and future investment environment, capital needs, domestic and foreign competition conditions, capital budgets and other factors, taking into account the interests of shareholders, balancing dividends and the company's long-term financial planning, etc.. The distribution shall be proposed by the board of directors every year in accordance with the law and be submitted to the shareholders meeting.

According to the R.O.C. Company Act, the Company's net income, after deducting previous years' losses, if any, is appropriated as legal reserve prior to any distribution until such reserve is equal to the Company's paid-in capital. The Company Act provides that where legal reserve may be distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gain and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve based on the difference between the amount already set aside and the total debit balance of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of 31 December 2020 and 2019, the Company adopted the IFRS for the first time that the special reserve amounted to both both \$45,420 thousand.

Details of the 2020 earnings distribution and dividends per share as resolved by the board's meeting on 23 March 2021 and 2019 earnings distribution and dividends per share as resolved by the general shareholders' meeting on 19 June 2019.

	For the years ended 31 December			
	Appropriation of earnings		Cash dividend per share	
	2020	2019	2020	2019
Legal reserve	\$36,071	\$39,424		
Cash dividends	270,000	300,000	\$1.35	\$1.5

Please refer to Note VI (20) for relevant information about estimation basis and recognized amounts for employees' compensation and remuneration to directors.

(4) Non-controlling interest

	For the years ended 31 December	
	2020	2019
Beginning balance	\$-	\$-
Profit attributable to non-controlling interests	9,504	-
Changes in ownership interests in subsidiaries	125,243	-
Ending balance	\$134,747	\$-

## 17. Sales

	For the years ended 31 December	
	2020	2019
Revenue from contracts with customers		
Sale of goods	\$2,798,262	\$2,706,830
Revenue arising from rendering of services	238,444	192,627
Construction contract revenue	83,397	6,364
Electricity sales revenue	10,244	794
Total	<u>\$3,130,347</u>	<u>\$2,906,615</u>

Analysis of revenue from contracts with customers for the years ended 31 December 2020 and 2019 are as follows:

### (1) Disaggregation of revenue

For the year ended 31 December 2020:

	Dept. of Salt products and packaged water	Dept. of Biotech cleaning and maintenance	Other Dept	Total
Sales of goods	\$2,262,310	\$485,625	\$60,571	\$2,808,506
Services revenues	-	-	321,841	321,841
Total	<u>\$2,262,310</u>	<u>\$485,625</u>	<u>\$382,412</u>	<u>\$3,130,347</u>

Timing of revenue  
recognition :

At a point in time	\$2,262,310	\$485,625	\$60,571	\$2,808,506
Satisfies the performance obligation over time	-	-	321,841	321,841
Total	<u>\$2,262,310</u>	<u>\$485,625</u>	<u>\$382,412</u>	<u>\$3,130,347</u>



For the year ended 31 December 2019:

	Dept. of Salt products and packaged water	Dept. of Biotech cleaning and maintenance	Other Dept	Total
Sales of goods	\$2,214,374	\$429,466	\$63,784	\$2,707,624
Services revenues	-	-	198,991	198,991
<b>Total</b>	<b>\$2,214,374</b>	<b>\$429,466</b>	<b>\$262,775</b>	<b>\$2,906,615</b>
Timing of revenue recognition :				
At a point in time	\$2,214,374	\$429,466	\$63,784	\$2,707,624
Satisfies the performance obligation over time	-	-	198,991	198,991
<b>Total</b>	<b>\$2,214,374</b>	<b>\$429,466</b>	<b>\$262,775</b>	<b>\$2,906,615</b>

(2) Contract balances

A. Contract assets - current

	31 Dec. 2020	31 Dec. 2019	1 Jan. 2019
Services revenues	\$372,131	\$159,746	\$63,314

The significant changes in the Group's balances of contract assets for the years ended 31 December 2020 and 2019 are as follows:

	For the years ended 31 December	
	2020	2019
The opening balance transferred to accounts receivable	\$(45,890)	\$(15,879)
Change in the measure of progress	258,275	112,311

B. Contract liabilities - current

	31 Dec. 2020	31 Dec. 2019	1 Jan. 2019
Sales of goods	\$28,390	\$20,300	\$19,027
Services revenues	4,792	1,953	13,649
<b>Total</b>	<b>\$33,182</b>	<b>\$22,253</b>	<b>\$32,676</b>

The significant changes in the Group's balances of contract liabilities for the years ended 31 December 2020 and 2019 are as follows:

	For the years ended 31 December	
	2020	2019
The opening balance transferred to revenue	\$(17,023)	\$(27,875)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	27,952	17,452

(3) Transaction price allocated to unsatisfied performance obligations

As of 31 December 2020 and 2019, the transaction prices for the allocation of unsatisfied performance obligations (including partially unsatisfied) were NT\$2,341,941 thousand and NT\$532,025 thousand, respectively. Revenue was recognized using the degree of completion of performance obligations.

18. Expected credit losses / (gains)

	For the years ended 31 December	
	2020	2019
Operating Expense- Expected credit losses		
Contract assets	\$-	\$-
Notes Receivable	-	-
Accounts Receivable	-	-
Total	\$-	\$-

Please refer to Note XII for more details on credit risk.

The credit risk for measured at amortized cost is assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses. As the Group transacts with are financial institutions with good credit, no allowance for losses has been provided in 2020 and 2019.

The Group measures the loss allowance of its Contract Assets and Accounts Receivable (including note receivables and accounts receivables ) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 31 December 2020 and 2019 is as follows:

- (1) The total book value of contract asset was NT\$372,131 thousand and NT\$159,746 thousand, respectively, and the amount of loss allowance measured by the expected credit loss rate 0% is NT\$0 thousand.
- (2) Accounts receivable considers the counterparty's credit rating, region and industry characteristics, using a provision matrix to measure the loss allowance, which was booked at 0.08% at 31 December 2020 and 0.07% at 31 December 2019 of loss allowance, respectively. The relevant information is as follows:

As at 31 December 2020

	Not yet due (Note)	Overdue			Total
		<=90 days	90-180 days	>=180 days	
Gross carrying amount	\$164,127	\$1,744	\$-	\$-	\$165,871
Loss ratio					0.08%
Lifetime expected credit losses					(132)
Carrying amount					<u>\$165,739</u>

Note: The Group's note receivables are not overdue.

As at 31 December 2019

	Not yet due (Note)	Overdue			Total
		<=90 days	90-180 days	>=180 days	
Gross carrying amount	\$187,559	\$330	\$-	\$-	\$187,889
Loss ratio					0.07%
Lifetime expected credit losses					(132)
Carrying amount					<u>\$187,757</u>

Note: The Group's note receivables are not overdue.

The movement in the provision for impairment of contract assets, note receivables and accounts receivables for the years ended 31 December 2020 and 2019 is as follows:

	Contract assets	Notes receivable	Accounts receivable
Bal. as at 1 Jan. 2020	\$-	\$-	\$132
Addition/(reversal) for the current period	-	-	-
Write off	-	-	-
Bal. as at 31 Dec. 2020	<u>\$-</u>	<u>\$-</u>	<u>\$132</u>

	Contract assets	Notes receivable	Accounts receivable
Bal. as at 1 Jan. 2019	\$-	\$-	\$132
Addition/(reversal) for the current period	-	-	-
Write off	-	-	-
Bal. as at 31 Dec. 2019	<u>\$-</u>	<u>\$-</u>	<u>\$132</u>

## 19. Leases

### (1) Group as a lessee

The Group leases various properties, including real estate such as land and buildings, transportation equipment, and other equipment. The lease terms range from 1 to 20 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

#### A. Amounts recognized in the balance sheet

##### (a) Right-of-use assets

The carrying amount of right-of-use assets

	31 Dec. 2020	31 Dec. 2019
Land	\$115,253	\$116,123
Buildings	7,649	8,845
Transportation equipment	7,033	3,983
Other equipment	151	-
Total	<u>\$130,086</u>	<u>\$128,951</u>

For the years ended 31 December 2020 and 2019, the Group's additions to right-of-use assets amounting to NT\$9,048 thousand, and NT\$2,333 thousand, respectively.

##### (b) Lease liabilities

	31 Dec. 2020	31 Dec. 2019
Lease liabilities	<u>\$115,695</u>	<u>\$121,786</u>
Current	\$15,163	\$13,153
Non-current	100,532	108,633
Total	<u>\$115,695</u>	<u>\$121,786</u>

Please refer to Note VI(21) for the interest on lease liabilities recognized for the years ended 31 December 2020 and 2019 and refer to Note XII(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2020 and 2019.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2020	2019
Land	\$1,963	\$1,975
Buildings	2,190	1,973
Transportation equipment	3,746	3,198
Other equipment	14	-
Total	<u>\$7,913</u>	<u>\$7,146</u>

C. Income and costs relating to leasing activities

	For the years ended 31 December	
	2020	2019
The expenses relating to short-term leases	<u>\$2,456</u>	<u>\$3,122</u>

D. Cash outflow relating to leasing activities

For the years ended 31 December 2020 and 2019, the Group's total cash outflows for leases amounting to NT\$19,919 thousand and NT\$19,703 thousand.

(2) Group as a lessor

Please refer to Note VI(10) for details on the Group's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended 31 December	
	2020	2019
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	<u>\$31,122</u>	<u>\$30,558</u>

Please refer to Note VI(10) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at 31 December 2020 and 2019 are as follow:

	31 Dec. 2020	31 Dec. 2019
Not later than one year	\$27,152	\$26,821
Later than one year but not later than two years	19,777	21,811
Later than two years but not later than three years	19,790	18,154
Later than three years but not later than four years	19,086	18,154
Later than four years but not later than five years	18,278	17,384
Later than five years	370,532	378,292
<b>Total</b>	<b>\$474,615</b>	<b>\$480,616</b>

20. Employee benefit, depreciation, and amortization expense are summarized as follows:

	For the years ended 31 December					
	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$185,539	\$319,672	\$505,211	\$189,913	\$294,265	\$484,178
Labor and health insurance	16,117	24,568	40,685	16,437	23,787	40,224
Pension	12,529	14,660	27,189	13,473	14,461	27,934
Other personnel expenses	9,146	13,431	22,577	9,213	12,116	21,329
Depreciation	117,632	55,421	173,053	102,002	55,062	157,064
Amortization	9,311	3,644	12,955	10,949	3,335	14,284

According to Article 35 of the Company's Articles of Incorporation, 2.25~3.75% of profit of the current year is distributable as employees' compensation and no higher than 1.5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit level, the Company estimated the employees' compensation and remuneration to directors and supervisors for year ended 31 December 2020 to be 3.75% of profit of the year and 1.5% of profit of the year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2020 amounted to NT\$17,932 thousand and NT\$7,173 thousand, respectively. A resolution was passed at a Board of Directors meeting held on 23 March 2021 to distribute employees' compensation and remuneration to directors and supervisors of 2020, respectively. No material differences existed between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2020.

The Company actual the amounts of the employees' compensation and remuneration to directors and supervisors for year ended 31 December 2019 to be 3.75% of profit of the year and 1% of profit of the year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2019 amount to NT\$16,743 thousand and NT\$4,465 thousand, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2019.

## 21. Non-operating income and expenses

### (1) Other income

	For the years ended 31 December	
	2020	2019
Rental income	\$31,122	\$30,558
Interest income		
Financial assets measured at amortized cost	15,188	22,304
Others	41,217	44,771
Total	<u>\$87,527</u>	<u>\$97,633</u>

Other income — Mainly tourism income and parking fees of Ciqu Salt Mountain

(2) Other gains and losses

	For the years ended 31 December	
	2020	2019
(Losses) on disposal of property, plant and equipment	\$(2,546)	\$(872)
Gains on disposal of investment property	787	-
Foreign exchange losses (gains), net	(16,644)	(18,415)
Gains on financial assets at fair value through profit or loss	2,342	6,625
(Losses) on disaster	-	(477)
Gain on disposal of investments	4,124	3,208
(Losses) on disposal of investment accounted for using the equity method	(3,292)	-
Other	(67,421)	(74,762)
Total	<u>\$(82,650)</u>	<u>\$(84,693)</u>

Other expenses – Mainly depreciation expenses of Ciqu Salt Mountain’s property, plant and equipment, maintenance expenses, and currency remittance commissions.

(3) Finance costs

	For the years ended 31 December	
	2020	2019
Interest expenses	<u>\$(3,605)</u>	<u>\$(2,395)</u>

22. Components of other comprehensive income

For the year ended 31 December 2020:

	Arising during the period	Reclassification	Tax Benefit (Expense)	Net of Tax
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit pension plans	\$(5,464)	\$-	\$1,093	\$(4,371)
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	390	-	-	390
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	255	-	-	255
Total other comprehensive income	<u>\$(4,819)</u>	<u>\$-</u>	<u>\$1,093</u>	<u>\$(3,726)</u>



For the year ended 31 December 2019:

	Arising during the period	Reclassification	Tax Benefit (Expense)	Net of Tax
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit pension plans	\$15,635	\$-	\$(3,127)	\$12,508
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	(263)	-	-	(263)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(582)	-	-	(582)
Total other comprehensive income	<u>\$14,790</u>	<u>\$-</u>	<u>\$(3,127)</u>	<u>\$11,663</u>

### 23. Income tax

The major components of income tax expense are as follows:

#### Income tax expense recognized in profit or loss

	<u>For the years ended 31 December</u>	
	<u>2020</u>	<u>2019</u>
Current income tax expense :		
Current income tax charge	\$91,762	\$86,506
Adjustments in respect of current income tax of prior periods	(2,250)	(2,304)
Deferred tax (income):		
Deferred tax (income) relating to origination and reversal of temporary differences	(62)	(1,158)
Total income tax expense	<u>\$89,450</u>	<u>\$83,044</u>

### Income tax relating to components of other comprehensive income

	<u>For the years ended 31 December</u>	
	<u>2020</u>	<u>2019</u>
Deferred tax expense (income):		
Remeasurements of the defined benefit plan	<u>\$(1,093)</u>	<u>\$3,127</u>
Income tax relating to components of other comprehensive income	<u>\$(1,093)</u>	<u>\$3,127</u>

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate is as follows:

	<u>For the years ended 31 December</u>	
	<u>2020</u>	<u>2019</u>
Accounting profit before tax from continuing operations	<u>\$464,039</u>	<u>\$428,547</u>
Tax at the domestic rates applicable to profits in the country concerned	\$92,036	\$88,308
Tax effect of revenues exempt from taxation	(379)	(2,990)
Tax effect of expenses not deductible for tax purposes	21	30
Corporate income surtax on undistributed retained earnings	22	-
Adjustments in respect of current income tax of prior periods	<u>(2,250)</u>	<u>(2,304)</u>
Total income tax expense recognized in profit or loss	<u>\$89,450</u>	<u>\$83,044</u>

Significant components of deferred income tax assets and liabilities are as follows:

For the year ended 31 December 2020

	As of 1 Jan. 2020	Recognized in income	Recognized in other comprehensive income	As of 31 Dec. 2020
Temporary differences				
Unrealized allowance for inventory valuation losses	\$4,177	\$546	\$-	\$4,723
Unrealized exchange (gain)	9,628	3,470	-	13,098
Unrealized sales returns and discounts	7,335	(1,393)	-	5,942
Unallocated fixed manufacturing expenses	1,327	(50)	-	1,277
Land appreciation tax preparation	(33,339)	-	-	(33,339)
Unrealized impairment loss	5,117	(186)	-	4,931
Compensated absence	2,745	545	-	3,290
Deferred income	407	(133)	-	274
Net defined benefit liability, non-current.	24,925	(1,077)	1,093	24,941
Affiliate transaction	1,511	(1,511)	-	-
Other	5,506	(149)	-	5,357
Deferred income tax (expenses)		<u>\$62</u>	<u>\$1,093</u>	
Deferred tax assets and liability net	<u>\$29,339</u>			<u>\$30,494</u>
As presented on the financial statement:				
Deferred tax assets	<u>\$63,125</u>			<u>\$64,428</u>
Deferred tax liabilities	<u>\$(33,786)</u>			<u>\$(33,934)</u>

For the year ended 31 December 2019

	As of 1 Jan. 2019	Recognized in income	Recognized in other comprehensive income	As of 31 Dec. 2019
Temporary differences				
Unrealized allowance for inventory valuation losses	\$4,977	\$(800)	\$-	\$4,177
Unrealized exchange (gain)	7,227	2,401	-	9,628
Unrealized sales returns and discounts	5,754	1,581	-	7,335
Unallocated fixed manufacturing expenses	1,278	49	-	1,327
Land appreciation tax preparation	(33,339)	-	-	(33,339)
Unrealized impairment loss	5,340	(223)	-	5,117
Compensated absence	2,726	19	-	2,745
Deferred income	278	129	-	407
Net defined benefit liability, non-current.	29,215	(1,163)	(3,127)	24,925
Affiliate transaction	1,813	(302)	-	1,511
Others	5,654	(148)	-	5,506
change in value of current financial assets at fair value through profit or loss	385	(385)	-	-
Deferred income tax (expenses)		<u>\$1,158</u>	<u>\$(3,127)</u>	
Deferred tax assets and liability net	<u>\$31,308</u>			<u>\$29,339</u>
As presented on the financial statement:				
Deferred tax assets	<u>\$64,945</u>			<u>\$63,125</u>
Deferred tax liabilities	<u>\$(33,637)</u>			<u>\$(33,786)</u>

The assessment of income tax returns

As of 31 December 2020, the Company and subsidiaries' income tax filings are as follows:

	<u>The assessment of income tax returns</u>
The Company	2018
Subsidiary - Taiyen Green Energy Co., Ltd	2018

## 24. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible bonds payable) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the years ended 31 December</u>	
	<u>2020</u>	<u>2019</u>
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$365,085</u>	<u>\$345,503</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>200,000</u>	<u>200,000</u>
Basic earnings per share (NT\$)	<u>\$1.83</u>	<u>\$1.73</u>
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$365,085</u>	<u>\$345,503</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	200,000	200,000
Effect of dilution:		
Employee bonus – stock (in thousands)	<u>548</u>	<u>515</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>200,548</u>	<u>200,515</u>
Diluted earnings per share (NT\$)	<u>\$1.82</u>	<u>\$1.72</u>

During the reporting date and the date the financial statement was prepared, no other transactions affected the common shares and dilutive potential ordinary shares.

## 25. Changes in parent's interest in subsidiaries

### Acquisition of new shares in a subsidiary not in proportionate to ownership interest

Subsidiary – Taiyen Green Energy Co., Ltd. issued new shares on 16 June 2020, however the Group did not purchase the new shares according to its ownership ratio, consequently the ownership interest in Taiyen Green Energy was reduced to 66.75%. The Group received additional cash from the issuance of new shares in the amount of NT\$140,560,000. The carrying amount of Taiyen Green Energy's net assets (from the original acquisition excluding goodwill) was NT\$380,339,000. Following is a schedule of interest disposed in Taiyen Green Energy including changes in non-controlling interests and adjustments to accumulated other comprehensive income:

Additional cash received from the issuance of new shares	\$140,560
Increase to non-controlling interests	<u>(125,243)</u>
Difference recognized in capital surplus or retained earning within equity	<u><u>\$15,317</u></u>

## VII. RELATED PARTIES TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

### Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Henan Tianjian Rihua	Associate

### Significant related party transactions

#### 1. Sales

	<u>For the years ended 31 December</u>	
	<u>2020</u>	<u>2019</u>
Associates industries	<u>\$115</u>	<u>\$130</u>

The prices and payment conditions are the same between associates industries and non-related parties.

## 2. Key management personnel compensation

	For the years ended 31 December	
	2020	2019
Short-term employee benefits	\$24,251	\$28,996
Post-employment benefits	590	590
Total	\$24,841	\$29,586

## VIII. ASSETS PLEDGED AS COLLATERAL

Item	Amount		Purpose of pledge
	31 Dec. 2020	31 Dec. 2019	
Financial assets measured at amortized costs	\$35,960	\$35,960	Guarantee Deposits, Long-term borrowings
Property, plant and equipment-machine equipment	76,439	-	
Total	\$112,399	\$35,960	

## IX. Significant Contingencies and Unrecognized Contract

1. The Group signed a contract with a salt company and a shipping company in Australia on 22 October 2019 to purchase and import industrial sun-dried salt and agreed on related transportation terms. The contract period was 2 years (From 1 January 2020 to 31 December 2021). According to this contract, the Company can acquire a fixed amount of sun-dried salt for industrial and food processing purpose in accordance with the agreed price each year. The annual purchase amount (including transportation costs) is about NT\$300 million. After the contract expires, the Company will reopen the bid.
2. The Group signed a natural gas sales contract for industrial fuel use with CPC Corporation, Taiwan (hereinafter referred to as CPC) on 26 June 2019. The contract period was 3 years (From 1 July 2019 to 30 June 2022). According to this contract, the Group agrees to purchase a quantity of 800 thousand cubic meters of gas from CPC in accordance with the CPC natural gas price list each month, and the Group will base its use on this amount evenly.
3. The Group signed a property purchase contract with Far Eastern New Century Co., Ltd. (hereinafter referred to as FENC) on 21 September 2020. The Company purchased PET bottles from FENC for approximately NT\$210 million. According to this contract, after the Company signs the contract, the contracted goods will be delivered to the designated place in batches according to the notice of Tung-Hsiao Fine Salt Factory to complete the transaction until the contract volume is reached (at least 700,000 pieces per day).

4. As of 31 December 2020, the Company was involved in the following activities that were not shown in the financial statements:

(1) Unused letters of credit (in thousands)

<u>Currency</u>	<u>31 Dec. 2020</u>
USD	USD1,830

(2) Subsidiary-Taiyen Green Energy issued guaranteed notes for guarantee of contract performance amounted to NT\$51,626 thousand.

(3) The guaranteed notes issued by firms due to the outsourcing labor and construction, are received by subsidiary-Taiyen Green Energy, which amounted to NT\$35,749 thousand.

(4) The guarantee issued by subsidiary -Taiyen Green Energy for performance of contract labor and engineering amounted to NT\$53,956 thousand.

5. As of 31 December 2020, the Group still has major contracts as follows:

<u>Project</u>	<u>Contract amount</u>	<u>Amount paid</u>	<u>Unpaid amount</u>
Replacement project of cogeneration equipment	\$601,700	\$134,054	\$467,646

6. Subsidiary – Taiyen Green Energy signed a contract, Chiayi Yizhu fishery and electricity symbiosis EPC turnkey project, with TCC Green Energy Corporation, with a total cost of NT\$1,398,000,000.

#### X. SIGNIFICANT DISASTER LOSS

None.

#### XI. SIGNIFICANT SUBSEQUENT EVENTS

Taiyan's former chairman, Qiyu Chen, resigned on 1 February 2021, due to his personal career plan. Therefore, Wensheng Tseng, undersecretary of the Ministry of Economic Affairs, will temporarily replaced to be the chairman.



## XII. OTHER

### 1. Categories of financial instruments

#### Financial Assets

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	\$381,044	\$368,702
Financial assets at fair value through other comprehensive income	<u>1,930</u>	<u>1,540</u>
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	1,504,456	1,597,891
Financial assets measured at amortized cost	35,960	35,960
Notes receivable	2,994	1,668
Accounts receivable	165,739	187,757
Other receivable	33,958	10,523
Guarantee deposits paid	<u>7,625</u>	<u>6,931</u>
Subtotal	<u>1,750,732</u>	<u>1,840,730</u>
Total	<u><u>\$2,133,706</u></u>	<u><u>\$2,210,972</u></u>

#### Financial liabilities

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Financial liabilities at amortized cost:		
Short-term borrowings	\$30,000	\$103,600
Accounts and other payables	523,808	507,103
Long-term borrowings (current portion included)	61,656	-
Guarantee deposit received	73,241	66,135
Lease liability	<u>115,695</u>	<u>121,786</u>
Total	<u><u>\$804,400</u></u>	<u><u>\$798,624</u></u>

### 2. Financial risk management objectives and policies

The Group's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

### 3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise currency risk, interest rate risk, and other price risk (such as equity instruments related risks).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

#### Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly affected by USD, AUD and CNY. Sensitivity analysis is as follows:

- (1) When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2020 and 2019 decreases/increases by NT\$4,931 thousand and NT\$3,188 thousand, respectively
- (2) When NTD strengthens/weakens against AUD by 1%, the profit for the years ended 31 December 2020 and 2019 decreases/increases by NT\$596 thousand and NT\$563 thousand, respectively.
- (3) When NTD strengthens/weakens against CNY by 1%, the profit for the years ended 31 December 2020 and 2019 decreases/increases by NT\$2,722 thousand and NT\$2,608 thousand, respectively.

### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group mainly invests in fixed interest rate financial assets and borrowings, therefore, the impact interest rate risk has on the Group is insignificant.

### Equity price risk

The Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's board of directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT\$19 thousand and NT\$15 thousand on the equity attributable to the Group for the years ended 31 December 2020 and 2019, respectively.

Please refer to Note XII(8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

## 4. Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancement procedures, such as requesting for prepayment or insurance.

As of 31 December 2020 and 2019, accounts receivables from top ten customers represented 87% and 81% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

## 5. Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings and convertible bonds. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

### Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
31 Dec. 2020					
Loans	\$35,251	\$10,244	\$9,977	\$43,204	\$98,676
Payables	523,808	-	-	-	523,808
Lease liability(Note)	17,497	29,804	57,259	25,920	130,480
31 Dec. 2019					
Loans	\$103,600	\$-	\$-	\$-	\$103,600
Payables	507,103	-	-	-	507,103
Lease liability(Note)	15,418	27,838	66,669	28,683	138,608

Note: The following table provides further information on the maturity analysis of lease liabilities:

	Maturities				Total
	Less than 5 year	6 to 10 years	11 to 15 years	> 15 years	
31 Dec. 2020	\$104,560	\$10,800	\$10,800	\$4,320	\$130,480
31 Dec. 2019	109,925	11,403	10,800	6,480	138,608

## 6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2020:

	Short-term borrowings	Leases liabilities	Long-term borrowings	Total liabilities from financing activities
As at 1 Jan. 2020	\$103,600	\$121,786	\$-	\$225,386
Cash flows	(9,800)	(17,463)	(2,144)	(29,407)
Non-cash changes	(63,800)	11,372	63,800	11,372
As at 31 Dec 2020	<u>\$30,000</u>	<u>\$115,695</u>	<u>\$61,656</u>	<u>\$207,351</u>

Reconciliation of liabilities for the year ended 31 December 2019:

	Short-term borrowings	Leases liabilities
As at 1 Jan. 2019	\$-	\$133,765
Cash flows	103,600	(16,581)
Non-cash changes	-	4,602
As at 31 Dec 2019	<u>\$103,600</u>	<u>\$121,786</u>

## 7. Fair values of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

- d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(2) Fair value of financial instruments measured at amortized cost

The Group's book value of financial assets and liabilities measured by amortized cost reasonably approximated their fair value.

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note XII(8) for fair value measurement hierarchy for financial instruments of the Group.

## 8. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(2) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As at 31 December 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	\$381,044	\$-	\$-	\$381,044
Financial assets at fair value through other comprehensive income	1,930	-	-	1,930

As at 31 December 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	\$368,702	\$-	\$-	\$368,702
Financial assets at fair value through other comprehensive income	1,540	-	-	1,540

Transfers between Level 1 and Level 2 during the period

For the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

(3) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

As at 31 December 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	\$-	\$-	\$1,326,351	\$1,326,351

As at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	-	-	1,340,051	1,340,051
Investments accounted for using equity method	-	-	9,567	9,567

#### 9. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As at 31 December 2020		
	Foreign		NTD
Financial assets	Foreign currencies	exchange rate	NTD
Monetary items:			
USD	\$17,315	28.480	\$493,131
AUD	2,714	21.950	59,572
CNY	62,197	4.377	272,236

	As at 31 December 2019		
	Foreign		NTD
Financial assets	Foreign currencies	exchange rate	NTD
Monetary items:			
USD	\$10,633	29.980	\$318,777
AUD	2,681	21.005	56,314
CNY	60,590	4.305	260,840

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Group has various functional currencies, no information about the foreign exchange gains or losses by a specific currency is available. For the years ended 31 December 2020 and 2019, the foreign exchange gains or losses on monetary financial assets and financial liabilities were NT\$16,644 thousand and NT\$18,415 thousand, respectively.



## 10. Financial Asset Transfer Information

Derecognize transferred financial asset entirely

Part of the Group's accounts receivable has signed non-recourse transfer contracts with financial institutions. In addition to the transfer of the rights of these accounts receivable to the cash flow contracts, the Group is also not required to bear the credit risk of the inability to recover these accounts receivable according to the contract (except for commercial disputes), which met the conditions for derecognizing financial assets. Transaction related information is as follows:

As at 31 December 2020

Purchaser	Factoring Amount	Advanced Amount	Transfer to other Receivables	Credit
Bank SinoPac	\$565	\$-	\$565	\$10,000

As at 31 December 2019

Purchaser	Factoring Amount	Advanced Amount	Transfer to other Receivables	Credit
Bank SinoPac	\$838	\$-	\$838	\$10,000

## 11. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

### XIII. ADDITIONAL DISCLOSURES

- (1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau:
  - (a) Financing provided to others for the year ended 31 December 2020: None.
  - (b) Endorsement/Guarantee provided to others for the year ended 31 December 2020: None.
  - (c) Securities held as of 31 December 2020 (excluding subsidiaries, associates and joint venture):  
Please refer to Attachment 1.
  - (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2020: None.
  - (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2020: None.
  - (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2020: None.
  - (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended 31 December 2020: None.
  - (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of 31 December 2020: None.
  - (i) Financial instruments and derivative transactions: None.
  - (j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 2.
- (2) Information on investees:
  - (a) The investee Group has significant influence or controller directly or indirectly: Please refer to Attachment 3.
  - (b) If the investee Group has direct or indirect control, it must disclose the information of the invested Group engaged in the first to ninth transactions of the preceding paragraph: None.

(3) Investment in Mainland China:

- (a) Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 4.
- (b) Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: None.

(4) Information on major shareholders:

Name of major shareholders, number of shares held and proportion of shares held: Please refer to Attachment 5.

#### XIV. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on its products and services and has two reportable segments as follows:

1. Salt products and packaged water department
2. Biotech cleaning and maintenance department
3. Other department

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However income taxes are managed on a group basis and are not allocated to operating segments.

1. Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

2020	Salt products and packaged water	Biotech cleaning and maintenance	Others	Adjustments and eliminations	Total
Revenue					
External customers	\$2,262,310	\$485,625	\$382,412	\$-	\$3,130,347
Inter-segment	-	-	16,243	(16,243)	-
Total revenue	<u>\$2,262,310</u>	<u>\$485,625</u>	<u>\$398,655</u>	<u>\$(16,243)</u>	<u>\$3,130,347</u>
Profit and loss by department (Note)	<u>\$369,890</u>	<u>\$84,463</u>	<u>\$9,686</u>	<u>\$-</u>	<u>\$464,039</u>

2019	Salt products and packaged water	Biotech cleaning and maintenance	Others	Adjustments and eliminations	Total
Revenue					
External customers	\$2,214,374	\$429,466	\$262,775	\$-	\$2,906,615
Inter-segment	-	-	15,424	(15,424)	-
Total revenue	<u>\$2,214,374</u>	<u>\$429,466</u>	<u>\$278,199</u>	<u>\$(15,424)</u>	<u>\$2,906,615</u>
Profit and loss by department (Note)	<u>\$313,694</u>	<u>\$97,421</u>	<u>\$17,432</u>	<u>\$-</u>	<u>\$428,547</u>

Note: Inter-segment revenue are eliminated on consolidation and recorded under the "adjustment and elimination" column, all other adjustments and eliminations are disclosed below.

2. Geographic information:

(1) From outside client revenue:

	For the years ended 31 December	
	2020	2019
Taiwan	\$3,128,725	\$2,904,884
China	1,622	1,731
Total	<u>\$3,130,347</u>	<u>\$2,906,615</u>

Revenue is classified based on the country where the customer is located.

(2) Non-current assets:

	31 Dec. 2020	31 Dec. 2019
Taiwan	\$4,791,265	\$4,778,958
China	11	17
Total	<u>\$4,791,276</u>	<u>\$4,778,975</u>

The non-current assets of the Group excludes financial assets, investment accounted for under the equity method, deferred tax asset and guarantee deposits paid.

3. Product information:

Product	For the years ended 31 December	
	2020	2019
Various salt products	\$1,377,583	\$1,356,906
Beverage and drinking water	884,727	857,468
Cosmetics manufacturing.	321,841	209,516
Services	180,919	198,991
Cleaning supplies	173,446	114,184
Food, food additives and Pharmaceuticals	131,260	105,766
Others	60,571	63,784
Total	<u>\$3,130,347</u>	<u>\$2,906,615</u>

4. Important client information:

Client A	For the years ended 31 December	
	2020	2019
	\$790,554	\$794,468

## Attachment 1

Securities held as of December 31, 2020

Holding Company	Type and name of securities(note)	Relations with securities issuer	Account	As of 31 December, 2020				Note
				Number of shares or units	Amount	Holding ratio	Fair Value	
The Company	Currency Fund – JIH SUN currency market	-	Financial assets at fair value through profit or loss - current	2,094,435.14	\$31,312	-	\$31,312	
	Currency Fund – First Financail Holding currency market	-	"	2,039,641.60	31,479	-	31,479	
	Currency Fund – Eastspring Investments Well Pool Money Market Fund	-	"	2,250,170.60	30,856	-	30,856	
	Currency Fund – Yuanta Wan Tai currency	-	"	684,186.40	10,437	-	10,437	
	Currency Fund – Yuanta De-Li currency	-	"	615,695.30	10,121	-	10,121	
	Currency Fund – Nomura Taiwan currency market	-	"	3,181,374.36	52,314	-	52,314	
	Currency Fund – Shin Kong Chi-Shin currency market	-	"	1,969,750.74	30,741	-	30,741	
	Currency Fund – Franklin Templeton Sinoam currency market	-	"	2,959,309.49	30,861	-	30,861	
	Currency Fund – Taishin 1699 currency market	-	"	2,241,886.69	30,593	-	30,593	
	Currency Fund – Cathay Taiwan currency market	-	"	2,432,059.50	30,484	-	30,484	
	Currency Fund – Fubon Chi-Hsiang currency market	-	"	1,278,422.10	20,204	-	20,204	
	Currency Fund – Union Money Market Fund	-	"	764,198.81	10,171	-	10,171	
	Currency Fund – SinoPac TWD Money Market Fund	-	"	724,653.40	10,162	-	10,162	
	Currency Fund – Prudential Financial Money Market Fund	-	"	1,275,006.10	20,343	-	20,343	
	Bond Fund – PineBridge US Dual Core Income Fund-A	-	"	827,869.40	10,420	-	10,420	
	Bond Fund – PineBridge Frontier Emerging Markets High Yield Bond Fund A	-	"	1,981,479.57	20,546	-	20,546	
				Subtotal		\$381,044		\$381,044
	Listed Stock – Walsin Lihwa Corporation	-	Financial assets at fair value through other comprehensive income - current	100,000	\$1,930		\$1,930	

Note: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items mentioned in IFRS No. 9 "Financial Instruments".

Attachment 2

The business relationship, significant transactions and amounts between parent company and subsidiaries

No. (Note 1)	Related-party	Counter-party	Relationship with the Company (Note 2)	Transactions				
				Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 3)	Note
0	The Company	TAIYEN (XIAMEN)	1	Purchase	\$15,095	Paid by contract price after acceptance	0.48%	(Note 4)

Note 1: The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, interim cumulative balances are used as basis.

Note 4: Has been written off when preparing consolidated financial report.

Attachment 3

The investee Company has significant influence or controller directly or indirectly

Name of investment company	Investee company name	Location	Main Business	Original investment amount		Held at the end of the period			Net income (loss) of investee company	Investment income (loss)	Note
				31-Dec-20	31-Dec-19	Number of shares	Ratio	Amount			
The Company	TAIYEN GREEN ENERGY	No. 48, Section 2, Zhongzheng South Road, Guiren District, Tainan City	Energy-related business	\$235,616	\$200,000	24,741,970	66.75%	\$270,507	\$5,647	\$(3,857)	(Note)
The Company	TAIYEN SAMOA	Novasage Chambers, PO Box 3018, Level 2 CCCS Building, Beach Road, Apia, Samoa	Reinvestment Business	\$49,541	\$49,541	1,600,000	100%	\$15,459	\$199	\$7,752	(Note)
TAIYEN SAMOA	Taiyen Hong Kong	Room 2701, 27/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong	Reinvestment Business	\$49,541 (USD1,600 thousand)	\$49,541 (USD1,600 thousand)	1,600,000	100%	\$15,459	\$199	\$199	(Note)

Note : Has been eliminated when preparing consolidated financial report.



## Attachment 4

## Investment in Mainland China

Name of Investee company in Mainland China	Main business	Total Amount of Capital	Method of Investment (Note 1)	Outflow of investments from Taiwan at beginning of the period	Accumulated inflow and outflow of investments from Taiwan		Accumulated outflow of investments from Taiwan at the end of the period	Net income (loss) of investee company	Percentage of direct(indirect) ownership by the Company	Investment income (loss) (Note 2)	Carrying amount of investments at the end of the period (Note 2)	Cumulated inward remittance of earnings and limits on investment in Mainland China	Note
					Outflow	Inflow							
Taiyen Xiamen	Operating various commodity sales and import and export business	USD1,600 thousand	2	USD1,600 thousand	-	-	USD1,600 thousand	\$199	100%	\$199	\$15,459	-	(Note 6)
Henan Tianjian Daily Chemical Co., Ltd of Pingmei Shenma Group	Operating various commodity trading and daily necessities manufacturing etc.	RMB20,000 thousand	3	- (Note 3)	-	-	- (Note 3)	\$-	0%	\$(554)	\$-	-	(Note 7)

Accumulated outflow of investments in Mainland China from Taiwan at the end of the period	The amount of investment approved by the Investment Commission, MOEA	According to the regulations of the Investment Commission, MOEA, about investments to Mainland China
\$45,568 (USD1,600 thousand) (Note 4)	\$45,568 (USD1,600 thousand) (Note 4)	Equity \$6,229,481*60%=\$3,737,689 (Note 5)

Note 1: Method of investments are divided into following three types; the table can be only noted with type number:

1. Direct investment in Mainland China.
2. Through the third region-TAIYEN SAMOA invested in the establishment of TAIYEN HONG KONG and then invested in the mainland.
3. Other methods.

Note 2: The financial statements of the investee company have been audited by independent auditors of EY.

Note 3: The company invested Henan Tianjian Daily Chemical Co., Ltd of Pingmei Shenma Group, through the mainland invested business's reinvestment.

Since the investment business in mainland area is not a holding company, the reinvestment doesn't need to be approved by the Investment Committee.

Note 4: The amount of NTD in the table is calculated with exchange rate 28.48 at the end of December 2020.

Note 5: According to 97.8.22 "Licensing Measures for Engagement in the Mainland Area or Technology Cooperation", "Investment or Technology Cooperation Review Principles in the Mainland Area" Amendments, investors' upper limit ratio of the investment cumulative amount in Mainland Area is : 60% of the net value or net value of the merger, whichever is higher.

Note 6: Has been eliminated when preparing consolidated financial report.

Note 7: The equity of Henan Tianjian Daily Chemical Co., Ltd has been disposed, and the equity has been transferred in October, 2020.

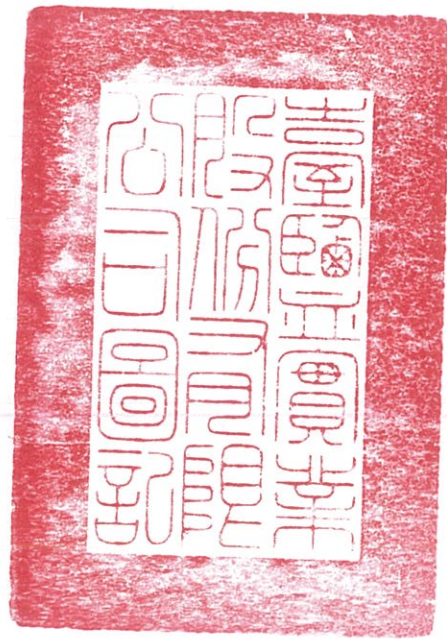
Attachment 5

Information of major shareholders

Shares	Number of shares	Ratio
Name of major shareholder		
Ministry of Economic Affairs, R.O.C.	77,768,272	38.88%

Note 1: The information of major shareholders in this table is based on the last business day of the end of each quarter by China National Security Corporation, which calculates that shareholders hold more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). As for the share capital recorded in the company's financial report and the company's actual number of shares delivered without physical registration, there may be differences or differences due to different calculation bases.

Note 2: In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in individual accounts by the trustee who opened the trust account by the trustee. As for shareholders' declarations for insider equity holdings exceeding 10% in accordance with the Securities and Exchange Act, its shareholding includes my own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. shareholding declarations. Please refer to the Public Information Observatory for information on insider.



Taiyen Biotech Co., Ltd.

Chairman Wu, Jung-Hui

