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台塩生技
TAIYEN

# Taiyen Biotech Co., Ltd.

# 2022 Annual Report

Printed on May 19, 2023

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# Chapter One：Letter to Shareholders

## I. Operating Results for 2022

(I) Implementation of Business Plan

In the past year, thanks to the concerted efforts of all our employees, in 2022 Taiyen's consolidated operating revenue reached NT$3,613,607,000, consolidated gross profit of NT$1,276,605,000 and consolidated net profit of NT$427,516,000; the net profit attributable to the parent company was NT$426,704,000, an increase of 8.51% over 2021.

According to the Financial Supervisory Commission's request that listed food companies should prepare the "sustainability report" by the end of 2022, the Company has prepared it within the deadline. In 2022, the Company has been awarded the "2022 Corporate Sustainability Report Awards"by the Taiwan Institute for Corporate Sustainability for six times times in a row in Sustainable Report Traditional Manufacturing Industry - Category 2 Gold Award, allowing the Company to continue moving toward sustainable operations.

Unit: NT$ thousands

| Year / Item | 2022 | 2021 | Increase/Decrease | |
|---|---|---|---|---|
| | | | Amount | % |
| Revenue | 3,613,607 | 4,095,651 | (482,044) | (11.77) |
| Operating Costs | 2,337,002 | 2,722,415 | (385,413) | (14.16) |
| Gross Profit | 1,276,605 | 1,373,236 | (96,631) | (7.04) |
| Operating Expenses | 831,555 | 844,059 | (12,504) | (1.48) |
| Operating Income | 445,050 | 529,177 | (84,127) | (15.90) |
| Non-operating Income | 85,537 | (19,259) | 104,796 | 544.14 |
| Net Income before Tax | 530,587 | 509,918 | 20,669 | 4.05 |
| Income Tax Expense | 103,071 | 97,756 | 5,315 | 5.44 |
| Net Income for current period | 427,516 | 412,162 | 15,354 | 3.73 |
| Net Income Attributable to the Parent | 426,704 | 393,227 | 33,477 | 8.51 |

(II) Profitability Analysis

| Item | 2022 | 2021 |
|---|---|---|
| Return on Assets (%) | 5.16% | 5.12% |
| Return on equity (%) | 6.48% | 6.40% |
| Ratio of Operating Income to Paid-up Capital | 22.25% | 26.45% |
| Ratio of Net Income before Tax to Paid-up Capital | 26.52% | 25.49% |
| Net Profit Margin | 11.83% | 10.06% |
| Net Profit per Share after Tax (NT$) | 2.13 | 1.97 |

(III) Implementation of Research and Development:

In 2022, the Company achieved remarkable results in research and development. In addition to the launch of various new products, five products including "Luxury Anti-Aging Skin Revitalizing Crystal", "Key Tablet PLUS", "Marigold Lutein Capsules EX+", "Freshly Selected Premium Black Soybean Salt Aspergillus Thick Soy Sauce" and "Taiyen Marine Alkaline Ionized Water" have also been awarded with major domestic and international awards.

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: With the core technology to strengthen the competitiveness of our products, we have launched 4 products in the Green Médecura "Gold" series and 2 products in the Green Médecura "Men's" series, and continue to focus on strengthening the "MÉDECURA Medical" and "Taiyen Beauty" product lines. “The MÉDECURA Medical Beauty Collection” is a combination of local plant, Taiwan red bean cedar, with the launch of two new products, including the “Radiance and Renewal Double Essence” and the dual-layer oil and water formulation “Creation of Extreme Sculpting Ampoule”, while the “Taiyen Beauty Collection” is a combination of fermented collagen and superconducting water, with the launch of two new products, the “Reverse Time Revitalizing Super Serum” and the “Diamond Renewal Cream SPF50★★★”, which are unique to the market.
   (2) Cleaning products: Under the global trend of natural, environmental protection and global good, the Company has focused on the needs of consumer groups and market trends, and has obtained three environmental protection labels for its products, namely "Taiyen Biotech Marine Eco-Friendly Hand Wash", "Natural Forest Soft Body Wash" and "Natural Marine Conditioning Shampoo". In terms of toothpaste, four new products were launched, including “Himalayan Rose Salt Phytochemical Toothpaste”, “Mediterranean Salt Phytochemical Toothpaste”, “Green Tea Ice Crystal Mint Toothpaste” and “Collagen Herbal Peptide Anti-Sensitivity Toothpaste”; the “Black Magic Activating Colour Fixing Shampoo” was launched in the Hair Aspiration series, the “Deep Conditioner” and “Eucalyptus Hand Wash” were launched in the Pesso Beauty series, and the “Ultra Hydrating Body Lotion” was launched in the Collagen Beauty Research series; the company also collaborated with Carrefour on the first ‘Re Collection’ of sustainable products, a total of 6 including the “Phytocosme Hydrating/Whitening Cleanser”, “Phytocosme Oil Control/Nourishing Shampoo” and “Phytocosme Moisturising/Soothing Body Wash”.
   (3) Healthy food products: With our unique core competency and market demand, we expanded our investment in the further research of our own raw materials and products, and launched 10 trendy products, including "Shu Tong Ning Vegetable and Fruit Extract Capsules", "Sesame E Goodnight Capsules", "Cranberry Probiotic Tablets", "Double Ginseng Drink", "JK Power Peptide" and "Weifu Bao Phytogenic Tablets", to enhance the competitiveness of our products in the areas of mature mobility, physical strength maintenance and gastrointestinal health care, and to cater for the health needs of consumers under the epidemic environment.
   (4) Salt and Seasoning: With the aim of improving the utilisation of salt, we have developed and launched a unique “Premium Rose Salt Fermented Soy Sauce”, also using salt malt as the core ingredient we launched a new taste of Chinese New Year cuisine, “Freshly Selected Chicken Soup with Cordyceps and

Shiitake Mushrooms”. In addition, in order to diversify the salt market, we have developed "Dishwasher Salt for Water Softening" with high purity refined salt combined with granulation technology, in line with the current trend of dishwashers and domestic water softeners, providing consumers with a new choice of clean water softening salt.

2. Development of technology

Focusing on the deepening and efficacy research of various products, we continue to focus on the extension of collagen development, developing novel sub-micron collagen-coated carriers, which are coated with the unique whitening ingredient Podocarpine Extract, which has been proven in efficacy tests to enhance transdermal absorption efficiency, achieve whitening and provide skin cells with the ability to actively repair collagen by multiplying each other's strengths, fulfilling our commitment to consumers' skin care. In addition, to meet the demand of consumers for spot reduction, a novel submicron collagen carrier is used to encapsulate natural astaxanthin, which is known to be the best at removing monomorphic oxygen, to produce nano-grade water and oil soluble collagen encapsulated astaxanthin particles, which have been verified by efficacy tests to have excellent lightening and anti-wrinkle effects, and are far superior to commercially available Japanese nano-dispersed astaxanthin emulsion products. We have further expanded the role of collagen in promoting collagen production by developing naturally derived fish scale collagen with a high concentration of collagen-promoting peptides. In addition to collagen obtained from fish scales, a natural calcium-phosphorus compound (Hydroxyapatite) is obtained, which has proven to have a remineralizing effect on dental enamel. This natural source will be used to develop oral care products to improve tooth sensitivity issues.

To address the concern regarding the increase in white hair due to aging and satisfy consumers’ desire for beauty and self-confidence, we developed natural hair-blacking compounded extracts, which was proven to increase the generation rate of melanin. We researched and developed the segmented extraction method of the effective ingredients of Polygonum cuspidatum with high UV absorption capacity, the extraction rate is high and the procedure is simple, developing sunscreens with natural Polygonum cuspidatum extract or compound mountain grape extract (both with SPF greater than 50), a wide range of natural antibacterial products which do not contain statutory preservatives and which its antibacterial effect is better than that of competing products on the market. In addition, our own Type II collagen development technology has been patented in the Republic of China and Japan, and has been tested for its efficacy in animals with osteoarthritis, making it a leading brand in the market.

3. Awards

The Company’s products have been repeatedly awarded 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 have been widely trusted and received by consumers. In 2022, we won the following awards:

(1) 2022 Monde Selection European International Quality Assurance Organization Competition: Silver Award for “Luxury Anti-Ageing Skin Renewal Serum”.
(2) 2022 ITI International Taste Assessment: both “Fresh Choice My Top Black Soy Bean Salt Yeast Thick Soy Sauce” and the “Taiyen Salt Marine Alkaline Ionized Water” were awarded 2 stars for their excellent taste.
(3) 2022 Taiwan Health Food Association Nutritional Food Innovation Award: the

"Key Tablet PLUS" won the Silver Innovation Award and the "Marigold Luteolin Capsules EX+" won the Innovation Award.

(4) 2022 Agri-Food's 8th Annual Top 10 Grain Choice GOOD Products: "Freshly Selected Premium Black Soybean Salt Aspergillus Thick Soy Sauce" was awarded the Top 10 Grain of Choice Award.

4. Protection of intellectual property

   In 2022, the Company was granted two R.O.C. patents for "Packaging structure of micronized salt yeast microcapsules" and "Coating structure of submicron astaxanthin for light spot".

   Another three R.O.C. New Type Patents are pending for "Container Structure for Containing Essence Containing Isotonic Encapsulated Droplets", "Droplet Structure for Encapsulating Astaxanthin" and "Chinese Herbal Medicine Brewing Combination"; and a patent application for "High Purity Undenatured Collagen and Method of Manufacturing" is pending in Thailand.

   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. 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. In terms of corporate sustainability (ESG), in addition to continuing our efforts in "circular economy", we plan to build our own solar power plant on idle land in 2022, and to invest in our Taiyan Green Energy subsidiary and continue to work with solar power plants to implement the "Fish and Power Co-production" project.

In terms of the overall economy, according to the general forecast of the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organisation (WTO), the global economy is expected to grow by 2.2% to 2.7% in 2023. The global economy has been in recession since the war between Russia and Ukraine started in early 2022 and the war is expected to continue in 2023. The international economy is still facing a number of risk variables that warrant ongoing attention, including inflation, interest rate rises, the new epidemic and climate change, all of which affect the international economic outlook.

Overall, Taiwan's economic performance in 2023 will be affected by the international economic recession, which led to a decline in exports, and was mainly supported by private consumption. However, it is still necessary to pay attention to the subsequent development of the new epidemic, the monetary policies and inflationary measures of major countries in the post-epidemic era, the trend of crude oil and commodity prices and the adjustment of the supply chain, the global energy and electricity limitation crisis, as well as the uncertainties of carbon reduction and clean emissions. 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 2023 would be 2.72%~ 2.91%, representing a mild slowdown as compared with 3.67%~ 4.15% in 2022.

## III.Future Development Strategy–Operating Policy 4+1

The Company's business strategy will continue to focus on marine biotechnology as the main axle of development and make Salt Taiwan a leader in this field. Our business strategy continues to focus on the development of marine biotechnology, making our salt a leader in this field. With continuous innovation and quality control, we have become the guardian of consumers' health in salt, packaged water and beauty supplements.

The Company's research and development investment is aimed at "ensuring product safety and meeting consumer needs", we will continue to consolidate our leading position in the brine market, develop biotech trend products, actively expand multiple channels, and promote the internationalisation of our brand to accelerate the development of overseas markets. With the spirit of innovation and advancement, we will continue to optimize our products to meet consumers' needs for health and beauty, and to enhance people's quality of life and taste with the most rigorous and forward-looking professionalism, so that we can move towards the value of "Salt Good" in Taiwan and rise to the international stage.

## IV.Summary of Business Plan for 2023

### (I) Business Policy

We will continue to implement "healthy revenue growth, improved profitability and operational efficiency", with the following key initiatives:

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, we are developing a series of imported salts called "Taiyen Salt" and we continue to develop new products that 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) In terms of packaged water, the Company's "Marine Alkaline Ionic Water" is currently the market leader in domestic functional packaged water market. It has diversified its product specifications, strengthened its brand value communication, deepened its channel deployment, expanded its market share, and deepened its efforts to penetrate the hypermarket and online market to consolidate its niche and maintain its revenue growth. In addition, we continue to develop customised and multi-series products - "Taiyen Small Molecule Sea Water" and "Taiyen Sea Water" - to expand the market share of Taiyens packaged water by leveraging the strength of our existing packaged water brand and to enhance our overall sales.

(3) In terms of skincare products, Lumiel, Taiyen Beauty and MÉDECURA brands have developed their customer segments independently. Each brand has strengthened its core and uniqueness and adopted a multi-channel development

strategy, integrating virtual and physical channels to expand the market. In the area of cleaning products, we are focusing on toothpaste, Pesumax and Silicom, and incorporating the issue of environmental sustainability to enhance the added value of our products and improve brand awareness and product rotation in order to capture the business opportunities for personal cleaning products. In health care products, we 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 the penetration, brand value, and competitiveness. In other channels, we are actively building multiple channels, selling directly in mass-market supermarkets and establishing an online shopping website to implement the trend of integrating virtual and real sales and gradually expanding the sales market.

(5) In terms of export, the Company will work with local dealers and agents to expand the business opportunities in China, and also focus on the product management. In addition, we will cooperate with customers in Singapore and Vietnam to explore the ASEAN market and diversify our product sales.

(6) For asset activation, we will carry out land activation, reduce idle production capacity, actively execute the plan for Qigu Recreation Area, and improve our human force assets.

(7) Green energy development: Continuing to develop the "circular economy" and building its own solar power plant to expand its renewable energy business and stabilize its long-term 20-year revenue.

2. Production

(1) We will take 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

(3) Implementing various quality management policies, strengthening quality control of upstream raw materials, ensuring product quality and safety, and implementing a product history system.

(4) (1) Continue to implement the new steam and power generation equipment replacement project to improve the efficiency of power generation and achieve energy saving and carbon reduction.Management

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 new nneumonia epidemic, we are fully in line with the policies and regulations of the Central Epidemic Command Centre to implement the cleaning and disinfection of all units/premises and to ensure the

safe and normal operation of the enterprise.

(II) Sales Volume Forecast for 2023 and Its Basis

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

| Year / Item | Sales Volume Forecast for 2023 | Unit |
|---|---|---|
| Salt | Approx. 260,000 | Metric ton |
| Bottled Water | Approx. 90,000 | Metric ton |
| Cosmetics | Approx. 550,000 | Bottle/Box/Set |
| Cleaning Products | Approx. 2,720,000 | Bottle/Box/Set |
| Health Food | Approx. 1,590,000 | 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 2022.
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

The development of Taiyen has been closely linked to the growth of the Taiwanese economy, and the company will celebrate its 71st anniversary in April 2023. In addition to its core value of innovation and excellence, the company has been carrying out the important task of stabilising the supply of salt for the people's livelihood and the country's economic development. With the brand vision of pure marine energy inspiring infinite health and vitality, the company has developed its business in packaged drinking water, maintenance products, cleaning products, health care products, Qigu Salt Plant and the Tongxiao Tourism and Cultural Park.

Facing the rapidly changing market, Taiyen allows consumers to feel the trustworthiness of “Taiyen” as a partner based on our existing corporate advantages. 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 create profits.

Taiyen possesses the corporate culture of honesty, contribution, and inheritance and the corporate values of integrity and prudence. Adhering to an attitude of responsibility to consumers, we continue to create maximum interest for shareholders by making ourselves a professional, innovative, and efficient enterprise. At the same time, we also uphold a macro vision, follow the global trend and actively cooperate with government policies, invest in our own power plant operation, develop solar power business, actively promote clean and sustainable green solar energy and give back to the community, promote the new generation of environmental protection energy, and protect this piece of land that is Taiwan with all our heart.

# 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 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 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 thousand used by the central government to invest in the new company.<br>Tongxiao Refined Salt Plant passed ISO9001 certification by the Bureau of Standards and Inspection of the Ministry of Economic Affairs. |
| 14. 1998 | Increased capital by NT$912 thousand through land payment, decreased capital by NT$6,415,631 thousand through land payment and NT$10,910,264 thousand in cash, resulting in paid-in capital of NT$23,066,997 thousand. |
| 15. 1999 | Established Tainan Science Park Branch (Technology Factory). |
| 16. 2000 | Biotech Factory 3 passed Metal Centre Cosmetic Verification |
| 17. 2001 | Established Biotech Factory and Chiayi Factory. |

18. 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 thousand through premium on capital stock, decreased capital by NT$25,496,201 thousand through land and fixed assets, resulting in paid-in capital of NT$2,500,000 thousand.

Tongxiao Fine Salt Plant passed GMP certification for food products.

Biotech Factory 1 passed the GMP for medical devices by the Department of Health and the ISO 9001 certification by TÜV Germany.

19. 2003 Began to develop our own biotechnology franchise access.

Went public and completed privatization.

Chiayi Factory was renamed Biotech Factory III.

20. 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.

Biotech One's collagen trauma coverings "Mild Skin" and "Sikin Dressing" products passed the inspection and registration and obtained the medical device license from the Department of Health.

21. 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.

22. 2006 Assisted single mothers in joining the business for good cause.

Biotech Factory 2 passed ISO 9001 certification by TUV Germany.

23. 2007 Commenced construction of a salt depot at Taichung Port Free Trade Zone to manage the storage and transportation of imported salts.

24. 2008 Imported Salt Storage was officially opened.

Tongxiao Refined Salt Plant passed ISO22000 certification by the Bureau of Standards and Inspection of the Ministry of Economic Affairs.

Biotech Factory 2 passed GMP certification (natto cyanobacteria).

25. 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.

26. 2010 Taiyen (Xiamen) Import and Export Co., Ltd. was formally established.

27. 2011 In order to retain talented people and strengthen staff motivation, an

employee shareholding trust was set up.

Tongxiao Refined Salt Plant passed the DNV Greenhouse Gas Emission Verification Certificate and passed the Ministry of Economic Affairs' Tourism Factory Assessment, becoming the first tourist salt plant in Taiwan.

Biotech Cosmetics Factory received "good manufacturing of voluntary cosmetics (cosmetics GMP)" and ISO 22716 certification.

Toothpaste achieved CNS12681/ISO9001:2015 certification for the first time.

28. 2012 The Research and Analysis Laboratory obtained ISO/IEC 17025:2005 TAF National Laboratory Certification.

The new "entrusted franchise" system was introduced, whereby Taiyen provided the shop, equipment and rent for the biotech store and entrusted it to the franchisee.

The salt and packaged drinking water products are HALAL certified by the 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..

29. 2013 The first company in the country to obtain the Halal certification for cosmetic products.

Decreased capital by NT$780,955,000 (28.1%) according to the resolution passed at the 102nd Annual General Meeting, resulting in paid-in capital of NT$2,000,000,000.

30. 2014 Salt products obtained HALAL certification from the Taiwan Halal Integrity Development Association.

Biotech Health Care Factory passed HACCP and ISO22000 certifications.

Changed from a chemical engineering stock to a food stock.

31. 2015 Strengthened its commitment to environmental protection, corporate governance and social welfare by issuing the first-ever Corporate Social Responsibility Report.

32. 2016 Tongxiao Fine Salt Plant obtained TQF certification and Food Industry Hygiene and Safety Management System certification.

33. 2017 TAIYEN Green Energy Co., Ltd. was formally established.

Our corporate social responsibility report won the “2017 Taiwan Corporate Sustainability Awards” in the category of Sustainability Report - Category 2 Gold for Traditional Manufacturing.

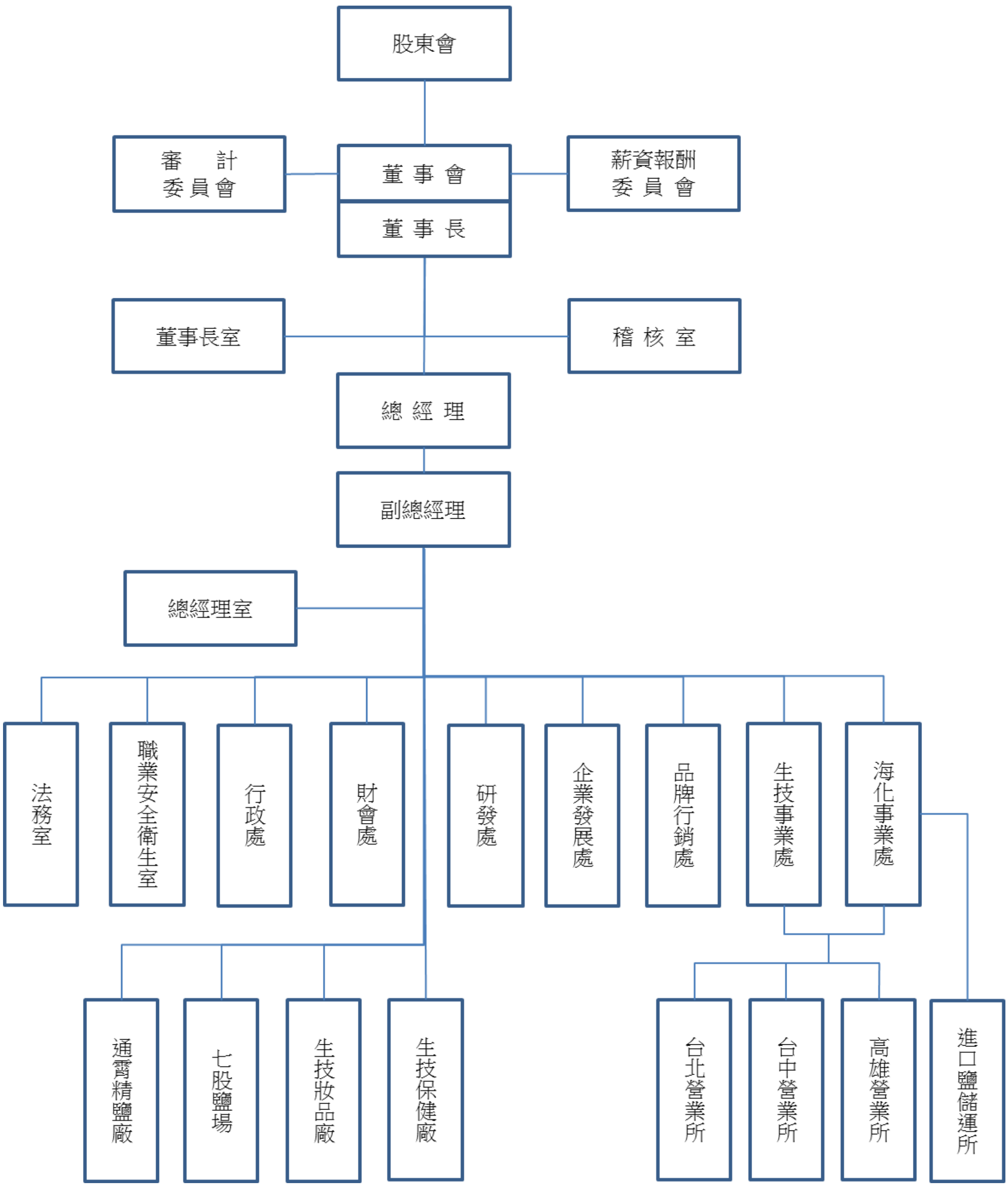
Tongxiao Refined Salt Plant passed the Occupational Safety and Health Management System TOSHMS-2007 and CNS15506 certification.
Biotech Health Care Factory is certified as an organic agricultural products production line.

34. 2018 Tongxiao Refined Salt Plant completed the renewal of the seawater intake pipe, laying an important foundation for the quality of salt and packaged aquatic products.
35. 2020 Tung-Hsiao Electrodialysis 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.
36. 2021 Tongxiao Refined Salt Plant was certified with the Healthy Workplace/Healthy Start Mark.
37. 2022 The first environmental label was obtained for the cleaning products of the biotechnology and cosmetics factory.

# 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 boost 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 application 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 study.
   (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

April 21, 2023

| Title (Note 1) | Nationality or Place of Registration | Name | Gender Age Note 2 | Date of Date | Term | Date of First Appointment (Note 3) | 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 4) | Positions Concurrently Held at Other Companies | Executive, Director or Supervisor who Is Spouse or within the Second Degree of Kinship | | | Remark (Note 5) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | | | Title | Name | Relation | |
| Chairman of the Board | R.O.C. | Ministry of Economic Affairs | | 2022. 06. 23 | Three years | 1995. 07. 01 | 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. | (Representative of Ministry of Economic Affairs)<br><br>Wu, Jung-Hui (Note 2-1) | Male Aged 61~ 70 | — | — | — | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Master of Business Administration, National Chung-Cheng University<br>■ Deputy Magistrate of Chiayi County<br>■ Chairman of Taiwan Tobacco and Liquor Corporation<br>■ Secretary General of Chiayi County Government<br>■ Director of Environmental Protection Bureau, Chiayi County | ■ Chairman of Taiyen Biotech Co., Ltd.<br>■ Chairman of Taiyen Green Energy Co., Ltd. | None | None | None | |
| Acting Chairman | R.O.C. | Ministry of Economic Affairs | | 2022. 06. 23 | Three years | 1995. 07. 01 | 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 Affairs) | Female Aged 51~ 60 | — | — | — | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Master's in Taiwan Studies, National Chengchi University<br>■ Bachelor's in Law, National Chengchi University<br>■ Section Chief and Senior Executive Officer of Legal Affairs Committee, Ministry of Economic Affairs<br>■ Member on Objection Review Committee, Bureau of Foreign Trade | ■ Deputy Director, Department of Commerce, Ministry of Economic Affairs | None | None | None | |

| Title (Note 1) | Nationality or Place of Registration | Name | Gender Age Note 2 | Date of Date | Term | Date of First Appointment (Note 3) | 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 4) | Positions Concurrently Held at Other Companies | Executive, Director or Supervisor who Is Spouse or within the Second Degree of Kinship | | | Remark (Note 5) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | | | Title | Name | Relation | |
| | | | | | | | | | | | | | | | ■ Senior Executive Officer and Deputy Executive Secretary of Legal Affairs Committee, Ministry of Economic Affairs | | | | | |
| Director | R.O.C. | Ministry of Economic Affairs | | 2022. 06. 23 | Three years | 1995. 07. 01 | 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. | Liao, Hsien-Kuei (Representative of Ministry of Economic Affairs) | Male Aged 51~ 60 | — | — | — | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Doctor of Mechanical Engineering, National Taiwan University<br>■ Doctor of Photonics, National Chiao Tung University<br>■ Professor, associate professor, and assistant professor of National Taiwan University of Science and Technology<br>■ Associate Dean, Director of Department of Electronics, Director of Technology Transfer Centre, School of Electronics, National Taiwan University of Science and Technology<br>■ Ministry of Economic Affairs, Department of Industry & Small and Medium Enterprises Division<br>■ Director & Committee Convener of the Consumer's Foundation | ■ Distinguished professor at National Taiwan University of Science and Technology<br>■ Director of Electronic and Computer Engineering & Graduate Institute of Electro-Optical of National Taiwan University of Science and Technology<br>■ Supervisor, Photonics Society of the Republic of China<br>■ Member of the Review Board of Taipei City Government<br>■ Consumer’s Foundation Member<br>■ Member of the Review Board of the Bureau of Standards, Ministry of Economic Affairs | None | None | None | |
| Director | R.O.C. | Ministry of Economic Affairs | | 2022. 06. 23 | Three years | 1995. 07. 01 | 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. | Wang, Ching-Tien (Representative of Ministry of Economic | Male Aged 61~ 70 | — | — | — | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Bachelor's in Electrical Engineering, Nan Jeon University of Science and Technology<br>■ Director, Executive | ■ Deputy Director of Cigu Salt Plant at Taiyen Biotech Co., Ltd.<br>■ Director (labor | None | None | None | |

| Title (Note 1) | Nationality or Place of Registration | Name | Gender Age Note 2 | Date of Date | Term | Date of First Appointment (Note 3) | 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 4) | Positions Concurrently Held at Other Companies | Executive, Director or Supervisor who Is Spouse or within the Second Degree of Kinship | | | Remark (Note 5) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | | | Title | Name | Relation | |
| | | Affairs) | | | | | | | | | | | | | Director and Chairman of Federation of Labor Unions at Taiyen Biotech Co., Ltd. | representative) at Taiyen Biotech Co., Ltd. | | | | |
| Director | R.O.C. | Tungwei Construction | | 2022. 06. 23 | Three years | 2022. 06. 23 | 10,000,000 | 5% | 10,000,000 | 5% | 0 | 0 | 0 | 0 | None | None | None | None | None | |
| Director (Representative of Juristic Person) | R.O.C. | Tungwei Construction: Chao, Kuo-Hsiang | Male Aged 61~ 70 | — | — | — | 0 | 0 | 0 | 0 | 19,000 | 0.01% | 0 | 0 | ■ Department of Architecture, Tunghai University<br>■ General Manager, Tungwei Construction and Partner Designer, Daqun Design | ■ General Manager (responsible person), Tungwei Construction | | | | |
| Director | R.O.C. | Sunshine Protech Inc. | | 2022. 06. 23 | Three years | December 23, 2010 | 797,337 | 0.40% | 797,337 | 0.40% | 0 | 0 | 0 | 0 | None | None | None | None | None | |
| Director (Representative of Juristic Person) | R.O.C. | Chen-Kuan-Ping (Representative of Sunshine Protech Inc.) | Male Aged 61~ 70 | — | — | — | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Bachelor's in Economics, National Taiwan University<br>■ Independent Director of Universal Microwave Technology Inc. | ■ Executive Assistant at Sunshine Protech Inc.<br>■ Independent Director of Universal Microwave Technology Inc. | None | None | None | |
| Independent Director | R.O.C. | Li Chia-Ling | Female Aged 51~ 60 | 2022. 06. 23 | Three years | 2022. 06. 23 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | ■ PhD in Business Management, Sun Yat-sen University<br>■ Supervisor of Corporate Synergy Development Center<br>■ Director of Finance, Ditmanson Foundation Chiayi Christian Hospital<br>■ Director of the Wellness Foundation<br>■ Independent Director of Alcorlink Corp. | ■ Professor, Department of Accounting, Chengchi University | None | None | None | |
| Independent Director | R.O.C. | Wu Shi-Hao | Male Aged 61~ 70 | 2022. 06. 23 | Three years | 2022. 06. 23 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | ■ PhD in Business Management, Taipei University<br>■ Deputy Director and Acting Director, Commerce | ■ Professor, Department of Marketing and Distribution Management, | None | None | None | |

| Title (Note 1) | Nationality or Place of Registration | Name | Gender Age Note 2 | Date of Date | Term | Date of First Appointment (Note 3) | 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 4) | Positions Concurrently Held at Other Companies | Executive, Director or Supervisor who Is Spouse or within the Second Degree of Kinship | | | Remark (Note 5) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | | | Title | Name | Relation | |
| | | | | | | | | | | | | | | | Development Research Institute<br>■ Independent Director, Taiwan Tobacco & Liquor Corporation | Kaohsiung University of Science and Technology<br>■ Independent Director of Hotai Motor Co., Ltd.<br>■ Director of the Rising Sun Education Foundation<br>■ Director of the Heyu Education Foundation<br>■ Director of the Huang Lieh-Ho Social Welfare Foundation | | | | |
| Independent Director | R.O.C. | Ho,Hua-Hsun | Male Aged 71~ 80 | 2022. 06. 23 | Three years | 2022. 06. 23 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | ■ MA, Institute of Public Administration, Chengchi University<br>■ Team Leader, State-owned Enterprise Commission<br>■ Director of Taiyen Company<br>■ Director of CPC Shell Lubricants<br>■ Liquidator representative of Taiwan Provincial Agricultural and Industrial Corporation | ■ Liquidator representative of the Liquidator of Hsing Chung Paper | 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: Please specify the actual age, and the description may be in range, such as aged 41-50 or 51-60.

Note 2-1: On June 21, 2022, the Ministry of Economic Affairs elected as the 12th-term director and appointed the representative, Wu Rong-hui, to serve as the director. Wu Rong-hui was elected as Chairman by the Board of Directors. Wu, Jung-Hui resigned with effect from February 6, 2023 due to other commitments . The representative, Liu Ya-juan, was re-elected by the Board of Directors as Acting Chairman on February 6, 2023.

Note 3: Fill in the duration of first being appointed as the director or supervisor. Give an explanation in case of any discontinuity.

Note 4: 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 5: 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 21.2023

| Name of Institutional Shareholder | 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% |
| Tungwei Construction | Chao, Kuo-Hsiang | Shareholding (%): | 15.79% |
| | Chien Sheng Investment Co., Ltd. | Shareholding (%): | 11.58% |
| | Hsin Tse Investment Co., Ltd. | Shareholding (%): | 11.1% |
| | Chen, Tzu-Ling | Shareholding (%): | 9.99% |
| | Chen, Tzu-Jung | Shareholding (%): | 9.99% |
| | Chen, Kuan-Tao | Shareholding (%): | 9.98% |
| | Yen, Yueh-Hsia | Shareholding (%): | 7.29% |
| | Tsai, Feng-Cheng | Shareholding (%): | 6.45% |
| | Hsieh, Chi-Yen | Shareholding (%): | 4.65% |
| | Yen, Chien-Cheng | Shareholding (%): | 2.62% |

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 (please refer to the announcement of the Judicial Yuan for inquiry) and its investment or subscription (%); when the donor had passed away, please mark “deceased.”

Table 3: Major Shareholders of Institutional Shareholders with Corporations as Their Major Shareholders

April .21.2023

| Name of Institutional Shareholder | Major Shareholder (Note 2) | |
|---|---|---|
| Chien Sheng Investment Co., Ltd. | Chen, Tzu-Jung | Shareholding (%): 31% |
| | Chen, Kuan-tao | Shareholding (%): 31% |
| | Chen, Tzu-ling | Shareholding (%): 31% |
| | Hsiao, Cheng-hsing | Shareholding (%): 2% |
| | Yen, Hsiu-lan | Shareholding (%): 2% |
| | Yen, Chien-cheng | Shareholding (%): 2% |

| | |
|---|---|
| | Wu, Chi-fei Shareholding (%): 1% |
| Hsin Tse Investment Co., Ltd. | Chen, Kuan-Tao Shareholding (%): 31% |
| | Chen, Tzu-jung Shareholding (%): 31% |
| | Chen, Tzu-ling Shareholding (%): 31% |
| | Wu, Chen-shu-lien Shareholding (%): 2% |
| | Yen, Hsiu-lan Shareholding (%): 2% |
| | Yen, Chien-cheng Shareholding (%): 2% |

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 (please refer to the announcement of the Judicial Yuan for inquiry) and its investment or subscription (%); when the donor had passed away, please mark "deceased."

## Table 4: Professional Qualification of (1) Directors and Supervisors and Independence Status of Independent Directors

| Qualifications / Name | Professional Qualification and Experience (Note 1) | Independence Status (Note 2) | Number of Other Public Companies where the Individual Concurrently Serves as Independent Director |
|---|---|---|---|
| Wu, Jung-Hui | Possess business and operational management expertise and experiences.<br>Education:<br>■ Master of Business Administration, National Chung-Cheng University<br>Experience:<br>■ Chairman of Taiyen Biotech Co., Ltd.<br>■ Chairman of Taiyen Green Energy Co., Ltd.<br>■ Deputy Magistrate of Chiayi County<br>■ Chairman of Taiwan Tobacco and Liquor Corporation<br>■ Secretary General of Chiayi County Government<br>■ Director of Environmental Protection Bureau, Chiayi County<br><br>Not having any of defined in Article 30 of the Company Act. | ■ Not a spouse, relative within the second degree of kinship, or a director, supervisor, or employee of the Company or its affiliates.<br>■ Not a natural-person shareholder who holds shares, together with those held by the person's spouse and relative within the second degree of kinship, 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.<br>■ 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.<br>■ Does not provide business, legal, financial, or accounting services to the Company or affiliates in the past two years and the remuneration is NT$0. | None |

| | | | |
|---|---|---|---|
| Liu, Ya-Chuan | Possess legal expertise and management experiences:<br>Education:<br>■ Bachelor's in Law, National Chengchi University<br>Experience:<br>■ Deputy Director, Department of Commerce, Ministry of Economic Affairs<br>■ Section Chief and Senior Executive Officer of Legal Affairs Committee, Ministry of Economic Affairs<br>■ Member on Objection Review Committee, Bureau of Foreign Trade<br>■ Senior Executive Officer and Deputy Executive Secretary of Legal Affairs Committee, Ministry of Economic Affairs<br><br>Not having any of defined in Article 30 of the Company Act. | ■ Not a spouse, relative within the second degree of kinship, or a director, supervisor, or employee of the Company or its affiliates.<br>■ Not a natural-person shareholder who holds shares, together with those held by the person's spouse and relative within the second degree of kinship, 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.<br>■ 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.<br>■ Does not provide business, legal, financial, or accounting services to the Company or affiliates in the past two years and the remuneration is NT$0. | None |
| Liao, Hsien-Kuei | Possess technology expertise, management expertise, and experiences:<br>Education:<br>■ Doctor of Mechanical Engineering, National Taiwan University, Doctor of Optoelectronics, National Chiao Tung University, Master of Business Administration, National Taiwan University, and Master of Science and Technology Law, National Tsing Hua University<br>Experience:<br>■ Professor, Associate Professor, Associate Dean, Associate Dean, Director of Research Center, Dean of Department of Electronics, and Director of Graduate Institute of Electro-optical Engineering of National Taiwan University of Science and Technology<br>■ Supervisor of Taiwan Photonics Society<br>■ Member of the review board of Industrial Development Bureau, MOEA & SMEF & Bureau of Energy<br>■ Member of the Review Board of the Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs<br>■ Consultant of the Green Energy and Environment Department, Industrial Technology Research Institute<br>■ Member of the Consumers' Foundation Chinese Taipei<br><br>Not having any of defined in Article 30 of the Company Act. | ■ Not a spouse, relative within the second degree of kinship, or a director, supervisor, or employee of the Company or its affiliates.<br>■ Not a director, supervisor, or employee of the Company or its related companies (refer to the provisions of Subparagraphs 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies).<br>■ Not a natural-person shareholder who holds shares, together with those held by the person's spouse and relative within the second degree of kinship, 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.<br>■ Does not provide business, legal, financial, or accounting services to the Company or affiliates in the past two years and the remuneration is NT$0. | None |

| | | | |
|---|---|---|---|
| Wang, Ching-Tien | Possess management expertise and experiences:<br>Education:<br>■ Bachelor's in Electrical Engineering, Nan Jeon University of Science and Technology<br>Experience:<br>■ Deputy Director of Cigu Salt Plant at Taiyen Biotech Co., Ltd.<br>■ Chairman of Federation of Labor Unions at Taiyen Biotech Co., Ltd.<br><br>Not having any of defined in Article 30 of the Company Act. | ■ Not a spouse, relative within the second degree of kinship, or a director, supervisor, or employee of the Company or its affiliates.<br>■ Not a director, supervisor, or employee of the Company or its related companies (refer to the provisions of Subparagraphs 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies).<br>■ Not a natural-person shareholder who holds shares, together with those held by the person's spouse and relative within the second degree of kinship, 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.<br>■ Does not provide business, legal, financial, or accounting services to the Company or affiliates in the past two years and the remuneration is NT$0. | None |
| Chen, Kuan-Ping | Possess business management expertise and experiences:<br>Education:<br>■ Bachelor's in Economics, National Taiwan University<br>Experience:<br>■ Executive Assistant at Sunshine Protech Inc.<br>■ Independent director, member of the audit committee, and member of the remuneration committee of Universal Microwave Technology Inc.<br><br>Not having any of defined in Article 30 of the Company Act. | ■ Not a spouse, relative within the second degree of kinship, or a director, supervisor, or employee of the Company or its affiliates.<br>■ Not a natural-person shareholder who holds shares, together with those held by the person's spouse and relative within the second degree of kinship, 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.<br>■ Not a director, supervisor, or employee of the Company or its related companies (refer to the provisions of Subparagraphs 6-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies).<br>■ Does not provide business, legal, financial, or accounting services to the Company or affiliates in the past two years and the remuneration is NT$0. | 1 company |
| Chao, Kuo-Hsiang<br>Shareholding (%): | Possess business management expertise and experiences:<br>Education:<br>Department of Architecture, Tunghai University<br>Experience:<br>■ General Manager (responsible person), Tungwei Construction<br>■ General Manager, Tungwei Construction and Partner Designer, Daqun Design<br><br>Not having any of defined in Article 30 of the Company Act. | ■ Not a spouse, relative within the second degree of kinship, or a director, supervisor, or employee of the Company or its affiliates.<br>■ Not a natural-person shareholder who holds shares, together with those held by the person's spouse and relative within the second degree of kinship, 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.<br>■ Not a director, supervisor, or employee of the Company or its related companies (refer to the provisions of Subparagraphs 6-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies).<br>■ Does not provide business, legal, financial, or accounting services to the Company or affiliates in the past two years and the remuneration is NT$0. | None |

| | | | |
|---|---|---|---|
| Wu Shi-Hao | Possess expertise and experience in business and corporate management:<br>Education:<br>■ PhD in Business Management, Taipei University<br>Experience:<br>■ Professor, Department of Marketing and Distribution Management, Kaohsiung University of Science and Technology<br>■ Independent Director of Hotai Motor Co., Ltd.<br>■ Director of the Rising Sun Education Foundation<br>■ Director of the Heyu Education Foundation<br>■ Director of the Huang Lieh-Ho Social Welfare Foundation<br>■ Deputy Director and Acting Director, Commerce Development Research Institute<br>■ Independent Director, Taiwan Tobacco & Liquor Corporation<br><br>Not having any of defined in Article 30 of the Company Act. | ■ Not a spouse, relative within the second degree of kinship, or a director, supervisor, or employee of the Company or its affiliates.<br>■ The number of shares of the Company held by and shareholding of the Director, its spouse, or relatives within the second degree of kinship (or in others' name) is 0.<br>■ Not a director, supervisor, or employee of the Company or its related companies (refer to the provisions of Subparagraphs 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies).<br>■ Does not provide business, legal, financial, or accounting services to the Company or affiliates in the past two years and the remuneration is NT$0.<br><br>Not having conditions defined in Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies during the two years prior to the appointment and during the term of office. | 1 company |
| Li Chia-Ling | Possess accounting, financial, and business expertise and experiences:<br>Education:<br>■ PhD in Business Management, Sun Yat-sen University<br>Experience:<br>■ Professor, Department of Accounting, Chengchi University<br>■ Supervisor of Corporate Synergy Development Center<br>■ Director of Finance, Ditmanson Foundation Chiayi Christian Hospital<br>■ Director of the Wellness Foundation<br><br>Not having any of defined in Article 30 of the Company Act. | ■ Not a spouse, relative within the second degree of kinship, or a director, supervisor, or employee of the Company or its affiliates.<br>■ The number of shares of the Company held by and shareholding of the Director, its spouse, or relatives within the second degree of kinship (or in others' name) is 0.<br>■ Not a director, supervisor, or employee of the Company or its related companies (refer to the provisions of Subparagraphs 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies).<br>■ Does not provide business, legal, financial, or accounting services to the Company or affiliates in the past two years and the remuneration is NT$0.<br><br>Not having conditions defined in Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies during the two years prior to the appointment and during the term of office. | None |

| | | | |
|---|---|---|---|
| Ho,Hua-Hsun | Possess experience in business management:<br>Education:<br>■ MA, Institute of Public Administration, Chengchi University<br>Experience:<br>■ Liquidator representative of the Liquidator of Hsing Chung Paper<br>■ Team Leader, State-owned Enterprise Commission<br>■ Director of Taiyen Company<br>■ Director of CPC Shell Lubricants<br>■ Liquidator representative of Taiwan Provincial Agricultural and Industrial Corporation<br><br>Not having any of defined in Article 30 of the Company Act. | ■ Not a spouse, relative within the second degree of kinship, or a director, supervisor, or employee of the Company or its affiliates.<br>■ The number of shares of the Company held by and shareholding of the Director, its spouse, or relatives within the second degree of kinship (or in others' name) is 0.<br>■ Not a director, supervisor, or employee of the Company or its related companies (refer to the provisions of Subparagraphs 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies).<br>■ Does not provide business, legal, financial, or accounting services to the Company or affiliates in the past two years and the remuneration is NT$0.<br><br>Not having conditions defined in Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies during the two years prior to the appointment and during the term of office. | None |
| The independent directors of the Company, Wu Shihao, Li Jialing and He Huaxun, met the independence requirements set out in Article 3(1) of the Rules Governing the Establishment and Compliance of Independent Directors of Public Companies during the two years preceding their election and during their term of office. | | | |

Note 1: Professional qualification and experience: Describe the professional qualifications and experience of individual directors; the accounting or financial backgrounds and work experience of members of the audit committee and those who possess accounting or financial expertise shall be specified, and whether there are circumstances stated in Article 30 of the Company Act shall be otherwise described.

Note 2: For independent directors, describe the status of compliance with independence, including but not limited to whether the director, its spouse, or relatives within the second degree of kinship holds position as the director, supervisor, or employee of the Company or its affiliate, the number of shares of or the shareholding ratio in the Company held by the director, its spouse, or relatives within the second degree of kinship (or in others' names), whether the director is a director, supervisor, or employee of a company with special relationship with the Company (please refer to subparagraphs 5 to 8, paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies), and the amount of compensation obtained from providing business, legal, financial, or accounting services to the Company or its affiliates within the past two years.

Note 3: Please refer to the sample of best practice principles on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

(2) Diversification and independence of the Board:

A.Board diversification:

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.

The 13$^{th}$-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.

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 70 and above, 5 aged 61~70, and 3 aged 51~60. 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 accounted in the future re-election of the Board of Directors.

B. Achievement of the Board's diversification Policy:

The corporate representative of the Economic Department, Wu Ronghui, was relieved of his duties as Director and Chairman of the Board of Directors with effect from February 6, 2023 due to other commitments.

C. Independence of the Board:

The Board of Directors of the Company has 9 directors, of which 3 are independent directors (33%). All directors (including independent directors) comply with the provisions of Article 26-3, Items 3 and 4 of the Securities and Exchange Act, and none of the directors is a spouse or a relative within two degrees of kinship, etc., and have a high degree of independence.

| 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 | V |
| Wu Shi-Hao Independent Director | Male | | 61~70 | Less than 3 years | V | | | V | V | V |
| Li Chia-Ling Independent Director | Female | | 51~60 | Less than 3 years | V | V | | V | V | V |
| Ho,Hua-Hsun Independent Director | Male | | 71~80 | Less than 3 years | V | | | V | V | V |
| Liu, Ya-Chuan Director | Female | | 51~60 | | V | | V | V | V | V |
| Liao, Hsien-Kuei Director | Male | | 51~60 | | V | | | V | V | V |
| Wang, Ching-Tien Director | Male | V | 61~70 | | V | | | V | V | V |
| Chen, Kuan-Ping Director | Male | | 61~70 | | V | V | | V | V | V |
| Chao, Kuo-Hsiang Shareholding (%): Director | Male | | 61~70 | | V | V | | V | V | V |

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

April 21, 2023

| Title (Note 1) | Nationality | Name | Gender | Date of Date | 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 | |
| President | R.O.C. | Chen, Shi-Hui | Male | 2021. 05. 26 | 3,607 | 0 | 0 | 0 | 0 | 0 | Master's in Soil Science, National Chung Hsing University | ■Chairman of Taiyen (Xiamen) Import And Export Co., Ltd.<br>■Deputy Chairman of Taiyen Green Energy Co., Ltd. | — | — | — | |
| Vice President | R.O.C. | Li, Chieh-Han | Male | 2021. 05. 26 | 1,784 | 0 | 0 | 0 | 0 | 0 | Master of Business Administration, National Central University | ■Director of Taiyen Biotech (Hong Kong) Co., Ltd.<br>■Director of Taiyen Green Energy Co., Ltd. | — | — | — | |
| Director of Auditing Office | R.O.C. | Zhuang Meiyu | Female | 2022. 11. 16 | 0 | 0 | 0 | 0 | 0 | 0 | ■ M.A., Graduate School of Law, Cheng Kung University<br>■ Master of Digital Learning in Accounting Information and Law, Chung Cheng University | None | — | — | — | |
| Director of President's Office | R.O.C. | Chuang, Chieh-Nan | Male | 2023. 02. 01 | 0 | 0 | 0 | 0 | 0 | 0 | Master's in Labor and Human Resources, Chinese Culture University | None | — | — | — | |
| Director of Legal Affairs Office | R.O.C. | Yang, Tung-Hsuan | Male | 2008. 07. 01 | 257 | 0 | 0 | 0 | 0 | 0 | Master's in Science and Technology Law, National Yunlin University of Science and Technology | ■Supervisor of Taiyen Green Energy Co., Ltd. | — | — | — | |
| Director of General Affairs Department | R.O.C. | Huo Anping | Male | 2022. 11. 01 | 0 | 0 | 1,501 | 0 | 0 | 0 | Master in Science Management, Kaohsiung Institute of Technology | None | — | — | — | |
| Director of Corporate Development Department | R.O.C. | Su, Chun-Ren | Male | 2022. 06. 10 | 0 | 0 | 0 | 0 | 0 | 0 | Master, Department of Industrial Education and Technology, National Changhua University of | ■Director of Taiyen Green Energy Co., Ltd. | — | — | — | |

| Title (Note 1) | Nationality | Name | Gender | Date of Date | 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 | |
| | | | | | | | | | | | Education | | | | | |
| Director of Occupational Safety and Health Office | R.O.C. | Lin, Hsi-Hung | Male | January 31, 2020 | 0 | 0 | 0 | 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 | 2017. 03. 01 | 0 | 0 | 0 | 0 | 0 | 0 | Master of Business Administration, Kun Shan University | ■Director and President of Taiyen (Xiamen) Import and Export Co., Ltd. | — | — | — | |
| Director of Biotech Business Division | R.O.C. | Tsai, Liang-Yi | Male | 2022. 04. 01 | 0 | 0 | 0 | 0 | 0 | 0 | Master of Advanced Management, National Tainan University | ■Director and Vice President of Taiyen (Xiamen) Import and Export Co., Ltd. | — | — | — | |
| Director of Branding and Marketing Department | R.O.C. | Chen, Mei-Wen | Female | 2022. 04. 01 | 0 | 0 | 0 | 0 | 0 | 0 | EMBA, Chang Jung Christian University | None | — | — | — | |
| Director of Financial Accounting Department | R.O.C. | Su Wei | Female | 2019. 07. 31 | 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.<br>■Supervisor of Taiyen Green Energy Co., Ltd. | — | — | — | |
| Director of R & D Department | R.O.C. | Hung, Ya-Ping | Female | 2022. 06. 30 | 2,518 | 0 | 24,411 | 0.01% | 0 | 0 | Master's in Plant Pathology, National Chung Hsing University | None | — | — | — | |
| Manager at Taipei Sales Office | R.O.C. | Kuan, Ssu-Ying | Female | 2019. 03. 01 | 286 | 0 | 0 | 0 | 0 | 0 | Master's in Management, Yuang Ze University | None | — | — | — | |
| Manager at Taichung Sales Office | R.O.C. | Lin Yingyuan | Male | 2022. 11. 16 | 3,829 | 0 | 0 | 0 | 0 | 0 | Master in Industrial and Information Management, Cheng Kung University | None | — | — | — | |
| Manager at Kaohsiung Sales Office | R.O.C. | Lin Shenghui | Male | 2022. 11. 16 | 0 | 0 | 0 | 0 | 0 | 0 | ■ Master's in Plant Pathology, Chung Hsing University<br>■ Master of Business | None | — | — | — | |

| Title (Note 1) | Nationality | Name | Gender | Date of Date | 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 | |
| | | | | | | | | | | | Administration, Cheng Kung University | | | | | |
| Director of Biotech Health Products Factory | R.O.C. | Li, Ming-Ta | Male | 2022. 06. 30 | 0 | 0 | 0 | 0 | 0 | 0 | Master's in Plant Pathology, National Chung Hsing University | ■ Supervisor of Taiyen (Xiamen) Import and Export Co., Ltd. | — | — | — | |
| 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 Salty 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 Imported Salt Storage | R.O.C. | Li, Chuan-Chou | Male | 2017. 03. 01 | 843 | 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 (collective disclosure by range of remuneration)

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 and Remuneration (A+B+C+D+E+F+G) to Net Income (%) (Note 10) | | Remuneration Received from Invested Companies Other than Subsidiaries or 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 | 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 | Wu, Jung-Hui | 6,706,441 | 6,706,441 | 0 | 0 | 8,363,214 | 8,375,680 | 765,000 | 765,000 | 3.71% | 3.71% | 1,737,624 | 1,737,624 | 0 | 0 | 81,921 | 0 | 81,921 | 0 | 17,654,200<br>4.14% | 17,666,666<br>4.14% | None |
| Director (Labor Representative) | Wang, Ching-Tien | | | | | | | | | | | | | | | | | | | | | |
| Director | Liao, Hsien-Kuei | | | | | | | | | | | | | | | | | | | | | |
| Director | Liu, Ya-Chuan | | | | | | | | | | | | | | | | | | | | | |
| Director | Chen, Kuan-Ping | | | | | | | | | | | | | | | | | | | | | |
| Director | Chao, Kuo-Hsiang | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Chan, Chien-Lung | 1,624,500 | 1,624,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0.38% | 0.38% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,624,500<br>0.38% | 1,624,500<br>0.38% | None |
| Independent Director | Huang, Shun-Tien | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Kuo, Ying-Man | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Wu Shi-Hao | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Li Chia-Ling | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Ho,Hua-Hsun | | | | | | | | | | | | | | | | | | | | | |

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, III. 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, Wu, Shi-Hao, Li Jia-Ling, Ho,Hua-Hsun | Chan, Chien-Lung, Huang, Shun-Tien, Kuo, Ying-Man, Wu, Shi-Hao, Li Jia-Ling, Ho,Hua-Hsun | Chan, Chien-Lung, Huang, Shun-Tien, Kuo, Ying-Man, Wu, Shi-Hao, Li Jia-Ling, Ho,Hua-Hsun | Chan, Chien-Lung, Huang, Shun-Tien, Kuo, Ying-Man, Wu, Shi-Hao, Li Jia-Ling, Ho,Hua-Hsun |
| NT$1,000,000 (inclusive) ~ NT$2,000,000 | Wang, Ching-Tien, Liao, Hsien-Kuei, Liu, Ya-Chuan, Chen, Kuan-Ping, Chao, Kuo-Hsiang | Wang, Ching-Tien, Liao, Hsien-Kuei, Liu, Ya-Chuan, Chen, Kuan-Ping, Chao, Kuo-Hsiang | Liao, Hsien-Kuei, Liu, Ya-Chuan, Chen, Kuan-Ping, Chao, Kuo-Hsiang | Liao, Hsien-Kuei, Liu, Ya-Chuan, Chen, Kuan-Ping, Chao, Kuo-Hsiang |
| 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 | Wu, Jung-Hui | Wu, Jung-Hui | Wu, Jung-Hui | Wu, Jung-Hui |
| 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 | 12 people | 12 people | 12 people | 12 people |

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, separation 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.

P.S. 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 and 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 | Chen, Shi-Hui | 4,200,000 | 4,200,000 | 0 | 0 | 3,057,707 | 3,082,639 | 404,110 | 0 | 404,110 | 0 | 7,661,817<br>1.80% | 7,686,749<br>1.80% | None |
| Vice President | Li, Chieh-Han | | | | | | | | | | | | | |

P.S. 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 | Li, Chieh-Han | Li, Chieh-Han |
| NT$3,500,000 (inclusive) ~ NT$5,000,000 | Chen, Shi-Hui | Chen, Shi-Hui |
| NT$5,000,000 (inclusive) ~ NT$10,000,000 | — | — |
| 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 | 2 people | 2 people |

Note 1: The names of the President and Vice Presidentsshould be shown separately to disclose the amount of each payment in aggregate. 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.
Note3: 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 or the parent (indicate "None" if nil).
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.

P.S. 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. Name of the manager who distributed the employee's remuneration and how it was distributed

March 25, 2023 Unit: NT$

| | Title (Note 1) | Name (Note 1) | Stock | Cash | Total | Ratio of Total Compensation to Net Income (%) |
|---|---|---|---|---|---|---|
| Managerial Officer | President | Chen, Shi-Hui | 0 | 1,189,424 | 1,189,424 | 0.28% |
| | Vice President | Li, Chieh-Han | | | | |
| | Director of Financial Accounting Department | Su Wei | | | | |
| | Manager at Taipei Sales Office | Kuan, Ssu-Ying | | | | |
| | Manager at Taichung Sales Office | Lin Yingyuan | | | | |
| | Manager at Kaohsiung Sales Office | Lin Shenghui | | | | |
| | Director of Tung-Hsiao Electrodialysis Refined Salty Factory | Liu, Hung-Chuan | | | | |
| | Director of Biotech Health Products Factory | Li, Ming-Ta | | | | |
| | 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 |
|---|---|---|---|
| Chen, Shi-Hui | President | 1,258,608 | In 2022 no shares have been paid to the Company's employees. |
| Li, Chieh-Han | Vice President | | |
| Yang, Tung-Hsuan | Director | | |
| Huang, Keng-Hsien | Director | | |
| Tsai, Liang-Yi | Director | | |
| Hung, Ya-Ping | Director | | |
| Wang, Ching-Tien | Deputy Director | | |
| Li, Ming-Ta | Director | | |
| Liu, Hung-Chuan | Director | | |
| Chuang, Ching-Shun | Vice Director | | |

5. Names and positions of the top ten employees and their total number (actual allocation in the previous year)

Unit: NT$

| Name | Title | Cash | Remark |
|---|---|---|---|
| Chen, Shi-Hui | President | 1,184,461 | Employee compensation in 2021 was distributed in cash only. |
| Li, Chieh-Han | Vice President | | |
| Chang, Man-Cheng | Senior Consultant (retired) | | |
| Yang, Tung-Hsuan | Director | | |
| Huang, Keng-Hsien | Director | | |
| Wang, Ching-Sen | Director | | |
| Tsao, Chih-Hsing | Director (retired) | | |
| Li, Chuan-Chou | Director | | |
| Liu, Hung-Chuan | Director | | |
| Chuang, Ching-Shun | Vice Director | | |

(IV) An analysis comparing the total remuneration paid to the Company's directors, independent directors, general manager and deputy general manager as a percentage of net profit after tax for the last two years for the Company and for all companies in the consolidated financial statements respectively, together with a description of the policy, criteria and mix of remuneration paid, the process of setting remuneration, its relevance to operating performance and future risks.

| Title | The Company | | All Companies in Consolidated Financial Statements | |
|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 |
| Director Remuneration | 17,785,477 | 17,654,200 | 18,038,383 | 17,666,666 |
| Ratio of Total Compensation to Net Income (%) | 4.52% | 4.14% | 4.59% | 4.14% |
| Independent Director Remuneration | 1,620,000 | 1,624,500 | 1,620,000 | 1,624,500 |
| Ratio of Total Compensation to Net Income (%) | 0.41% | 0.38% | 0.41% | 0.38% |
| President and Vice President Remuneration | 7,350,209 | 7,661,817 | 7,865,355 | 7,686,749 |
| Ratio of Total Compensation to Net Income (%) | 1.87% | 1.80% | 2.00% | 1.80% |

Note: 1. Director Remuneration: The remuneration of the directors of the Company shall be determined in accordance with Article 30 of the Company's Articles of Association. The Board is authorized to determine the traffic allowance of directors and compensation of independent directors. In addition, when the Company has profits for the year, it shall appropriate 1.5% of the profits or below as the remuneration of directors to be equally distributed to the directors (excluding independent directors) holding their positions at the end of the year. The remuneration of the Company’s directors is directly related to the operating performances (profits) of the Company for the year; the remuneration of the director is relatively higher when the operating performances of the Company is favorable; the remunerations are reported to the Remuneration Committee for discussion to effectively avoid future risks. 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) Operation of the Board of Directors

A total of 8 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 Wu, Jung-Hui | 8 | 0 | 100% | Wu, Jung-Hui was re-appointed as the new director on April 23, 2021. The Board elected Wu, Jung-Hui as the Chairman on April 30, 2021. Re-elected as Chairman of the 12th-term Board of Directors on June 23, 2022 |
| Director | Representative of Ministry of Economic Affairs Liu, Ya-Chuan | 8 | 0 | 100% | Re-elected as director of the 12th-term Board of Directors on June 23, 2022 |
| Director | Representative of Ministry of Economic Affairs Liao, Hsien-Kuei | 8 | 0 | 100% | Re-elected as director of the 12th-term Board of Directors on June 23, 2022 |
| Director | Representative of Ministry of Economic Affairs Wang, Ching-Tien | 8 | 0 | 100% | Re-elected as director of the 12th-term Board of Directors on June 23, 2022 |
| Director | Representative of Sunshine Protech Inc. Chen, Kuan-Ping | 8 | 0 | 100% | Re-elected as director of the 12th-term Board of Directors on June 23, 2022 |
| Director | Tungwei Construction: Chao Kuo-Hsiang Chao, Kuo-Hsiang Shareholding (%): | 3 | 1 | 75% | Newly-elected as director of the 12th-term Board of Directors on June 23, 2022 |
| Independent Director | Chan, Chien-Lung | 4 | 0 | 100% | Elected as independent director of the 12th-term Board of Directors on June 21, 2019 Leaving office upon re-election on June 23, 2022 |
| Independent Director | Huang, Shun-Tien | 4 | 0 | 100% | Elected as independent director of the 12th-term Board of Directors on June 21, 2019 Leaving office upon re-election on June 23, 2022 |
| Independent Director | Kuo, Ying-Man | 4 | 0 | 100% | Elected as independent director of the 12th-term Board of Directors on June 21, 2019 Leaving office upon re-election on June 23, 2022 |
| Independent Director | Wu Shi-Hao | 4 | 0 | 100% | Newly-elected as director of the 13th-term Board of Directors on June 23, 2022 |
| Independent Director | Li Chia-Ling | 4 | 0 | 100% | Newly-elected as director of the 13th-term Board of Directors on June |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | 23, 2022 |
| Independent Director | Ho,Hua-Hsun | 4 | 0 | 100% | Newly-elected as director of the 13th-term Board of Directors on June 23, 2022 |

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:

- 2nd meeting of the 13th-term Board of Directors on July 29, 2022:

  Director Wu Shihao and Director Li Chia Ling recused themselves:

  Discussion Item No. 2: appointment of Director Wu, Shun-Tien, Director Li, Chien-Lung, and attorney Tsai-Yi as members on the 5th-term Remuneration Committee.

  As this case involves the personal interests of Mr. Wu and Ms. Li, they recused themselves from the discussion and voting.

- 4th meeting of the 13th-term Board of Directors on November 4, 2022:

  Recusal of Director Wang Qingsen of the Audit Office:

  Discussion Item No. 7: Change in the Head of Internal Audit of the Company.

  As this case involves the personal interest of the Director of the Audit Office, Mr. Wang Qing Sen, he is recused from the discussion and voting.

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 2021 will be declared before the end of the first quarter of 2022. (The declaration was completed on February 17, 2023)

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 2022, the Remuneration Committee convened twice on February 22, 2022 and October 17, 2022. As of today, a Remuneration Committee meeting has been held on February 13, 2023. 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 2022, the Audit Committee convened six times on January 21, March 18, April 29, July 29, September 23, and November 4. As of today, the Audit Committee convened three times on February 3, 2023, March 10, 2022, and April 28, 2023. 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 of Directors, the individual Board members, and functional committees in 2020, as well as recommendations for improvement, were reported to the 5th meeting of the 13th-term Board of Directors on February 3, 2023. (The declaration was completed on February 22, 2023)

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 of performance

| 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 | June 23, 2022~ December 31, 2022 (Note: The Board of Directors was fully re-elected on 23 June 2022) | Board of Directors | Self-evaluation of the Board | **Self-evaluation of the Board's performances**<br>A. Participation in the operation of the Company<br>B. Improvement of the quality of the Board of Directors' decision making<br>C. Composition and structure of the Board of Directors<br>D. Election and continuing education of the directors<br>E. Internal control |
| | | Individual Board members | Self-evaluation of the Board members | **Self-evaluation of the Board members' performances**<br>A.Alignment of the goals and missions of the Company<br>B.Awareness of the duties of a director<br>C.Participation in the operation of the Company<br>D.Management of internal relationship and communication<br>E.The director's professionalism and continuing education<br>F.Internal control |
| | | Functional committees<br>1. Audit Committee<br>2. Remuneration Committee | Self-evaluation of the Board | **Self-evaluation of the Audit Committee's performances**<br>A. Participation in the operation of the Company<br>B. Awareness of the duties of the functional committee<br>C. Improvement of quality of decisions made by the functional committee<br>D. Makeup of the functional committee and election of its members<br>E. Internal control<br>**Self-evaluation of the Remuneration Committee's performances**<br>A. Participation in the operation of the Company<br>B. Awareness of the duties of the functional committee<br>C. Improvement of quality of decisions made by the functional committee<br>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) Operation of the Audit Committee
(1) The Audit Committee of the Company was established on June 21, 2019 and its members are independent directors of the Board of Director; the Company’s Audit Committee has three members, and the current (second) term of office is from June 23, 2022 to June 22, 2025.
(2) The Audit Committee convened six times (A) in 2022. 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 |
|---|---|---|---|---|---|
| Convener | Li Chia-Ling | 3 | — | 100% | Newly appointed on June 23, 2022 |
| Independent Director | Wu Shi-Hao | 3 | — | 100% | Newly appointed on June 23, 2022 |
| Independent Director | Ho,Hua-Hsun | 3 | — | 100% | Newly appointed on June 23, 2022 |
| Independent Director | Huang, Shun-Tien | 3 | — | 100% | Previously appointed |
| Independent Director | Chan, Chien-Lung | 3 | — | 100% | Previously appointed |
| Independent Director | Kuo, Ying-Man | 3 | — | 100% | Previously appointed |

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.

| Date/Session | Content of Motion | Content of the Dissenting Opinions, Qualified Opinions, or Material Recommendations of Independent Directors | Resolution | Handling of the Audit Committee's Opinions |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| March 18, 2022 17th meeting of 1st-term Audit Committee | 1. "2021 Statement on Internal Control System."<br>2. 2021 business report.<br>3. 2021 Consolidated Financial Statements and Individual Financial Statements.<br>4. 2021 Surplus distribution proposal.<br>5. 2021 Financial and Taxation certification<br>Independent Assessment of the Accountant Appointed by the SFC Results<br>6. The amendment to the "Procedures for Acquisition or Disposal of Assets." | None | Passed by all members present as proposed | Submitted to the Board of Directors for approval |
| April 29, 2022 18th meeting of 1st-term Audit Committee | 1. 2022 First Quarter Consolidated Financial Statements. | None | Passed by all members present as proposed | Submitted to the Board of Directors for approval |
| July 29, 2022 1st meeting of 2nd-term Audit Committee | 1. 2022 Second Quarter Consolidated Financial Statements. | None | Passed by all members present as proposed | Submitted to the Board of Directors for approval |
| September 23, 2022 2nd meeting of 2nd-term Audit Committee | 1.The Company intends to continue to appoint Ernst & Young Associates to handle the financial and tax returns for the years 2023 to 2025. | None | Passed by all members present as proposed | Submitted to the Board of Directors for approval |
| November 4, 2022 3rd meeting of 2nd-term Audit Committee | 1. 2023 Audit Plan.<br>2. 2022 Third Quarter Consolidated Financial Statements.<br>3. Change in the internal audit officer. | None | 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 2022:

| Date | Focus | Result |
|---|---|---|
| January 21, 2022<br>16th meeting of 1st-term Audit Committee | To report the results of business audits, audit deficiencies and recommendations on the "production cycle" of Tongxiao Refined Salt Plant and "subsidiary supervision operations" of Taiyen Green Energy Co. from November to December 2021. | Reported to the Board of Directors with all independent directors present notified |

| | | | |
|---|---|---|---|
| | March 18, 2021<br>17th meeting of 1st-term Audit Committee | 1.Submit the follow-up case of business audit results, audit deficiencies and suggestions on management operations such as the “sales and collection cycle” of the Kaohsiung office and the “R&D cycle” of the head office from January to February 2021.<br>2.Submit the Company's 110th Annual Statement of Internal Control System. | 1.Reported to the Board of Directors with all independent directors present notified<br>2.All independent directors present resolved to approve the proposal and submitted it to the Board for discussion. The Board approved the 2021 statement of Internal Control System of the Company and completed the declaration on March 25, 2021. |
| | March 18, 2021<br>Seminar on the review of the internal control system for directors and internal auditors | 2021 Report on audits, internal control deficiencies and improvement of irregularities. | All independent directors present notified |
| | April 29, 2022<br>10th meeting of 1st-term Audit Committee | Submit on the results of business audits, audit deficiencies and recommendations for the period March to April 2022 in relation to the “Requisition and Payment Cycle” of the Biotech and Healthcare Factories and the "Payroll Cycle" of the Head Office. | Reported to the Board of Directors with all independent directors present notified |
| | July 29, 2021<br>1st meeting of 2nd-term Audit Committee | To report on the results of business audits, audit deficiencies and recommendations made by the Company from May to June 2022 in relation to the “Requisition and Payment Cycle” of Tongxiao Fine Salt Plant and the “Subsidiary Supervision Operations” of Taiyen Green Energy Co. | The Independent Directors, all of whom were present, noted that the report of the Board of Directors was continued. |
| | September 23, 2022<br>2nd meeting of 2nd-term Audit Committee | To report on the results of business audits, audit deficiencies and recommendations relating to the “Production Cycle” of the Imported Salt Storage and Transportation Facility and the “Sales and Receipt Cycle” of the Taichung Sales Office for the period July to August 2022. | The Independent Directors, all of whom were present, noted that the report of the Board of Directors was continued. |
| | September 23, 2022<br>Separate communication meeting for independent directors and the chief internal auditor | Discussion about the 2023 Audit plan | The Chief internal auditor and independent directors carried out discussions and communications regarding questions proposed. |
| | November 4, 2022<br>3rd meeting of 2nd-term Audit Committee | 1.To report on the results of business audits, audit deficiencies and recommendations relating to to the “Purchase and Payment Cycle” of the seven salt farms and the “Sales and Receipt Cycle” of the Taipei Sales Office for the period September to October 2022.<br>II. Submit the Company’s audit plan for the year 2023. | 1. Reported to the Board of Directors with all independent directors present notified<br>2. All independent directors present resolved to approve the proposal and submitted it to the Board for discussion. The Board approved the 2023 audit plan of the Company and completed the declaration on |

| | | |
|---|---|---|
| | | December 1, 2022. |

(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 2022:

| Date | Focus | Result |
|---|---|---|
| January 21, 2022<br>Communication meeting for CPAs and those charged with governance (separate communication meeting for CPAs and independent directors) | 1.The independence of CPAs.<br>2. Content of customer statements.<br>3. 2021 Explanation on the preliminary review of consolidated and individual financial reports.<br>4. Key audit matters.<br>5. Updates on laws and regulations | CPAs attended the meeting in person to discuss the questions raised by independent directors. |
| March 18, 2022<br>17th meeting of the 1st-session Audit Committee | 1. 2021 Consolidated and individual financial report audit results.<br>2. CPAs' answers to questions raised by independent directors and attendees | All Independent Directors present agreed to approve the 2021 Annual Consolidated and Individual Financial Statements as presented and to recommend them to the Board of Directors for approval. |
| April 29, 2022<br>18th meeting of the 1st-session Audit Committee | 1. 2022 First Quarter Consolidated Financial Statement review results.<br>2. CPAs' answers to questions raised by independent directors and attendees | The Independent Directors present at the meeting agreed to approve the proposal, and the consolidated financial statements for the first quarter of 2022 will be presented to the Board of Directors for approval. |
| July 29, 2022<br>1st meeting of the 2nd-session Audit Committee | 1. The results of the review on the consolidated financial statements for the second quarter of 2022.<br>2. CPAs' answers to questions raised by independent directors and attendees | The Independent Directors present at the meeting agreed to approve the proposal, and the consolidated financial statements for the second quarter of 2022 will be presented to the Board of Directors for approval. |
| November 4, 2022<br>3rd meeting of the 2nd-session Audit Committee | 1. The results of the review on the consolidated financial statements for the third quarter of 2022.<br>2. CPAs' answers to questions raised by independent directors and attendees | The Independent Directors present at the meeting agreed to approve the proposal, and the consolidated financial statements for the third quarter of 2022 will be presented to the Board of Directors for approval. |

(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 1: 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.

Note 2: 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."<br>2. The Company communicated laws and regulations regarding insider trading prevention to insiders and all employees on 2022 January 5 , January 7, June 23 and December 19. | None. |
| III. Composition and responsibility of the Board of Directors | | | | |

| 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) Has the Board formulated a diversification policy, specific management objectives and implemented them? | 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.<br>1. The 13th-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.<br>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 70 and above, 5 aged 61~70, and 3 aged below 51~60. 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 accounted in the future re-election of the Board of Directors.<br>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 | V | | (III) The Company has formulated the "Self-Evaluation or Peer Evaluation | 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 | |
| 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? | | | of the Board of Directors." Starting from 2020, the Company will conduct the annual evaluation and declare its results on a regular basis. | |
| (IV) Does the Company evaluate the independence and suitability of CPAs on a regular basis? | V | | (IV) The Financial Accounting Department is responsible for evaluating the independence and suitability of the CPAs once every year. The evaluation result was reported and passed in the 7th meeting of 13th-term Board of Directors on March 10, 2023.<br>The Financial Accounting Department found CPAs Tseng, Yu-Che and Li,Fang-Wen from EY Taiwan in compliance with the independence and suitability 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) | None. |
| 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 Vice President 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, 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 Corporate Governance Officer of the Company received continuing education and training courses for at least 12 hours in 2022. At present, details of the continual education of the Corporate Governance Officer are set out on page 49 of the annual report. | None. |
| V. Does the Company establish a means of communication with its stakeholders (including but not limited to | V | | (I) The Branding and Marketing Department (PR Team), Financial Accounting Department, and relevant departments are responsible for | 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 | |
| shareholders, employees, customers, and suppliers) and create a stakeholder section on the company website to respond to stakeholders' questions about its corporate social responsibility? | | | communicating with stakeholders according to the circumstances. Contact information on spokespersons and related departments is also available on the company website.<br>(II) The Company has created a stakeholder section on the company website. | |
| 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<br>(I) Does the Company establish a company website to disclose information on its finances, business, and corporate governance?<br>(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)?<br>(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 the prescribed period? | V<br>V<br>V | | (I) The Company has set up a stakeholder section on the company website (http://www.tybio.com.tw) to disclose and regularly update information on its finances, business, and corporate governance.<br>(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 the Deputy General Manager serves as the spokesperson and Director of Financial Accounting Department as the deputy spokesperson.<br>(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.<br>According to the regulations, the monthly operations are announced and reported before the 10th day of the following month. | None.<br>None.<br>None. |
| 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 | V | | (I) For more information on employee rights and interests and employee care, refer to V. Labor Relations in Chapter V.<br>(II) For more information on investor relations, refer to I (IV). Major Shareholders (Top 10 Shareholders) in Chapter IV.<br>(III) For more information on supplier relationships, refer to II (III). Supply | None. |

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th></th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th><th>Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><td>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)?</td><td></td><td></td><td>of Main Raw Materials in Chapter V.<br>(IV) The Company has no bank loans or endorsements/guarantees.<br>(V) According to the regulations, the Company arranges continuing education for directors every year (refer to the table below).<br>(VI) For more information on the implementation of risk management policies and risk measurement standards, refer to Listing of Risks in Chapter VII.<br>(VII) The attendance at the Board meetings by directors is high (refer to the “Corporate Governance” section on the Market Observation Post System).<br>(VIII) According to the Articles of Incorporation, the Company has purchased liability insurance for directors and managerial officers since 2004.<br>(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.</td><td></td></tr>
<tr><td colspan="5">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):<br>According to the results of the 9th Corporate Governance Evaluation issued by the Corporate Governance Center of Taiwan Stock Exchange Co., Ltd.: The Company ranked among the top 21% to 40% of listed companies with a market value of $5-10 billion in the 2022 industrial category. Improvements have been made to the disclosure of the English versions of the Shareholders Meeting, the Annual Report, the Annual Financial Report and important information released on the Market Observation Post System. The Company has also made constant efforts to get a higher score in unscored items such as the English versions of the Sustainability Report and the Interim Financial Report.</td></tr>
</table>

Note: The operating conditions should be described in the summary description field, regardless of whether "Yes" or "No" is checked.

Note 1:

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

**I. 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."

**II. 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:

1. Basic requirements and values: gender, age, nationality, and culture.
2. 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:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

**III. Management Goals**

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

Note 2:

(1) Criteria for Independence of CPAs

| Evaluation Item | Evaluation Result | Independence |
|---|---|---|
| 1. Is there a direct financial interest or a material indirect financial interest 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 |

(2) The Company's CPA' suitability assessment items are evaluated with reference to audit quality indicators (AQIs), which include five aspects of professionalism, quality control, independence, supervision and innovation ability.

| Evaluation Item | | Compliance with suitability criteria |
|---|---|---|
| Professionalism | 1. Auditing experience: Whether the senior auditors have sufficient auditing experience to perform auditing work.<br>2. Training hours: Whether the accountants and senior auditors receive sufficient education and training each year to continuously acquire professional knowledge and skills.<br>3. Turnover rate: Whether the firm maintains a sufficient number of experienced human resources.<br>4. Professional support: whether the firm has enough professionals (such as evaluators) to support the audit team. | Yes |
| Quality Control | 1. CPA load: whether the CPA work load is too heavy.<br>2. Audit effort: check whether the team members' effort in each audit stage is appropriate.<br>3. EQCR Review: Whether the EQCR CPA has devoted sufficient hours to perform the review of the audit case.<br>4. Professional support: whether the firm possesses professionals (such as evaluators) to support the audit team. | Yes |
| Independence | 1. Non-audit service fees: The impact of the percentage of non-audit service fees on independence.<br>2. Client familiarity: the influence on the independence of the audit case related to the cumulative number of years the audit firm has signed the annual financial report | Yes |
| Supervision | 1. External inspection deficiencies and penalties: whether the firm's quality control and audit cases are performed in accordance with relevant laws and regulations.<br>2. The competent authority issues a letter to improve: whether the quality control and audit cases of the firm are carried out in accordance with relevant laws and regulations and standards. | Yes |
| Innovation Capability | 1. Innovation planning or initiative: the commitment of the accounting firm to improve audit quality, including the innovative capability and planning of the accounting firm. | Yes |
| Other | 1. Complete the quarterly financial statements of the Company as scheduled.<br>2. Complete the audit/review of the quarterly financial statements of subsidiaries as scheduled.<br>3. Provide the company's financial, taxation and regulatory consulting services from time to time. | Yes |

Note 3: The declaration of independence was issued by the accounting firm:

EY 安永
Building a better working world

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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, 2022.

*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,* 48.71%, 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
CPA:
Tseng, Yu-Che
Lee, Fang-Wen

March 10, 2023

A member firm of Ernst & Young Global Limited

Continuing Education of Directors and Supervisors in 2022:

| Title | Name | Course Name | Training Hour | Remark |
|---|---|---|---|---|
| Chairman | Wu, Jung-Hui | 1. Carbon management trends towards Net-Zero and solutions<br>2. The real value created by circular and low carbon innovation - understanding circular economy and governance | 6 | 1. Taiwan Corporate Governance Association<br>2. Chinese National Association of Industry and Commerce |
| Independent Director | Wu Shi-Hao | 1. Corporate Sustainability Accelerators - CSRs, ESGs and SDGs<br>2. Digital Convergence New Economy, Foreseeing 2025 Trends and Paradigms | 6 | Taiwan Institute of Directors |
| Independent Director | Li Chia-Ling | 1. Cross-Domain Management Practices for Net-Zero Carbon Emissions<br>2. Aspects of ESG governance – from knowing to doing<br>3. The real value created economy and low carbon innovation - a look at circular economy and governance<br>4. 2022 Cathay Sustainable Finance and Climate Change Summit | 12 | 1. Taiwan Investor Relations Institute<br>2. Taiwan Corporate Governance Association<br>3. Chinese National Association of Industry and Commerce<br>4. Taiwan Stock Exchange Corporation and Cathay Financial Holding |
| Independent Director | Ho,Hua-Hsun | 1. 2022 Reference Guide for Independent Directors and the Audit Committee on the Exercise of Powers and Functions and Directors Advocacy Meeting<br>2. 2022 Annual Insider Stock Exchange Act Compliance Briefing | 6 | 1. Taiwan Stock Exchange Corporation<br>2. Securities & Futures Institute |
| Director | Liu, Ya-Chuan | 1.Non-consensual Mergers and Acquisitions: Offensive and Defensive Strategies and the Responsibility of Responsible Persons<br>2. Corporate ethics and sustainable development | 6 | Taiwan Corporate Governance Association |
| Director | Liao, Hsien-Kuei | 1. Protection of information security from the meta-universe boom<br>2. Prevention - the importance of enterprise risk | 6 | 1. Taiwan Independent Director |
| Director | Chao, Kuo-Hsiang Shareholding (%): | 1.The responsibility of corporate directors and supervisors for intellectual property management<br>2. Global technology industry and supply | 12 | Chinese National Association of Industry and Commerce |
| Director | Chen, Kuan-Ping | 1. How do start-up companies carry out equity planning and organizational structure design<br>2. Competitiveness vs. Survival, ESG Trends and Strategies | 6 | Taiwan Corporate Governance Association |
| Independent Director | Kuo, Ying-Man | 1. Unlock key codes in financial statements<br>2. The development trend of green industry - low carbon investment outlook and business strategy | 6 | Taiwan Corporate Governance Association |
| Director | Wang, Ching-Tien | 1.2022Annual labor director professional knowledge training activities | 8 | Ministry of Labor |

Continuing Education of Corporate Governance Officers in 2022:

| Organizer | Course Name | Date | Number of Training Hours |
|---|---|---|---|
| Taiwan Corporate Governance Association | Carbon management trends towards Net-Zero and solutions | July 19, 2022 | 3 |
| Chinese National Association of Industry and Commerce | The real value created economy and low carbon innovation - a look at circular economy and governance | September 6, 2022 | 3 |
| Taiwan Corporate Governance Association | Analysis of Management Rights Competition and Prevention Strategies | November 15, 2022 | 3 |
| Securities & Futures Institute | Protection of Trade Secrets | November 15, 2022 | 3 |

(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 29, 2022, the Board of Directors passed the appointment of Independent Director Wu, Shih-Hao , Independent Director Li, Jia-Ling , and Attorney Tsai, Wan-Chi as members on the 5th-term Remuneration Committee, with Independent Director Wu, Shih-Hao as the convener and chairman of the meeting.

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).

In 2022, the Remuneration Committee convened twice on February 22 and October 17.

As of today, a Remuneration Committee meeting has been held on February 13, 2023.

1. Composition of the Remuneration Committee

February 28, 2023

| Identity (Note 1) Name \ Qualifications | | Professional Qualification and Experience (Note 2) | Independence Status (Note 3) | Number of Other Public Companies where the Individual Concurrently Serves as Member on Remuneration Committee |
|---|---|---|---|---|
| Independent Director (Convener) | Wu Shi-Hao | Possess financial and business expertise and experiences:<br>1. PhD in Business Management, Taipei University<br>2. Professor, Department of Marketing and Distribution Management, Kaohsiung University of Science and Technology<br>3. Independent Director of Hotai Motor Co., Ltd.<br>4. Deputy Director and Acting Director, Commerce Development Research Institute<br>5. Independent Director, Taiwan Tobacco & Liquor Corporation | Members of the Remuneration Committee are Independent Directors of the Company. For the independent status, please refer to Professional Qualification of Directors and Independence Status of Independent Directors on page 25 of this annual report. | 1 |

| | | | | |
|---|---|---|---|---|
| Independent Director | Li Chia-Ling | Possess accounting, financial, and business expertise and experiences:<br>1. PhD in Business Management, Sun Yat-sen University<br>2. Professor, Department of Accounting, Chengchi University<br>3. Director of, Ditmanson Foundation Chiayi Christian Hospital<br>4. Director of the Wellness Foundation<br>5. Independent Director of Alcorlink Corp.<br>6. Supervisor of Corporate Synergy Development Center | Members of the Remuneration Committee are Independent Directors of the Company. For the independent status, please refer to Professional Qualification of Directors and Independence Status of Independent Directors on page 25 of this annual report. | 0 |
| Other | Tsai Wan-Chi | Possess legal expertise and experiences:<br>1. Graduated from Department of Law, National Taipei University, Vocational Training Program, Law School, National Chung Cheng University<br>2. Passed the attorney test.<br>3. Member of Chiayi County Government Architects Disciplinary Committee<br>4. Member of Chiayi County Government Construction Dispute Evaluation Committee<br>5. Member of Chiayi County Government Petition Committee | 1. Not a spouse, relative within the second degree of kinship, or a director, supervisor, or employee of the Company or its affiliates.<br>2. The number of shares of the Company held by and shareholding of the Director, its spouse, or relatives within the second degree of kinship (or in others' name) is 0.<br>3. Not a director, supervisor, or employee of the Company or its related companies.<br>4. 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.<br>5. Does not provide business, legal, financial, or accounting services to the Company or affiliates. | 0 |

Note 1: Please specify relevant years of working experience, professional qualifications and experience, and independent status of each member of the Remuneration Committee; for independent directors, make remarks to refer to relevant content in Table 1 (I) Directors and Supervisors on page 17, and specify the identity as independent director or others (please specify the convener).

Note 2: Professional qualification and experiences: Specify the professional qualification and experience of individual members of the Remuneration Committee.

Note 3: Independent status: Specify the independent status of members of the Remuneration Committee, including but not limited to whether the independent director, its spouse, or relative within the second degree of kinship is a director, supervisor, or employee of the Company or its affiliates, the number of shares held by and the shareholding of the independent director, its spouse, or relative within the second degree of kinship (or in the name of others), whether any of them is a director, supervisor, or employee of a company with special relationship with the Company (please refer to subparagraphs 5 to 8, paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange), and the remunerations obtained from providing business, legal, or accounting services to the Company or its affiliates for the past two years.

Note 4: Please refer to the sample of best practice principles on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

2. Operation of the Remuneration Committee

(1) The Remuneration Committee consists of 3 members.

(2) The term of office of the current members is from July 29, 2022 to June 22, 2025, with one meeting of the Fourth Salary and Compensation Committee (A) and one meeting of the Fifth Salary and Compensation Committee (A) in the most recent year. The

qualifications and attendance of the members are as follows:

| Title | Name | Times of Attendance in Person (B) | Times of Attendance by Proxy | Attendance Rate (%) (B/A) (Note) | Remark |
|---|---|---|---|---|---|
| Convener | Huang, Shun-Tien | 1 | 0 | 100% | 4th-term |
| Member | Chan, Chien-Lung | 1 | 0 | 100% | 4th-term |
| Member | Chen, Hsin-Yi | 1 | 0 | 100% | 4th-term |
| Convener | Wu Shi-Hao | 1 | 0 | 100% | Fith Session |
| Member | Li Chia-Ling | 1 | 0 | 100% | Fith Session |
| Member | Tsai Wan-Chi | 1 | 0 | 100% | Fith Session |
| Other matters to be recorded:<br>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, it shall state the difference and the reasons for the difference): The proposal to revise the company's supervisor's approval and issuance standard form was proposed to the Board of Directors at the Seventh Meeting of the Thirteenth Session of the Board of Directors held on March 10, 2023, and will be subsequently resolved by the Board of Directors.<br>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 "Remark." 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 "Remark." 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 2022 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 |
|---|---|---|
| 2022. 02. 22 | ■ Passed the proposal for the distribution of compensation to directors and employees for 2021<br>■ Passed the percentage of compensation to be distributed to employees and directors of Taiyen Green Energy Co., Ltd. for 2021 | Submitted to the Board of Directors for approval |
| 2022. 10. 17 | ■ Passed the policy, system, standards, and structure of remuneration | Submitted to the Board of Directors for approval |
| 2023. 02. 13 | ■ Passed the proposal for the distribution of compensation to directors and employees for 2022<br>■ Passed the percentage of compensation to be distributed to employees and directors of Taiyen Green Energy Co., Ltd. for 2022<br>■ Approval and issuance of the standard form by the | 1. The "2022 Annual Directors' and Employees' Remuneration", "2022 Annual Employees' Remuneration and Directors' and Supervisors' Remuneration Distribution", and the "Retirement Payment to former |

| | | |
|---|---|---|
| | company's supervisor<br>■ Passed the severance pay of Former Chairman Wu, Rong-Hui | Chairman Wu, Rong-Hui" were submitted to the Board of Directors for approval.<br>2. The "Amendment to the Company's Supervisory Approval Criteria" was proposed to be extended by the resolution of the Seventh Session of the Thirteenth Board of Directors' Meeting held on March 10, 2023, the follow-up will be handled in accordance with the resolution of the Board of Directors. |

(VI) Implementation Status of Sustainable Development and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons Thereof

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| I. Has the company established a governance structure to promote sustainable development and set up a special (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management, and is the Board of Directors supervising the situation? | | V | 1. The Company complies with the requirements of the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” of the Taiwan Stock Exchange (the “TWSE”) and established the “Corporate Governance Best Practice Principles of Taiyen Biotech Co., Ltd.” on December 26, 2014. To ensure the favorable corporate governance system, we have “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," "Audit Committee Charter," "Remuneration Committee Charter," and other rules and regulations in place. The Company also discloses its relevant information and latest news in the Investor Section of its website and on MOPS of the TWSE to maintain healthy communications with shareholders and consumers, achieving responsible operations.<br>2. Implementation status for organizations of the Company:<br>(1) The Board of Directors approved the “Corporate Governance Best Practice Principles of Taiyen Biotech Co., Ltd.” in 2015. The Corporate Social Responsibility Committee was established in 2016, and the Brand Marketing Division’s Public Relations Section was tasked with compiling the CSR Report, which was renamed the Corporate Sustainability Committee in | Summary 2 (3) is a new item. No other deviation. |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| | | | 2021, and the CSR Report was renamed the Sustainability Report in 2021.<br>(2) The Corporate Social Responsibility Committee (renamed Sustainability Committee in May 2021) is divided into four responsible teams, namely, “Corporate Governance Team,” “Customer Care and Public Welfare Team,” “Environmental Sustainability Team,” and “Employee’s Care Team”; each team is formulated by members from different departments, who are chief executives of the Company, based on categories of issues.<br>Meetings of the Committee shall be convened every half year to invite external consultants to carry out benchmark learning at the meetings, and the teams shall each provide their annualproposals for the sustainability management for the based on different aspects to promote the sustainable business development of the Company. The annual targets for each team shall be established at the beginning of the year; after such targets are agreed to by the Committee, the Company continues tracking the achievements regarding the targets established and carries out target examination at the year-end meeting.<br>(3) The frequency (at least once a year) of the dedicated unit reporting to the Board of Directors or the date of report to the Board of Directors for the current year: This is a new summary item for which the Committee has made no arrangement for 2022.<br>3. The supervisory items for the sustainable development of the Board of Directors of the Company are as follows:<br>(1) Promote and supervise works related to aspects of ethical corporate operations and risk management.<br>(2) Track and examine the implementation status and achievements of sustainable corporate development. | |
| II. 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 2) | V | | 1.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 “Principles of Best Practice for Sustainable Development of TWSE/TPEx Listed Companies” The risk management of the Company complies with relevant | None. |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| | | | business natures, for which different management units are held responsible; the Audit Office is responsible for preparing and implementing the risk-oriented audit plan and carrying out review regarding the existing or potential risks of different operations. Risks identified by Taiyen are mostly in economic and social aspects, various risk management methods, and risks that Taiyen may face in the short-term, and corresponding measures.<br>2. To effectively control corporate risks and achieve the concept of sustainable operations, the Company established its "internal control" and established the "Implementation Rules for Internal Audits." The audit plan covers all operating activities of Taiyen and assist the Board of Directors and managerial officers in inspecting and reviewing the internal control management status, by adopting eight major trading cycles, computer information system processing and control operation, management control operation, and lobbying and business performance management, and provide recommendations for improvement in due course. In addition, Taiyen passed its "Statement on Internal Control System" at the 7th meeting of the 13th-term Board of Directors on March 10, 2023.<br>3. The Company operates in the food and biotechnology manufacturing industry, on which climate change has significant effects in the course of operations of the Company. We identify risks of climate change regarding aspects of disasters, regulations, and market, and propose countermeasures, so as to effectively manage the climate change risks. For example, we establish greenhouse gases (GHG) emission reduction measures, improve energy efficiency to minimize costs, and develop renewable energy to minimize the impacts of GHG emissions on global warming. | |
| III. Environmental issues<br>(I) Does the Company establish a suitable environmental management system based on its industrial characteristics? | V | | (I) 1.The Company carries out its environmental management systems according to governmental regulations, including fixed pollution source management, waste clearing management, GHG emission | None. |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| | | | management, and regulations related to environmental protection.<br>2. Currently, GHG emission calculations for Tung-Hsiao Electrodialysis Refined Salt Factory comply with CNS in accordance with the regulations, and the declarations are made annually according to the requirements.<br>3. Discussions are performed for relevant management measures of factories of the Company annually to prepare relevant countermeasures. | |
| (II) Is the Company dedicated to improving the utilization efficiency of energy and using recycled materials with a minimal adverse impact on the environment? | V | | (II) 1. To emphasize the target of improving energy efficiency and reducing carbon dioxide emission, the Company updated its cogeneration equipment and furnace to improve energy efficiency.<br>2. For products of the Company that use recycled packaging materials, the Company improves the target and ratio for the use of recycled packaging materials, such as the ratio of using recycled cartons for transportation and containers made from recycled granules for partial cleaning products. | None. |
| (III) Does the Company assess the current and future potential risks and opportunities of climate change to the Company, and adopt corresponding measures? | V | | (III) The Company has commenced performing analysis regarding effects on, risks, and opportunities to the corporation brought by climate change in the future. First, the Company will initiate statistical works related to GHG according to the regulations; in the future, it will further address targets of carbon inventory check, energy efficiency improvement, and carbon dioxide emission reduction. The inspection and verification planning for greenhouse gas emissions has been conducted according to relevant regulations and schedule of the FSC. | None. |
| (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 reduction of greenhouse gas and water consumption, or other waste management? | V | | (IV) 1. The environmental accounting system of each unit has been implemented since 2010 to use complete green management information as the basis for planning and promotion of environmental protection issues, making effective use of resource.<br>2. The Company has performed simple GHG inventory check statistics for the emission volumes of the subordinated factories. According to | None. |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| | | | the governmental requirements, Tung-Hsiao Electrodialysis Refined Salty Factory carries out statistic works for GHG emissions, audit by external institutions, and declaration each year in accordance with regulations based on the governmental requirements. The total emissions are aggregated according to the GWP value announced by the 4th evaluation report (AR4) of IPCC 2007 in 2021. The total GHG emissions (scope I 22,897 tons and II 969 tons) of Tung-Hsiao Electrodialysis Refined Salty Factory declared in 2022 is equivalent to 23,867 tons of carbon dioxide. The declaration is continually handled in accordance with the regulations.<br>3. According to the statistic of the sustainability report (ESG) disclosed by Taiyen Biotech in 2021, the overall carbon dioxide emission of the Company in the previous year (2020) is equivalent to 26,275 tons, with 5.56 million kWh of electricity consumption and 12.37 million tons of water consumption (of which approximately 11.93 million tons, or 98.4%, were used for the introduction of seawater). The 2022 sustainability report also disclosed the statistics of consumption in 2021.<br>4. In the second quarter of 2022, the Company has set up a special (part-time) organization for greenhouse gas inventory of the parent company, and reported to the Board of Directors on the schedule of inventory and verification planning in accordance with the requirements of the sustainable development pathway of listed companies announced by the Financial Supervisory Commission, and set up an energy conservation and carbon reduction and greenhouse gas inventory implementation team in the third quarter of 2022, and reported on the schedule of greenhouse gas inventory and verification of | |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| | | | consolidated subsidiaries. In the fourth quarter of 2022, we began to conduct the 2022 annual organizational greenhouse gas inventory guidance, and disclosed the 2022 greenhouse gas emission inventory information in advance of 2023; the relevant implementation progress is reported to the Board of Directors on a quarterly basis for control. | |
| IV. Social issues<br>(I) Does the Company formulate relevant management policies and procedures in accordance with related laws and regulations and international human rights conventions? | V | | (I) 1. For the sake of corporate sustainability, protect the basic human rights of present employees, customers, and stakeholders, the Company supports and complies with the "Universal Declaration of Human Rights," respect basic human rights that are internationally recognized, and has established the human rights policies of the Company.<br>2.We provide equal work opportunities for job seekers and have had no human rights violations or discrimination against employees in 2022 years.<br>3. In order to provide employees and job seekers with a work and service environment free from sexual harassment and to take appropriate preventive, corrective and punitive measures to protect the rights and privacy of the parties involved, the Company has established the "Key Points for Prevention and Control of Sexual Harassment in the Workplace" in accordance with Article 13, Paragraph 1 of the Gender Equality Act and the "Guidelines for Complaint and Punishment of Sexual Harassment in the Workplace" issued by the Council of Labor Affairs, Executive Yuan. In addition, in accordance with the Company's "Grievance/Prosecution Guidelines", there is a grievance channel to protect employees' human rights and to provide employees with a means of redress in the event that they are unable to reach a reasonable resolution in a case of infringement of human rights or sexual harassment. | None. |
| (II) Does the Company formulate and implement reasonable employee benefits (including salary, | V | | (II) 1. The Articles of Incorporation of the Company sets out the appropriation ratio for remunerations of employees when the Company records profits to | None. |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| leave and other benefits, etc.) and appropriately reflect the operating performance or results on the compensation of employees? | | | appropriately reflect the operating performances or achievements in remuneration of employees. In addition, the Company has established various management rules and regulations; the salary adjustments and issuance of year-end bonuses (the average adjustment range was 3% for 2022) are performed each year according to the operating performances of the Company.<br>2. The salary standard of our company is set with reference to the market, job content, experience and ability, so the salary of male and female employees with the same position and experience and ability will not be different according to gender. In addition, in order to create a diversified workplace, the percentage of female employees in our company was 40.7% in 2021 and 41.5% in 2022, showing an increasing trend year by year. The ratio of female executives among executives was 29.1%.<br>3. The Company spares no effort in building a premium working environment; to improve employee's living welfare, we set up reading rooms and multi-function sports field, and organize recreational activities for employees from time to time each year to improve employees' relationship and the cohesion of employees. Furthermore, there are multiple leave-taking requirements more favorable than the Labor Standard Act, such as sick leaves and sick leaves with special permission. | |
| (III) Does the Company provide a safe and healthy work environment for employees and regularly organize health and safety training for employees? | V | | (III) 1. The Company monitors the operations particularly hazardous to health as prescribed in the "Labor Health Protection Rules" 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 with occupational medicine to follow up their health | None. |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| | | | conditions and adjusts their work and work environment based on the diplomate's advice. The Company organizes health inspections for employees annually, which is more favorable than the term stated in the regulations; it also organizes health lectures and safety and health educational training from time to time to allow employees to learn the safety issues of the workplace and improve their awareness of safety. In 2021, 957 employees participated in the internal training, and 239 employees participated in the on-the-job training for occupational safety and health.<br>2. The Company takes the following measures to create a safe work environment:<br>(1) Formulation of the occupational safety and health rules.<br>(2) Appointment of qualified operators for dangerous equipment and regular inspections according to law.<br>(3) Automatic inspections of equipment according to the regulations.<br>(4) Occupational safety and health training and emergency drills.<br>(5) Provision of the safety data sheet and the list of hazardous chemicals and regular training.<br>(6) Regular work environment monitoring.<br>(7) Provision of personal protective equipment according to the safety requirements.<br>(8) Monthly production safety audits and quarterly occupational safety and health audits.<br>(9) Fire inspections and drills.<br>3. The Company contracted with medical personnel for labor health services according to the “Regulations of the Labor Health Protection” to reinforce the occupational safety and health of employees. In 2021, 14 sessions (32 hours) of doctor’s health services and 173 sessions (362 hours) of nursing staff health services were organized, and 280 employees received health interviews and instructions. | |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| | | | 4. On September 15, 2020, Tung-Hsiao Electrodialysis Refined Salt Factory successfully passed the dual standards certification of occupational safety and health management systems ISO 45001:2018 and CNS 45001 and received recognition from international certifying institutions (the scope of certification includes the productions of salt and bottled water, as well as tourism factory). The valid period is from September 15, 2020 to September 14, 2023.<br>5. In 2022, two traffic accident occurred, and there was no occupational disaster or death incident. The Company values the workplace safety of employees and executes occupational safety measures in accordance with occupational safety and health regulations, to protect employees from health damages due to work; we exert zero tolerance toward any circumstances that impose hazards to life. | |
| (IV) Does the Company establish effective career development and training plans for employees? | V | | (IV) The Company established the training plan according to the requirements of the organization to improve employees' abilities and literacies for their current positions and future career path, further motivating employees to develop their potential. We have established a comprehensive training system to provide extensive learning opportunities and resources that offer comprehensive training plans for new employees and all levels of officers. | None. |
| (V) Does the Company comply with relevant laws and regulations and international standards for issues of the health and safety of customers, customer privacy, marketing and labeling of products and services, and formulate relevant consumer or customer protection policies and complaint procedures? | V | | (V) 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 | V | | (VI) The Company has stipulated in their contracts with major suppliers that the | None. |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| 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? | | | Company may terminate or rescind the contract at any time if suppliers violate the Company's corporate sustainability policy.<br>The Company stipulates in the procurement contract 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.<br>Party B shall comply with the Act of 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.<br>Raw materials are subject to heavy metal tests, and test reports shall be compiled in accordance with the "Sanitation Standard for Food Utensils, Containers and Packages." Products are subject to food safety and quality assurance. If products are returned three times, the Company may cancel the contract and confiscate the performance bond, and Party B shall not object. | |
| 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 sustainable report? | V | | 1.The preparation of the Company's Sustainability Report refers to the international standards and guidelines and the GRI Standards issued by the Global Reporting Initiative (GRI) in 2016 and complies with its "core" options for information disclosure and the | None. |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| Does the previous report obtain the assurance or verification statement of a third-party verification unit? | | | implementation of activities related to corporate sustainability.<br>2. The Company engages Ernst & Young for the performance of assurance in accordance with the specifications of Statements on Auditing Standards No. 46 Quality Control of the CPA Firm. The external certification is in compliance with the level of limited assurances stated in items 1 to 7, subparagraph 1, paragraph 1, Article 4 of the "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies," GRI Standards, and Standards on Assurance Engagements No. 1 "Non-historical Financial Information Audit or Review." | |

VI. If the Company has formulated its sustainable development best practice principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx 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. In accordance with the "Corporate Governance 3.0 - Sustainable Development Blueprint" officially launched by the Financial Supervisory Commission in August 2020, the name of the CSR report has been changed to ESG Report in accordance with the regulations and in line with international development trends. On May 10, 2021, the Committee was renamed Taiyen Corporate Sustainability Committee.

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 Sustainable 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:

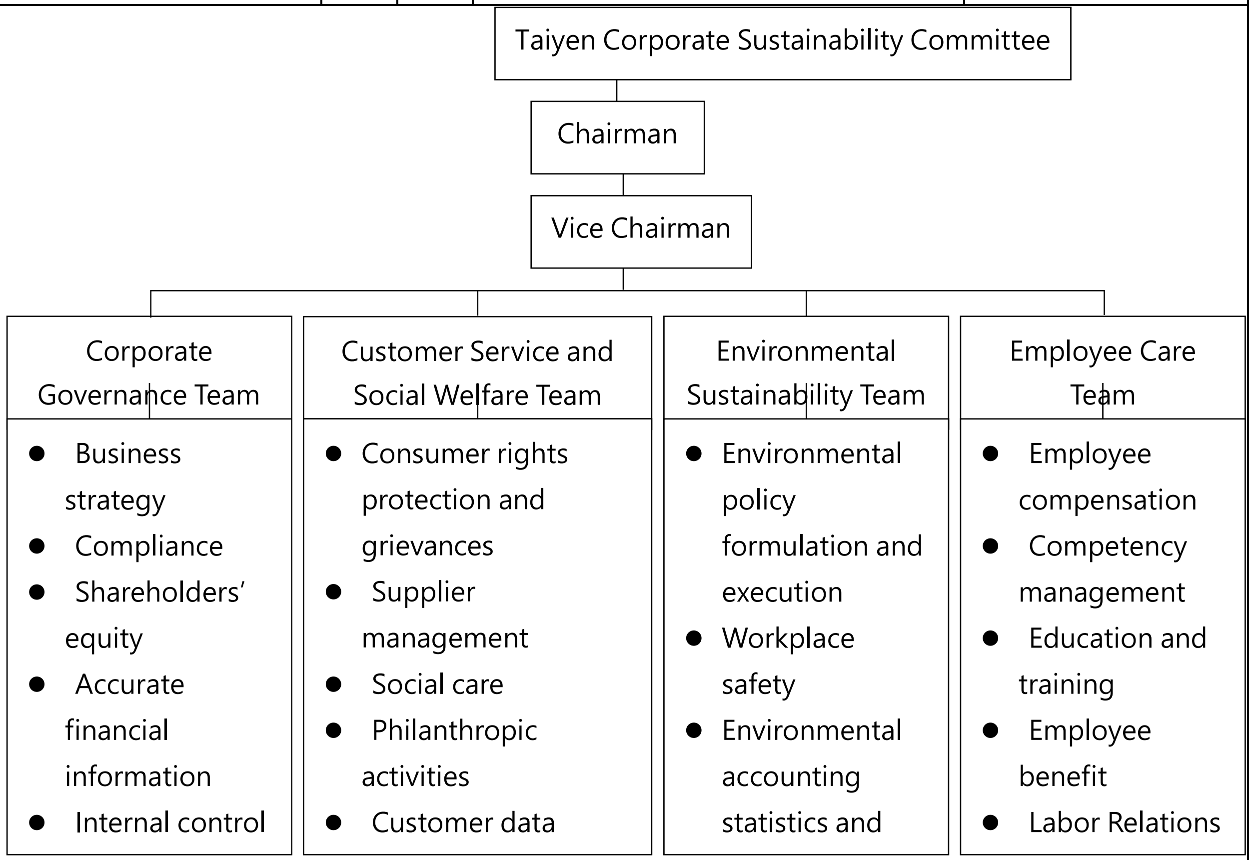
(I) Corporate Governance Team: Corporate Development Department, Salt and Water Business Division, Branding and Marketing Department, General Affairs Department, Auditing Office, Legal Affairs Office, Financial Accounting Department, and the proceeding clerk of the Board of Directors.

(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.

Organizational Structure of the Corporate Sustainability Committee, Taiyen Biotech Co., Ltd.

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td colspan="5">
<br>The Company's Sustainability Committee held one meeting on May 3, 2022 and one meeting on December 23, 2022 to discuss matters related to the Company's sustainable operation.</td></tr>
<tr><td colspan="5">VII. Other significant information enabling understanding of the implementation status of promoting sustainable development:<br>The Company has set out the details of its performance of corporate sustainability in the Sustainability Report, which is available on the Company's website (www.tybio.com.tw), for the public to understand the performance of the Company's corporate sustainability.</td></tr>
</table>

Note 1: When "Yes" column is checked for the implementation status, please specify significant policies, strategies, measures adopted, and implementation status. When "No" column is checked for the implementation status, please explain the deviation and reasons thereof in column "Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons Thereof," and describe the plan to adopt relevant policies, strategies, and measures in the future.

Note 2: The materiality principles refer to environmental, social, and corporate governance issues that have a significant impact on the investors and other stakeholders.

Note 3: Please refer to the sample of best practice principles on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

(VII) Climate-related information:

1. Differences in the implementation of climate-related information between the Company and listed companies and the reasons for the differences (this item is applicable from January 1, 2024 in accordance with the Guidelines for the Public Disclosure of Corporate Reports by Listed Companies)

| Evaluation Item | Implementation Status (Note) | | | Deviations in climate-related information from the its relevant information for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. The Board of Directors and management are responsible for the oversight and governance of climate related risks and opportunities. | – | – | – | – |
| II. How the identified climate risks and opportunities affect the business, strategy and finance of the company (short, medium and long term). | – | – | – | – |
| III. The financial impact of extreme climate events and transformational actions. | – | – | – | – |
| IV. How the climate risk identification, assessment and management process is integrated into the overall risk management system. | – | – | – | – |
| V. The use of contextual analysis to assess the resilience to climate change risks should describe the context, parameters, assumptions, analysis factors, and key financial implications used. | – | – | – | – |
| VI. If there is a transformation plan for managing climate-related risks, describe the contents of the plan and the indicators and targets used to identify and manage physical and transformation risks. | – | – | – | – |
| VII. If internal carbon pricing is used as a planning tool, the basis for price setting should be stated. | – | – | – | – |
| VIII. If a climate-related target is set, the activities covered, the scope of greenhouse gas emissions, the planning period, and the progress of annual achievement should be stated; if carbon offsets or renewable energy certificates (RECs) are used to achieve the relevant target, the source and quantity of carbon reduction credits to be offset or the quantity of renewable energy certificates (RECs) should be stated. | – | – | – | – |

2. Greenhouse gas inventory and confirmation of the situation (the Company, in accordance with the provisions of the sustainable development pathway of TWSE Listed Companies, belongs to the third stage of disclosure of information companies, and will begin to disclose the year

2026 greenhouse gas emissions inventory information in 2025).

(1) The basic information of the Company and the information that should be disclosed at least for the purpose of confirmation and inventory as stipulated in the sustainable development path of the TWSE listed company:

| Company's Basic Information | According to the Sustainable Development Pathway for TWSE listed companies, at least the following should be disclosed |
|---|---|
| □Companies with capital of over $10 billion, steel industry, cement industry<br>□Companies with capitalization of more than $5 billion and less than $10 billion<br>■Companies with less than $5 billion in capital | □Parent Company Personal Inventory<br>□Consolidated Financial Statements Subsidiary Inventory<br>□Parent Company's Personal Confirmation<br>□Consolidated Financial Statements Subsidiary Confirmation |

(2) Total emissions, intensity, confirming institutions and confirming circumstances

| Category I | Total Emissions (metric tons CO2e) | Intensity (metric tons CO2e/million) (Note 2) | Confirmation Agency | Confirmation Statement (Note 3) |
|---|---|---|---|---|
| Parent company (Taiyen) | – | – | – | – |
| Subsidiary (Taiyen Green Energy) | – | – | – | – |
| …(Note 1) | | | | |
| Total | – | – | – | – |
| Category II | Total Emissions (metric tons CO2e) | Intensity (metric tons CO2e/million) (Note 2) | Confirmation Agency | Confirmation Statement (Note 3) |
| Parent company (Taiyen) | – | – | – | – |
| Subsidiary (Taiyen Green Energy) | – | – | – | – |
| …(Note 1) | | | | |
| Total | – | – | – | – |
| Category III | – | – | – | – |

Note: 1. The information in categories 1 and 2 of this table is in accordance with the schedule set forth in the order of Article 10, Item 2 of the Criteria for Recorded Matters in Public Company Annual Reports. Enterprises with category 3 information may voluntarily disclose it.
2. Our company can conduct greenhouse gas inventory according to the following standards:
(1) Greenhouse gas inventory protocol (Greenhouse Gas Protocol, GHG Protocol).
(2) ISO 14064-1 published by the International Organization for Standard-ization (ISO).
3. The confirming institution shall comply with the relevant regulations on the confirmation of sustainability reports set by the Taiwan Stock Exchange Corporation and the Over-the-Counter Securities Trading Center of the Republic of China.
4. Subsidiaries may be reported individually, compiled (e.g., by country, by region), or in combination (Note 1).
5. The intensity of greenhouse gas emissions can be calculated per unit of product/service or turnover, but at least the data calculated by turnover (NT$ million) should be disclosed (Note 2).
6. The proportion of total emissions from operating sites or subsidiaries not included in the inventory calculation shall not be more than 5%, and the aforementioned total emissions refer to the emissions calculated in accordance with Form 1 and the mandatory inventory scope.
7. The confirmation statement should summarize the contents of the confirmation report of the confirming agency and attach the complete confirmation opinion to the annual report (Note 3).

(VIII) 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 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) 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 business policies? | V | | (I) On January 5 and 7 2022, the Company conducted a briefing on the relevant laws and regulations for insiders and all employees, and on June 23 and December 19 2022 for new Directors, so that they could fully understand the Company's commitment to honest corporate management, policies, and prevention programs taken, as well as the consequences of unethical conduct. | None. |
| (II) Does the Company establish the 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 the 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 Complaint/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. |

| 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 | |
| II. Implementing ethical corporate management<br>(I) Does the Company evaluate the ethical records of transaction partners, and stipulate the clauses of ethical conduct in the contracts signed with the transaction partners? | V | | (I) The Company selects 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). | None. |
| (II) Does the Company establish an 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? | V | | (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, which are regularly reported to the Board of Directors. The implementation of ethical corporate management was reported to the Board of Directors on November 4, 2022. 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. The dedicated unit collects the requests/proposals made by related units every quarter and handles them or reports them to the Board of Directors for supervision. | None. |
| (III) Does the Company adopt policies to prevent conflicts of interest and provide a proper appeal system and implement them thoroughly? | V | | (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 | 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 | |
| (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 based on risk assessment results of unethical conduct, and audit compliance with the unethical conduct prevention programs by itself or by the CPAs? | V | | conflicts of interest may be filed or reported in accordance with the "Guidelines for Handling Complaint/Grievances."<br>(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 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. | None. |
| (V) Does the Company organize internal and external training on ethical corporate management on a regular basis? | V | | (V) Based on the business needs, employees are assigned to attend training courses organized by the Company or third parties from time to time. | From time to time. |
| III. Implementing the whistle-blowing system<br>(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? | V | | (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 Complaint/Grievances." | None. |
| (II) Does the Company establish standard operating procedures for the investigation on complaints and the follow-up measures to be adopted after the investigation is completed as well as the relevant confidentiality mechanisms? | V | | (II) During the investigation, all complaints and grievances are handled confidentially. | None. |
| (III) Does the Company take measures to protect whistle-blowers from inappropriate disciplinary actions? | V | | (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. | 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 | |
| IV. Enhancing disclosure of information<br>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? | V | | The "Ethical Corporate Management Best Practice Principles" is available on the company website (Investor Zone - Company Management). | None. |
| 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. | | | | |
| 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. | | | | |
| VII. The substantial practices for implementing ethical corporate management policies each year and the program to prevent unethical behavior:<br>1.2. In August and September 2022, the Company organized a case sharing course on the Trade Secrets Act and reasonable confidentiality measures, which lasted for 2 hours and had 475 participants.<br>2.On June 23, 2022, the Directors were re-elected and all nine Directors signed the declaration, with a 100% signatory rate.<br>3. Content of the Ethical Corporate Management Statement of the Company:<br>(1) If a check deposit account is announced as a rejected account by the Clearing House, or if a check or an instrument issued by a financial institution as a payer has been returned with insufficient funds, and has not been corrected in accordance with the procedures listed in Article 12, Paragraph 4 of the "Rules Governing the Purchase and Sale of Marketable Securities by Securities Firms" of the Securities and Futures Commission, and the relevant documents have been submitted.<br>(2) If a loan from a financial institution is overdue for repayment, except in cases where the overdue repayment is not material or for a reasonable reason.<br>(3) A final judgment has found the company in violation of the Tax Collection Law. However, except for those who have not been punished with a fine or more by a labor authority or a criminal conviction by a court within the last year.<br>(4) A final judgment has found the company in violation of the Tax Collection Law.<br>(5) The company breaches the warranties and representations made in its application for listing.<br>(6) A final judgment has found the company in violation of the Company Act, Banking Act, Financial Holding Company Act, Business Accounting Act, or other business acts, or termed imprisonment due to corruption, malpractice, fraudulence, infidelity, or occupation.<br>(7) The company has other poor management behaviors involving involuntary bankruptcy. | | | | |

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

(IX) If a company has a code of corporate governance and related regulations, it should disclose how to inquire about them:

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).

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

(XI) The Implementation Status of Internal Control System should disclose the following matters:

1. Statement of Internal Control System

   The Statement of Internal Control System as attached was passed in the 7th meeting of the 13th-term Board of Directors on March 10, 2023.

**Taiyen Biotech Co., Ltd.**

**Statement of Internal Control System**

Date: March 10, 2023

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 2022:

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.
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.
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."
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, as of December 31, 2022, 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.
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 *Securities and Exchange Act*.
7. This Statement was approved by the Company's Board of Directors on March 10, 2023 Among the 8 directors present, 0 people held dissenting opinions, whereas the others agreed to the content of this Statement. The Statement is concluded herein.

Taiyen Biotech Co., Ltd.

Chairman: Ya-chuan Liu

General Manager: Shih-Chin Chen

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.

(XII) 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.

(XIII) 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 2022 and up to the date of publication of the Annual Report

| Date | Summary of Resolution | Implementation |
|---|---|---|
| June 23, 2022 | 1. Approved the Company's 2021 annual report of operations and financial statements.<br>2. Approved the distribution of the Company's 2021 earnings.<br>3. Passed the amendment to the Articles of Incorporation.<br>4. Passed the "Procedures for Acquisition or Disposal of Assets".<br>5. Passed the amendment to the "Rules of Procedure for Shareholders Meetings".<br>6. Election of the 13th-term Board of Directors (including independent directors). | 1. Acknowledged as proposed by vote.<br>2. Acknowledged as proposed by vote; cash dividends at NT$1.5 per share to be distributed in September.<br>3. Adopted as proposed by vote and disclosed on the company website.<br>4. Adopted as proposed by vote and disclosed on the company website.<br>5. Adopted as proposed by vote and disclosed on the company website.<br>6. The 13th-term Board of Directors (9 directors, including 3 independent directors) was re-elected for a term of 3 years, and assumed office on June 23, 2022. |

2. Major resolutions of the Board meetings in 2022 and up to the date of publication of the Annual Report:

| Date | Summary of Resolution |
|---|---|
| 2022. 04. 26 | ■ Passed the reappointment of the president of Taiyen Green Energy Co., Ltd. |
| 2022. 04. 29 | ■ Passed the amendment 2022 1st Quarter Consolidated Financial Statements.<br>■ Approved the organizational inventory and verification schedule plan of the Company in accordance with the "Pathway to Sustainable Development of Listed Companies".<br>■ Through the Company's development of its own land in the area of Jhuhu, Lujhu District, Kaohsiung City as a solar site, the Company agreed to invest $90 million in the project.<br>■ Approved the project of "New construction of toothpaste GMP plant" for the Company's biotech cosmetic plant and agreed to add NT$6 million to the budget, resulting in a total budget adjustment of NT$85.6 million.<br>■ Through Taiyen Green Energy, the company intends to apply to Taishin International Commercial Bank for the extension of medium and long-term credit facilities and loan extension for the EPC turnkey project of the Chiayi-Yi Chu fishery and electricity co-production project.<br>■ Approved the shareholders' nomination of the candidates for the 13th-term Board of Directors and independent directors. |
| 2022. 06. 23 | ■ Approved the election of a new Chairman of the Board of Directors. |
| 2022. 07. 29 | ■ Passed regulations and the adjustment of outstanding employees in 2022.<br>■ Passed the appointment of Director Wu, Shi-Hao, Director Li, Jia-Ling, and attorney Tsai, Wan-Chi as members on the 5th-term Remuneration Committee.<br>■ Passed the Consolidated Financial Statements for the second quarter and the first half of 2022.<br>■ Passed the record date of the distribution of cash dividends for 2022. |
| 2022. 09. 23 | ■ Passed the the"Procedures for Handling Material Inside Information".<br>■ Passed the amendment to continue to appoint Ernst & Young Associates to handle the financial and tax returns for the years 2023 to 2025.<br>■ Passed the service purchasing project on "Tung-Hsiao Electrodialysis Refined Salt Refined Factory's bulk transportation of salt products and packaged aquatic products". |
| 2022. 11. 04 | ■ Passed the Consolidated Financial Statements for the third quarter and the first three quarters of 2022.<br>■ Passed the 2023 audit plan. |

| Date | Summary of Resolution |
|---|---|
| | ■ Passed the amendment to obtain the most favorable purchasing conditions for the “Imported Sun Salt” purchase in 2023, and the manager was authorized to handle the purchase for two years.<br>■ Passed the operating budget and capital expenditures for 2023.<br>■ Passed the revision of “Procedures for Handling Material Inside Information”.<br>■ Passed the Company’s remuneration system, standard and structure.<br>■ Passed the change in the internal audit officer.<br>■ Passed the date of the 2023 Board of Directors’ meeting. |
| 2023. 02. 03 | ■ Passed the purchase of imported sun-dried salt in 2023.<br>■ Passed the application to Taiwan Cooperative Bank for an overall credit limit of NT$100 million.<br>■ Passed the power and responsibility at the Company.<br>■ Passed the amendment to the "Regulations Governing Procedure for Board of Directors Meetings." |
| 2023. 02. 07 | ■ Passed the reappointment of the directors and chairman of Taiyen Green Energy Co., Ltd. |
| 2023.03.10 | ■ Passed the declaration and publication of the Company's Annual Report on the "Statement of Internal Control System for the year 2022"<br>■ Passed the Company's 2022 Business Report.<br>■ Passed the amendment to the Articles of Incorporation of Taiyen Green Energy Co., Ltd.<br>■ Passed the Company's Consolidated Financial Statements and Individual Financial Statements for the year 2022.<br>■ Passed the Company’s 2022 earnings distribution proposal<br>■ Passed the Company’s 2022 CPA independent assesment results on Finance and Tax Compliance Audit.<br>■ Passed the Company’s 2022 proposal for Directors’ renumeration and employee compensation.<br>■ Passed the Company’s 2022 proposal for distribution of Directors’ renumeration and employee compensation of Taiyen Green Energy Co., Ltd<br>■ Passed the Company’s approval for the Retirement Payment of former Chairman, Wu Rong-hui.<br>■ Pssed the election of an Independent Director<br>■ Passed the date of the Company’s 2023 Shareholders Meeting.<br>■ Passed the agenda of the Company’s 2023 Shareholders Meeting. |

### (XIV) 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.

### (XV) 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

February 28, 2023

| Title | Name | Date of Appointment | Date of Dismissal | Reason for Resignation or Dismissal |
|---|---|---|---|---|
| R&D Director | Tsao, Chih-Hsing | 2017. 07. 01 | 2022. 06. 30 | Retirement |
| Director of Auditing Office | Wang, Ching-Sen | 2019. 07. 31 | 2022. 11. 16 | December 30, 2019 |
| Chairman | Wu, Jung-Hui | April 30, 2021 | 2023. 02. 06 | Other commitments |

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

### (XVI) Managerial Officers' Participation in Corporate Governance Training

| Title | Name | Course Name | Date | Training Hour | Remark |
|---|---|---|---|---|---|
| President | Chen, Shi-Hui | The real value created economy and low carbon innovation - a look at circular economy and governance | September 6, 2022 | 3 | Chinese National Association of Industry and Commerce |
| Vice President | Li, Chieh-Han | Carbon management trends towards Net-Zero and solutions | July 19, 2022 | 3 | Taiwan Corporate Governance Association |
| | | The real value created economy and low carbon innovation - a look at circular economy and governance | September 6, 2022 | 3 | Chinese National Association of Industry and Commerce |
| | | Analysis of Management Rights Competition and Prevention Strategies | November 15, 2022 | 3 | Taiwan Corporate Governance Association |
| | | Protection of Trade Secrets | November 15, 2022 | 3 | Securities & Futures Institute |
| Director of Financial Accounting Department | Su Wei | Common deficiencies in the preparation of corporate financial statements and compliance with internal audit and internal control laws (video class) | June 10, 2022 | 6 | Accounting Research and Development Foundation |
| | | The latest ESG sustainability and financial reporting self-preparation related policy development and internal control management practices (video class) | June 30, 2022 | 6 | Accounting Research and Development Foundation |
| | | Analysis of the latest annual IFRS Q&A | September 19, 2022 | 3 | Accounting Research and Development Foundation |

(XVII) Procedures for Handling Material Inside Information:

The "Procedures for Handling Material Internal Information" has been made available on the company website under "Corporate Governance" in the Investors Area for inquiries by shareholders and colleagues since November 10, 2022.

## IV. Information on CPA Professional Fees

Unit: NT$ thousands

| Accounting Firm | Name of CPAs | Period of Audit | Audit Fees | Non-audit Fees | Total | Remark |
|---|---|---|---|---|---|---|
| EY Taiwan | Tseng, Yu-Che | 2022.01.01-2022.12.31 | 2,000 | 1,260 | 3,260 | The non-audit fee of $1,260 thousand represents the amount of $1,080 thousand for the sustainability report project and $180 thousand for the taxation certification fees. |
| | Li, Fang-Wen | 2022.01.01-2022.12.31 | | | | |

Please specify the service content of the non-audit fees: (i.e. taxation certification, assurance, or other financial consultation services)

Note: In case of any change in the CPA or accounting firm, indicate the period of audit separately, explain the reason for the change in "Remark," and disclose the audit fees and non-audit fees. Please provide descriptions for the service content of non-audit fees.

(I) The Company should disclose the following, if any:

1. 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.

2. Amount of Audit Fees before and after the Change (if Audit Fees Paid for the Current Year Are Lower than Stake 10% or More) and the Reason:

   None.

(II) The audit fees above refers to fees that the Company paid to CPAs regarding the audit, review, and verification of financial reports, and the review of financial forecast.

## 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

<table>
<tr><td>Date of Replacement</td><td colspan="4">N/A</td></tr>
<tr><td>Reason for Replacement</td><td colspan="4">N/A</td></tr>
<tr><td rowspan="3">Termination by the Client or CPAs</td><td colspan="2">Party<br>Situation</td><td>CPA</td><td>Client</td></tr>
<tr><td colspan="2">Voluntary termination</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="2">Declination</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Opinions Other than Unqualified Opinions in the Most Recent Two Years and Reason</td><td colspan="4">N/A</td></tr>
<tr><td rowspan="7">Different Opinions with the Issuer</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Audit scope or steps</td></tr>
<tr><td></td><td colspan="2">Other</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="3"></td></tr>
<tr><td colspan="4">Note: N/A</td></tr>
<tr><td>Other Disclosures<br>(under Items 1-4 to 1-7, Subparagraph 6, Article 10 of the Regulations)</td><td colspan="4">N/A</td></tr>
</table>

(II) New CPAs

| | |
|---|---|
| Name of Accounting Firm | N/A |
| Name of CPAs | N/A |
| Date of Appointment | N/A |
| Inquiry about Accounting Treatment or Accounting Principles of Specific Transactions and Potential Audit Opinions on the Financial Statements before engagement | N/A |
| Written Opinions on Different Opinions with the Former CPAs | N/A |

(III) Response from the former CPA regarding matters under items 1 and 2-3, subparagraph 6, Article 10 of the Standards.

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, its 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%

Unit: Share

<table>
<tr><th rowspan="2">Title<br>(Note 1)</th><th rowspan="2" colspan="2">Name</th><th colspan="2">2022</th><th colspan="2">As of April 21, 2023</th></tr>
<tr><th>Increase/Decrease in Number of Shares Held</th><th>Increase/Decrease in Number of Shares Pledged</th><th>Increase/Decrease in Number of Shares Held</th><th>Increase/Decrease in Number of Shares Pledged</th></tr>
<tr><td>Chairman</td><td>Temporal vacancy</td><td rowspan="5">Representative of Ministry of Economic Affairs</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td></tr>
<tr><td>Acting Chairman</td><td>Liu, Ya-Chuan</td></tr>
<tr><td>Director</td><td>Liao, Hsien-Kuei</td></tr>
<tr><td>Director</td><td>Wang, Ching-Tien</td></tr>
<tr><td>Ten-percent Shareholder</td><td>Ministry of Economic Affairs</td></tr>
<tr><td>Director</td><td colspan="2">Sunshine Protech Inc.<br>Representative: Chen, Kuan-Ping</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Director</td><td colspan="2">Tungwei Construction<br>Representative: Chao, Kuo-Hsiang<br>(Appointment date: 2022/6/23)</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Independent Director</td><td colspan="2">Li, Chia-ling<br>(Appointment date: 2022/6/23)</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Independent Director</td><td colspan="2">Wu, Shi-hao<br>(Appointment date: 2022/6/23)</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Independent Director</td><td colspan="2">Ho,Hua-Hsun<br>(Appointment date: 2022/6/23)</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>President</td><td colspan="2">Chen, Shi-Hui</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Deputy General Manager and Head of Corporate Governance r</td><td colspan="2">Li, Chieh-Han</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Director of Financial Accounting</td><td colspan="2">Su Wei</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
</table>

| | | | | | |
|---|---|---|---|---|---|
| Department | | | | | |
| Director of Auditing Office | Wang, Ching-Sen (Date of dismissal: November 16, 2022) | 0 | 0 | 0 | 0 |
| Independent Director | Chan, Chien-Lung (Discharge date: 2022/6/23) | 0 | 0 | 0 | 0 |
| Independent Director | Huang, Shun-Tien (Discharge date: 2022/6/23) | 0 | 0 | 0 | 0 |
| Independent Director | Kuo, Ying-Man (Discharge date: 2022/6/23) | 0 | 0 | 0 | 0 |
| Director of Auditing Office | Zhuang Meiyu (Date of appointment: November 16, 2021) | 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: Temporal vacancy | — | — | — | — | — | — | — | — | |
| 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 | 10,000,000 | 5.00% | — | — | — | — | — | — | |
| CTBC Bank as Custodian of Taiyen Biotech Co., Ltd.'s Employee Stock Ownership Account | 5,877,709 | 2.94% | — | — | — | — | — | — | |
| Citibank as Custodian of Norges Bank's Investment Account | 2,607,080 | 1.30% | — | — | — | — | — | — | |
| Standard Chartered as Custodian of KGI Asia Limited | 2,028,041 | 1.01% | — | — | — | — | — | — | |
| Standard Chartered as Custodian of the SPDR Group investment accounts in ETF emerging markets, part of SPDR® Exchange Traded Funds | 1,986,500 | 0.99% | | | | | | | |
| Global Cargo Organization & Company Ltd.: Yi, Cha-Wen | 1,966,000 | 0.98% | — | — | — | — | — | — | |
| International Bills Finance Corp: Wei, Chi-lin | 1,733,000 | 0.87% | — | — | — | — | — | — | |
| J.P. Morgan Taipei Branch as Custodian of the Vanguard Emerging Markets Stock investment accounts, part of Vanguard Group | 1,473,000 | 0.74% | — | — | — | — | — | — | |
| Ming Xuan Company Ltd.: Chen, Tai-Feng | 1,434,000 | 0.72% | — | — | — | — | — | — | |

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 21, 2023

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 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 21, 2023 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

Reference Date: June 19, 2023

| Shareholder Structure / Quantity | Government Agencies | Financial Institutions | Other Institutions | Foreign Institutions and Individuals | Individuals | Treasury Stock | Total |
|---|---|---|---|---|---|---|---|
| Number of People | 1 | 9 | 210 | 106 | 53,891 | 0 | 54,217 |
| Number of Shares | 77,768,272 | 10,299,982 | 18,403,806 | 17,733,824 | 75,794,116 | 0 | 200,000,000 |
| Shareholding (%) | 38.88% | 5.15% | 9.20% | 8.87% | 37.90% | 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 | 38,733 | 2,489,022 | 1.24% |
| 1,000~5,000 | 12,776 | 24,285,989 | 12.15% |
| 5,001~10,000 | 1,539 | 11,898,095 | 5.95% |
| 10,001~15,000 | 410 | 5,240,381 | 2.62% |
| 15,001~20,000 | 201 | 3,717,270 | 1.86% |
| 20,001~30,000 | 213 | 5,340,386 | 2.67% |
| 30,001~40,000 | 79 | 2,808,886 | 1.40% |
| 40,001~50,000 | 63 | 2,907,866 | 1.45% |
| 50,001~100,000 | 101 | 7,437,936 | 3.72% |
| 100,001~200,000 | 51 | 7,209,433 | 3.60% |
| 200,001~400,000 | 21 | 5,763,109 | 2.88% |
| 400,001~600,000 | 11 | 5,644,135 | 2.82% |
| 600,001~800,000 | 5 | 3,745,037 | 1.87% |
| 800,001~1,000,000 | 0 | 0 | 0.00% |
| 1,000,001 or more | 14 | 111,512,455 | 55.77% |
| Total | 54,217 | 200,000,000 | 100% |

2. Preferred stock (NT$10/share)

April 21, 2023

| Class of Shareholding | Number of Shareholders | Shareholding | Shareholding (%) |
|---|---|---|---|
| Class of Shareholding | — | — | — |
| Total | — | — | — |

(IV) Major Shareholders

April 21, 2023

| Share / Major Shareholder | Number of Shares | Shareholding (%) |
|---|---|---|
| Ministry of Economic Affairs | 77,768,272 | 38.88% |
| Tungwei Construction: Chao, Kuo-Hsiang | 10,000,000 | 5.00% |
| CTBC Bank as Custodian of Taiyen Biotech Co., Ltd.'s Employee Stock Ownership Account | 5,877,709 | 2.94% |
| Citibank as Custodian of Norges Bank's Investment Account | 2,607,080 | 1.30% |
| Standard Chartered as Custodian of KGI Asia Limited | 2,028,041 | 1.01% |
| Standard Chartered as Custodian of the SPDR Group investment accounts in ETF emerging markets, part of SPDR® Exchange Traded Funds | 1,986,500 | 0.99% |
| Global Cargo Organization & Company Ltd.: Yi, Cha-Wen | 1,966,000 | 0.98% |
| International Bills Finance Corp：Wei, Chi-Lin | 1,733,000 | 0.87% |
| J.P. Morgan Taipei Branch as Custodian of the Vanguard Emerging Markets Stock investment accounts, part of Vanguard Group | 1,473,000 | 0.74% |
| Ming Xuan Company Ltd.: Chen, Tai-Feng | 1,434,000 | 0.72% |

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

| Year / Item | | | 2021 | 2022 | As of March 31, 2023 (Note 8) |
|---|---|---|---|---|---|
| Market Price per Share (Note 1) | Highest | | 35.85 | 35.50 | 33.60 |
| | Lowest | | 30.70 | 29.80 | 32.20 |
| | Average | | 32.87 | 32.99 | 32.94 |
| Net Worth per share (Note 2) | Before distribution | | 31.81 | 32.61 | 33.15 |
| | After distribution | | 30.31 | 32.61 | 33.15 |
| Earnings per Share (Note 3) | Weighted average number of shares | | 200,000,000 | 200,000,000 | 200,000,000 |
| | Earnings per Share | Before adjustment | 1.97 | 2.13 | 0.54 |
| | | After adjustment | 1.97 | 2.13 | 0.54 |
| Dividend per Share | Cash (Note 4) | | 1.50 | 1.50 | — |
| | Stock | Appropriated from earnings | — | — | — |
| | | Appropriated from capital reserve | — | — | — |

| | | | | |
|---|---|---|---|---|
| | Accumulated undistributed dividends (Note 4) | — | — | — |
| Return on Investment | Price-to-earnings ratio (Note 5) | 16.69 | 15.49 | — |
| | Price-to-dividend ratio (Note 6) | 21.91 | 21.99 | — |
| | Cash dividend yield (Note 7) | 0.05 | 0.05 | — |

P.S. 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 6: 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 the 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 2022 are estimated at 48% of the earnings available for distribution.

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

   The distribution of earnings for 2022 was approved in the 7th meeting of the 13th-term Board of Directors. NT$300,000,000 of cash dividends at NT$1.5 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

<table>
<tr><td colspan="3">Year<br>Item</td><td>2023(Estimate)</td></tr>
<tr><td colspan="3">Paid-in Capital, Beginning of Year</td><td>NT$2,000,000,000</td></tr>
<tr><td rowspan="4">Cash/Stock Dividend</td><td colspan="2">Cash dividend per share</td><td>NT$1.5</td></tr>
<tr><td colspan="2">Stock dividend per share through earnings</td><td>—</td></tr>
<tr><td colspan="2">Cash dividend per share through capital reserve</td><td>—</td></tr>
<tr><td colspan="2">Stock dividend per share through capital reserve</td><td>—</td></tr>
<tr><td rowspan="7">Change in Business Performance</td><td colspan="2">Operating income</td><td rowspan="13">(Note)</td></tr>
<tr><td colspan="2">Increase/decrease in operating income YoY (%)</td></tr>
<tr><td colspan="2">Net income</td></tr>
<tr><td colspan="2">Increase/decrease in net income YoY (%)</td></tr>
<tr><td colspan="2">Earnings per share</td></tr>
<tr><td colspan="2">Increase/decrease in earnings per share YoY (%)</td></tr>
<tr><td colspan="2">Annual average return on investment (reciprocal of annual average price-to-earnings ratio)</td></tr>
<tr><td rowspan="6">Pro forma earnings per share & price-to-earnings ratio</td><td rowspan="2">Capital increase through earnings - cash dividend only</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro forma annual average return on investment</td></tr>
<tr><td rowspan="2">No capital increase through capital reserve</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro forma annual average return on investment</td></tr>
<tr><td rowspan="2">No capital increase through capital reserve & capital increase through earnings - cash dividend only</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro forma annual average return on investment</td></tr>
</table>

Note: The Company has not disclosed the full version of the financial forecast for 2023, so there is no need to disclose the estimates for 2023.

(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 and directors and supervisors shall be adopted by a resolution by a majority voting 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 in stock 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 and 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. Remuneration distribution approved by the Board of Directors:
   (1) The Board of Directors adopted the proposed distribution of NT$20,908,036 to employees and NT$8,363,214 to directors (excluding independent directors) and supervisors in cash for 2022.
   (2) The proposed and recognized distribution of remuneration to employees and directors other than independent directors and supervisors totaled NT$29,271 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 and 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$18,864,851 as remuneration to employees and NT$7,545,940 as remuneration to directors (excluding independent directors) and supervisors for 2021 was adopted by the Board of Directors on March 18 2022 and reported at the shareholders' meeting on June 23 2022 .
   (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$26,411 thousand.
   Cause for discrepancy: None.
   Accounting 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. Global Depository Shares

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 Pharmaceutical. |
| 15. F208021 | Retail Sale of Western Pharmaceutical. |
| 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$ thousands; %

| Major Line of Business | Weight of Business | |
|---|---|---|
| | Amount | % |
| Salt | 1,460,662 | 41 |
| Bottled Water | 1,021,158 | 28 |
| Cosmetics | 114,969 | 3 |
| Cleaning Products | 176,397 | 5 |
| Health Food | 224,544 | 6 |
| Engineering and service income | 557,955 | 15 |
| Others | 57,922 | 2 |
| Total | 3,613,607 | 100 |

Note: Others include commodities, recreational products, etc.

3. New products (services) to be developed

(1) Key raw materials (materials)

A. We plan to utilize our existing R&D capacity for collagen to develop the exclusive submicron-collagen coating carrier. It has been proven that the percutaneous absorption rate may increase. We will develop innovative spot treating ingredients; we have developed the first-ever submicron-astaxanthin coated serum, droplet, and coated granule within the industry.

B. In response to environmental changes and market demand, we plan to develop health materials with better protection and focus on developing coated probiotic ingredients with gastric acid resistance.

C. We continue improving the new-generation dental materials.

D. We will expand our R&D energy for natural ingredients and develop natural hair-blacking compounded extracts that increase the synthetic rate of melanin, a natural complex extract with high UV-absorbing capacity for sunscreen application, and a natural antibacterial complex extract with wide efficacy that does not contain legal preservatives.

(2) Cleaning products and cosmetics

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

A. Upgrade of Lumiel skincare products.

B. Upgrade of MÉDECUR lines.

C. Optimization of toothpaste taste.

D. Research and development of environmental label products.

(3) Health food

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

Ten new products were launched, including “Sutong Ning Fruit and Vegetable Extract Capsules”, “Sesamin E Goodnight Capsules”, “Cranberry Probiotic Tablets”, “Double Ginseng Drink” and “Wellbutrin Phytogenic Tablets”, to enhance the competitive edge of the products in mobility and physical management in mature age and in maintaining nutritional supplements for middle-aged and strong body strength.

(4) Salt

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

A. 70th anniversary of the launch of "Premium Rose Salt Fermented Soy Sauce" featuring rose salt fermentation.

B. Derivative application of salt-koji raw materials, “Freshly Selected Chicken Soup with Cordyceps and Shiitake Mushrooms” has a delicious launch.

C. Developed and launched the trendy "Dishwasher Salt for Water Softening" technology to improve the applicability of salt.

(II) Industry Overview

1. Current state and development

(1) Salt Industry

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 the 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 salt-dried salt fields in 2002, putting an end to solar salt production. Officially established in 1975, the Tung-Hsiao Electrodialysis Refined Salt Factory used ion exchange membrane electrodialysis to produce salt. From raw materials to finished products, the entire production process is automated without manual operation, making it the world's 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) Packaged Drinking Water Industry

In recent years, the bottled water market has grown year by year. According to the market surveys, the domestic sales of bottled water in 2020 was estimated to exceed NT$10 billion (approximately NT$10.9 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 electrodialysis 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 0.2μm 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 6,000 tons per year to over 80,000 tons per year. At present, our bottled water line consists of Ocean Water, Small Molecule Ocean Water, and Ocean Alkaline Ion Water. 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 3 consecutive years (2020-2022) 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 (2020-2022), 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 2018 and 2023 ITI Awards, the Gold in the Monde Selection 6 times in a row, and the Grand Gold in the Monde Selection between 2014 and 2022; Small Molecule Ocean Water won the 3-star Superior Taste Awards consecutively in the 2019, 2020 and 2023 ITI Awards for its quality, and it has been recognized internationally.

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 patents.

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

The continued impact of the epidemic in the first half of 2022 has shortened social distance and changed consumers' shopping patterns. However, the economy will gradually recover in the second half of the year, but the consumer market for people's livelihood is still strong, and the demand for personal care products has not recovered strongly. 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.

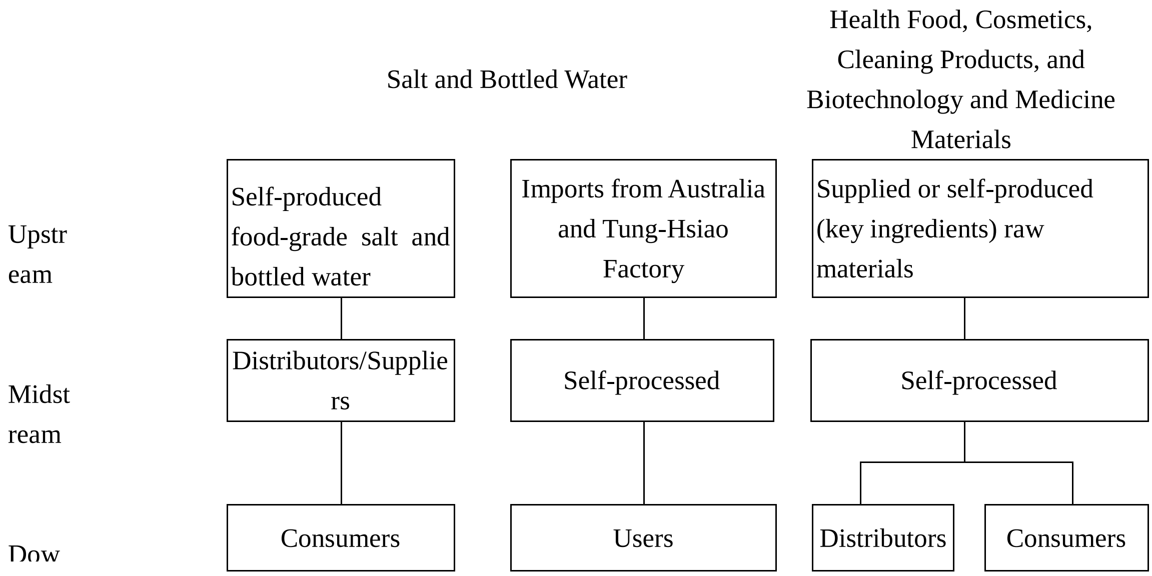
According to the "Price Information Platform" by the Executive Yuan, the prices of main raw materials of cleaning products, including palm oil, interfacial agent, and packaging materials (including cartons), and PE films, have been increasing. Our product development sustains relatively high-cost pressure; apart from absorbing partial costs to maintain the sales of shelved products, we have planned for the reinforcement of function-oriented products with higher unit price to respond to the competition in the market. We further planned to achieve the target of saving energy and reducing carbon dioxide for environmental protection by reducing packing materials or using environment-friendly packaging materials.

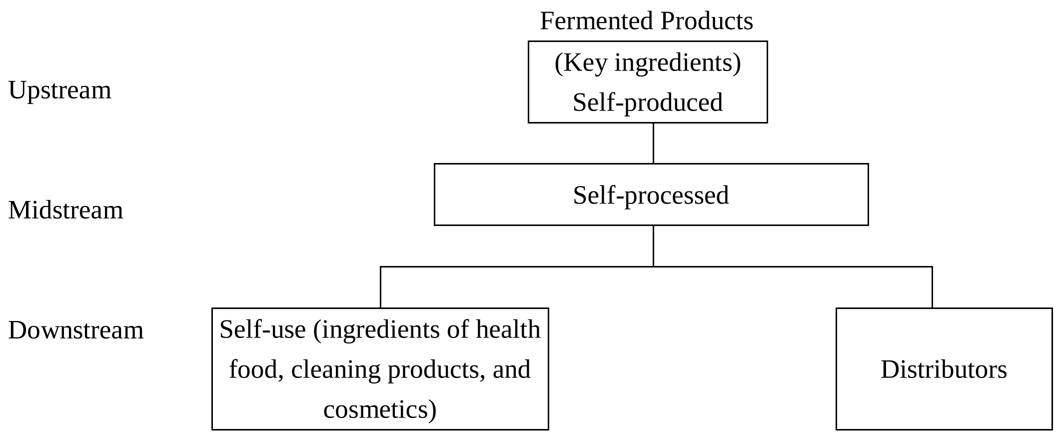
(4) Health food

In 2021, the scale of health food - dietary supplement market in Taiwan was approximately NT$99.1 billion, with a growth rate of 8.3%. According to consumer surveys, market sentiment, and manufacturer surveys, the overall growth trend of the health and nutritional food market will remain unchanged in 2022. However, facing the pressure of the global inflationary environment, rising costs and weakening consumption power will reduce growth momentum.

The key development points of future health food trends include: (1) the demand for health care nutrition continues to expand, (2) the supply chain and operational toughness need to be strengthened, (3) overseas market expansion is still shallow, and (4) personalized precision health will be full of imagination.

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 a standard of living improves, 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. 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, and Original Taste Cooking Sea Salt, Salt, Mediterranean Sea Salt, Himalayan Pink Salt, and Australian Sun-Dried Sea 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 2021, the overall output value of domestic seasonings was approximately NT$18.74 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$9.23 billion. With the increasing awareness of natural seasonings, in addition to our original 100% chemical-free Shiitake mushroom and bonito salt koji seasonings, we are also launching a top-quality black soybean salt koji thick soy sauce in collaboration with the famous domestic soy sauce manufacturer "Wuan Chuang" and a top-quality rose salt fermented soy sauce in collaboration with "Doyoubo" in 2020, and we are planning to sell natural condiments in supermarkets and mass merchandisers to provide consumers with another delicious and healthy choice. 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 2022, 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 2022, 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)

According to WGSN, the largest international trend analysis firm, the global Clean Beauty market is estimated to reach US$5.44 billion, with a compound annual growth rate of 12% through 2027, and an estimated market value of over US$11.6 billion. As consumers turn to natural and sustainable beauty products in the wake of the outbreak, consumers have become more cautious in their search for trustworthy products, making Asia Pacific the fastest growing region for clean beauty awareness in recent years.

In the post-epidemic era of 2023, in the face of changing epidemics and frequent extreme climates, society’s concern for sustainability issues continues to rise. According to CMRI’s “2022 Beauty Sustainability Awareness and Purchase Intentions Survey”, over 90% of consumers say they are increasingly concerned about the sustainability of beauty products. Both emerging niche brands and international counter brands are speeding up their sustainable beauty strategies and deeply cultivating their sustainable beauty concepts. Efficient, Self-care, Green, the concept of "ESG Beauty" was born accordingly.

Efficient advocates the upgrade and innovation of ingredients and technology to help consumers become beautiful. The market education on effective maintenance is maturing, and consumers are more and more inclined to rational consumption, more willing to choose products with open ingredients and clear efficacy. Self-care advocates personalized product creativity and transparent formula design to provide consumers with a more value-conscious care experience. Consumers are looking for more targeted and personalized maintenance solutions. Green is the core of ESG Beauty, which advocates the use of clean design to achieve a sustainable and beautiful life philosophy for consumers. The production of products ranges from inner material screening to packaging material design, from source production to terminal sales, to create sustainable green packaging and reduce unnecessary waste of resources.

In terms of oral cleaning products, toothpaste mainly solves common problems such as anti-cavity, whitening and anti-allergy, while recent development has shifted to a more complete concept of oral health care from tooth and crevice cleaning to oral antibacterial protection. In addition, growing consumer concern about dental hygiene and awareness of the harmful effects of using chemically formulated toothpastes has led to the use of herbal toothpastes as an alternative motivation for growth.

According to the KANTAR Consumer Index 2022Q1 study, hair shampoo and hair care products have sales growth momentum, and three major trends are summarized: first, online hair products are growing rapidly, and 20th generation consumers are more active in online purchases; second, consumers' average spending on hair products is growing, with medical and salon brands that focus on professional ingredients growing rapidly. The brand's authoritative impression is supported by doctors' recommendations and experimental data, or the brand's quality image is built up by environmental-friendly actions, and the concept of sustainability is realized from the raw material side to the sales side of the products, and the brand is involved in the Clean Beauty wave. The concept of "hair and muscle care" has emerged, and the market has seen significant growth in sales of shampoo and hair care products that emphasize scalp care functions.

In response to the trend development, our company will focus on "minimalist transparency", "precise maintenance", "innovative technology" and "sustainable design" to create brand value and to be more in line with the market trend.

(3) Health food

According to a survey conducted by the ITIS team of the Food Research Institute, health care nutrition is an irreversible trend in the development of global food products, and under the spread of the new pneumonia epidemic, maintaining physical health and strengthening immunity have become national campaigns, while the health of the elderly and young children has become a basic issue of quality of life. Taiwan's health food market size in 2020 was NT$151.2 billion (5.4% growth), dietary supplements grew 6.8%, and traditional food types grew 3.6%. The overall growth rate for 2021 is estimated to be approximately 5.6%. In addition, due to the epidemic factor, the purchase of health food has been promoted by the public, mainly for immune regulation, followed by gastrointestinal tract, joints and eye protection.

According to Kantar's survey, the demand for health care products will be specialized and basic health care will be strengthened. It is suggested that in the future, products with basic health care functions should think about how to communicate more usage opportunities so that consumers have a reason to keep buying them. We also cite three health care needs that are growing steadily: (1) Who is working hard for who is busy: modern life is busy, using computers and mobile phones 3C for a long time, requiring eye health care to relieve fatigue; and often eating out, insufficient intake of fruits and vegetables is also normal, relying on supplements Probiotics are common needs to adjust gastrointestinal function, help digestion and absorption, and improve immunity. (2) The elderly need to be taken care of even if they are far away: the elderly are also more aware of preventive health care. Even as they grow older, their mobility cannot be reduced. Before, they could travel with friends, but now they avoid unnecessary outings, and calcium and UCII are still needed to enhance mobility. (3) The link between women's beauty and health: women's health needs are extensive, from diet, exercise, maintenance products, health care products, treatment, etc. A multi-pronged approach to thinness, beauty and care, and even intimate maintenance is not missed.

Accordingly, the 2022 annual research focuses on the trend of the new pneumonia epidemic and the change of people's living habits, and develops health food products with related needs to expand the customer base with more precise product functions.

According to Euromonitor research, the global health food market will reach US$869.7 billion in 2022, with North America and Europe leading the market growth, but the Asia Pacific market will see the most significant change in growth (estimated market share of over 30% in 2026). Consumers' concern for healthy eating is only increasing, health value foods are becoming more popular, food safety sensitivity is increasing, and manufacturers are actively investing in health upgrades and flavor innovation. According to Mintel GNPD's global launch data, about 23,000 new products are launched globally every year to join the market competition. The top five functional requirements include "energy strengthening", "vitamin and mineral strengthening", "immune system health", "digestive system health" and "bone health". Facing the business opportunities and competition in the market, in recent years, there are new breakthroughs in the functions and applications of the original materials, or new raw materials are added to explore the health and nutritional value, and the action and speed of R&D and strategic layout of manufacturers are increasing and accelerating.

According to Nielsen survey data, 80% of respondents said they would continue to be concerned about healthy eating after the outbreak. In addition to the demand for immune system enhancement, emotional sleep, eye care, beauty care, hair care... have all become key health areas of concern to consumers and have driven the development of the related health food and raw material markets. Another emotional health has become one of the main health issues of concern to consumers, especially because of the epidemic, affecting the daily lives of consumers. A survey conducted by the Taiwan Sleep Medicine Association found that one in 10 people in Taiwan have sleep disorders, and the average annual intake of sleeping pills is the highest in Asia, insomnia not only affects memory and concentration, but it is also related to anxiety, obesity and chronic diseases. Therefore, in addition to the company's original series of mobile health care, physique adjustment and female maintenance, we have also developed the "Sesame E Goodnight Capsules", a health product that helps to relieve sleep, and the "Highly Concentrated Cyanobacteria Tablets", which purify the body's environment and enhance immunity.

After the epidemic, everyone has paid great attention to issues such as nutritional supplements and health care. The age group that needs health food has decreased, and the demand has also increased significantly. According to the survey, the future development trend of the health food industry can be summarized by the following three key points: 1. Reliability determines sales performance 2. The more refined the product is, the more accurate the customer group is 3. E-commerce channels are the future mainstream. In recent years, the company has focused on the research of home-made collagen type II, and has invested a lot of resources in both process optimization and product efficacy, and has made good use of publicity resources to increase consumer trust in the company's brand of mobile health-related products.

4. Competition

In terms of salt, the "Salt Management Regulations" was abolished in January 2004, allowing salt to be freely managed and competed. Currently, various salt products are imported from China, Thailand, 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 2022 and as of March 31, 2023

Unit: NT$ thousands

| Item \ Year | 2022 | As of March 31, 2023 |
|---|---|---|
| Research and Development Expenditures | 60,640 | 13,763 |

2. Results achieved in 2021 and before the date of publication of the Annual Report.

| Year | Product Development and Technological Improvement |
|---|---|
| 2022 Year | I. Product Development<br>1. Cosmetics and cleaning products<br>(1) Beauty care products: Launched four new products in the Lumiel “Golden Elasticity Series”, two new products in the Lumiel Men’s Series, two new products in the MÉDECURA Medical Beauty Series, including the “Radiance Sculpting Double Essence” and the “Creative Extreme Sculpting Ampoule”, and two new products in the “Taiyen Beauty Series”, including the “Revitalizing Super Essence” and the “Diamond Forever Repairing Gel SPF50★★★.<br>(2) Cleaning products: we have obtained three environmental protection labels for our products, namely "Taiyen Biotech Marine Eco-Friendly Hand Wash", "Natural Forest Soft Body Wash" and "Natural Marine Conditioning Shampoo". In terms of toothpaste, four new products were launched, including “Himalayan Rose Salt Phytochemical Toothpaste”, “Mediterranean Salt Phytochemical Toothpaste”, “Green Tea Ice Crystal Mint Toothpaste” and “Collagen Herbal Peptide Anti-Sensitivity Toothpaste”; the “Black Magic Activating Colour Fixing Shampoo” was launched in the Hair Aspiration series, the “Deep Conditioner” and “Eucalyptus Hand Wash” were launched in the Pesso Beauty series, and the “Ultra Hydrating Body Lotion” was launched in the Collagen Beauty Research series; the company also collaborated with Carrefour on the first ‘Re Collection’ of sustainable products, a total of 6 including the “Phytocosme Hydrating/Whitening Cleanser”, “Phytocosme Oil Control/Nourishing Shampoo” and “Phytocosme Moisturising/Soothing Body Wash”.<br>2. Health food:<br>Ten new products were launched, including “Sutong Ning Fruit and Vegetable Extract Capsules”, “Sesamin E Goodnight Capsules”, “Cranberry Probiotic Tablets”, “Double Ginseng Drink” and “Wellbutrin Phytogenic Tablets”.<br>3. Salt:<br>Completed the development and launch of the new products “Premium Rose Salt Fermented Soy Sauce”, “Freshly Selected Chicken Soup with Golden Cordyceps and Shiitake Mushrooms” and “Dishwasher Salt for Water Softening”.<br>II. Patent Applications<br>1. The Company was granted two R.O.C. patents for "Packaging structure of micronized salt yeast microcapsules" and "Coating structure of submicron astaxanthin for light spot".<br>2. Two new R.O.C. patent applications for the “Container Structure for Containing Essence Containing Isotonic Encapsulated Droplets”and“Droplet Structure for Encapsulating Astaxanthin”.<br>3. The patent for “High purity undenatured collagen and method of its manufacture” is pending in Thailand.<br>III. Awards:<br>1. 2022 Monde Selection European International Quality Assurance Organization Competition: Silver Award for “Luxury Anti-Ageing Skin Renewal Serum”.<br>2. 2022 ITI International Taste Assessment: both “Fresh Choice My Top Black Soy Bean Salt Yeast Thick Soy Sauce” and the “Taiyen Salt Marine Alkaline Ionized Water” were awarded 2 stars for their excellent taste.<br>3. 2022 Taiwan Health Food Association Nutritional Food Innovation Award: the “Key Tablet PLUS” won the Silver Innovation Award and the “Marigold Luteolin Capsules EX+” won the Innovation Award. |

| Year | Product Development and Technological Improvement |
|---|---|
| | 4. 2022 Agri-Food's 8th Annual Top 10 Grain Choice GOOD Products: "Freshly Selected Premium Black Soybean Salt Aspergillus Thick Soy Sauce" was awarded the Top 10 Grain of Choice Award. |
| As of the Date of Publication of the 2023 Annual Report | 1. Launched 1 new product of Lumiel"Gold Elasticity Series", Gold Elasticity Light Sunscreen SPF50+ ★★★, and 2 new products of "Taiyen Beauty Series", "Time Brightening Essence" and "Brightening Eye Cream".<br>2. Completed the development and launch of 1 cleaning product of Alkaline Cleansing Mouthwash.<br>3. Completed the development and launch of two new health products, "Vitamin C200 Chewable Tablets" and "Yeast B Complex Capsules".<br>4. "Sesamin E Goodnight Capsules" won the 2023 Taiwan Health Food Association Nutritional Health Food Innovation Award.<br>5. "Chinese herbal medicine brewing combination" obtained a new R.O.C. patent. |

(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 recent years, we have been actively strengthening our community management and increasing interaction and communication with our community fans. The community fermentation topic (Taiyen's water has a supercar) was transformed in the theme of 2023's annual consumer campaign (Dream Amazing, a bottle to the end, supercar for you), maximizing the the conversation around the brand and becoming the focus of market attention. Through this creative marketing campaign, we combined online and offline physical and virtual channels to expand the connection between consumers' brand intentions and products, thus increasing the brand's market share.

C. Biotech products: In addition to product focus and optimization, we will make use of our core competencies and international invention awards to actively expand new businesses, and will adjust our existing product lines to eliminate weaknesses and preserve strengths, focus on our core products to consolidate promotional resources and promote brand reengineering in order to increase revenue and profitability.

D. Channels: We are actively building up the beauty and health care professional capacity of the chain stores and integrating the virtual and real channels to improve the service network. In addition, brand and product segmentation will be introduced, coupled with the expansion of offline key accounts (e.g. Hypermarkets channels such as Carrefour, A.mart, and RT-Mart; health and beauty channels, Watsons, Cosmed, and Poya; CVS channels, 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.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 the 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 sale 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.

Development of Type II collagen raw materials through core technology for the Japanese market. It will be officially sell in Japan in 2023

(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 propaganda.

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$ thousands

| Year / Sales Region | 2020 | | 2021 | | 2022 | |
|---|---|---|---|---|---|---|
| | Sales | Percentage (%) | Sales | Percentage (%) | Sales | Percentage (%) |
| Domestic | 3,099,891 | 99.03 | 4,060,566 | 99.14 | 3,572,911 | 98.87 |
| Foreign | 30,456 | 0.97 | 35,085 | 0.86 | 40,696 | 1.13 |
| Total | 3,130,347 | 100.00 | 4,095,651 | 100.00 | 3,613,607 | 100.00 |

2. Market share

(1) Superior fine salt: As of the end of 2022 more than 20 brands were imported in Taiwan, where the Company had about 80% share.

(2) 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 70% ◦ the market.

(3) Bottled water: According to the sales statistics, the Company’s market share was estimated to be 15.7% or more.

(4) Cleaning products: There are many domestic and imported cleaning brands in the market, where the Company has about 0.5~1.7% share.

(5) 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%.

(6) 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, imported edible salt series 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.

The five major challenges and trends of health food in 2023 include: (1) restructuring and reorganization from production, transportation and logistics to strengthen the toughness of the supply chain; (2) increasing demand for health and immunity-enhancing foods, with new ingredients and new product differentiation becoming key to competitiveness; (3) the integration of virtual and real new forms of access has become a key operational focus for health food manufacturers; (4) the importance of maintaining product safety standards and gaining a high level of consumer trust; and (5) consumers have a high degree of connection between body nutrition and global sustainability, with ingredient selection becoming key to product positioning. In response to the changes in the global ecosystem, the relevant domestic industries and manufacturers are keeping a high level of concern and have been taking concrete actions in response to the layout. For example, Grape King Bio developed a probiotic that can improve alcohol-induced damage to the stomach, liver and intestines, being recognized at EUROINVENT; the new start-up company

InSeed, which focuses on the development of mental probiotic strains for autism and Alzheimer’s disease, has won international attention for its R&D strength and future potential; Grape King Bio, Uni-President, TCI and HeySong have increased cooperation and co-creation with domestic and foreign partners. In the process of striving for the global development of precision and health, the role and value of cooperation has become more prominent. Regardless of improving the safety and functional value of products, enhancing the testing capability of new ingredient efficacy identification, raising the importance of raw material ingredients, process safety and transparency, we will combine digital technology, testing data, service platforms and experience creation and other cross-industry energy cooperation and co-creation.

(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 consume 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 issue and regaining 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 2022, the Company obtained a total of 18 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.

In terms of health food development, the company has launched products such as cyanobacteria, double ginseng, and vitamin D in response to consumers' urgent needs for physical maintenance and immune system strengthening in the epidemic environment, and has also developed private health care needs for problems such as hemorrhoids derived from stomach and intestines issues, making the product category more comprehensive and more accurate to users' needs.

In terms of salt and seasonings, we focus on the derivative application of salt and core ingredients, using rose salt to differentiate soy sauce in line with the 70th anniversary of Taiyen's image, and continue to use salt koji as the core characteristic seasoning in general cuisine development. In addition, we continue to pay attention to the relevance of salt to the market consumption trend, and develop refined salt granulation technology for soft water salt, which can be used in household dishwashers or water softening equipment, with more stable dissolution and less agglomeration, increasing the usability 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 study 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 an 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, as well as the online shopping platform of Taiyen. 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 e-commerce (such as Momo, PChome, Yahoo, etc.), 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 334.10% and 282.15% respectively in 2022, 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 rely 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, 92% of the employees hold a master's or doctoral degree. With excellent human resources, the Company gets a hold of 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. It has been rapidly growing in recent years and 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 electrodialysis 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 electrodialysis 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 the 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 simultaneously constructed domestic 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 18 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. We have developed a new generation of beauty ingredients such as new sub-micron coated Podocarpine or Astaxanthin, and naturally derived fish scale collagen with high concentration of collagen-producing peptides. 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.

Negative factors and response measures:

A. Intensive competition after privatization

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

Response measures:

a. We strengthen 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 most 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 a good hold of 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

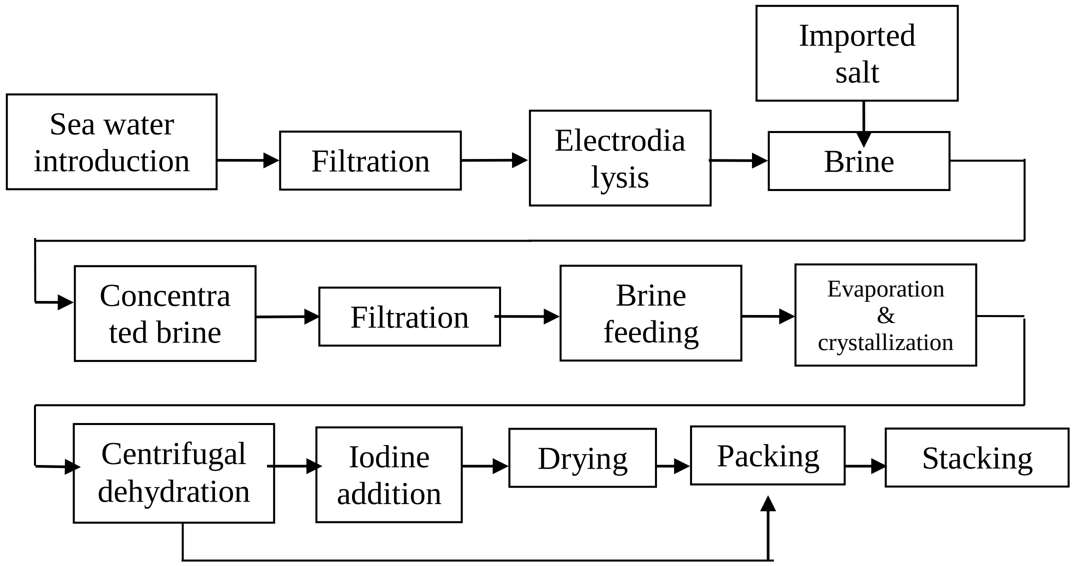
1. Usage of main products

| 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 |
| Dietary Low-sodium Iodized Salt | For cooking and seasoning, replacing sodium with potassium to reduce sodium and increase potassium intake |

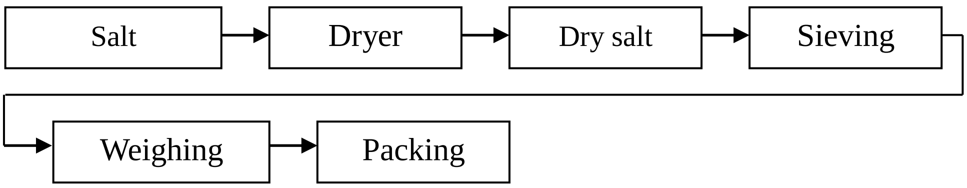
| Main Product | Usage or Function |
|---|---|
| Bottled Water | Drinking water |
| Cosmetics | For daily skin care, moisturizing, anti-aging, whitening, and sun protection |
| Cleaning Products | Daily cleaning and bath products and toothpaste |
| Health Food | For daily body health |
| Snacks | General 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

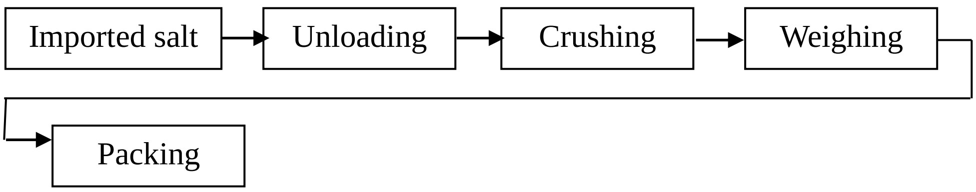
(1) Refined salt:



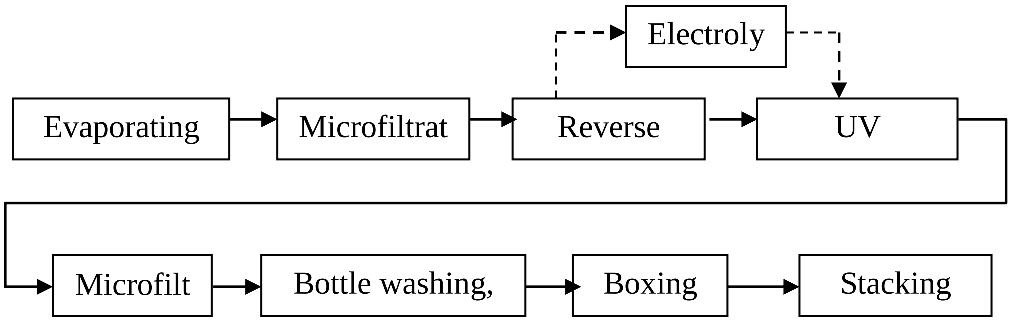

(2) Coarse-grained salt:




(3) Natural salt:

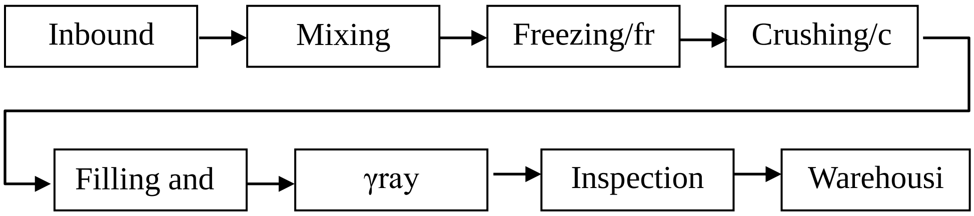



(4) Bottled water:

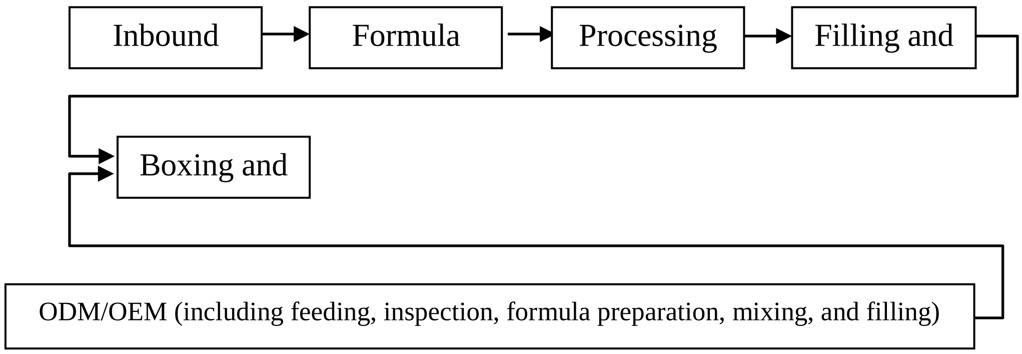



(5) Biological wound dressings, health food, and skin care products:

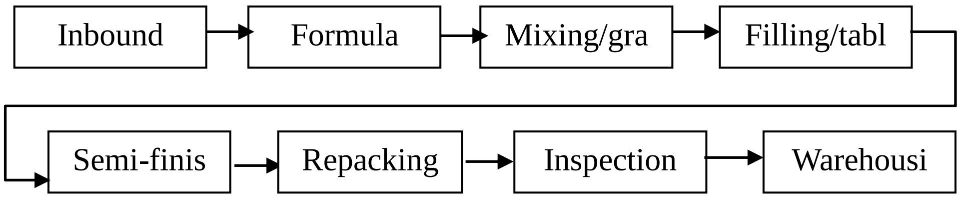
A. Biological wound dressings



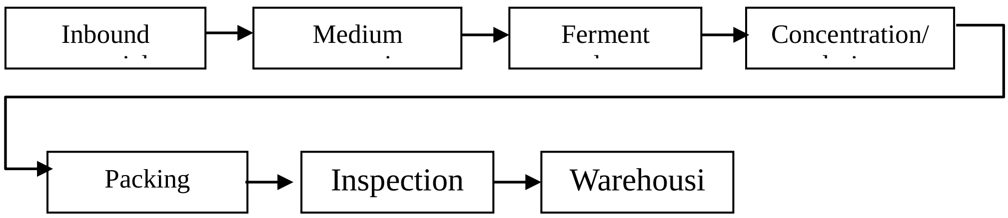

B.Skin care products:



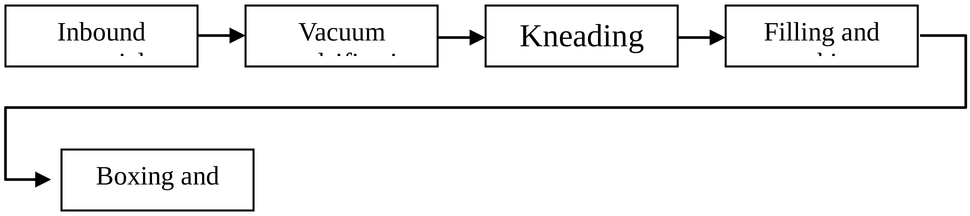

C. Health food:



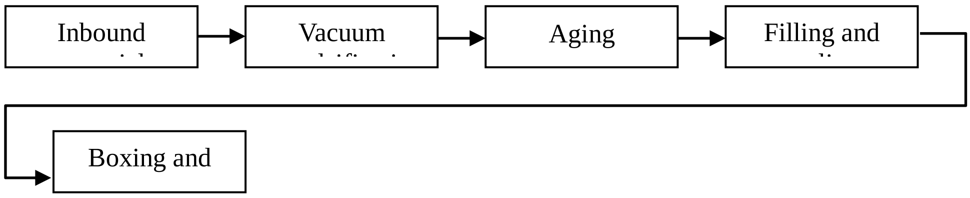

(6) Fermented products:



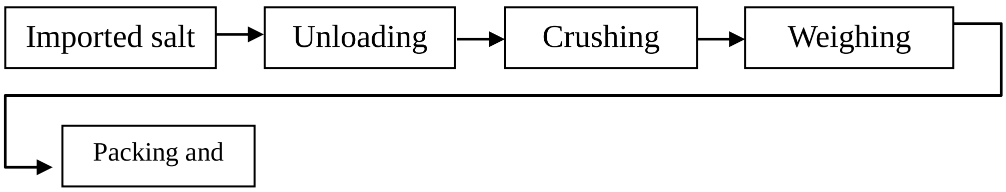
(7) Toothpaste:




(8) Facial cleanser, shampoo, and body wash:




(9) Crushed salt:




(III) Supply of Main Raw Materials

| Supply of Main Raw Materials | Source | Supply Situation |
|---|---|---|
| Salt | Australia, Spain, Pakistan | Stable |
| Packaging Materials | Taiwan, China, Korea | Stable |
| Health Food Ingredients | Taiwan, India, Japan, the U.S., and China | Stable |
| Skin Care Product Ingredients | Taiwan, the U.S., Japan, Europe, China | 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$ thousands; %

| | 2021 | | | | 2022 | | | | As of Q1 2023 (Note 2) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | 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 2023 (%) | Relationship with Issuer |
| 1 | TPD00004 | 273,559 | 19 | None | TPD00004 | 326,122 | 25 | None | TPD00004 | 116,110 | 37 | None |
| 2 | D03522*** | 238,375 | 16 | None | D03522*** | 262,571 | 20 | None | D03522*** | 60,450 | 19 | None |
| 3 | D13164*** | 299,161 | 20 | Substantial related party of the subsidiary | D13164*** | N/A (Note 3) | N/A (Note 3) | Substantial related party of the subsidiary | D13164*** | N/A (Note 3) | N/A (Note 3) | Substantial related party of the subsidiary |
| 4 | Other | 650,990 | 45 | None | Other | 732,687 | 55 | None | Other | 136,183 | 44 | None |
| | Net purchases | 1,462,085 | 100 | | Net purchases | 1,321,380 | 100 | | Net purchases | 312,743 | 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.

Note 3: Purchases less than 10% of the Company's total purchases.

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

Unit: NT$ thousands; %

| | 2021 | | | | 2022 | | | | As of Q1 2023 (Note 2) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | 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 2023 (%) | Relationship with Issuer |
| 1 | 105366 | 850,385 | 21 | None | 105366 | 897,080 | 25 | None | 105366 | 243,460 | 28 | None |
| 2 | D50767*** | 926,502 | 23 | None | D50767*** | N/A (Note 3) | N/A (Note 3) | None | D50767*** | N/A (Note 3) | N/A (Note 3) | None |
| 3 | Other | 2,318,764 | 56 | None | Other | 2,716,527 | 75 | None | Other | 621,541 | 72 | None |
| | Net sales | 4,095,651 | 100 | | Net sales | 3,613,607 | 100 | | Net sales | 865,001 | 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.

Note 3: Revenue less than 10% of the Company's net revenue. .

## (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 / Year / Main Product (or Segment) | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Capacity | Volume | Value | Capacity | Volume | Value |
| Salt | 387,310 | 241,001 | 706,749 | 359,165 | 235,444 | 806,809 |
| Cosmetics | 3,844,787 | 1,202,386 | 87,565 | 4,432,388 | 900,457 | 59,905 |
| Cleaning Products | 6,794,836 | 2,870,818 | 94,918 | 5,548,241 | 3,020,348 | 125,551 |
| Health Food | 2 ,438,681 | 1,985,439 | 86,850 | 2,418,922 | 2,478,511 | 136,739 |
| Bottled Water | 65,054,118 | 109,857,612 | 536,303 | 65,054,118 | 116,544,530 | 589,584 |
| Other | — | 295,231 | 11,549 | — | 368,230 | 12,584 |
| Total | — | — | 1,523,934 | — | — | 1,731,172 |

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

| Sales Volume Value / Year / Main Product (or Segment) | 2021 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic | | Foreign | | Domestic | | Foreign | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Salt | 276,565 | 1,390,761 | 7,735 | 19,835 | 258,475 | 1,435,890 | 7,181 | 24,772 |
| Cosmetics | — | 143,375 | — | 92 | — | 114,924 | — | 45 |
| Cleaning Products | — | 135,638 | — | 171 | — | 176,381 | — | 16 |
| Health Food | — | 153,031 | — | 59 | — | 224,066 | — | 478 |
| Bottled Water | — | 944,856 | — | 14,928 | — | 1,005,773 | — | 15,385 |
| Engineering and service | — | 937,584 | — | — | — | 557,955 | — | — |
| Other | — | 355,321 | — | — | — | 57,922 | — | — |
| Total | — | 4,060,566 | — | 35,085 | — | 3,572,911 | — | 40,696 |

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 | | 2021 | 2022 | As of January 31, 20232 (Note 1) |
|---|---|---|---|---|
| Number of Employees | Managerial officers | 23 | 23 | 23 |
| | Sales staff | 128 | 130 | 129 |
| | Administration staff | 93 | 86 | 86 |
| | Direct staff | 240 | 240 | 239 |
| | Total | 484 | 479 | 477 |

| | | | | |
|---|---|---|---|---|
| Average Age | | 44.33 | 44.78 | 45.66 |
| Average Years of Service (Note 2) | | 13.96 | 14.30 | 15.21 |
| Education | PhD | 1% | 1% | 1% |
| | Master's | 31% | 31% | 31% |
| | Bachelor's | 57% | 57% | 57% |
| | Senior high | 10% | 10% | 10% |
| | 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 1993 are included.

## IV. Disbursements for Environmental Protection

### (I) Pollutant 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 Science 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 NOx 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 | | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| Equipment to Be Purchased or Expenditures | Maintenance and update of exhaust gas and waste (sewage) water treatment | 500 | 10,858(Note) | 7,000(Note) |
| | Improvement in processes at risk of pollution | 0 | 0 | 0 |
| | Purchase of waste (sewage) water testing equipment | 12 | 12 | 12 |
| Amount (NT$1,000) | | 512 | 10,870 | 7,012 |

Note: In line with the project of Qigu Salt Mountain Recreation Area, it is estimated that $10 million will be spent on the construction of the wastewater treatment plant in 2023 and $6.38 million in 2024.

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

(I) 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.

(II) The Employee Welfare Committee is in place to allocate employee benefits monthly for organizing trips, distributing festival gifts, and holding other activities.

(III) Labor-management meetings are held to improve the labor's 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 | 2020 | 2021 | 2022 |
|---|---|---|---|
| Number of Courses | 216 | 165 | 196 |
| Number of Trainees | 1,715 | 1,920 | 3,276 |
| Number of Training Hours | 6,987 | 6,069 | 8,510 |
| Average Number of Training Hours per Person | 14 | 13 | 18 |
| Training Expense (NT$) | 806,603 | 813,863 | 853,009 |
| Average Training Expense per Person (NT$) | 1,667 | 1,682 | 1,781 |

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 the 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.<br>3. All employees should do everything transparently, fairly, and with reason, and answer questions with a clear conscience.<br>4. Each unit should grant/impose rewards/punishments clearly, disallow repeated mistakes, and forgive first offenders depending on the case and punish repeated offenders.<br>5. Supervisors at all levels are responsible for supervising, following up, and evaluating the meeting resolutions or assignments to improve work efficiency and effectiveness.<br>6. Supervisors at all levels should lead by example.<br>7. Supervisors at all levels should carry out management by walking around and have the courage to discover and solve problems at any time.<br>8. All employees should take action and face challenges in the intense competition after the privatization of the Company.<br>9. Senior employees should share their experience with new recruits and take care of younger generations. |
| 10 Don'ts |
| 1. Don't give gifts to superiors.<br>2. Don't ask people to lobby on promotion and transfer.<br>3. Don't purchase goods from relatives.<br>4. Don't accept gifts from any counterparties.<br>5. Don't gain private ends in public cause, or strict punishment will ensue.<br>6. Don't perform work perfunctorily; streamline processes to increase productivity.<br>7. Don't snoop or leak company secrets.<br>8. Don't waste company resources; be provident.<br>9. Don't be complacent about immediate results and overlook future challenges.<br>10. Don't leave office with undone work. |
| 10 Norms |
| 1. Taiyen's business philosophy: integrity, dedication, pleasure at work.<br>2. Taiyen's culture: professionalism, innovation, efficiency.<br>3. Taiyen's competitive advantages: Low-cost, high-quality, quickest-service, biggest features.<br>4. Be lazy at work today, be on unemployment tomorrow.<br>5. Employees make an all-out effort to innovate, turning "salt" into gold.<br>6. The only unchanging rule is to "change." "Being better" is Taiyen's sustainable development goal.<br>7. Employees strive to achieve what's beneficial to the Company.<br>8. Respect customers and go beyond their expectations.<br>9. View customer complaints as gifts and treat customers with gratitude.<br>10. Put the customer first. |

(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 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)

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

## VI. Cybersecurity Management:

### (I) Describe the cybersecurity risk management framework, cybersecurity policies, specific management plans and resources devoted to cybersecurity management.

#### 1. Cybersecurity Policy

In order to build a secure information environment and to protect all information assets of the company’s information and communication systems, we have established a company information and cybersecurity policy to ensure the smooth operation of the company and have formulated this policy for all colleagues to follow:

(1) Compliance with laws and regulations.

(2) To ensure that information assets are properly protected from unauthorized access.

(3) To establish physical and environmental security measures for information rooms and perform regular maintenance to ensure safe operation.

(4) To clearly standardize the access rights of the network system to prevent unauthorized access.

(5) To establish an cybersecurity maintenance plan and cybersecurity incident response mechanism, and conduct cybersecurity incident drills from time to time.

(6) To regularly organize cybersecurity education training and promotion to raise employees’ awareness of cybersecurity.

(7) Implement the management of outsourced manufacturers to ensure the safety of information services.

#### 2. Cybersecurity Risk Management Framework

In order to strengthen our cybersecurity management and ensure the security of our data, system and network, we have a dedicated a cybersecurity manager and a dedicated information security staff. The Information Section under the Corporate Development Division is responsible for the planning and implementation of cybersecurity management in each department, regularly reviewing cybersecurity policies and formulating cybersecurity key points, and submitting them to the supervisor for approval and implementation, so as to protect the company's information assets (including software, hardware facilities, data, information, personnel and services, etc.) from internal and external, intentional or accidental threats, maintain the integrity, availability and security of information, and ensure that the company's operations are not interrupted, and build a comprehensive cybersecurity capability and good cybersecurity awareness among employees.

(1) The three steps of the Company's Cybersecurity Risk Management Framework for are as follows:

A. Beforehand: prevention

The main focus of permission control, access control, social engineering, and vulnerability scanning is as follows:

a. Website vulnerability scanning.
b. Host vulnerability scanning.
c. Email social engineering exercises.
d. Privilege control: ech system, file server and network hard disk set privileges according to personnel.
e. Access control (USB disabled).
f. Enterprise private cloud instead of file transfer and sharing.

B. In-Matter: monitoring and management

Focusing on detection and monitoring, contingency processing, endpoint protection, and firewalls, the main points are as follows:

a. Network firewall construction.
b. Antivirus software construction.
c. AntiSpam: Spam filtering system.
d. WAF: Web Application Firewall service.
e. Advanced Persistent Threat (APT) building.
f. Data Security: Data backup and tape offline backup.
g. Cybersecurity Risk Management detection mechanism.
h. Virtual private network access mechanism.
i. EDR/MDR endpoint protection.

C. Afterwards: tracking, auditing

The main focus is on recovery planning, communication improvement and data retention.

a. Log records.
b. System data restoration (recovery plan).

## 3. Specific management plans and measures for cybersecurity

(1) The specific management plan for Cybersecurity is as follows:

A. Key points of network usage management of Taiyen Biotech Co., Ltd.
B. Key points of information system account management of Taiyen Biotech Co., Ltd.
C. Key points of information equipment management of Taiyen Biotech Co., Ltd.
D. Key points of computer software management operation of Taiyen Biotech Co., Ltd.
E. Information and Communication Security Emergency Response Plan and Handling Points of Taiyen Biotech Co., Ltd.

F. Key points of video conferencing operations of Taiyen Biotech Co., Ltd.

(2) The specific management measures for cybersecurity are as follows:

A. Disable private devices and non-licensed software.

B. Passwords are updated regularly and must comply with the password policy.

C. Social engineering exercises to enhance colleagues' awareness of cybersecurity.

D. Import the enterprise-level network, distinguish the network privileges between employees and visitors, and prohibit visitors from accessing the Taiyen Intranet.

E. External storage devices are prohibited.

F. Two-factor authentication, using two-stage verification.

G. Restricted source IP for specific external network services.

H. Close the remote control software connection to reduce the risk of intrusion.

I. Control personal computer administrator privileges to avoid malware implantation, arbitrary installation of unauthorized software, and violation of copyright laws.

J. Personalized web space for backup of important personal data.

K. Regularly check illegal software use and implement illegal software control.

L. Account control of the departing and retiring staff.

### (II) Any Losses Arising from Labor Disputes in the or indicate client 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)

As of the printing date of the annual report, the Company has not suffered any major cybersecurity incidents.

## VII. 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 2021

| Nature | Contracting Party | Commencement/Expiration Dates | Content | Restrictive Clause |
|---|---|---|---|---|
| Distribution Contract | Tico Inc. | 2022.01.01~2023.12.31 | Alkaline Ion Water | |
| Distribution Contract | PX Mart Co., Ltd. | 2023.01.01~2023.12.31 | Low-sodium Salt, Low-sodium Salt (30% Less Sodium), Iodized High Quality Salt, Iodized Superior Fine Salt, and Original Taste Cooking Sea Salt | |

| Nature | Contracting Party | Commencement/Expiration Dates | Content | Restrictive Clause |
|---|---|---|---|---|
| Distribution Contract | Refined salt sales contract with 148 suppliers, including Mingqing Firm | 2023.01.01~2023.12.31 | Iodized High Quality Salt, Iodized Superior Fine Salt | |
| Distribution Contract | Fu Chu Vivid Enterprise Co., Ltd. | 2022.01.01~2023.12.31 | TV Shopping Contract | |
| Franchise Contract | Franchise | Franchise Contract | Franchise | |
| Property Contract | A salt company in Australia | 2023.03.01~2025.02.28 | Purchase of imported salt | |
| Property Contract | CPC Corporation | 2022.03.18~2025.06.30 | Industrial natural gas sale/purchase | |
| Property Contract | Far Eastern New Century Corporation | Delivery in batches starting from 2022.05.20 | Bottled Water Container | Close the case after delivery |
| Service Contract | Hongmao Express Co., Ltd. | 2022.11.15~2023.11.14 | Bulk transportation of salt and bottled water | |
| Construction Contract | Lian Sheng Construction | 2022.05.27~2023.04.21 | Construction of new Toothpaste GMP plant | |
| Construction Contract | Taiyen Green Energy Co., Ltd. | 2022.09.30~2023.06.30 | Taiyen Kaohsiung City, Lujhu District, Huashan Section Ground-mounted Solar Power System Construction Project | |

# Chapter Six：Overview of Financial Status

Land, Financial Overview

## 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$ thousands

| Item \ Year | | Financial Information for the Past Five Years (Note 1) | | | | |
|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Current assets | | 2,443,069 | 2,384,498 | 2,311,809 | 2,250,467 | 2,345,050 |
| Property, Plant, and Equipment (Note 2) | | 3,033,136 | 3,188,754 | 3,203,200 | 3,416,150 | 3,580,284 |
| Intangible Assets | | — | — | — | — | — |
| Other Assets (Note 2) | | 1,737,740 | 1,837,836 | 1,875,412 | 1,864,268 | 1,733,267 |
| Total Assets | | 7,213,945 | 7,411,088 | 7,390,421 | 7,530,885 | 7,658,601 |
| Current liabilities | Before distribution | 436,173 | 567,331 | 489,919 | 598,115 | 607,194 |
| | After distribution | 796,173 | 867,331 | 759,919 | 898,115 | Note 4 |
| Non-current Liabilities | | 622,180 | 690,968 | 671,021 | 571,596 | 530,193 |
| Total Liabilities | Before distribution | 1,058,353 | 1,258,299 | 1,160,940 | 1,169,711 | 1,137,387 |
| | After distribution | 1,418,353 | 1,558,299 | 1,430,940 | 1,469,711 | Note 4 |
| Equity | | 6,155,592 | 6,152,789 | 6,229,481 | 6,361,174 | 6,521,214 |
| Share Capital | | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Capital Reserve | | 2,486,289 | 2,486,320 | 2,501,653 | 2,501,686 | 2,501,718 |
| Retained Earnings | Before distribution | 1,672,097 | 1,670,108 | 1,730,822 | 1,861,645 | 2,022,490 |
| | After distribution | 1,312,097 | 1,370,108 | 1,460,822 | 1,561,645 | Note 4 |
| Other Equity | | (2,794) | (3,639) | (2,994) | (2,157) | (2,994) |
| Treasury Stock | | — | — | — | — | — |
| Non-controlling Interests | | — | — | — | — | — |
| Equity Total | Before distribution | 6,155,592 | 6,152,789 | 6,229,481 | 6,361,174 | 6,521,214 |
| | After distribution | 5,795,592 | 5,852,789 | 5,959,481 | 6,061,174 | 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$ thousands, NT$ for earnings per share

| Year / Item | Financial Information for the Past Five Years (Note 1) | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Revenue | 2,793,889 | 2,705,457 | 2,797,226 | 2,841,314 | 3,044,180 |
| Gross Profit | 1,122,870 | 1,128,709 | 1,222,438 | 1,212,433 | 1,217,393 |
| Operating Income | 378,245 | 408,609 | 457,118 | 449,173 | 442,291 |
| Non-operating Income and Expenses | 145,435 | 16,670 | (4,044) | 27,479 | 85,985 |
| Net Income before Tax | 523,680 | 425,279 | 453,074 | 476,652 | 528,276 |
| Net Income from Continuing Operations | 452,741 | 345,503 | 365,085 | 393,227 | 426,704 |
| Loss from Discontinued Operations | — | — | — | — | — |
| Net Income (Loss) | 452,741 | 345,503 | 365,085 | 393,227 | 426,704 |
| Other Comprehensive Income (Net, after Tax) | (14,821) | 11,663 | (3,726) | 8,433 | 33,304 |
| Total Comprehensive Income | 437,920 | 357,166 | 361,359 | 401,660 | 460,008 |
| Earnings per Share | 2.26 | 1.73 | 1.83 | 1.97 | 2.13 |

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$ thousands

| Item \ Year | | Financial Information for the Past Five Years (Note 1) | | | | | Financial Information As of March 31, 2023 (Note 3) |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Current assets | | 2,772,251 | 2,708,904 | 2,900,430 | 3,394,710 | 3,093,957 | 3,134,103 |
| Property, Plant, and Equipment (Note 2) | | 3,045,220 | 3,273,123 | 3,301,281 | 3,516,738 | 3,674,664 | 3,710,593 |
| Intangible Assets | | — | — | — | — | — | — |
| Other Assets (Note 2) | | 1,508,541 | 1,619,435 | 1,596,008 | 1,556,192 | 1,443,045 | 1,422,485 |
| Total Assets | | 7,326,012 | 7,601,462 | 7,797,719 | 8,467,640 | 8,211,666 | 8,267,181 |
| Current liabilities | Before distribution | 535,145 | 744,597 | 694,877 | 1,305,378 | 926,049 | 882,086 |
| | After distribution | 895,145 | 1,044,597 | 964,877 | 1,605,378 | Note 4 | — |
| Non-current Liabilities | | 635,275 | 704,076 | 738,614 | 648,885 | 623,713 | 618,107 |
| Total Liabilities | Before distribution | 1,170,420 | 1,448,673 | 1,433,491 | 1,954,263 | 1,549,762 | 1,500,193 |
| | After distribution | 1,530,420 | 1,748,673 | 1,703,491 | 2,254,263 | Note 4 | — |
| Equity Attributable to Owners of the Parent | | 6,155,592 | 6,152,789 | 6,229,481 | 6,361,174 | 6,521,214 | 6,629,510 |
| Share Capital | | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Capital Reserve | | 2,486,289 | 2,486,320 | 2,501,653 | 2,501,686 | 2,501,718 | 2,501,782 |
| Retained Earnings | Before distribution | 1,672,097 | 1,670,108 | 1,730,822 | 1,861,645 | 2,022,490 | 2,130,624 |
| | After distribution | 1,312,097 | 1,370,108 | 1,460,822 | 1,561,645 | Note 4 | — |
| Other Equity | | (2,794) | (3,639) | (2,994) | (2,157) | (2,994) | (2,896) |
| Treasury Stock | | — | — | — | — | — | — |
| Non-controlling Interests | | — | — | 134,747 | 152,203 | 140,690 | 137,478 |
| Equity Total | Before distribution | 6,155,592 | 6,152,789 | 6,364,228 | 6,513,377 | 6,661,904 | 6,766,988 |
| | After distribution | 5,795,592 | 5,852,789 | 6,094,228 | 6,213,377 | 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$ thousands, NT$ for earnings per share

| Item \ Year | Financial Information for the Past Five Years (Note 1) | | | | | Financial Information as of March 31, 2023 (Note 2) |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Revenue | 3,001,462 | 2,906,615 | 3,130,347 | 4,095,651 | 3,613,607 | 865,001 |
| Gross Profit | 1,201,073 | 1,210,316 | 1,307,592 | 1,373,236 | 1,276,605 | 329,038 |
| Operating Income | 418,502 | 419,758 | 463,321 | 529,177 | 445,050 | 129,003 |
| Non-operating Income and Expenses | 113,088 | 8,789 | 718 | (19,259) | 85,537 | 4,934 |
| Income before Tax | 531,590 | 428,547 | 464,039 | 509,918 | 530,587 | 133,937 |
| Net Income from Continuing Operations | 452,741 | 345,503 | 374,589 | 412,162 | 427,516 | 104,922 |
| Income from Discontinued Operations (Note 3) | — | — | — | — | — | — |
| Net Income (Loss) | 452,741 | 345,503 | 374,589 | 412,162 | 427,516 | 104,922 |
| Other Comprehensive Income (Net, after Tax) | (14,821) | 11,663 | (3,726) | 8,433 | 33,304 | 98 |
| Total Comprehensive Income | 437,920 | 357,166 | 370,863 | 420,595 | 460,820 | 105,020 |
| Net Income Attributable to Owners of the Parent | 452,741 | 345,503 | 365,085 | 393,227 | 426,704 | 108,134 |
| Net Income Attributable to Non-controlling Interests | — | — | 9,504 | 18,935 | 812 | (3,212) |
| Total Comprehensive Income Attributable to Owners of the Parent | 437,920 | 357,166 | 361,359 | 401,660 | 460,008 | 108,232 |
| Total Comprehensive Income Attributable to Non-controlling Interests | — | — | 9,504 | 18,935 | 812 | (3,212) |
| Earnings per Share | 2.26 | 1.73 | 1.83 | 1.97 | 2.13 | 0.54 |

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 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| CPA Firm | EY Taiwan | | | | |
| CPA | Huang, Shih-Chien<br>Hu, Tzu-Jen | Li, Fang-Wen<br>Huang, Shih-Chien | Tseng, Yu-Che<br>Li, Fang-Wen | Tseng, Yu-Che<br>Li, Fang-Wen | Tseng, Yu-Che<br>Li, 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

| Item (Note 3) | Year (Note 1) | Financial Analyses for the Past Five Fiscal Years | | | | | Financial Analyses As of March 31, 2023 (Note 2) |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Financial Structure (%) | Debt-asset ratio | 15.97 | 19.05 | 18.38 | 23.07 | 18.87 | 18.14 |
| | Ratio of long-term capital to property, plant, and equipment | 223.00 | 209.48 | 215.15 | 203.66 | 198.26 | 199.02 |
| Solvency (%) | Current ratio | 518.03 | 363.80 | 417.40 | 260.05 | 334.10 | 355.30 |
| | Quick ratio | 452.67 | 313.72 | 360.39 | 220.42 | 282.15 | 302.13 |
| | Interest coverage ratio | N/A | 179.93 | 129.72 | 86.81 | 118.30 | 188.06 |
| Operating Ability | Receivables turnover rate (times) | 15.02 | 10.05 | 7.03 | 6.30 | 5.13 | 5.05 |
| | Average collection days for receivables | 24 | 36 | 52 | 57 | 71 | 72 |
| | Inventory turnover rate (times) | 5.28 | 5.08 | 5.33 | 7.11 | 5.36 | 4.88 |
| | Payables turnover rate (times) | 18.26 | 14.72 | 8.91 | 7.43 | 5.45 | 5.58 |
| | Average days for sale | 69 | 72 | 68 | 51 | 68 | 75 |
| | Property, plant and equipment turnover rate (times) | 1.00 | 0.92 | 0.95 | 1.20 | 1.00 | 0.93 |
| | Total asset turnover rate (times) | 0.41 | 0.38 | 0.40 | 0.50 | 0.43 | 0.41 |
| Profitability | Return on assets (%) | 6.21 | 4.65 | 4.90 | 5.12 | 5.16 | 1.28 |
| | Return on equity (%) | 7.43 | 5.61 | 5.98 | 6.40 | 6.48 | 1.56 |
| | Ratio of income before tax to paid-in capital (%) (Note 7) | 26.57 | 21.42 | 23.20 | 25.49 | 26.52 | 6.69 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Net Profit Margin (%) | 15.08 | 11.88 | 11.96 | 10.06 | 11.83 | 12.12 |
| | Earnings per share (NT$) | 2.26 | 1.73 | 1.83 | 1.97 | 2.13 | 0.54 |
| Cash Flow | Cash flow ratio (%) | 84.05 | 44.42 | 48.83 | 45.96 | 62.70 | 8.12 |
| | Cash flow adequacy ratio (%) | 92.12 | 83.75 | 75.56 | 68.60 | 72.21 | N/A |
| | Cash flow reinvestment ratio (%) | 1.84 | (0.36) | 0.46 | 3.81 | 3.13 | N/A |
| Leverage | Operating leverage | 2.98 | 2.92 | 2.80 | 2.68 | 3.01 | 2.69 |
| | Financial leverage | 1.00 | 1.00 | 1.00 | 1.01 | 1.01 | 1.00 |

Reasons for changes in financial ratios by 20% or more for the most recent two years:

1. Current ratio: The ratio increased by 28% from 2021 to 2022, primarily due to the decrease in short-term borrowings.
2. Quick ratio: The ratio increased by 28% from 2021 to 2022, primarily due to the decrease in short-term borrowings.
3. Interest coverage ratio: The ratio increased by 36% from 2021 to 2022, primarily due to the increase in net income before tax.
4. Average collection days: The increase of 25% in 2022 compared to 2021, primarily due to the decrease in operating revenues compared to the same period last year.
5. Profit Inventory turnover: The decrease of 25% in 2022 compared to 2021, primarily due to the decrease in operating costs compared to the same period last year.
6. Payables turnover: The decrease of 27% in 2022 compared to 2021, primarily due to the decrease in operating costs compared to the same period last year.
7. Average net sales: The increase of 33% in 2022 compared to 2021, primarily due to the decrease in operating costs compared to the same period last year.
8. Current cash flow ratio: The 36% increase in 2022 compared to 2021, primarily due to the decrease in short-term borrowings.

(II)Financial Analyses - parent company only under IFRS

| Item (Note 2) \ Year (Note 1) | | Financial Analyses for the Past Five Fiscal Years | | | | |
|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Financial Structure (%) | Debt-asset ratio | 14.67 | 16.97 | 15.70 | 15.53 | 14.85 |
| | Ratio of long-term capital to property, plant, and equipment | 223.45 | 214.62 | 215.42 | 202.94 | 196.95 |
| Solvency (%) | Current ratio | 560.11 | 420.30 | 471.87 | 376.25 | 386.21 |
| | Quick ratio | 489.35 | 359.47 | 404.48 | 318.29 | 316.75 |
| | Interest coverage ratio | N/A | 193.17 | 201.03 | 254.67 | 772.20 |
| Operating Ability | Receivables turnover rate (times) | 19.47 | 16.01 | 16.18 | 17.07 | 18.08 |
| | Average collection days for receivables | 19 | 23 | 23 | 21 | 20 |
| | Inventory turnover rate (times) | 5.06 | 4.75 | 4.62 | 4.64 | 4.54 |
| | Payables turnover rate (times) | 17.31 | 16.90 | 13.91 | 11.35 | 10.11 |
| | Average days for sale | 72 | 77 | 79 | 78 | 80 |
| | Property, plant and equipment turnover rate (times) | 0.93 | 0.86 | 0.87 | 0.85 | 0.87 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Total asset turnover rate (times) | 0.38 | 0.36 | 0.37 | 0.38 | 0.40 |
| Profitability | Return on assets (%) | 6.28 | 4.74 | 4.95 | 5.29 | 5.62 |
| | Return on equity (%) | 7.43 | 5.61 | 5.89 | 6.24 | 6.62 |
| | Ratio of income before tax to paid-in capital (%) (Note 7) | 26.18 | 21.26 | 22.65 | 23.83 | 26.41 |
| | Net Profit Margin (%) | 16.20 | 12.77 | 13.05 | 13.83 | 14.01 |
| | Earnings per share (NT$) | 2.26 | 1.73 | 1.83 | 1.97 | 2.13 |
| Cash Flow | Cash flow ratio (%) | 94.51 | 79.00 | 104.43 | 97.46 | 87.20 |
| | Cash flow adequacy ratio (%) | 93.30 | 91.66 | 89.16 | 81.97 | 81.20 |
| | Cash flow reinvestment ratio (%) | 1.38 | 1.09 | 2.56 | 3.72 | 2.63 |
| Leverage | Operating leverage | 3.10 | 2.85 | 2.69 | 2.75 | 2.82 |
| | 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. Interest coverage ratio: The ratio increased by 203% from 2021 to 2022, primarily due to the increase in net income before tax.
2. Cash flow reinvestment ratio: The ratio decrease by 29% from 2021 to 2022, , primarily due to decrease in net cash inflow from operating activities after the distribution of cash dividends compared to the same period last year

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) Ratio of long-term capital to property, plant, and equipment = (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 rate = Net sales / Average receivables (including accounts receivable and notes receivable arising from business operations) for each period.
   (2) Average collection days for receivables = 365 / Receivables turnover rate.
   (3) Inventory turnover rate = Cost of sales / Average inventory.
   (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = Cost of sales / Average payables (including accounts payable and notes payable arising from business operations) for each period.
   (5) Average days of sale = 365 / Inventory turnover rate.
   (6)Property, plant, and equipment turnover = Net sales / Average net value of property, plant, and equipment.
   (7) Total asset turnover rate = Net sales / Average total assets.
4. Profitability
   (1) Return on assets = [Net income + Interest expenses (1- Tax rate)] / Average total assets.
   (2) Return on equity = Net income / Average total equity.
   (3) Net profit margin = Net income / Net sales.
   (4) Earnings per share = (Income attributable to owners of the parent – Dividends on preferred shares) / Weighted average number of issued shares. (Note 4)
5. Cash Flow

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

6. Leverage
(1) Operating leverage = (Net revenue–Variable operating costs and expenses) / Operating income (Note 6).
(2) Financial leverage = Operating income / (Operating income / 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 2022 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:
2023 General Shareholders' Meeting of Taiyen Biotech Co., Ltd.

Taiyen Biotech Co., Ltd.

Convener of Audit Committee: Lee, Chialing

March 10, 2023

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

Please refer to the financial statements for 2022

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

Please refer to the consolidated financial statements for 2022 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

No financial difficulties have occurred in 2022 and up to the date of the annual report.

## 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$ thousands

| Item \ Year | As of 2022 | As of 2021 | Variation | |
|---|---|---|---|---|
| | | | Amount | % |
| Current assets | 3,093,957 | 3,394,710 | (300,753) | (8.86) |
| Fixed Assets | 3,674,664 | 3,516,738 | 157,926 | 4.49 |
| Other Assets (Including Intangible Assets, Long-term Investments, and Other Non-current Financial Assets) | 1,443,045 | 1,556,192 | (113,147) | (7.27) |
| Total Assets | 8,211,666 | 8,467,640 | (255,974) | (3.02) |
| Current liabilities | 926,049 | 1,305,378 | (379,329) | (29.06) |
| Long-term Liabilities (Including Provisions and Other Liabilities) | 623,713 | 648,885 | (25,172) | (3.88) |
| Total Liabilities | 1,549,762 | 1,954,263 | (404,501) | (20.70) |
| Share Capital | 2,000,000 | 2,000,000 | — | — |
| Capital Reserve | 2,501,718 | 2,501,686 | 32 | — |
| Retained Earnings | 2,022,490 | 1,861,645 | 160,845 | 8.64 |
| Other Equity | (2,994) | (2,157) | (837) | (38.80) |
| Treasury Stock | — | — | — | — |
| Non-controlling Interests | 140,690 | 152,203 | (11,513) | (7.56) |
| Total Equity | 6,661,904 | 6,513,377 | 148,527 | 2.28 |

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

1. Current liabilities: The decrease of 29.06% in 2022 compared to 2021 was mainly due to the decrease in borrowings.
2. Total liabilities: The decrease of 20.70% in 2022 compared to 2021 was mainly due to the decrease in borrowings.
3. Other equity: The decrease of 38.80% in 2022 compared to 2021 was mainly due to the disposal of unrealized losses on financial assets at fair value through other comprehensive income.

## 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$ thousands

| | As of 2022 | | 2021 | | Increase(Decrease) | Change |
|---|---|---|---|---|---|---|
| | Subtotal | Total | Subtotal | Total | Amount | Percentage (%) |
| Net Revenue | | 3,613,607 | | 4,095,651 | (482,044) | (11.77) |
| Operating Costs | | 2,337,002 | | 2,722,415 | (385,413) | (14.16) |
| Gross Profit | | 1,276,605 | | 1,373,236 | (96,631) | (7.04) |
| Operating Expenses | | 831,555 | | 844,059 | (12,504) | (1.48) |
| Operating Income | | 445,050 | | 529,177 | (84,127) | (15.90) |
| Non-operating Income and Expenses | | 85,537 | | (19,259) | 104,796 | 544.14 |
| Other Income | 121,579 | | 75,045 | | | |
| Finance Costs | (4,523) | | (5,942) | | | |
| Other Gains and Losses | (31,519) | | (88,362) | | | |
| Share of Income of Associates Accounted for Using Equity Method | - | | - | | | |
| Net Income before Tax | | 530,587 | | 509,918 | 20,669 | 4.05 |
| Income Tax Expense | | 103,071 | | 97,756 | 5,315 | 5.44 |
| Net Income | | 427,516 | | 412,162 | 15,354 | 3.73 |
| Other Comprehensive Income | | | | | | |
| Other Comprehensive Income (Net, after Tax) | | 33,304 | | 8,433 | 24,871 | 294.92 |
| **Total Comprehensive Income** | | $460,820 | | $420,595 | 40,225 | 9.56 |
| **Net Income Attributable to Stockholders of the parent** | | $426,704 | | $393,227 | 33,477 | 8.51 |
| **Comprehensive Income Attributable to Stockholders of the parent** | | $460,008 | | $401,660 | 58,348 | 14.53 |

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

1. Non-operating income and expenses: The increase of 544.14% in 2022 over 2021 was mainly due to the increase in net foreign currency exchange gain for the year.
2. Other comprehensive income (net of tax): The increase of 294.92% in 2022 compared to 2021 was mainly due to the increase in remeasurement benefits of defined benefit plans compared to last year.

(II) Sales Volume Forecast and Basis

The Company estimates the sales volume for 2023 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 2023 | Unit |
|---|---|---|
| Salt | Approx. 260,000 | Metric ton |
| Bottled Water | Approx.90,000 | Metric ton |
| Cosmetics | Approx.550,000 | Bottle/Box/Set |
| Cleaning Products | Approx. 2,720,000 | Bottle/Box/Set |
| Health Food | Approx. 1,590,000 | 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 2022, the current ratio and quick ratio were 334.10% and 282.15% 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 Most Recent Year

| Item \ Year | 2022 | 2021 | Increase(Decrease) Percentage (%) |
|---|---|---|---|
| Cash Flow Ratio(%) | 62.70 | 45.96 | 36 |
| Cash Flow Adequacy Ratio(%) | 72.21 | 68.60 | 5 |
| Cash Flow Reinvestment Ratio (%) | 3.13 | 3.81 | (18) |

Analysis of any change by 20% or more:

1. Current cash flow ratio: The 36% increase in 2022 compared to 2021, primarily due to the decrease in short-term borrowings.

(II) Liquidity Analysis for the Coming Year

Unit: NT$ thousands

| Cash Balance, Beginning of Period (1) | Expected Net Cash Flows from Operating Activities in 2023 (2) | Expected Cash Flows Used in 2023 (3) | Expected Cash Surplus (Deficit) (1)+(2)-(3) | Expected Corrective Measures for Cash Deficit | |
|---|---|---|---|---|---|
| | | | | Investment Plans | Financing Plans |
| 1,529,098 | 651,856 | 967,036 | 1,213,918 | — | — |

Note:

1. Analysis of changes in cash flow for the coming year:
   (1)Operating activities: Net cash flows generated from operating activities, NT$651,856 thousand, will be mainly due to cash flows generated from net profits in 2023.
   (2) Investing activities: Net cash flows will be used in investing activities due to the purchase of fixed assets.
   (3)Financing activities: Net cash flows used in financing activities will be mainly due to the distribution of cash dividends for 2023
2. 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

| Project | Actual or Expected Source of Funds | Actual or Expected Date of Completion | Amount Required | Actual or Expected Use of Funds | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Cogeneration Plant | Working capital | 2023 | 625,000 | 88,575 | 45,479 | 147,180 | 138,257 | 205,509 |

(II) Expected Benefits

The cogeneration system in the Tung-Hsiao Electrodialysis Refined Salt Factory is an important facility for the Company to produce refined salt and bottled water through electrodialysis. In 2022, revenue reached NT$3,613,607 thousand, to which refined salt contributed NT$802,450 thousand (22%) and bottled water contributed NT$1,021,158 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 50%, 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 fund to others, and/or making of endorsements/guarantees.
2. The Company will keep abreast of 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% | 3,830 | 2023.12 | 1. The safety and efficacy of the formulas meet the expected standards.<br>2. New products meet market trends and needs of channels. |
| Development of Salt and Health Food and Efficacy Evaluation | Formula design and development according to the plan; progress: progress 25%. | 3,230 | 2023.12 | 1.Products meet health care market and food culture trends.<br>2.Processed and costs are well controlled. |
| Construction of trending dosage platform technology and development and verification of new materials | Progress: 20% | 5,270 | 2023.12 | 1.Innovation and efficiency improvement<br>2.Cost control<br>3.Products meet consumer needs. |
| Establishment and application of key technology platforms | Progress: 20% | 280 | 2023.12 | 1. Technical verification meets the standards |

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: estimated R&D project expenses for 2023 were NT$16,125 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 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" was abolished on January 20, 2004, allowing salt to be freely managed and competed. 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 will adjust 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 2022. Revenue is expected to grow in 2022. According to the long-term contracts, the suppliers (TPD00004 and D03522***) accounted for 25% and 20% of the Company's net purchases respectively in 2022, 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) 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 the 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 investment 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 run 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.

(XIV) Other Important Risks: None.

## 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.

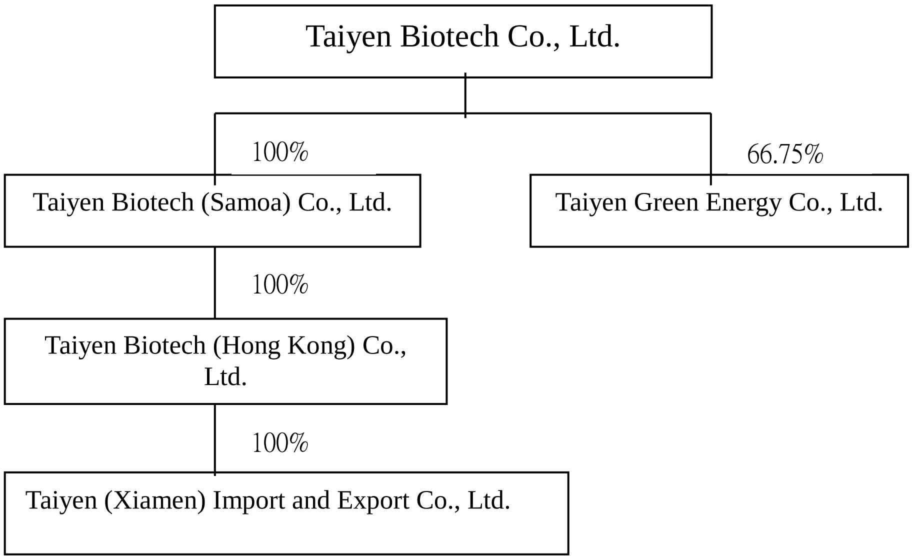
The receivables turnover rate for 2022 and 2021 was 18.08 and 17.07 respectively, and the number of average collection days for receivables was 20 and 21 respectively. The number of new products launched and market share are non-financial KPIs in the industry into which the Company falls.

# 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. 360, Gaofa 2nd Rd., Guiren Dist., 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

| Affiliate | Title | Name or Representative | Shareholding | |
|---|---|---|---|---|
| | | | Number of Shares | Shareholding (%) |
| Taiyen Biotech (Samoa) Co., Ltd. | Director | Representative of Taiyen Biotech Co., Ltd.: Chen, Shi-Hui | 1,600,000 | 100% |
| Taiyen Biotech (Hong Kong) Co., Ltd. | Director<br>Director<br>Director | Taiyen Biotech (Samoa) Co., Ltd. Chen, Shi-Hui<br>Li, Chieh-Han<br>Su Wei | 1,600,000 | 100% |
| Taiyen (Xiamen) Import and Export Co., Ltd. | Chairman<br>Director<br>Director<br>Supervisor<br>President | Representative of Taiyen Biotech Co., Ltd.: Chen, Shi-Hui<br>Representative of Taiyen Biotech Co., Ltd.: Huang, Keng-Hsien<br>Representative of Taiyen Biotech Co., Ltd.: Tsai, Liang-Yi<br>Representative of Taiyen Biotech Co., Ltd.: Li, Ming-Ta<br>Huang, Keng-Hsien | — | 100% |
| Taiyen Green Energy Co., Ltd. | Acting Chairman<br>Director<br>Director<br>Director<br>Supervisor<br>Supervisor<br>President | Representative of Taiyen Biotech Co., Ltd.: Chen, Shi-Hui<br>Representative of Taiyen Biotech Co., Ltd.: Li, Chieh-Han<br>Representative of Taiyen Biotech Co., Ltd.: Su Chun-Ren<br>Shengyao Optoelectronics Technology Co., Ltd.<br>Yang, Tung-Hsuan<br>Su Wei<br>Wu, Bo-Hsin | 24,740,000 | 66.75% |

6. Overview of business operations of affiliates

Unit: NT$ thousands

| 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 | 19,107 | — | 19,107 | — | — | 2,007 | — |
| Taiyen Biotech (Hong Kong) Co., Ltd. | US$1.6 million | 19,107 | — | 19,107 | — | — | 2,007 | — |
| Taiyen (Xiamen) Import and Export Co., Ltd. | US$1.6 million | 19,595 | 488 | 19,107 | 19,701 | 1,803 | 2,007 | — |
| Taiyen Green Energy Co., Ltd. | NT$371 million | 852,265 | 429,128 | 423,137 | 570,362 | (794) | 2,450 | 0.07 |

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 consolidated financial statements for 2022 certified by CPAs.

## 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.)

None.

## 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

None.

## 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: 3 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

None.

## Chapter Nine：Any Situations Listed in Subparagraph 2, Paragraph 3, 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:

The original Chairman of the Company, Mr. Wu, Jung-Hui, was relieved of his duties on February 6, 2023. The current Chairman of the Board of Directors was temporarily replaced by Director Liu Ya-Juan, Deputy Secretary of the Department of Commerce.

# Financial Statements for the Most Recent Fiscal Year:

Appendix 1: Parent Company Only Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditor's' Report

Appendix 2: Consolidated Financial Statements for the of December 31, 2022 and 2021 and Independent Auditor's' Report

**TAIYEN BIOTECH CO., LTD.**

**PARENT COMPANY ONLY**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021**

**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 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2022 and 2021, 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 31 December 2022 and 2021, and its financial performance and cash flows for the years ended 31 December 2022 and 2021, 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 the Standards on Auditing of 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 2022 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. <u>Disclosure of investment property fair value</u>

As of 31 December 2022, the Company's net investment property measured at cost amounted to NT$1,259,749 thousand, and constituted 16% of total assets of the parent company, which was material to the financial statements. Considering the evaluation process on the fair value of the investment property made by management is complicated, and related assumptions are based on the evaluation report provided by external specialists and affected by 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 the evaluation report made by the external specialists offered by the Company, and the assumptions and assessment method used, especially the rent and land price of the investment property, which we compared to open market information to analyze the reasonability. We also enlisted internal specialists to assist in evaluating the reasonability of the assumption and assessment method made 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 31 December 2022, the Company's net inventories amounted to NT$402,767 thousand, and constituted 5% of total assets. 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 was 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 the Standards on Auditing of 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 the Standards on Auditing of 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 2022 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
10 March 2023

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 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

| ASSETS | Notes | 31 Dec. 2022 | 31 Dec. 2021 | LIABILITIES AND SHAREHOLDERS' EQUITY | Notes | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|---|---|---|---|---|
| Current assets | | | | Current liabilities | | | |
| Cash and cash equivalents | IV/VI.1 | $1,393,693 | $1,375,442 | Current contract liabilities | IV/VI.15 | $46,521 | $36,863 |
| Current financial assets at fair value through profit or loss | IV/VI.2 | 353,179 | 353,539 | Notes payable | | 132,924 | 114,376 |
| Current financial assets at fair value through other comprehensive income | IV/VI.3 | - | 1,060 | Accounts payable | | 77,249 | 64,749 |
| | | | | Other payables | | 262,170 | 268,188 |
| Notes receivable, net | IV/VI.5、16 | 2,006 | 2,525 | Current tax liabilities | IV/VI.21 | 36,416 | 65,694 |
| Accounts receivable, net | IV/VI.6、16 | 167,613 | 164,220 | Lease liabilities, current | IV/VI.17 | 5,859 | 5,592 |
| Inventories, net | IV/VI.7 | 402,767 | 331,656 | Other current liabilities | | 46,055 | 42,653 |
| Other current assets | | 25,792 | 22,025 | Total current liabilities | | 607,194 | 598,115 |
| Total current assets | | 2,345,050 | 2,250,467 | | | | |
| | | | | Non-current liabilities | | | |
| Non-current assets | | | | Deferred tax liabilities | IV/VI.21 | 34,232 | 34,083 |
| Non-current financial assets at amortised cost | IV/VI.4/VIII | 33,960 | 33,960 | Lease liabilities, non-current | IV/VI.17 | 27,255 | 30,182 |
| Investments accounted for using equity method | IV/VI.8 | 301,546 | 322,409 | Long-term deferred revenue | IV/VI.12 | 320,053 | 332,918 |
| Property, plant and equipment | IV/VI.9 | 3,580,284 | 3,416,150 | Net defined benefit liability, non-current | IV/VI.13 | 62,387 | 108,806 |
| Right-of-use assets | IV/VI.17 | 33,447 | 35,976 | Guarantee deposits | | 85,280 | 64,354 |
| Investment properties | IV/VI.10、17 | 1,259,749 | 1,352,763 | Other non-current liabilities, others | | 986 | 1,253 |
| Intangible assets | | 4,362 | 7,128 | Total non-current liabilities | | 530,193 | 571,596 |
| Deferred tax assets | IV/VI.21 | 67,092 | 86,457 | Total liabilities | | 1,137,387 | 1,169,711 |
| Refundable deposits | | 5,475 | 4,569 | | | | |
| Other non-current assets | IV/VI.11 | 27,636 | 21,006 | Equity attributable to the parent company | | | |
| Total non-current assets | | 5,313,551 | 5,280,418 | Common stock | IV/VI.14 | 2,000,000 | 2,000,000 |
| | | | | Capital surplus | IV/VI.14 | 2,501,718 | 2,501,686 |
| | | | | Retained earnings | IV/VI.14 | | |
| | | | | Legal reserve | | 1,346,026 | 1,305,944 |
| | | | | Special reserve | | 45,420 | 45,420 |
| | | | | Unappropriated earnings | | 631,044 | 510,281 |
| | | | | Subtotal | | 2,022,490 | 1,861,645 |
| | | | | Other equity | | (2,994) | (2,157) |
| | | | | Total equity | | 6,521,214 | 6,361,174 |
| Total assets | | $7,658,601 | $7,530,885 | Total liabilities and equity | | $7,658,601 | $7,530,885 |

English Translation of Financial Statements Originally Issued in Chinese

TAIYEN BIOTECH CO.,LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 December 2022 and 2021

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

| ITEMS | NOTES | 2022.1.1~ 2022.12.31 | 2021.1.1~ 2021.12.31 |
|---|---|---|---|
| Operating revenues | IV/VI.15/VII | $3,044,180 | $2,841,413 |
| Operating costs | IV/VI.7、11、13、18 | (1,826,787) | (1,628,881) |
| Gross profit | | 1,217,393 | 1,212,433 |
| Operating expenses | IV/VI.11、13、16、17、18 | | |
| Sales and marketing expenses | | (534,773) | (533,954) |
| General and administrative expenses | VII | (184,415) | (177,203) |
| Research and development expenses | | (55,914) | (52,103) |
| Subtotal | | (775,102) | (763,260) |
| Operating income | | 442,291 | 449,173 |
| Non-operating income and expenses | | | |
| Other revenue | IV/VI.19 | 88,674 | 75,841 |
| Other gains and losses | IV/VI.11、19 | (5,641) | (86,010) |
| Financial costs | IV/VI.19 | (685) | (1,879) |
| Share of profit of associates and joint ventures accounted for using equity method | IV/VI.8 | 3,637 | 39,527 |
| Subtotal | | 85,985 | 27,479 |
| Income from continuing operations before income tax | | 528,276 | 476,652 |
| Income tax expense | IV/VI.21 | (101,572) | (83,425) |
| Net income | | 426,704 | 393,227 |
| Other comprehensive income (loss) | IV/VI.20 | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurements of the defined benefit plan | | 41,070 | 9,495 |
| Unrealized gains from equity instruments investments measured at fair value through other comprehensive income | | 206 | 952 |
| Income tax related to items that will not be reclassified subsequently | | (8,214) | (1,899) |
| Items that may not be reclassified subsequently to profit or loss | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | | 242 | (115) |
| Total other comprehensive income, net of tax | | 33,304 | 8,433 |
| Total comprehensive income | | $460,008 | $401,660 |
| Earnings per share (NTD) | VI.22 | | |
| Earnings per share-basic | | $2.13 | $1.97 |
| Earnings per share-diluted | | $2.13 | $1.96 |

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 2022 and 2021

(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 foreign operations | Unrealized gains (losses) on financial assets at fair value through other comprehensive income | |
| Balance as of 1 January 2021 | $2,000,000 | $2,501,653 | $1,269,873 | $45,420 | $415,529 | $(3,121) | $127 | $6,229,481 |
| Appropriation and distribution of 2020 retained earnings | | | | | | | | |
| Legal reserve | - | - | 36,071 | - | (36,071) | - | - | - |
| Cash dividends | - | - | - | - | (270,000) | - | - | (270,000) |
| Other changes in additional paid-in capital | - | 33 | - | - | - | - | - | 33 |
| Net income for the year ended 31 December 2021 | - | - | - | - | 393,227 | - | - | 393,227 |
| Other comprehensive income (loss) for the year ended 31 December 2021 | - | - | - | - | 7,596 | (115) | 952 | 8,433 |
| Total comprehensive income | - | - | - | - | 400,823 | (115) | 952 | 401,660 |
| Balance as of 31 December 2021 | $2,000,000 | $2,501,686 | $1,305,944 | $45,420 | $510,281 | $(3,236) | $1,079 | $6,361,174 |
| Balance as of 1 January 2022 | $2,000,000 | $2,501,686 | $1,305,944 | $45,420 | $510,281 | $(3,236) | $1,079 | $6,361,174 |
| Appropriation and distribution of 2021 retained earnings | | | | | | | | |
| Legal reserve | - | - | 40,082 | - | (40,082) | - | - | - |
| Cash dividends | - | - | - | - | (300,000) | - | - | (300,000) |
| Other changes in additional paid-in capital | - | 32 | - | - | - | - | - | 32 |
| Net income for the year ended 31 December 2022 | - | - | - | - | 426,704 | - | - | 426,704 |
| Other comprehensive income (loss) for the year ended 31 December 2022 | - | - | - | - | 32,856 | 242 | 206 | 33,304 |
| Total comprehensive income | - | - | - | - | 459,560 | 242 | 206 | 460,008 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | 1,285 | - | (1,285) | - |
| Balance as of 31 December 2022 | $2,000,000 | $2,501,718 | $1,346,026 | $45,420 | $631,044 | $(2,994) | $- | $6,521,214 |

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 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

| ITEMS | 2022.1.1~ 2022.12.31 | 2021.1.1~ 2021.12.31 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income before tax | $528,276 | $476,652 |
| Adjustments for: | | |
| Income and expense adjustments: | | |
| Depreciation | 171,445 | 167,219 |
| Amortization | 10,552 | 11,058 |
| Net (losses) on financial assets or liabilities at fair value through profit or loss | 360 | 1,645 |
| Interest expense | 685 | 1,879 |
| Interest revenue | (17,648) | (10,615) |
| Share of (gains) of associates for using the equity method | (3,637) | (39,527) |
| Losses on disposal of property, plant and equipment | 662 | 1,236 |
| Losses on disposals of investment property | 2 | - |
| (Gains) on disposal of investments | - | (1,109) |
| Losses on disaster | 5,538 | 3,535 |
| Changes in operating assets and liabilities: | | |
| Notes receivable, net | 519 | 92 |
| Accounts receivable, net | (3,393) | (1,027) |
| Inventories | (83,996) | (34,449) |
| Other current assets | (3,586) | 19,853 |
| Contract liabilities | 9,658 | 8,749 |
| Notes payable | 18,174 | 22,332 |
| Accounts payable | 12,500 | 21,203 |
| Other payables | (6,018) | 38,414 |
| Other current liabilities | 3,402 | 4,824 |
| Net defined benefit liabilities | (5,349) | (6,209) |
| Other non-current liabilities | (13,132) | (14,857) |
| Cash generated from operations | 625,014 | 670,898 |
| Interest paid | (685) | (1,879) |
| Divend received | 24,742 | 2,969 |
| Income tax paid | (119,550) | (89,015) |
| Net cash provided by operating activities | 529,521 | 582,973 |

| ITEMS | 2022.1.1~ 2022.12.31 | 2021.1.1~ 2021.12.31 |
|---|---|---|
| Cash flows from investing activities | | |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 1,266 | 1,822 |
| Acquisition of financial assets at fair value through profit or loss | - | (34,140) |
| Proceeds from disposal of financial assets at fair value through profit or loss | - | 61,109 |
| Acquisition of property, plant and equipment | (243,202) | (370,628) |
| Proceeds from disposal of property, plant and equipment | - | 271 |
| Increase in refundable deposits | (906) | - |
| Decrease in refundable deposits | - | 2,810 |
| Acquisition of intangible assets | (395) | (2,024) |
| Acquisition of investment property | - | (995) |
| Insterest received | 17,467 | 10,545 |
| Net cash used in investing activities | (225,770) | (331,230) |
| Cash flows from financing activities | | |
| Increase in guarantee deposits | 20,926 | - |
| Decrease in guarantee deposits | - | (902) |
| Payments of lease liabilities | (6,458) | (11,787) |
| Cash dividends | (300,000) | (270,000) |
| Other changes in capital surplus | 32 | 33 |
| Net cash used in financing activities | (285,500) | (282,656) |
| Net increase (decrease) in cash and cash equivalents | 18,251 | (30,913) |
| Cash and cash equivalents at the beginning of year | 1,375,442 | 1,406,355 |
| Cash and cash equivalents at the end of year | $1,393,693 | $1,375,442 |

<ins>English Translation of Financial Statements Originally Issued in Chinese</ins>

TAIYEN BIOTECH CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
For the Years Ended 31 December 2022 and 2021
(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 2022 and 2021, 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 the 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 contact lenses 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 2022 and 2021 were authorized for issue in accordance with the resolution of the board of directors on 10 March 2023.

## 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 2022. The application of these 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, 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 | Disclosure Initiative - Accounting Policies – Amendments to IAS 1 | 1 January 2023 |
| b | Definition of Accounting Estimates – Amendments to IAS 8 | 1 January 2023 |
| c | Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | 1 January 2023 |

(a) 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.

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

The amendments introduce the definition of accounting estimates and include 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.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023 and 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 2024 |
| d | Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | 1 January 2024 |
| e | Non-current Liabilities with Covenants – Amendments to IAS 1 | 1 January 2024 |

(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 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 2020); 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) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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. The Company determined that the newly published 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 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.

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.

<u>Financial assets measured at amortized cost</u>

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 represent 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
(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 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

<u>Classification between liabilities or equity</u>

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 weighted average 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 affects 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.

<u>Company as a lessee</u>

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
(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
(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. The accounting policies are explained as follows:

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.

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. 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 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 benefitt 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.

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 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. Judgement

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) Net realizable value of inventories

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. Please refer to Note VI for more details.

(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.

For more details of the principal assumptions used to measure the cost of post-employment benefit and the pension obligation, please refer to Note VI.

(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 counties 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. 2022 | 31 Dec. 2021 |
| Cash on hand | $1,022 | $978 |
| Saving account | 503,054 | 448,849 |
| Cash equivalents | | |
| Time deposits with maturities within 12 months | 889,617 | 925,615 |
| Total | $1,393,693 | $1,375,442 |

Cash and Cash Equivalents were not pledged.

### 2. Financial assets at fair value through profit or loss

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Mandatorily measured at fair value through profit or loss: | | |
| Funds | $353,179 | $353,539 |
| | | |
| Current | $353,179 | $353,539 |

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. 2022 | 31 Dec. 2021 |
| Equity instrument investments measured at fair value through other comprehensive income – Current: | | |
| Common stocks | $- | $1,060 |

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$0 thousand and NT$36 thousand for the years ended 31 December 2022 and 2021, 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. 2022 | 31 Dec. 2021 |
| 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. 2022 | 31 Dec. 2021 |
| Note receivable - from operating | $2,006 | $2,525 |
| Less: allowance for doubtful accounts | - | - |
| Total | $2,006 | $2,525 |

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. 2022 | 31 Dec. 2021 |
| Accounts receivable | $167,595 | $164,021 |
| Less: allowance for doubtful accounts | (132) | (132) |
| Subtotal | 167,463 | 163,889 |
| Accounts receivable-related parties | 150 | 331 |
| Less: allowance for doubtful accounts | - | - |
| Subtotal | 150 | 331 |
| Total | $167,613 | $164,220 |

No accounts receivable was pledged.

Accounts receivables are generally on 90-150 day terms. Accounts receivable amounted to NT$ 167,745 thousand and NT$ 164,352 thousand as at 31 December 2022 and 2021.

Please refer to Note VI (16) for more details on impairment of accounts receivable for the years ended 31 December 2022 and 2021 and please refer to Note XII for credit risk disclosure.

7. Inventories

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Raw materials | $33,696 | $28,974 |
| Supplies and parts | 94,325 | 89,649 |
| Work in process | 20,216 | 17,009 |
| Finished goods | 176,386 | 142,644 |
| Merchandise | 78,144 | 53,380 |
| Total | $402,767 | $331,656 |

The cost of inventories recognized in expenses amounted to NT$1,826,787 thousand and NT$1,628,881 thousand for the years ended 31 December 2022 and 2021, including the write-down of inventory of NT$5,634 thousand and NT$7,968 thousand for the year ended 31 December 2022 and 2021.

No inventories were pledged.

8. Investments accounted for using the equity method

Details are as follows:

| | As at | | | |
|---|---|---|---|---|
| | 31 Dec. 2022 | | 31 Dec. 2021 | |
| Investee Company | Amount | Percentage of ownership | Amount | Percentage of ownership |
| Investments in subsidiaries | | | | |
| Taiyen Biotech Co., Ltd., Samoa | $19,107 | 100% | $16,858 | 100% |
| Taiyen Green Energy Co., Ltd. | 284,439 | 66.75% | 305,551 | 66.75% |
| Total | $301,546 | | $322,409 | |

Investments in subsidiaries are shown as 'Investments accounted for using the equity method' in standalone financial statement with necessary fair value adjustments.

9. Property, plant and equipment

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Owner occupied property, plant and equipment | $3,580,284 | $3,416,150 |

| | Land | Land improvements | Buildings | Machinery and equipment | Transportation equipment | Other facilities | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| As at 1 Jan. 2022 | $1,736,142 | $190,106 | $1,321,785 | $2,710,324 | $29,000 | $103,410 | $322,882 | $6,413,649 |
| Additions | - | - | 1,400 | 6,328 | 206 | 523 | 235,119 | 243,576 |
| Disposals | - | (809) | (2,084) | (76,095) | (1,873) | (5,027) | - | (85,888) |
| Transfers | - | 3,902 | 34,444 | 69,069 | 459 | 7,078 | (114,952) | - |
| Other | 79,896 | (138) | (2,109) | (6,177) | - | - | (92) | 71,380 |
| As at 31 Dec. 2022 | $1,816,038 | $193,061 | $1,353,436 | $2,703,449 | $27,792 | $105,984 | $442,957 | $6,642,717 |
| As at 1 Jan. 2021 | $1,683,597 | $185,973 | $1,299,584 | $2,656,501 | $32,337 | $98,422 | $168,287 | $6,124,701 |
| Additions | 71,438 | - | 1,631 | 7,077 | 462 | 708 | 291,198 | 372,514 |
| Disposals | - | - | (472) | (66,279) | (4,977) | (1,547) | - | (73,275) |
| Transfers | - | 4,133 | 21,042 | 103,574 | 1,178 | 5,827 | (135,754) | - |
| Other | (18,893) | - | - | 9,451 | - | - | (849) | (10,291) |
| As at 31 Dec. 2021 | $1,736,142 | $190,106 | $1,321,785 | $2,710,324 | $29,000 | $103,410 | $322,882 | $6,413,649 |
| Depreciation and impairment: | | | | | | | | |
| As at 1 Jan. 2022 | $5,356 | $156,817 | $776,005 | $1,948,634 | $20,149 | $90,538 | $- | $2,997,499 |
| Depreciation | - | 6,621 | 43,047 | 94,612 | 2,057 | 5,515 | - | 151,852 |
| Disposals | - | (809) | (2,023) | (75,742) | (1,869) | (4,783) | - | (85,226) |
| Transfers | - | - | - | - | - | - | - | - |
| Other | - | (5) | (2,092) | 405 | - | - | - | (1,692) |
| As at 31 Dec. 2022 | $5,356 | $162,624 | $814,937 | $1,967,909 | $20,337 | $91,270 | $- | $3,062,433 |
| As at 1 Jan. 2021 | $5,356 | $150,006 | $733,348 | $1,923,621 | $22,846 | $86,324 | $- | $2,921,501 |
| Depreciation | - | 6,811 | 43,113 | 90,112 | 1,971 | 5,759 | - | 147,766 |
| Disposals | - | - | (456) | (65,099) | (4,668) | (1,545) | - | (71,768) |
| Transfers | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| As at 31 Dec. 2021 | $5,356 | $156,817 | $776,005 | $1,948,634 | $20,149 | $90,538 | $- | $2,997,499 |
| Net carring amount as at: | | | | | | | | |
| 31 Dec. 2022 | $1,810,682 | $30,437 | $538,499 | $735,540 | $7,455 | $14,714 | $442,957 | $3,580,284 |
| 31 Dec. 2021 | $1,730,786 | $33,289 | $545,780 | $761,690 | $8,851 | $12,872 | $322,882 | $3,416,150 |

Property, plant and equipment were not pledged.

10. Investment properties

| | Land | Land Improvements | Buildings | Total |
|---|---|---|---|---|
| Cost: | | | | |
| As at 1 Jan. 2022 | $1,021,631 | $5,525 | $465,040 | $1,492,196 |
| Disposals | - | - | (88) | (88) |
| Other | (79,896) | 138 | 2,109 | (77,649) |
| As at 31 Dec. 2022 | $941,735 | $5,663 | $467,061 | $1,414,459 |
| As at 1 Jan. 2021 | $983,047 | $5,525 | $464,045 | $1,452,617 |
| Additions | - | - | 995 | 995 |
| Other | 38,584 | - | - | 38,584 |
| As at 31 Dec. 2021 | $1,021,631 | $5,525 | $465,040 | $1,492,196 |
| | | | | |
| Depreciation and impairment: | | | | |
| As at 1 Jan. 2022 | $5,715 | $4,834 | $128,884 | $139,433 |
| Depreciation | - | 100 | 13,166 | 13,266 |
| Disposals | - | - | (86) | (86) |
| Other | - | 5 | 2,092 | 2,097 |
| As at 31 Dec. 2022 | $5,715 | $4,939 | $144,056 | $154,710 |
| As at 1 Jan. 2021 | $5,715 | $4,761 | $115,790 | $126,266 |
| Depreciation | - | 73 | 13,094 | 13,167 |
| Disposals | - | - | - | - |
| As at 31 Dec. 2021 | $5,715 | $4,834 | $128,884 | $139,433 |
| | | | | |
| Net carrying amount as at: | | | | |
| 31 Dec. 2022 | $936,020 | $724 | $323,005 | $1,259,749 |
| 31 Dec. 2021 | $1,015,916 | $691 | $336,156 | $1,352,763 |

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Rental income from investment properties | $29,317 | $32,671 |
| Less: Direct operating expenses from investment properties generating rental income | (24,586) | (24,375) |
| Direct operating expenses from investment properties not generating rental income | (566) | (653) |
| Total | $4,165 | $7,643 |

No investment property was pledged.

As at 31 December 2022 and 2021, the fair value of investment properties held by the Company amounted to NT$3,832,697 thousand and NT$3,748,997 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. 2022 | 31 Dec. 2021 |
| Average income capitalization rate | 1.20% | 1.04%-2.00% |

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 in comparison.

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Condition adjustment percentage | 100% | 100% |
| Date adjustment percentage | 100%-103% | 100%-103% |
| Local factor adjustment percentage | 85%-102% | 93%-102% |
| Individual factor adjustment percentage | 87%-107% | 73%-107% |

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. 2022 | 31 Dec. 2021 |
| Residual price rate | 1.8%-10% | 2%-10% |
| Residual service life | 0-26.4 years | 0-41.64 years |

11. Other non-current assets

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Tourism assets | $4,624 | $5,395 |
| Other non-current assets - other | 23,012 | 15,611 |
| Total | $27,636 | $21,006 |

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 twenty 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 2022 and 2021 amounted to NT$771 thousand and NT$846 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 2022 and 2021 amounted to NT$7,834 thousand and NT$8,351 thousand, respectively.

12. Deferred revenue

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Deferred revenue | $320,053 | $332,918 |

NOTE1: The Company 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 24 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 Company (the proprietor and the applicant for the first registration of the ownership of the building are both the Company). 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 Company and amortized using the residual years after the completion and actual operation. The unamortized amount as of 31 December 2022 was NT$294,757 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 Company applied to purchase the leased 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 2022 the unamortized amount was NT$25,296 thousand.

13. Post-employment benefits

Defined contribution plan

The Company adopts 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 has 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 2022 and 2021 were NT$14,308 thousand and NT$14,411 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$9,017 thousand to its defined benefit plan during the 12 months beginning after 31 December 2022.

The defined benefit obligations were expected to mature in 2033 and 2032 as of 31 December 2022 and 2021, respectively.

Pension costs recognized in profit or loss are as follows:

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Current service cost | $9,276 | $9,948 |
| Net interest on the net defined benefit liabilities | 587 | 349 |
| Total | $9,863 | $10,297 |

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

| | As at | | |
|---|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 | 1 Jan. 2021 |
| Defined benefit obligation | $305,434 | $345,132 | $364,232 |
| Plan assets at fair value | (243,047) | (236,326) | (239,722) |
| Net defined benefit liabilities | $62,387 | $108,806 | $124,510 |

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, 2021 | $364,232 | $(239,722) | $124,510 |
| Current service cost | 9,948 | - | 9,948 |
| Interest expense (income) | 1,020 | (671) | 349 |
| Subtotal | 375,200 | (240,393) | 134,807 |
| Remeasurements of the defined benefit liabilities/assets: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | 387 | - | 387 |
| Actuarial gains and losses arising from changes in financial assumptions | (30,268) | - | (30,268) |
| Experience adjustments | 24,077 | - | 24,077 |
| Remeasurements of the defined benefit assets | - | (3,691) | (3,691) |
| Subtotal | (5,804) | (3,691) | (9,495) |
| Payment of benefit obligation | (24,264) | 24,264 | - |
| Contribution by employer | - | (16,506) | (16,506) |
| As of 31 December, 2021 | $345,132 | $(236,326) | $108,806 |
| Current service cost | 9,276 | - | 9,276 |
| Interest expenses (income) | 1,863 | (1,276) | 587 |
| Subtotal | 356,271 | (237,602) | 118,669 |
| Remeasurements of the defined benefit liabilities/assets: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | - | - | - |
| Actuarial gains and losses arising from changes in financial assumptions | (18,385) | - | (18,385) |
| Experience adjustments | (4,148) | - | (4,148) |
| Remeasurements of the defined benefit assets | - | (18,536) | (18,536) |
| Subtotal | (22,533) | (18,536) | (41,069) |
| Payment of benefit obligation | (28,304) | 28,304 | - |
| Contribution by employer | - | (15,213) | (15,213) |
| As of 31 December, 2022 | $305,434 | $(243,047) | $62,387 |

The principal assumptions used in determining the Company's defined benefit plan are shown below:

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Discount Rate | 1.57% | 0.54% |
| Expected rate of future salary increase | 3.00% | 2.50% |

A sensitivity analysis for significant assumption as of 31 December 2022 and 2021 is, as shown below:

| | For the years ended 31 December | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Defined benefit obligations increase | Defined benefit obligations decrease | Defined benefit obligations increase | Defined benefit obligations decrease |
| Discount Rate increase by 0.5% | - | 15,776 | - | 18,411 |
| Discount Rate decrease by 0.5% | 16,986 | - | 19,915 | - |
| Future salary increase by 0.5% | 16,658 | - | 19,421 | - |
| Future salary decrease by 0.5% | - | 15,638 | - | 18,157 |

The sensitivity analyses 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 analyses 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 2022 and 2021 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. Each share has one voting right and a right to receive dividends.

(2) Capital surplus

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| 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 | 15,317 |
| Other | 140 | 108 |
| Total | $2,501,718 | $2,501,686 |

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 an 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.

When the Company distributes distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2021 issued Order No. Jin-Guan-Cheng-Fa-Zi-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains 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 special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

As of 31 December 2022 and 2021, the Company adopted the IFRS for the first time that the special reserve amounts were both NT$45,420 thousand.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved at the board of director's meeting and shareholder' meeting held on 10 March 2023 and 23 June 2022, respectively, are as follows:

| | For the years ended 31 December | | | |
|---|---|---|---|---|
| | Appropriation of earnings | | Cash dividend per share | |
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | $46,085 | $40,082 | | |
| Cash dividends | 300,000 | 300,000 | $1.5 | $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. Operating revenue

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Revenue from contracts with customers | | |
| Sale of goods | $3,044,180 | $2,841,314 |

Analysis of revenue from contracts with customers for the years ended 31 December 2022 and 2021 are as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2022:

| | Salt products and packaged water | Biotech cleaning and maintenance | Other dept. | Total |
|---|---|---|---|---|
| Sales of goods | $2,481,820 | $515,910 | $46,450 | $3,044,180 |
| Timing of revenue recognition: | | | | |
| At a point in time | $2,481,820 | $515,910 | $46,450 | $3,044,180 |

For the year ended 31 December 2021:

| | Salt products and packaged water | Biotech cleaning and maintenance | Other dept. | Total |
|---|---|---|---|---|
| Sales of goods | $2,370,380 | $432,366 | $38,568 | $2,841,314 |
| Timing of revenue recognition: | | | | |
| At a point in time | $2,370,380 | $432,366 | $38,568 | $2,841,314 |

(2) Contract balances

A. Contract liabilities - current

| | As at | | |
|---|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 | 1 Jan. 2021 |
| Sales of goods | $46,521 | $36,863 | $28,114 |

The significant changes in the Company's balances of contract liabilities for the years ended 31 December 2022 and 2021 are as follows:

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| The opening balance transferred to revenue | $(33,175) | $(24,413) |
| Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period) | 42,833 | 33,162 |

16. Expected credit losses / (gains)

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Operating expense- expected credit losses | | |
| 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. 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 2022 and 2021.

The Company measures the loss allowance of its accounts receivables (including notes 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 2022 and 2021 is as follows:

The Company considers the accounts receivables by counterparty's credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix with 0.08%. The details are as follows:

As at 31 December 2022

| | Not yet due | Overdue | | | |
|---|---|---|---|---|---|
| | (Note) | <=90 days | 90-180 days | >=180 days | Total |
| Gross carrying amount | $169,751 | $- | $- | $- | $169,751 |
| Loss rate | | | | | 0.08% |
| Lifetime expected credit losses | | | | | (132) |
| Carrying amount | | | | | $169,619 |

Note: No notes receivable of the Company were overdue.

As at 31 December 2021

| | Not yet due (Note) | Overdue <=90 days | Overdue 90-180 days | Overdue >=180 days | Total |
|---|---|---|---|---|---|
| Gross carrying amount | $166,877 | $- | $- | $- | $166,877 |
| Loss rate | | | | | 0.08% |
| Lifetime expected credit losses | | | | | (132) |
| Carrying amount | | | | | $166,745 |

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 2022 and 2021 is as follows:

| | Notes receivables | Accounts receivables |
|---|---|---|
| Balance as at 1 Jan. 2022 | $- | $132 |
| Addition / (reversal) for the current period | - | - |
| Write off | - | - |
| Balance as at 31 Dec. 2022 | $- | $132 |
| | | |
| Balance as at 1 Jan. 2021 | $- | $132 |
| Addition / (reversal) for the current period | - | - |
| Write off | - | - |
| Balance as at 31 Dec. 2021 | $- | $132 |

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. 2022 | 31 Dec. 2021 |
| Land | $26,127 | $28,091 |
| Buildings | 2,782 | 3,894 |
| Transportation equipment | 4,497 | 3,895 |
| Other equipment | 41 | 96 |
| Total | $33,447 | $35,976 |

For the years ended 31 December 2022 and 2021, the Company's additions to right-of-use assets amounted to NT$3,798 thousand and NT$7,394 thousand, respectively.

(b) Lease liabilities

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Lease liabilities | $33,114 | $35,774 |
| | | |
| Current | $5,859 | $5,592 |
| Non-current | 27,255 | 30,182 |
| Total | $33,114 | $35,774 |

Please refer to Note VI (19) for the interest on lease liabilities recognized for the years ended 31 December 2022 and 2021 and refer to Note XII (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2022 and 2021.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Land | $1,964 | $1,964 |
| Buildings | 1,112 | 1,112 |
| Transportation equipment | 3,196 | 3,155 |
| Other equipment | 55 | 55 |
| Total | $6,327 | $6,286 |

C. Income and costs relating to leasing activities

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| The expenses relating to short-term leases | $1,193 | $1,811 |

D. Cash outflow relating to leasing activities

For the years ended 31 December 2022 and 2021, the Company's total cash outflows for leases amounted to NT$8,319 thousand and NT$15,474 thousand.

(2) Company as a lessor

Please refer to Note VI(10) for details on the Company's self-owned investment properties. Leases of self-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 | |
|---|---|---|
| | 2022 | 2021 |
| Lease income for operating leases | | |
| Income relating to fixed lease payments and variable lease payments that depend on an index or a rate | $29,317 | $32,671 |

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 2022 and 2021 are as follows:

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Not later than one year | $28,405 | $23,563 |
| Later than one year but not later than two years | 25,126 | 20,714 |
| Later than two years but not later than three years | 25,952 | 21,534 |
| Later than three years but not later than four years | 25,467 | 20,793 |
| Later than four years but not later than five years | 25,762 | 20,793 |
| Later than five years | 441,285 | 390,802 |
| Total | $571,997 | $498,199 |

18. Employee benefit, depreciation, and amortization expense are summarized as follows:

| | For the years ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Operating costs | Operating expenses | Total amount | Operating costs | Operating expenses | Total amount |
| Employee benefits expense | | | | | | |
| Salaries | $190,449 | $282,228 | $472,727 | $186,620 | $275,989 | $462,609 |
| Labor and health insurance | 16,940 | 22,732 | 39,672 | 17,163 | 22,756 | 39,919 |
| Pension | 12,112 | 12,059 | 24,171 | 12,625 | 12,083 | 24,708 |
| Director's remuneration | - | 10,633 | 10,633 | - | 9,806 | 9,806 |
| Other personnel expenses | 9,631 | 12,623 | 22,254 | 8,962 | 10,819 | 19,781 |
| Depreciation | 121,068 | 50,377 | 171,445 | 117,828 | 49,391 | 167,219 |
| Amortization | 6,560 | 3,992 | 10,552 | 7,264 | 3,794 | 11,058 |

The number of employees of the Company were 490 and 492 for the years ended 31 December 2022 and 2021, respectively, of which 8 and 7 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 amounted to NT$1,159 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 concurrently employees))
The average employee benefit expense in the previous year amounted to NT$1,128 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 concurrently employees))

(2) The average employee salary was NT$981 thousand this year (the total salary expense of the year / (the number of employees this year- the number of directors who are not concurrently employees))
The average employee salary was NT$954 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 concurrently employees))

(3) The adjustment of the average of the salary expenses increased by 3%. ((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.

The director's remuneration of the Company is directly related to the company's operating performance during the year. The director's remuneration is high when the company's operating performance is good. The director's remuneration will be submitted to the remuneration committee for review to avoid future risks.

The Company's managers and employees' overall salary and remuneration package mainly includes basic salary, bonus, employee remuneration and other benefits. With respect to the standard of remuneration payment, the basic salary is based on the market salary level of the position held by the employee and the Company's policy; the bonus and employee remuneration are directly linked to the Company's operating performance during the current year, and the welfare complies with the laws and regulations, taking into account the employee's needs to design the measures that all employees can share.

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 the year ended 31 December 2022 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 2022 amounted to NT$20,908 thousand and NT$8,363 thousand, respectively. A resolution was passed at the board meeting held on 10 March 2023 to distribute employees' compensation and remuneration to directors and supervisors of 2022. 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 2022.

The Company distributed employees' compensation and remuneration to directors and supervisors for year ended 31 December 2021 at 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 2021 amounted to NT$18,865 thousand and NT$7,546 thousand, 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 2021.

19. Non-operating income and expenses

(1) Other revenue

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Rental income | $29,317 | $32,671 |
| Interest income | | |
| Financial assets measured at amortized cost | 17,648 | 10,615 |
| Others | 41,709 | 32,555 |
| Total | $88,674 | $75,841 |

Other income－Mainly tourism income and parking fees of Cigu Salt Mountain.

(2) Other gains and losses

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| (Losses) on disposal of property, plant and equipment | $(622) | $(1,236) |
| (Losses) on disposal of investment property | (2) | - |
| Foreign exchange gains (losses), net | 58,480 | (21,006) |
| (Losses) on financial assets at fair value through profit or loss | (360) | (1,645) |
| (Losses) on disaster | (5,538) | (3,535) |
| Gain on disposal of investments | - | 1,109 |
| Others | (57,559) | (59,697) |
| Total | $(5,641) | $(86,010) |

Other expenses－Mainly depreciation expenses of Cigu Salt Mountain's property, plant and equipment, maintenance expenses, and currency remittance commissions.

(3) Finance costs

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Interest on lease liabilities | $(668) | $(1,876) |
| Other interest expenses | (17) | (3) |
| Total | $(685) | $(1,879) |

20. Components of other comprehensive income

For the year ended 31 December 2022:

| | Arising during the period | Reclassification adjustments during the period | Income tax effect | Other Comprehensive income (loss), net of tax |
|---|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurements of defined benefit plans | $41,070 | $- | $(8,214) | $32,856 |
| Unrealized gains from equity instruments investments measured at fair value through other comprehensive income | 206 | - | - | 206 |
| Items that may not be reclassified subsequently to profit or loss: | | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | 242 | - | - | 242 |
| Total other comprehensive income (loss) | $41,518 | $- | $(8,214) | $33,304 |

For the year ended 31 December 2021:

| | Arising during the period | Reclassification adjustments during the period | Income tax effect | Other Comprehensive income (loss), net of tax |
|---|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurements of defined benefit plans | $9,495 | $- | $(1,899) | $7,596 |
| Unrealized gains from equity instruments investments measured at fair value through other comprehensive income | 952 | - | - | 952 |
| Items that may not be reclassified subsequently to profit or loss: | | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | (115) | - | - | (115) |
| Total other comprehensive (loss) income | $10,332 | $- | $(1,899) | $8,433 |

## 21. Income tax

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Current income tax expense: | | |
| Current income tax charge | $93,714 | $111,624 |
| Adjustments in respect of current income tax of prior periods | (3,442) | (4,136) |
| Deferred tax expense (income): | | |
| Deferred tax expense (income) relating to origination and reversal of temporary differences | 11,300 | (24,063) |
| Total income tax expense | $101,572 | $83,425 |

Income tax relating to components of other comprehensive income

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Deferred tax expense (income): | | |
| Remeasurements of defined benefit plans | $8,214 | $1,899 |
| Income tax relating to components of other comprehensive income | $8,214 | $1,899 |

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Accounting profit before tax from continuing operations | $528,276 | $476,652 |
| Tax at the domestic rates applicable to profits in the country concerned | $105,655 | $95,330 |
| Tax effect of revenues exempt from taxation | (254) | (7,503) |
| Tax effect of expenses not deductible for tax purposes | 14 | 36 |
| Tax effect of deferred tax assets/liabilities | (401) | (302) |
| Adjustments in respect of current income tax of prior periods | (3,442) | (4,136) |
| Total income tax expenses recognized in profit or loss | $101,572 | $83,425 |

Deferred tax assets (liabilities) related to the following:

For the year ended 31 December 2022

| | As of 1 Jan. 2022 | Recognized in profit or loss | Recognized in other comprehensive income | As of 31 Dec. 2022 |
|---|---|---|---|---|
| Temporary differences | | | | |
| Unrealized allowance for inventory valuation losses | $6,316 | $1,127 | $- | $7,443 |
| Unrealized exchange losses (gains) | 16,698 | (11,661) | - | 5,037 |
| Unrealized sales returns and discounts | 6,497 | 110 | - | 6,607 |
| Unallocated fixed manufacturing expenses | 1,417 | 98 | - | 1,515 |
| Land appreciation tax preparation | (33,339) | - | - | (33,339) |
| Unrealized impairment loss | 4,814 | (55) | - | 4,759 |
| Compensated absence | 3,091 | 237 | - | 3,328 |
| Deferred income | 271 | 62 | - | 333 |
| Net defined benefit liability, non-current. | 21,800 | (1,069) | (8,214) | 12,517 |
| Other | 24,809 | 149 | - | 24,660 |
| Deferred tax income (expense) | | $(11,300) | $(8,214) | |
| Net deferred tax assets/(liability) | $52,374 | | | $32,860 |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | $86,457 | | | $67,092 |
| Deferred tax liabilities | $(34,083) | | | $(34,232) |

For the years ended 31 December 2021

| | As of 1 Jan. 2021 | Recognized in profit or loss | Recognized in other comprehensive income | As of 31 Dec. 2021 |
|---|---|---|---|---|
| Temporary differences | | | | |
| Unrealized allowance for inventory valuation losses | $4,723 | $1,593 | $- | $6,316 |
| Unrealized exchange losses (gains) | 13,098 | 3,600 | - | 16,698 |
| Unrealized sales returns and discounts | 5,942 | 555 | - | 6,497 |
| Unallocated fixed manufacturing expenses | 1,277 | 140 | - | 1,417 |
| Land appreciation tax preparation | (33,339) | - | - | (33,339) |
| Unrealized impairment loss | 4,931 | (117) | - | 4,814 |
| Compensated absence | 3,006 | 85 | - | 3,091 |
| Deferred income | 274 | (3) | - | 271 |
| Net defined benefit liability, non-current. | 24,941 | (1,242) | (1,899) | 21,800 |
| Other | 5,357 | 19,452 | - | 24,809 |
| Deferred tax income (expense) | | $24,063 | $(1,899) | |
| Net deferred tax assets/(liability) | $30,210 | | | $52,374 |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | $64,144 | | | $86,457 |
| Deferred tax liabilities | $(33,934) | | | $(34,083) |

The assessment of income tax returns

As of 31 December 2022, the assessment of income tax returns of the Company is as follows:

| | The assessment of income tax returns |
|---|---|
| The Company | Assess and approved up to 2020 |

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.

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| (1) Basic earnings per share | | |
| Profit attributable to ordinary equity holders of the Company (in thousand NT$) | $426,704 | $393,227 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 200,000 | 200,000 |
| Basic earnings per share (NT$) | $2.13 | $1.97 |
| | | |
| (2) Diluted earnings per share | | |
| Profit attributable to ordinary equity holders of the Company (in thousand NT$) | $426,704 | $393,227 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 200,000 | 200,000 |
| Effect of dilution: | | |
| Employee compensation－stock (in thousands) | 664 | 568 |
| Weighted average number of ordinary shares outstanding after dilution (in thousands) | 200,664 | 200,568 |
| Diluted earnings per share (NT$) | $2.13 | $1.96 |

There have been no other transactions involving shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

## VII. RELATED PARTIES TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

| Name of the related parties | Nature of relationship of the related parties |
|---|---|
| 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 transactions with the related parties

1. Sales

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Taiyen (Xiamen) | $667 | $559 |
| Taiyen Green Energy | 312 | 116 |
| Total | $979 | $675 |

The prices and payment conditions are the same between associates' industries and non-related parties.

2. Purchases

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Taiyen (Xiamen) | $19,531 | $22,672 |

The prices and payment conditions are the same between associates' industries and non-related parties.

3. Engineering commission

The Company entrusted the "Construction Project of Ground - Mounted Photovoltaic Systems Located at Huashan Section, Luzhu" to Taiyen Green Energy. The Company has paid NT$2,600 thousand (accounted as construction in progress) as of 31 December 2022. Additionally, the Company collected deposit of NT$5,000 thousand for this project (accounted as guarantee deposits).

4. Key management personnel compensation

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Short-term employee benefits | $17,486 | $16,957 |
| Post-employment benefits | 595 | 686 |
| Total | $18,081 | $17,643 |

## VIII. ASSETS PLEDGED AS COLLATERAL

The following table list asset of the Company pledged as collateral:

| Item | Carrying amount as at 31 Dec. 2022 | Carrying amount as at 31 Dec. 2021 | Purpose of pledge |
|---|---|---|---|
| Financial assets measured at amortized costs | $33,960 | $33,960 | 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 3 February 2023 to the purchase and import industrial sun-dried salt and agreed on the related transportation terms. The contract period was 2 years (From 1 March 2023 to 28 February 2025). According to this contract, the Company can acquire a fixed amount of sun-dried salt for industrial and food processing purposes 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 18 March 2022. The contract period is 3 years (From 18 March 2022 to 30 September 2025). According to this contract, the Company agrees to purchase 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.

3. The Company signed a property purchase contract with Far Eastern New Century Co., Ltd. (hereinafter referred to as FENC) on 20 May 2022. The Company purchased PET bottles from FENC for approximately $220 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.

4. As of 31 December 2022, the Company was involved in the following activities that were not shown in the financial statements:

   Unused letters of credit (in thousands):

   | Currency | As of 31 Dec. 2022 |
   |---|---|
   | USD | USD1,884 |

5. As of 31 December 2022, the Company still has major contracts as follows:

| Project | Contract amount | Amount paid | Unpaid amount |
|---|---|---|---|
| Replacement project of cogeneration equipment | $601,700 | $419,491 | $182,209 |
| Demolition and construction project of office | 23,800 | 23,534 | 266 |
| New Construction of toothpaste GMP plant | 80,500 | 2,989 | 77,511 |
| Construction project of solar photovoltaic systems | 86,450 | 2,600 | 83,850 |
| Total | $792,450 | $448,614 | $343,836 |

## X. LOSS DUE TO MAJOR DISASTERS

None.

## XI. SIGNIFICANT SUBSEQUENT EVENTS

1. Ronghui Wu, the former chairman of Taiyen Biotech Co., Ltd., resigned on 6 February 2023. Therefore, Yachuan Liu, deputy director of Commerce Department, will temporarily replace him as the chairman.

## XII. OTHER

1. Categories of financial instruments

Financial Assets

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Financial assets at fair value through profit or loss: | | |
| Mandatorily measured at fair value through profit or loss | $353,179 | $353,539 |
| Financial assets at fair value through other comprehensive income | - | 1,060 |
| Financial assets measured at amortized cost: | | |
| Cash and cash equivalents (exclude cash on hand) | 1,392,671 | 1,374,464 |
| Financial assets measured at amortized cost | 33,960 | 33,960 |
| Notes receivable | 2,006 | 2,525 |
| Accounts receivable | 167,613 | 164,220 |
| Other receivables (Accounted as other current assets) | 6,693 | 6,872 |
| Refundable deposits | 5,475 | 4,569 |
| Subtotal | 1,608,418 | 1,586,610 |
| Total | $1,961,597 | $1,941,209 |

Financial liabilities

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Financial liabilities at amortized cost: | | |
| Trade and other payables | $472,343 | $447,313 |
| Guarantee deposits | 85,280 | 64,354 |
| Lease liabilities | 33,114 | 35,774 |
| Total | $590,737 | $547,441 |

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, AUD and CNY. The information of the sensitivity analysis is as follows:

(1) When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2022 and 2021 decreases/increases by NT$4,240 thousand and NT$5,152 thousand, respectively
(2) When NTD strengthens/weakens against AUD by 1%, the profit for the years ended 31 December 2022 and 2021 decreases/increases by NT$570 thousand and NT$547 thousand, respectively.
(3) When NTD strengthens/weakens against CNY by 1%, the profit for the years ended 31 December 2022 and 2021 decreases/increases by NT$2,890 thousand and NT$2,767 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$0 thousand and NT$11 thousand on the equity attributable to the Company for the years ended 31 December 2022 and 2021, 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 2022 and 2021, accounts receivables from top ten customers represented 81% and 80% 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, highly liquid securities and leases. 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

| | Less than 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| As at 31 Dec. 2022 | | | | | |
| Payables | $472,343 | $- | $- | $- | $472,343 |
| Lease liabilities (Note) | 6,499 | 7,719 | 4,320 | 21,600 | 40,138 |
| | | | | | |
| As at 31 Dec. 2021 | | | | | |
| Payables | $447,313 | $- | $- | $- | $447,313 |
| Lease liabilities (Note) | 6,236 | 8,436 | 4,923 | 23,760 | 43,355 |

Note: Information about the maturities of lease liabilities is provided in the table below:

| | Maturities | | | | |
|---|---|---|---|---|---|
| | Less than 5 years | 6 to 10 years | 11 to 15 years | > 15 years | Total |
| As at 31 Dec. 2022 | $18,538 | $10,800 | $10,800 | $- | $40,138 |
| As at 31 Dec. 2021 | 19,595 | 10,800 | 10,800 | 2,160 | 43,355 |

6. Reconciliation of liabilities arising from financing activities

| | Leases liabilities |
|---|---|
| As at 1 Jan. 2022 | $35,774 |
| Cash flows | (7,126) |
| Non-cash changes | (4,466) |
| As at 31 Dec 2022 | $33,114 |
| As at 1 Jan. 2021 | $111,570 |
| Cash flows | (13,663) |
| Non-cash changes | (62,133) |
| As at 31 Dec 2021 | $35,774 |

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 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Funds | $353,179 | $- | $- | $353,179 |

As at 31 December 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Funds | $353,539 | $- | $- | $353,539 |
| Equity instrument measured at fair value through other comprehensive income | 1,060 | - | - | 1,060 |

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2022 and 2021, 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 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties | $- | $- | $1,259,749 | $1,259,749 |
| Financial assets measured at amortized cost | | | | |
| Time deposits | - | 33,960 | - | 33,960 |
| Investments accounted for using equity method | - | - | 301,546 | 301,546 |

As at 31 December 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties | $- | $- | $1,352,763 | $1,352,763 |
| Financial assets measured at amortized cost | | | | |
| Time deposits | - | 33,960 | - | 33,960 |
| Investments accounted for using equity method | - | - | 322,409 | 322,409 |

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 2022 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Monetary items: | | | |
| USD | $13,808 | 30.710 | $424,044 |
| AUD | 2,736 | 20.830 | 56,991 |
| CNY | 65,572 | 4.408 | 289,041 |

| Financial assets | As at 31 December 2021 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Monetary items: | | | |
| USD | $18,613 | 27.680 | $515,208 |
| AUD | 2,723 | 20.080 | 54,678 |
| CNY | 63,695 | 4.344 | 276,691 |

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 2022 and 2021, the foreign exchange gains or losses on monetary financial assets and financial liabilities were to NT$58,480 thousand and NT$(21,006) 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. 2022

| Purchaser | Factoring amount | Advanced amount | Transfer to other receivables | Credit |
|---|---|---|---|---|
| Bank Sinopac | $144 | $- | $144 | $10,000 |

As at 31 Dec. 2021

| Purchaser | Factoring amount | Advanced amount | Transfer to other receivables | Credit |
|---|---|---|---|---|
| Bank Sinopac | $147 | $- | $147 | $10,000 |

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.OTHER 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 2022: None.

(b) Endorsement/Guarantee provided to others for the year ended 31 December 2022: None.

(c) Securities held as of 31 December 2022 (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 2022: 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 2022: 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 2022: 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 2022: None.

(h) Account Receivables of related party amounts exceeding the lower of NT$100 million or 20 percent of the capital stock f for the years ended 31 December 2022: None.

(i) 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 at 31 December 2022

| Holding Company | Type and name of securities(note) | Relations with securities issuer | Account | As of 31 December, 2022 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares or units | Amount | Holding ratio | Fair Value | |
| The Company | Currency Fund－JIH SUN money market | - | Financial assets at fair value through profit or loss - current | 2,094,435.14 | $31,565 | - | $31,565 | |
| | Currency Fund－FSITC Taiwan Money Market | - | 〃 | 2,039,641.60 | 31,717 | - | 31,717 | |
| | Currency Fund－Eastspring Investments Well Pool Money Market | - | 〃 | 2,250,170.60 | 31,061 | - | 31,061 | |
| | Currency Fund－Yuanta Wan Tai Money Market | - | 〃 | 684,186.40 | 10,516 | - | 10,516 | |
| | Currency Fund－Yuanta De-Li Money Market | - | 〃 | 615,695.30 | 10,202 | - | 10,202 | |
| | Currency Fund－Nomura Taiwan Money Market | - | 〃 | 3,181,374.36 | 52,674 | - | 52,674 | |
| | Currency Fund－Shin Kong Chi-Shin Money Market | - | 〃 | 1,969,750.74 | 30,956 | - | 30,956 | |
| | Currency Fund－Franklin Templeton Sinoam Money Market | - | 〃 | 2,959,309.49 | 31,081 | - | 31,081 | |
| | Currency Fund－Cathay Taiwan Money Market | - | 〃 | 2,432,059.50 | 30,691 | - | 30,691 | |
| | Currency Fund－Fubon Chi-Hsiang Money Market | - | 〃 | 1,278,422.10 | 20,339 | - | 20,339 | |
| | Currency Fund－Union Money Market | - | 〃 | 764,198.81 | 10,252 | - | 10,252 | |
| | Currency Fund－SinoPac TWD Money Market | - | 〃 | 724,653.40 | 10,235 | - | 10,235 | |
| | Currency Fund－Prudential Financial Money Market | - | 〃 | 1,275,006.10 | 20,485 | - | 20,485 | |
| | Bond Fund－PineBridge Global Multi-Strategy High Yeild Bond Found A | - | 〃 | 1,354,710.67 | 17,681 | - | 17,681 | |
| | Bond Fund－ Allianz Global Investors All Seasons Harvest Fund of Bond Fund-A | - | 〃 | 43,584.40 | 13,724 | - | 13,724 | |
| | | | | Total | $353,179 | | $353,179 | |

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 that the 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-22 | 31-Dec-21 | Number of shares | Ratio | Amount | | |
| The Company | Taiyen Green Energy | No. 360, Gaofa 2nd Rd., Guiren Dist., Tainan City | Energy-related business | $235,616 | $235,616 | 24,741,970 | 66.75% | $282,439 | $2,450 | $1,635 |
| 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% | $19,107 | $2,007 | $2,007 |
| 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% | $19,107 | $2,007 | $2,007 |

Note : Excluded from upstream transaction elimination of unrealised profits and losses between the company.

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 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Taiyen (Xiamen) | Operating various commodity sales and import and export business | USD1,600 thousand | 2 | USD1,600 thousand | - | - | USD1,600 thousand | $2,007 | 100% | $2,007 | $19,107 | - |

| 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 |
|---|---|---|
| $49,136 (USD1,600 thousand) (Note 3) | $49,136 (USD1,600 thousand) (Note 3) | Equity$6,521,214*60%=$3,912,728 (Note 4) |

Note 1: Method of investments are divided into the following three types; the table can be only noted with type number:

1.Direct investment in Mainland China.

2.Through the third region entity: Taiyen Samoa indirectly invested in Taiyen Xiamen via investment in Taiyen Hong Kong.

3.Other methods.

Note 2: The financial statements of the investee company has been audited by the independent auditors of EY.

Note 3: The amount of NTD in the table was calculated with the exchange rate of 30.71 at the end of December 2022.

Note 4: 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 cumulative investment amount in Mainland Area is : 60% of the net value or net value of the merger, whichever is higher.

Attachment 4

Information of major shareholders

| Shares / Name of major shareholder | Number of shares | Ratio |
|---|---|---|
| Ministry of Economic Affairs, R.O.C. | 77,768,272 | 38.88% |
| Tung Wei Construction Co., LTD. | 10,000,000 | 5.00% |

Note 1: The shareholders information is mainly derived from the last business day of each quarter-end when shareholders hold more than 5% of the common shares and preferred shares that The shareholders information is mainly derived from the last business day of each quarter-end when shareholders hold more than 5% of the common shares and preferred shares that have been completed (including treasury shares) non-physical registration. As for there may be differences between recorded shares in the Company's financial report and actual shares completed and delivered shares to non-physical registration, this is due to different calculation basis.

Note 2: If the above-mentioned information is in the case of shareholders handing over shares to the trust, the individual account of the trustor who set up the trust account with the trustee should be disclosed. As for shareholders who declare insiders shareholding statement in accordance with the Securities and Exchange Act for holding more than 10% of the shares, it includes shares held personally and shares that are put into the trust and hold the right to exercise decision-making power over the trust propery, etc. Please refer to the Market Observation Post System (MOPS) for more information on the insiders shareholding statement.

TAIYEN BIOTECH CO.,LTD.

1. Table of cash and cash equivalents

As at 31 December 2022

(Expressed in thousands of New Taiwan Dollars)

| Items | Summary | Subtotal | Total | Note |
|---|---|---|---|---|
| Cash | | $8 | $8 | 1.Exchange Rate of |
| Petty Cash | | 1,014 | 1,014 | USD to NTD is |
| Subtotal | | | 1,022 | 1:30.71 |
| | | | | 2.Exchange Rate of |
| Bank check deposits | | | 36,560 | AUD to NTD is |
| Bank demand deposits | | | 449,762 | 1:20.83 |
| Bank foreign currency deposits | USD 291 thousand | 8,946 | | 3.Exchange Rate of |
| | AUD 16 thousand | 326 | | CNY to NTD is |
| | CNY 1,692 thousand | 7,460 | | 1:4.408 |
| | | | 16,732 | |
| Subtotal | | | 503,054 | |
| Cash equivalents | | | | |
| Time deposits with maturities within 12 months | | 889,617 | 889,617 | |
| Total | | | $1,393,693 | |

TAIYEN BIOTECH CO.,LTD.

2. Table of accounts receivable, net

As at 31 December 2022

(Expressed in thousands of New Taiwan Dollars)

| Client Name | Summary | Amount | Note |
|---|---|---|---|
| A Company | | $103,278 | The amount of individual client in others does not exceed 5% of the account balance. |
| B Company | | 10,282 | |
| Others | | 54,185 | |
| Subtotal | | 167,745 | |
| Less: allowance for doubtful accounts | | (132) | |
| Total | | $167,613 | |

TAIYEN BIOTECH CO.,LTD.

3. Table of net inventories

As at 31 December 2022

(Expressed in thousands of New Taiwan Dollars)

| Items | Summary | Amount | | Note |
|---|---|---|---|---|
| | | Cost | Market price | |
| Raw materials | | $38,887 | $38,750 | The market price is the net realizable value. |
| Supplies and parts | | 116,420 | 115,829 | |
| Work in process | | 20,689 | 20,578 | |
| Finished goods | | 184,304 | 182,631 | |
| Merchandise | | 79,683 | 79,637 | |
| Total | | 439,983 | $437,425 | |
| Less: allowance for inventory valuation losses | | (37,216) | | |
| Total | | $402,767 | | |

TAIYEN BIOTECH CO.,LTD.

4. Statements of changes in investments accounted for under the equity method

As at 31 December 2022

(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 | $16,858 | - | | $2,007 | (Note 1) | - | | $242 | (Note 2) | 1,600 | $19,107 | | $19,107 | 100% | None | |
| Taiyen Green Energy | 24,742 | 305,551 | - | | 1,630 | (Note 1) | - | | (24,742) | (Note 3) | 24,742 | 282,439 | | 423,137 | 66.75% | None | |
| Total | | $322,409 | | | $3,637 | | | | $(24,500) | | | $301,546 | | | | | |

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 foreign operations.

Note3：Cash dividend issued by the invested company.

TAIYEN BIOTECH CO.,LTD.

5. Table of notes payable

As at 31 December 2022

(Expressed in thousands of New Taiwan Dollars)

| Name of supplier | Summary | Amount | Note |
|---|---|---|---|
| C Company | | $39,132 | The amount of individual client in others does not exceed 5% of the account balance. |
| D Company | | 11,283 | |
| E Company | | 8,688 | |
| F Company | | 6,235 | |
| Others | | 67,586 | |
| Total | | $132,924 | |

TAIYEN BIOTECH CO.,LTD.

6. Table of accounts payable

As at 31 December 2022

(Expressed in thousands of New Taiwan Dollars)

| Name of supplier | Summary | Amount | Note |
|---|---|---|---|
| G Company | | $21,237 | The amount of individual client in others does not exceed 5% of the account balance. |
| H Company | | 8,802 | |
| Others | | 47,210 | |
| Total | | $77,249 | |

TAIYEN BIOTECH CO.,LTD.

7. Table of other payable

As at 31 December 2022

(Expressed in thousands of New Taiwan Dollars)

| Items | Summary | Amount | Note |
|---|---|---|---|
| Salaries payable | | $116,600 | The amount of individual client in others does not exceed 5% of the account balance. |
| Other expenses payable | Mainly gas expenses and deliver expenses. | 82,725 | |
| Employee compensations payable | | 20,908 | |
| Provision of employee benefits | | 16,637 | |
| Others | | 25,300 | |
| Total | | $262,170 | |

TAIYEN BIOTECH CO.,LTD.

8. Table of net sales revenues

For the year ended 31 December 2022

(Expressed in thousands of New Taiwan Dollars)

| Items | Numbers | Amount | Note |
|---|---|---|---|
| Salt products | 2,930,994 pcs | $1,463,860 | |
| Packaged drinking water | 111,866,778 pcs | 1,062,448 | |
| Cleaning products | 2,733,427 pcs | 188,582 | |
| Beauty care products | 348,560 pcs | 115,177 | |
| Health products | 2,388,124 pcs | 226,992 | |
| Merchandise | 274,762 pcs | 43,451 | |
| Others | 33,962 pcs | 3,507 | |
| | | 3,104,017 | |
| Less: sales return | | (59,837) | |
| Total | | $3,044,180 | |

TAIYEN BIOTECH CO.,LTD.
9. Statement of operating costs
For the year ended 31 December 2022
(Expressed in thousands of New Taiwan Dollars)

| Items | Amount | Note |
| --- | --- | --- |
| Cost of goods sold of self-made product | | |
| Direct material:beginning of year | $32,749 | |
| Add: raw material purchased | 111,874 | |
| Less: raw material, end of year | (38,887) | |
| transfer to other account title | (4,103) | |
| other | (15,632) | |
| Direct material used | 86,001 | |
| Indirect material | | |
| Indirect material, beginning of year | 108,643 | |
| Add: indirect material purchased | 665,089 | |
| Less: indirect material, end of year | (116,420) | |
| transfer to other account title | (32,496) | |
| other | (20,615) | |
| Indirect material used | 604,201 | |
| Direct labor | 77,841 | |
| Manufacturing expenses | 591,951 | |
| Manufacturing cost | 1,359,994 | |
| | | |
| Work in process, beginning of year | 17,499 | |
| Add: transfer from merchandise | 354,137 | |
| transfer from finished goods | 26,841 | |
| Less: work in process, end of year | (20,689) | |
| transfer to other account title | (803) | |
| other | (47,142) | |
| Manufacturing cost | 1,689,837 | |
| | | |
| Finished goods, beginning of year | 149,025 | |
| Add: other | 58,741 | |
| Less: finished goods, end of year | (184,304) | |
| transfer to other account title | (17,844) | |
| transfer to work in process | (26,841) | |
| other | (2,504) | |
| Cost of finished goods | 1,666,110 | |
| Cost of goods sold of merchandise | | |
| Merchandise: beginning of year | 55,321 | |
| Add: merchandise purchased | 467,532 | |
| Less: merchandise, end of year | (79,683) | |
| transfer to other account title | (1,562) | |
| transfer to work in process | (354,137) | |
| other | (5,771) | |
| Cost of goods sold of self-made product | 81,700 | |
| Cost of goods sold of merchandise | 1,747,810 | |
| Add: fixed manufacturing expenses under-applied | 72,147 | |
| loss on scrap of inventories | 3,226 | |
| loss on inventory valuation | 5,634 | |
| other | 124 | |
| Less: gain on sales of scrap | (2,154) | |
| Total Operating Costs | $1,826,787 | |

TAIYEN BIOTECH CO.,LTD.

10. Table of manufacturing expenses

For the year ended 31 December 2022

(Expressed in thousands of New Taiwan Dollars)

| Items | Amount | Note |
|---|---|---|
| Indirect labor expenses | $156,029 | The amount of other items in others does not exceed 5% of the account balance. |
| Repair expenses | 27,536 | |
| Water, electricity and gas expenses | 50,565 | |
| Processing fees | 49,163 | |
| Taxes | 44,784 | |
| Depreciation | 121,068 | |
| Outsourcing expenses | 63,185 | |
| Fuel expenses | 68,191 | |
| Other expenses | 11,430 | |
| Total | $591,951 | |

TAIYEN BIOTECH CO.,LTD.

11. Table of operating expenses

For the year ended 31 December 2022

(Expressed in thousands of New Taiwan Dollars)

| Items | Marketing expenses | Administration expenses | Research and development expenses | Total | Note |
|---|---|---|---|---|---|
| Salaries expenses | $144,993 | $127,194 | $30,114 | $302,301 | The amount of other items in others does not exceed 5% of the account balance. |
| Deliver expenses | 126,130 | 343 | 118 | 126,591 | |
| Advertisement expenses | 119,044 | 723 | 59 | 119,826 | |
| Insurance fee | 11,946 | 9,552 | 2,231 | 23,729 | |
| Depreciation | 18,301 | 7,438 | 5,352 | 31,091 | |
| Commission expenses | 48,631 | - | - | 48,631 | |
| Labor fee | 2,142 | 6,030 | 7,282 | 15,454 | |
| Consumption expenses | - | 1,335 | 3,487 | 4,822 | |
| Other expenses | 63,586 | 31,800 | 7,271 | 102,657 | |
| Total | $534,773 | $184,415 | $55,914 | $775,102 | |

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# TAIYEN BIOTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

## 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 consolidated balance sheets of TAIYEN BIOTECH CO., LTD. and its subsidiaries (hereinafter referred to as "the Group") as of 31 December 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2022 and 2021, and their consolidated financial performance and cash flows for the years ended 31 December 2022 and 2021, 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 and became effective 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 Standards on Auditing of 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. 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 2022 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 2022, the Group's net investment property at cost amounted to NT$1,259,749 thousand, and constituted 16% of total consolidated assets, and is significant to financial statements. Considering the evaluation process on the fair value of the investment property made by management is complicated, and related assumptions are based on the evaluation report provided by external specialists and affected by 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 the 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 investment property, 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 made by external specialists used by the Group.

We also assessed the adequacy of disclosures of the investment property. Please refer to Notes V and VI(9) to the Group's consolidated financial statements.

Valuation for slow-moving inventories

As of 31 December 2022, the Group's net inventories amounted to NT$407,366 thousand, and constituted 5% of total consolidated assets. 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 was 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 Standards on Auditing of 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 Standards on Auditing of 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 2022 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 for the years ended 31 December 2022 and 2021.

Tseng, Yu-Che

Lee, Fang-Wen

Ernst & Young, Taiwan
10 March 2023

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 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

| ASSETS | Notes | 31 Dec. 2022 | 31 Dec. 2021 | LIABILITIES AND SHAREHOLDERS' EQUITY | Notes | 31 Dec. 2022 | 31 Dec. 2021 |
|---|---|---|---|---|---|---|---|
| Current assets | | | | Current liabilities | | | |
| Cash and cash equivalents | IV/VI.1 | $1,529,098 | $1,725,781 | Short-term borrowings | IV/VI.11 | $20,000 | $287,530 |
| Current financial assets at fair value through profit or loss | IV/VI.2 | 353,179 | 353,539 | Current contract liabilities | IV/VI.16 | 102,230 | 79,020 |
| Current financial assets at fair value through other comprehensive income | IV/VI.3 | - | 1,060 | Notes payable | | 132,924 | 114,565 |
| | | | | Accounts payable | | 266,136 | 370,732 |
| Current financial assets at amortised cost | IV/VI.4、17/VIII | 4,944 | 3,400 | Other payables | | 288,752 | 310,441 |
| Current contract assets | IV/VI.16、17 | 472,758 | 562,007 | Current tax liabilities | IV/VI.22 | 42,170 | 79,754 |
| Notes receivable, net | IV/VI.5、17 | 2,006 | 4,580 | Lease liabilities, current | IV/VI.18 | 9,270 | 10,755 |
| Accounts receivable, net | IV/VI.6、17 | 175,518 | 191,016 | Long-term liabilities, current portion | IV/VI.12/VIII | 8,646 | 4,287 |
| Inventories, net | IV/VI.7 | 407,366 | 395,020 | Other current liabilities | | 55,921 | 48,294 |
| Other current assets | | 149,088 | 158,307 | Total current liabilities | | 926,049 | 1,305,378 |
| Total current assets | | 3,093,957 | 3,394,710 | | | | |
| | | | | Non-current liabilities | | | |
| Non-current assets | | | | Long-term borrowings, non-current portion | IV/VI.12/VIII | 68,927 | 53,082 |
| Non-current financial assets at amortised cost | IV/VI.4、17/VIII | 33,960 | 33,960 | Deferred tax liabilities | IV/VI.22 | 34,232 | 34,083 |
| Property, plant and equipment | IV/VI.8 | 3,674,664 | 3,516,738 | Lease liabilities, non-current | IV/VI.18 | 28,594 | 36,328 |
| Right-of-use assets | IV/VI.18 | 38,198 | 47,265 | Long-term deferred revenue | IV/VI.13 | 320,053 | 332,918 |
| Investment properties | IV/VI.9、18 | 1,259,749 | 1,352,763 | Net defined benefit liability, non-current | IV/VI.14 | 62,387 | 108,806 |
| Intangible assets | | 5,341 | 8,530 | Guarantee deposits | | 108,534 | 82,414 |
| Deferred tax assets | IV/VI.22 | 72,124 | 87,223 | Other non-current liabilities, others | | 986 | 1,254 |
| Refundable deposits | | 6,037 | 5,445 | Total non-current liabilities | | 623,713 | 648,885 |
| Other non-current assets | IV/VI.10 | 27,636 | 21,006 | Total liabilities | | 1,549,762 | 1,954,263 |
| Total non-current assets | | 5,117,709 | 5,072,930 | | | | |
| | | | | Equity attributable to the parent company | | | |
| | | | | Common stock | IV/VI.15 | 2,000,000 | 2,000,000 |
| | | | | Capital surplus | IV/VI.15 | 2,501,718 | 2,501,686 |
| | | | | Retained earnings | IV/VI.15 | | |
| | | | | Legal reserve | | 1,346,026 | 1,305,944 |
| | | | | Special reserve | | 45,420 | 45,420 |
| | | | | Unappropriated earnings | | 631,044 | 510,281 |
| | | | | Subtotal | | 2,022,490 | 1,861,645 |
| | | | | Other equity | | (2,994) | (2,157) |
| | | | | Non-controlling interests | VI.15 | 140,690 | 152,203 |
| | | | | Total equity | | 6,661,904 | 6,513,377 |
| Total assets | | $8,211,666 | $8,467,640 | Total liabilities and equity | | $8,211,666 | $8,467,640 |

English Translation of Financial Statements Originally Issued in Chinese

TAIYEN BIOTECH CO.,LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 December 2022 and 2021

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

| ITEMS | NOTE | 2022.1.1~ 2022.12.31 | 2021.1.1~ 2021.12.31 |
|---|---|---|---|
| Operating revenue | IV/VI.16/VII | $3,613,607 | $4,095,651 |
| Operating costs | IV/VI.7、10、14、19 | (2,337,002) | (2,722,415) |
| Gross profit | | 1,276,605 | 1,373,236 |
| Operating expenses | IV/VI.10、14、17、18、19 | | |
| Sales and marketing expenses | | (553,681) | (568,472) |
| General and administrative expenses | VII | (217,234) | (217,990) |
| Research and development expenses | | (60,640) | (57,597) |
| Subtotal | | (831,555) | (844,059) |
| Operating income | | 445,050 | 529,177 |
| Non-operating income and expenses | | | |
| Other revenue | IV/VI.20 | 121,579 | 75,045 |
| Other gains and losses | IV/VI.10、20 | (31,519) | (88,362) |
| Financial costs | IV/VI.20 | (4,523) | (5,942) |
| Subtotal | | 85,537 | (19,259) |
| Income from continuing operations before income tax | | 530,587 | 509,918 |
| Income tax expense | IV/VI.22 | (103,071) | (97,756) |
| Net income | | 427,516 | 412,162 |
| Other comprehensive income (loss) | IV/VI.21 | | |
| Items that will not be reclassifid subsequently to profit or loss | | | |
| Remeasurements of the defined benefit plan | | 41,070 | 9,495 |
| Unrealized gains (losses)from equity instruments investments measured at fair value through other comprehensive income | | 206 | 952 |
| Income tax related to items that will not be reclassified subsequently | | (8,214) | (1,899) |
| Items that may be reclassifid subsequently to profit or loss | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | | 242 | (115) |
| Total other comprehensive income, net of tax | | 33,304 | 8,433 |
| Total comprehensive income | | $460,820 | $420,595 |
| Net income attributable to: | | | |
| Stockholders of the parent | | $426,704 | $393,227 |
| Non-controlling interests | | $812 | $18,935 |
| Comprehensive income attributable to: | | | |
| Stockholder of the parent | | $460,008 | $401,660 |
| Non-controlling interests | | $812 | $18,935 |
| Earnings per share (NTD) | VI.23 | | |
| Earnings per share-basic | | $2.13 | $1.97 |
| Earnings per share-diluted | | $2.13 | $1.96 |

English Translation of Financial Statements Originally Issued in Chinese

TAIYEN BIOTECH CO.,LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

| ITEMS | Equity attributable to the parent company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained earnings | | | Other equity | | | | |
| | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Exchange differences resulting from translating the financial statements of foreign operations | Unrealized gains (losses) on financial assets at fair value through other comprehensive income | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
| Balance as of 1 January 2021 | $2,000,000 | $2,501,653 | $1,269,873 | $45,420 | $415,529 | $(3,121) | $127 | $6,229,481 | $134,747 | $6,364,228 |
| Appropriation and distribution of 2020 retained earnings | | | | | | | | | | |
| Legal reserve | - | - | 36,071 | - | (36,071) | - | - | - | - | - |
| Cash dividends | - | - | - | - | (270,000) | - | - | (270,000) | - | (270,000) |
| Other changes in additional paid-in capital | - | 33 | - | - | - | - | - | 33 | - | 33 |
| Net income for the year ended 31 December 2021 | - | - | - | - | 393,227 | - | - | 393,227 | 18,935 | 412,162 |
| Other comprehensive income (loss) for the year ended 31 December 2021 | - | - | - | - | 7,596 | (115) | 952 | 8,433 | - | 8,433 |
| Total comprehensive income | - | - | - | - | 400,823 | (115) | 952 | 401,660 | 18,935 | 420,595 |
| Subsidiaries distribute cash dividends to non-controlling shareholders | - | - | - | - | - | - | - | - | (1,479) | (1,479) |
| Balance as of 31 December 2021 | $2,000,000 | $2,501,686 | $1,305,944 | $45,420 | $510,281 | $(3,236) | $1,079 | $6,361,174 | $152,203 | $6,513,377 |
| Balance as of 1 January 2022 | $2,000,000 | $2,501,686 | $1,305,944 | $45,420 | $510,281 | $(3,236) | $1,079 | $6,361,174 | $152,203 | $6,513,377 |
| Appropriation and distribution of 2021 retained earnings | | | | | | | | | | |
| Legal reserve | - | - | 40,082 | - | (40,082) | - | - | - | - | - |
| Cash dividends | - | - | - | - | (300,000) | - | - | (300,000) | - | (300,000) |
| Other changes in additional paid-in capital | - | 32 | - | - | - | - | - | 32 | - | 32 |
| Net income for the year ended 31 December 2022 | - | - | - | - | 426,704 | - | - | 426,704 | 812 | 427,516 |
| Other comprehensive income (loss) for the year ended 31 December 2022 | - | - | - | - | 32,856 | 242 | 206 | 33,304 | - | 33,304 |
| Total comprehensive income | - | - | - | - | 459,560 | 242 | 206 | 460,008 | 812 | 460,820 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | 1,285 | - | (1,285) | - | - | - |
| Subsidiaries distribute cash dividends to non-controlling shareholders | - | - | - | - | - | - | - | - | (12,325) | (12,325) |
| Balance as of 31 December 2022 | $2,000,000 | $2,501,718 | $1,346,026 | $45,420 | $631,044 | $(2,994) | $- | $6,521,214 | $140,690 | $6,661,904 |

English Translation of Financial Statements Originally Issued in Chinese

TAIYEN BIOTECH CO.,LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

| ITEMS | 2022.1.1~ 2022.12.31 | 2021.1.1~ 2021.12.31 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income before tax | $530,587 | $509,918 |
| Adjustments for: | | |
| Income and expense adjustments: | | |
| Depreciation | 183,878 | 178,104 |
| Amortization | 11,070 | 11,556 |
| Net (loss) on financial assets or liabilities at fair value through profit | 360 | 1,645 |
| Interest expense | 4,523 | 5,942 |
| Interest revenue | (17,875) | (10,655) |
| Losses on disposal of property, plant and equipment | 1,279 | 1,236 |
| Losses on disposals of investment property | 2 | - |
| (Gains) on disposals of other assets | (23) | - |
| (Gains) on disposal of investments | - | (1,109) |
| Losses on disaster | 5,538 | 3,535 |
| Changes in operating assets and liabilities: | | |
| Contract assets | 89,249 | (189,876) |
| Notes receivable, net | 2,574 | (1,586) |
| Accounts receivable, net | 15,498 | (25,277) |
| Inventories | (25,231) | (97,119) |
| Other current assets | 9,223 | (5,472) |
| Contract liabilities | 23,210 | 45,838 |
| Notes payable | 17,985 | 22,521 |
| Accounts payable | (104,596) | 187,742 |
| Other payables | (21,447) | 68,234 |
| Other current liabilities | 7,627 | 7,081 |
| Net defined benefit liabilities | (5,349) | (6,209) |
| Other non-current liabilities | (13,133) | (14,856) |
| Cash generated from operations | 714,949 | 691,193 |
| Interest paid | (816) | (1,979) |
| Income tax paid | (133,444) | (89,138) |
| Net cash provided by operating activities | 580,689 | 600,076 |

| ITEMS | 2022.1.1~ 2022.12.31 | 2021.1.1~ 2021.12.31 |
|---|---|---|
| Cash flows from investing activities: | | |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 1,266 | 1,822 |
| Acquisition of financial assets at amortised cost | (1,544) | (1,400) |
| Acquisition of financial assets at fair value through profit or loss | - | (34,140) |
| Proceeds from disposal of financial assets at fair value through profit or loss | - | 61,109 |
| Acquisition of property, plant and equipment | (246,113) | (388,791) |
| Proceeds from disposal of property, plant and equipment | 144 | 271 |
| Increase in refundable deposits | (592) | - |
| Decrease in refundable deposits | - | 2,180 |
| Acquisition of intangible assets | (490) | (2,024) |
| Acquisition of investment property | - | (995) |
| Insterest received | 17,694 | 10,585 |
| Net cash (used in) investing activities | (229,635) | (351,383) |
| Cash flows from financing activities | | |
| Increase in short-term loans | 440,000 | 615,604 |
| Decrease in short-term loans | (707,530) | (358,074) |
| Borrowing of long-term debt | 25,260 | - |
| Repayments of long-term debt | (5,056) | (4,287) |
| Increase in guarantee deposits | 26,120 | 9,173 |
| Payments of lease liabilities | (10,620) | (15,659) |
| Cash dividends | (300,000) | (270,000) |
| Interest paid | (3,860) | (3,749) |
| Change in non-controlling interests | (12,325) | (1,479) |
| Other changes in capital surplus | 32 | 33 |
| Net cash (used in) financing activities | (547,979) | (28,438) |
| Effect of exchange rate changes on cash and cash equivalents | 242 | (115) |
| Net (decrease) increase in cash and cash equivalents | (196,683) | 220,140 |
| Cash and cash equivalents at the beginning of year | 1,725,781 | 1,505,641 |
| Cash and cash equivalents at the end of year | $1,529,098 | $1,725,781 |

English Translation of Financial Statements Originally Issued in Chinese

TAIYEN BIOTECH CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended 31 December 2022 and 2021

(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 2022 and 2021, 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 the 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 contact lenses 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 Group") for the years ended 31 December 2022 and 2021 were authorized for issue in accordance with a resolution of the board of directors on 10 March 2023.

## 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 2022. The application of these 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, and 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 | Disclosure Initiative - Accounting Policies – Amendments to IAS 1 | 1 January 2023 |
| b | Definition of Accounting Estimates – Amendments to IAS 8 | 1 January 2023 |
| c | Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | 1 January 2023 |

(a) 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.

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

The amendments introduce the definition of accounting estimates and include 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.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023. The standards and interpretations 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 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 | 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 2024 |
| d | Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | 1 January 2024 |
| e | Non-current Liabilities with Covenants – Amendments to IAS 1 | 1 January 2024 |

(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 group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group 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 2020 and 2021. 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) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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. The Group determined that the newly published 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 2022 and 2021 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
(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:

| | | | Percentage of ownership (%) | |
|---|---|---|---|---|
| Investor | Subsidiary | Main businesses | 31Dec. 2022 | 31 Dec. 2021 |
| The Company | TAIYEN BIOTECH CO., LTD., SAMOA (TAIYEN SAMOA) | Reinvestment business | 100% | 100% |

| Investor | Subsidiary | Main businesses | Percentage of ownership (%) 31Dec. 2022 | 31 Dec. 2021 |
|---|---|---|---|---|
| The Company | TAIYEN GREEN ENERGY CO., LTD. (TAIYEN GREEN ENERGY) | Energy related business | 66.75% | 66.75% |
| TAIYEN SAMOA | TAIYEN BIOTECH CO., LIMITED (TAIYEN HONG KONG) | Reinvestment business | 100% | 100% |
| TAIYEN HONG KONG | TAIYEN (XIAMEN) IMPORT&EXPORT CO., LTD.(TAIYEN (XIAMEN)) | Commodity trading, import and export business | 100% | 100% |

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.

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 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 represent 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) <u>Offsetting of financial instruments</u>

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 weighted average 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. 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.

12. 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 | 33～45 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.

13. 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, maximizing the use of observable information.

<u>Group as a lessee</u>

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
(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 amortized 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

(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.

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 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.

16. 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.

17. 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. Moreover, 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.

Service contract

The contract of the Group follows the guidelines 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 could not 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 is 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 have 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 could not 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 does not lead to a significant financial component.

18. 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.

19. 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.

20. 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.

21. 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.

<u>Current income tax</u>

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) Net realizable value of inventories

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. Please refer to Note VI for more details.

(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.

For more details of the principal assumptions used to measure the cost of post-employment benefit and the pension obligation, please refer to Note VI.

(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 counties 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

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Cash on hand | $1,161 | $1,057 |
| Saving account | 638,320 | 799,109 |
| Cash equivalents | | |
| Time deposits with maturities within 12 months | 889,617 | 925,615 |
| Total | $1,529,098 | $1,725,781 |

Cash and Cash Equivalents were not pledged.

### 2. Financial assets at fair value through profit or loss

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Mandatorily measured at fair value through profit or loss: | | |
| Funds | $353,179 | $353,539 |
| | | |
| Current | $353,179 | $353,539 |

Financial assets at fair value through profit or loss were not pledge.

3. Financial assets at fair value through other comprehensive income

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Equity instrument investments measured at fair value through other comprehensive income – Current: | | |
| Common Stocks | $- | $1,060 |

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$0 thousand and NT$36 thousand for the years ended 31 December 2022 and 2021, 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. 2022 | 31 Dec. 2021 |
| Time deposits | $36,379 | $35,960 |
| Saving accounts ─ reimbursement account | 2,525 | 1,400 |
| Total | $38,904 | $37,360 |
| | | |
| Current | $4,944 | $3,400 |
| Non-current | 33,960 | 33,960 |
| Total | $38,904 | $37,360 |

Please refer to Note VI(17) 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. 2022 | 31 Dec. 2021 |
| Notes receivable - from operating | $2,006 | $4,580 |
| Less: allowance for doubtful accounts | - | - |
| Total | $2,006 | $4,580 |

No notes receivable were pledged.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note VI(17) for more details on accumulated impairment and Note XII for more details on credit risk.

6. Accounts receivable

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Accounts receivable | $175,650 | $191,148 |
| Less: allowance for doubtful accounts | (132) | (132) |
| Total | $175,518 | $191,016 |

No accounts receivable were pledged.

Accounts receivable are generally on 90-150 day terms. Account receivable amounted to NT$175,650 thousand and NT$191,148 thousand as of 31 December 2022 and 2021.

Please refer to Note VI(17) for more details on impairment of accounts receivable for the years ended 31 December 2022 and 2021 and Note XII for credit risk disclosure.

7. Inventories

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Raw materials | $38,163 | $92,140 |
| Supplies and parts | 94,325 | 89,649 |
| Work in process | 20,216 | 17,009 |
| Finished goods | 176,386 | 142,644 |
| Merchandise | 78,276 | 53,578 |
| Total | $407,366 | $395,020 |

The cost of inventories recognized in expenses amounted to NT$1,822,410 thousand and NT$1,624,486 thousand for the years ended 31 December 2022 and 2021, including the write-down of inventories of NT$6,429 thousand and NT$7,968 thousand for the years ended 31 December 2022 and 2021.

No inventories were pledged.

8. Property, plant and equipment

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Owner occupied property, plant and equipment | $3,674,664 | $3,516,738 |

| | Land | Land improvements | Buildings | Machinery and equipment | Transportation equipment | Other facilities | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| As at 1 Jan. 2022 | $1,736,142 | $190,106 | $1,322,188 | $2,815,049 | $29,140 | $114,977 | $323,040 | $6,530,642 |
| Additions | - | - | 1,400 | 6,790 | 206 | 1,455 | 236,547 | 246,398 |
| Disposals | - | (809) | (2,084) | (76,095) | (1,873) | (10,182) | - | (91,043) |
| Transfers | - | 3,902 | 34,444 | 69,069 | 459 | 11,157 | (119,031) | - |
| Exchange difference | - | - | - | - | - | 8 | - | 8 |
| Other | 79,896 | (138) | (2,109) | (6,177) | - | - | (92) | 71,380 |
| As at 31 Dec. 2022 | $1,816,038 | $193,061 | $1,353,839 | $2,808,636 | $27,932 | $117,415 | $440,464 | $6,757,385 |
| As at 1 Jan. 2021 | $1,683,597 | $185,973 | $1,299,584 | $2,739,815 | $32,337 | $108,220 | $182,556 | $6,232,082 |
| Additions | 71,438 | - | 1,631 | 7,371 | 602 | 1,743 | 299,344 | 382,129 |
| Disposals | - | - | (472) | (66,279) | (4,977) | (1,547) | - | (73,275) |
| Transfers | - | 4,133 | 21,445 | 124,691 | 1,178 | 6,564 | (158,011) | - |
| Exchange difference | - | - | - | - | - | (3) | - | (3) |
| Other | (18,893) | - | - | 9,451 | - | - | (849) | (10,291) |
| As at 31 Dec. 2021 | $1,736,142 | $190,106 | $1,322,188 | $2,815,049 | $29,140 | $114,977 | $323,040 | $6,530,642 |
| Depreciation and impairment: | | | | | | | | |
| As at 1 Jan. 2022 | $5,356 | $156,817 | $776,005 | $1,957,863 | $20,177 | $97,686 | $- | $3,013,904 |
| Depreciation | - | 6,621 | 43,067 | 100,523 | 2,128 | 7,782 | - | 160,121 |
| Disposals | - | (809) | (2,023) | (75,742) | (1,869) | (9,177) | - | (89,620) |
| Transfers | - | - | - | - | - | - | - | - |
| Exchange difference | - | - | - | - | - | 8 | - | 8 |
| Other | - | (5) | (2,092) | 405 | - | - | - | (1,692) |
| As at 31 Dec. 2022 | $5,356 | $162,624 | $814,957 | $1,983,049 | $20,436 | $96,299 | $- | $3,082,721 |
| As at 1 Jan. 2021 | $5,356 | $150,006 | $733,348 | $1,927,710 | $22,846 | $91,535 | $- | $2,930,801 |
| Depreciation | - | 6,811 | 43,113 | 95,252 | 1,999 | 7,699 | - | 154,874 |
| Disposals | - | - | (456) | (65,099) | (4,668) | (1,545) | - | (71,768) |
| Transfers | - | - | - | - | - | - | - | - |
| Exchange difference | - | - | - | - | - | (3) | - | (3) |
| Other | - | - | - | - | - | - | - | - |
| As at 31 Dec. 2021 | $5,356 | $156,817 | $776,005 | $1,957,863 | $20,177 | $97,686 | $- | $3,013,904 |
| Net book value: | | | | | | | | |
| As at 31 Dec. 2022 | $1,810,682 | $30,437 | $538,882 | $825,587 | $7,496 | $21,116 | $440,464 | $3,674,664 |
| As at 31 Dec. 2021 | $1,730,786 | $33,289 | $546,183 | $857,186 | $8,963 | $17,291 | $323,040 | $3,516,738 |

Please refer to Note VIII for more details on property, plant and equipment under pledge.

9. Investment properties

| | Land | Land improvements | Buildings | Total |
|---|---|---|---|---|
| Cost： | | | | |
| As at 1 Jan. 2022 | $1,021,631 | $5,525 | $465,040 | $1,492,196 |
| Disposals | - | - | (88) | (88) |
| Other | (79,896) | 138 | 2,109 | (77,649) |
| As at 31 Dec. 2022 | $941,735 | $5,663 | $467,061 | $1,414,459 |
| As at 1 Jan. 2021 | $983,047 | $5,525 | $464,045 | $1,452,617 |
| Additions | - | - | 995 | 995 |
| Other | 38,584 | - | - | 39,584 |
| As at 31 Dec. 2021 | $1,021,631 | $5,525 | $465,040 | $1,492,196 |
| | | | | |
| Depreciation and impairment： | | | | |
| As at 1 Jan. 2022 | $5,715 | $4,834 | $128,884 | $139,433 |
| Depreciation | - | 100 | 13,166 | 13,266 |
| Disposals | - | - | (86) | (86) |
| Other | - | 5 | 2,092 | 2,097 |
| As at 31 Dec. 2022 | $5,715 | $4,939 | $144,056 | $154,710 |
| As at 1 Jan. 2021 | $5,715 | $4,761 | $115,790 | $126,266 |
| Depreciation | - | 73 | 13,094 | 13,167 |
| As at 31 Dec. 2021 | $5,715 | $4,834 | $128,884 | $139,433 |
| | | | | |
| Net carrying amount as at: | | | | |
| 31 Dec. 2022 | $936,020 | $724 | $323,005 | $1,259,749 |
| 31 Dec. 2021 | $1,015,916 | $691 | $336,156 | $1,352,763 |

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Rental income from investment properties | $28,549 | $31,720 |
| Less: Direct operating expenses from investment properties generating rental income | (24,586) | (24,375) |
| Direct operating expenses from investment properties not generating rental income | (566) | (653) |
| Total | $3,397 | $6,692 |

No investment property was pledged.

As of 31 December 2022 and 2021, the fair value of investment properties held by the Group amounted to NT$3,832,697 thousand and NT$3,748,997 thousand, respectively. 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. 2022 | 31 Dec. 2021 |
| Average income capitalization rate | 1.20% | 1.04%-2.00% |

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 in comparison.

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Condition adjustment percentage | 100% | 100% |
| Date adjustment percentage | 100%-103% | 100%-103% |
| Local factor adjustment percentage | 85%-102% | 93%-102% |
| Individual factor adjustment percentage | 87%-107% | 73%-107% |

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. 2022 | 31 Dec. 2021 |
| Residual price rate | 1.8%-10% | 2%-10% |
| Residual service life | 0-26.4 years | 0-41.64 years |

10. Other non-current assets

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Tourism assets | $4,624 | $5,395 |
| Other non-current assets - other | 23,012 | 15,611 |
| Total | $27,636 | $21,006 |

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 twenty years based on its future economic benefits.

Other assets are mainly purchased and recognized as materials by the Group 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 2022 and 2021 amounted to NT$771 thousand and NT$846 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 2022 and 2021 amounted to NT$7,834 thousand and NT$8,351 thousand, respectively.

11. Short-term borrowings (Note)

| | Interest Rates (%) | As at | |
|---|---|---|---|
| | | 31 Dec. 2022 | 31 Dec. 2021 |
| Unsecured bank loans | 1.00%~1.83% | $20,000 | $287,530 |

The Group's unused short-term lines of credits amounted to NT$659,552 thousand and NT$610,561 thousand as of 31 December 2022 and 2021, respectively.

(Note) Subsidiary - Taiyen Green Energy Co., Ltd. engaged in borrowing to replenish capital.

12. Long-term borrowings (Note)

Debits are as follows:

| Creditors | As at 31 Dec. 2022 | Rate | Redemption |
|---|---|---|---|
| Taishin International Bank – secured bank loan | $53,082 | 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. |
| Taishin International Bank – secured bank loan | 3,265 | 1.57% | From 15 March 2022 to 15 March 2037, with interest payable monthly from the start date. Principal is repaid in 179 monthly installments in the amount of NT$19 thousand. The remaining principal and interest shall be paid in full by the last installment. |
| Taishin International Bank – secured bank loan | 11,226 | 1.57% | From 15 March 2022 to 15 March 2037, with interest payable monthly from the start date. Principal is repaid in 179 monthly installments in the amount of NT$66 thousand. The remaining principal and interest shall be paid in full by the last installment. |
| First Commercial Bank – secured bank loan | 10,000 | 1.78%~ 1.93% | From 20 December 2022 to 20 December 2025, with interest payable monthly from the start date. Principal is repaid in 35 monthly installments in the amount of NT$278 thousand. The remaining principal and interest shall be paid in full by the last installment. |
| Subtotal | 77,573 | | |
| Less: current portion | (8,646) | | |
| Total | $68,927 | | |

| Creditors | As at 31 Dec. 2021 | Rate | Redemption |
|---|---|---|---|
| Taishin International Bank – secured bank loan | $57,369 | 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 | (4,287) | | |
| Total | $53,082 | | |

(Note) Subsidiary - Taiyen Green Energy Co., Ltd. engaged in borrowing to replenish capital.

Please refer to Note VIII for aforementioned long-term borrowings' secured and mortgage information.

13. Deferred revenue

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Deferred revenue | $320,053 | $332,918 |

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 24 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 2022 was NT$294,757 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 leased 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 2022 the unamortized amount was NT$25,296 thousand.

14. Post-employment benefits

Defined contribution plan

The Group adopts 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 has 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 2022 and 2021 were NT$17,531 thousand and NT$17,537 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 Group 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 Group 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 Group expects to contribute NT$9,017 thousand to its defined benefit plan during the 12 months beginning after 31 December 2022.

The defined benefit obligations were expected to mature in 2033 and 2032 as of 31 December 2022 and 2021, respectively.

Pension costs recognized in profit or loss are as follows:

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Current service cost | $9,276 | $9,948 |
| Net interest on the net defined benefit liabilities | 587 | 349 |
| Total | $9,863 | $10,297 |

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

| | As at | | |
|---|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 | 1 Jan. 2021 |
| Defined benefit obligation | $305,434 | $345,132 | $364,232 |
| Plan assets at fair value | (243,047) | (236,326) | (239,722) |
| Net defined benefit liabilities | $62,387 | $108,806 | $124,510 |

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 2021 | $364,232 | $(239,722) | $124,510 |
| Current service cost | 9,948 | - | 9,948 |
| Interest expense (income) | 1,020 | (671) | 349 |
| Subtotal | 375,200 | (240,393) | 134,807 |
| Remeasurements of the defined benefit liabilities/assets: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | 387 | - | 387 |
| Actuarial gains and losses arising from changes in financial assumptions | (30,268) | - | (30,268) |
| Experience adjustments | 24,077 | - | 24,077 |
| Remeasurements of the defined benefit assets | - | (3,691) | (3,691) |
| Subtotal | (5,804) | (3,691) | (9,495) |
| Payment of benefit obligation | (24,264) | 24,264 | - |
| Contribution by employer | - | (16,506) | (16,506) |
| As of 31 December 2021 | $345,132 | $(236,326) | $108,806 |
| Current service cost | 9,276 | - | 9,276 |
| Interest expenses (income) | 1,863 | (1,276) | 587 |
| Subtotal | 356,271 | (237,602) | 118,669 |
| Remeasurements of the defined benefit liabilities/assets: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | - | - | - |
| Actuarial gains and losses arising from changes in financial assumptions | (18,385) | - | (18,385) |
| Experience adjustments | (4,148) | - | (4,148) |
| Remeasurements of the defined benefit assets | - | (18,536) | (18,536) |
| Subtotal | (22,533) | (18,536) | (41,069) |
| Payment of benefit obligation | (28,304) | 28,304 | - |
| Contribution by employer | - | (15,213) | (15,213) |
| As of 31 December 2022 | $305,434 | $(243,047) | $62,387 |

The principal assumptions used in determining the Group’s defined benefit plan are shown below:

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Discount Rate | 1.57% | 0.54% |
| Expected rate of future salary increases | 3.00% | 2.50% |

A sensitivity analysis for significant assumption as of 31 December 2022 and 2021 is shown below:

| | For the years ended 31 December | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Defined benefit obligations increase | Defined benefit obligations decrease | Defined benefit obligations increase | Defined benefit obligations decrease |
| Discount Rate increase by 0.5% | - | 15,776 | - | 18,411 |
| Discount Rate decrease by 0.5% | 16,986 | - | 19,915 | - |
| Future salary increase by 0.5% | 16,658 | - | 19,421 | - |
| Future salary decrease by 0.5% | - | 15,638 | - | 18,157 |

The sensitivity analyses 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 analyses 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 analyses compared to the previous period.

15. Equity

(1) Common stock

As of 31 December 2022 and 2021, 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. Each share has one voting right and a right to receive dividends.

(2) Capital surplus

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| 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 | 15,317 |
| Other | 140 | 108 |
| Total | $2,501,718 | $2,501,686 |

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 an 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.

When the Company distributes distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2021 issued Order No. Jin-Guan-Cheng-Fa-Zi-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains 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 special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

As of 31 December 2022 and 2021, the Company adopted the IFRS for the first time that the special reserve amounted to both NT$45,420 thousand.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved at the board of director's meeting and shareholder' meeting held on 10 March 2023 and 23 June 2022, respectively, are as follows:

| | For the years ended 31 December | | | |
|---|---|---|---|---|
| | Appropriation of earnings | | Cash dividend per share | |
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | $46,085 | $40,082 | | |
| Cash dividends | 300,000 | 300,000 | $1.5 | $1.5 |

Please refer to Note VI (19) 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 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $152,203 | $134,747 |
| Profit attributable to non-controlling interests | 812 | 18,935 |
| Subsidiary distributes cash dividends to non-controlling interests | (12,325) | (1,479) |
| Ending balance | $140,690 | $152,203 |

16. Operating revenue

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Revenue from contracts with customers | | |
| Sale of goods | $3,043,360 | $2,841,300 |
| Revenue arising from rendering of services | 264,704 | 304,281 |
| Construction contract revenue | 293,251 | 937,584 |
| Electricity sales revenue | 12,292 | 12,486 |
| Total | $3,613,607 | $4,095,651 |

Analysis of revenue from contracts with customers for the years ended 31 December 2022 and 2021 are as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2022:

| | Salt products and packaged water | Biotech cleaning and maintenance | Construction and services | Other Dept. | Total |
|---|---|---|---|---|---|
| Sales of goods | $2,481,820 | $515,910 | $12,292 | $45,630 | $3,055,652 |
| Services providing | - | - | 264,704 | - | 264,704 |
| Construction revenue | - | - | 293,251 | - | 293,251 |
| Total | $2,481,820 | $515,910 | $570,247 | $45,630 | $3,613,607 |
| | | | | | |
| Timing of revenue recognition: | | | | | |
| At a point in time | $2,481,820 | $515,910 | $12,292 | $45,630 | $3,055,652 |
| Satisfies the performance obligation over time | - | - | 557,955 | - | 557,955 |
| Total | $2,481,820 | $515,910 | $570,247 | $45,630 | $3,613,607 |

For the year ended 31 December 2021:

| | Salt products and packaged water | Biotech cleaning and maintenance | Construction and services | Other Dept. | Total |
|---|---|---|---|---|---|
| Sales of goods | $2,370,380 | $432,366 | $12,486 | $38,554 | $2,853,786 |
| Services providing | - | - | 304,281 | - | 304,281 |
| Construction revenue | - | - | 937,584 | - | 937,584 |
| Total | $2,370,380 | $432,366 | $1,254,351 | $38,554 | $4,095,651 |
| | | | | | |
| Timing of revenue recognition: | | | | | |
| At a point in time | $2,370,380 | $432,366 | $12,486 | $38,554 | $2,853,786 |
| Satisfies the performance obligation over time | - | - | 1,241,865 | - | 1,241,865 |
| Total | $2,370,380 | $432,366 | $1,254,351 | $38,554 | $4,095,651 |

(2) Contract balances

A. Contract assets - current

| | As at | | |
|---|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 | 1 Jan. 2021 |
| Services providing | $472,758 | $562,007 | $372,131 |

The significant changes in the Group’s balances of contract assets for the years ended 31 December 2022 and 2021 are as follows:

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| The opening balance transferred to accounts receivable | $(489,927) | $(331,927) |
| Change in the measure of progress | 419,337 | 521,803 |
| Impairment | (18,659) | - |

B. Contract liabilities - current

| | As at | | |
|---|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 | 1 Jan. 2021 |
| Sales of goods | $46,787 | $37,144 | $28,390 |
| Services providing | 55,443 | 41,876 | 4,792 |
| Total | $102,230 | $79,020 | $33,182 |

The significant changes in the Group's balances of contract liabilities for the years ended 31 December 2022 and 2021 are as follows:

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| The opening balance transferred to revenue | $(54,278) | $(28,134) |
| Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period) | 77,488 | 73,972 |

(3) Transaction price allocated to unsatisfied performance obligations

As of 31 December 2022 and 2021, the transaction prices for the allocation of unsatisfied performance obligations (including partially unsatisfied) were NT$1,112,377 thousand and NT$1,136,511 thousand, respectively. Revenue was recognized using the degree of completion of performance obligations.

17. Expected credit losses / (gains)

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| 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. 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 2022 and 2021.

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 of 31 December 2022 and 2021 is as follows:

(1) The total book value of contract asset was NT$491,417 thousand and NT$562,007 thousand, respectively, and the amount of loss allowance measured by the expected credit loss rate 0% was NT$0 thousand.
(2) The Group considers the accounts receivables by the counterparty’s credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix with 0.08%. The details are as follows:

As of 31 December 2022

| | Not yet due | Overdue | | | |
|---|---|---|---|---|---|
| | (Note) | <=90 days | 90-180 days | >=180 days | Total |
| Gross carrying amount | $177,656 | $- | $- | $- | $177,656 |
| Loss ratio | | | | | 0.08% |
| Lifetime expected credit losses | | | | | (132) |
| Carrying amount | | | | | $177,524 |

Note: No notes receivable of the Group were overdue.

As of 31 December 2021

| | Not yet due | Overdue | | | |
|---|---|---|---|---|---|
| | (Note) | <=90 days | 90-180 days | >=180 days | Total |
| Gross carrying amount | $195,728 | $- | $- | $- | $195,728 |
| Loss ratio | | | | | 0.08% |
| Lifetime expected credit losses | | | | | (132) |
| Carrying amount | | | | | $195,596 |

Note: No notes receivable of the Group were overdue.

The movement in the provision for impairment of contract assets, note receivables and accounts receivables for the years ended 31 December 2022 and 2021 is as follows:

| | Contract assets | Notes receivable | Accounts receivable |
|---|---|---|---|
| Bal. as at 1 Jan. 2022 | $- | $- | $132 |
| Addition/(reversal) for the current period | - | - | - |
| Write off | - | - | - |
| Bal. as at 31 Dec. 2022 | $- | $- | $132 |
| | | | |
| Bal. as at 1 Jan. 2021 | $- | $- | $132 |
| Addition/(reversal) for the current period | - | - | - |
| Write off | - | - | - |
| Bal. as at 31 Dec. 2021 | $- | $- | $132 |

18. 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

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Land | $26,127 | $28,091 |
| Buildings | 6,564 | 13,191 |
| Transportation equipment | 5,466 | 5,887 |
| Other equipment | 41 | 96 |
| Total | $38,198 | $47,265 |

For the years ended 31 December 2022 and 2021, the Group's additions to right-of-use assets amounted to NT$3,798 thousand, and NT$18,450 thousand, respectively.

(b) Lease liabilities

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Lease liabilities | $37,864 | $47,083 |
| | | |
| Current | $9,270 | $10,755 |
| Non-current | 28,594 | 36,328 |
| Total | $37,864 | $47,083 |

Please refer to Note VI(20) for the interest on lease liabilities recognized for the years ended 31 December 2022 and 2021 and refer to Note XII(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of 31 December 2022 and 2021.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Land | $1,964 | $1,964 |
| Buildings | 4,253 | 4,041 |
| Transportation equipment | 4,219 | 4,118 |
| Other equipment | 55 | 55 |
| Total | $10,491 | $10,178 |

C. Income and costs relating to leasing activities

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| The expenses relating to short-term leases | $3,268 | $3,774 |

D. Cash outflow relating to leasing activities

For the years ended 31 December 2022 and 2021, the Group’s total cash outflows for leases amounted to NT$14,647 thousand and NT$21,400 thousand.

(2) Group as a lessor

Please refer to Note VI(9) for details on the Group's self-owned investment properties. Leases of self-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 | |
|---|---|---|
| | 2022 | 2021 |
| Lease income for operating leases | | |
| Income relating to fixed lease payments and variable lease payments that depend on an index or a rate | $28,609 | $31,720 |

Please refer to Note VI(9) 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 of 31 December 2022 and 2021 are as follows:

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Not later than one year | $27,636 | $22,795 |
| Later than one year but not later than two years | 24,707 | 20,295 |
| Later than two years but not later than three years | 25,533 | 21,116 |
| Later than three years but not later than four years | 25,048 | 20,373 |
| Later than four years but not later than five years | 25,343 | 20,373 |
| Later than five years | 435,874 | 384,972 |
| Total | $564,141 | $489,924 |

19. Employee benefit, depreciation, and amortization expense are summarized as follows:

| | For the years ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Operating costs | Operating expenses | Total amount | Operating costs | Operating expenses | Total amount |
| Employee benefits expense | | | | | | |
| Salaries | $213,333 | $327,803 | $541,136 | $212,430 | $331,711 | $544,141 |
| Labor and health insurance | 19,309 | 26,687 | 45,996 | 19,316 | 26,496 | 45,812 |
| Pension | 13,419 | 13,975 | 27,394 | 13,728 | 14,106 | 27,834 |
| Other Personnel expenses | 10,940 | 15,015 | 25,955 | 10,332 | 15,586 | 25,918 |
| Depreciation | 128,752 | 55,126 | 183,878 | 123,723 | 54,381 | 178,104 |
| Amortization | 6,663 | 4,407 | 11,070 | 7,350 | 4,206 | 11,556 |

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.

The director's remuneration of the Company is directly related to the company's operating performance during the year. The director's remuneration is high when the company's operating performance is good. The director's remuneration will be submitted to the remuneration committee for review to avoid future risks.

The Company's managers and employees' overall salary and remuneration package mainly includes basic salary, bonus, employee remuneration and other benefits. With respect to the standard of remuneration payment, the basic salary is based on the market salary level of the position held by the employee and the Company's policy; the bonus and employee remuneration are directly linked to the Company's operating performance during the current year, and the welfare complies with the laws and regulations, taking into account the employee's needs to design the measures that all employees can share.

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 2022 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 remunerate on to directors and supervisors for the year ended 31 December 2022 amounted to NT$20,908 thousand and NT$8,363 thousand, respectively. A resolution was passed at the board meeting held on 10 March 2023 to distribute employees’ compensation and remuneration to directors and supervisors of 2022. No 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 2022.

The Company distributed employees’ compensation and remuneration to directors and supervisors for year ended 31 December 2021 at 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 2021 amounted to NT$18,865 thousand and NT$7,546 thousand, respectively. No 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 2021.

20. Non-operating income and expenses

(1) Other revenue

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Rental income | $28,609 | $31,720 |
| Interest income | | |
| Financial assets measured at amortized cost | 17,875 | 10,655 |
| Others | 75,095 | 32,670 |
| Total | $121,579 | $75,045 |

Other income-Mainly tourism income and parking fees of Cigu Salt Mountain.

(2) Other gains and losses

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| (Losses) on disposal of property, plant and equipment | $(1,279) | $(1,236) |
| (Losses) on disposal of investment property | (2) | - |
| Foreign exchange gains (losses), net | 58,690 | (20,590) |
| (Losses) on financial assets at fair value through profit or loss | (360) | (1,645) |
| (Losses) on disaster | (5,538) | (3,535) |
| Gain on disposal of investments | - | 1,109 |
| Gain on lease modification | 23 | - |
| (Losses) on indemnities (Note 1) | (22,055) | - |
| Other expenses (Note 2) | (60,998) | (62,465) |
| Total | $(31,519) | $(88,362) |

Note 1: Losses on indemnities-Taiyan Green Energy Co., Ltd. did not properly keep the materials provided by the owner, so its materials were damaged and needed to be compensated to the owner according to the contract.

Note 2: Other expenses-Mainly depreciation expenses of Cigu Salt Mountain’s property, plant and equipment, maintenance expenses, and currency remittance commissions.

(3) Finance costs

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Bank loans interest expenses | $(3,707) | $(3,966) |
| Lease liabilities interest expenses | (759) | (1,967) |
| Other interest expenses | (57) | (9) |
| Total | $(4,523) | $(5,942) |

21. Components of other comprehensive income

For the year ended 31 December 2022:

| | Arising during the period | Reclassification adjustments during the period | Income tax effect | Other comprehensive income (loss), net of tax |
|---|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurements of defined benefit plans | $41,070 | $- | $(8,214) | $32,856 |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | 206 | - | - | 206 |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | 242 | - | - | 242 |
| Total other comprehensive income (loss) | $41,518 | $- | $(8,214) | $33,304 |

For the year ended 31 December 2021:

| | Arising during the period | Reclassification adjustments during the period | Income tax effect | Other comprehensive income (loss), net of tax |
|---|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurements of defined benefit plans | $9,495 | $- | $(1,899) | $7,596 |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | 952 | - | - | 952 |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | (115) | - | - | (115) |
| Total other comprehensive (loss) income | $10,332 | $- | $(1,899) | $8,433 |

22. Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Current income tax expense: | | |
| Current income tax charge | $99,479 | $126,430 |
| Adjustments in respect of current income tax of prior periods | (3,442) | (4,129) |
| Deferred tax (income): | | |
| Deferred tax (income) relating to origination and reversal of temporary differences | 7,034 | (24,545) |
| Total income tax expense | $103,071 | $97,756 |

Income tax relating to components of other comprehensive income

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Deferred tax expense (income): | | |
| Remeasurements of defined benefit plans | $8,214 | $1,899 |
| Income tax relating to components of other comprehensive income | $8,214 | $1,899 |

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Accounting profit before tax from continuing operations | $530,587 | $509,918 |
| Tax at the domestic rates applicable to profits in the country concerned | $106,445 | $109,586 |
| Tax effect of revenues exempt from taxation | (254) | (7,503) |
| Tax effect of expenses not deductible for tax purposes | 14 | 72 |
| Tax effect of deferred tax assets/liabilities | (401) | (302) |
| Corporate income surtax on undistributed retained earnings | 709 | 32 |
| Adjustments in respect of current income tax of prior periods | (3,442) | (4,129) |
| Total income tax expense recognized in profit or loss | $103,071 | $97,756 |

Deferred tax assets (liabilities) related to the following:

<u>For the year ended 31 December 2022</u>

| | As of 1 Jan. 2022 | Recognized in profit or loss | Recognized in other comprehensive income | As of 31 Dec. 2022 |
|---|---|---|---|---|
| Temporary differences | | | | |
| Unrealized allowance for inventory valuation losses | $6,316 | $1,127 | $- | $7,443 |
| Unrealized exchange losses (gains) | 16,698 | (11,661) | - | 5,037 |
| Unrealized sales returns and discounts | 6,497 | 110 | - | 6,607 |
| Unallocated fixed manufacturing expenses | 1,417 | 98 | - | 1,515 |
| Land appreciation tax preparation | (33,339) | - | - | (33,339) |
| Unrealized impairment loss | 4,814 | 3,640 | - | 8,454 |
| Onerous contract loss | - | 815 | - | 815 |
| Compensated absence | 3,537 | 73 | - | 3,610 |
| Deferred income | 271 | 62 | - | 333 |
| Net defined benefit liability, non-current. | 21,800 | (1,069) | (8,214) | 12,517 |
| Employee welfare committee established | 320 | (80) | - | 240 |
| Other | 24,809 | (149) | - | 24,660 |
| Deferred tax income (expenses) | | $(7,034) | $(8,214) | |
| Net deferred tax assets /(liabilities) | $53,140 | | | $37,892 |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | $87,223 | | | $72,124 |
| Deferred tax liabilities | $(34,083) | | | $(34,232) |

For the year ended 31 December 2021

| | As of 1 Jan. 2021 | Recognized in income | Recognized in other comprehensive income | As of 31 Dec. 2021 |
|---|---|---|---|---|
| Temporary differences | | | | |
| Unrealized allowance for inventory valuation losses | $4,723 | $1,593 | $- | $6,316 |
| Unrealized exchange losses (gains) | 13,098 | 3,600 | - | 16,698 |
| Unrealized sales returns and discounts | 5,942 | 555 | - | 6,497 |
| Unallocated fixed manufacturing expenses | 1,277 | 140 | - | 1,417 |
| Land appreciation tax preparation | (33,339) | - | - | (33,339) |
| Unrealized impairment loss | 4,931 | (117) | - | 4,814 |
| Compensated absence | 3,290 | 247 | - | 3,537 |
| Deferred income | 274 | (3) | - | 271 |
| Net defined benefit liability, non-current. | 24,941 | (1,242) | (1,899) | 21,800 |
| Employee welfare committee established | - | 320 | - | 320 |
| Other | 5,357 | 19,452 | - | 24,809 |
| Deferred tax income (expenses) | | $24,545 | $(1,899) | |
| Net deferred tax assets /(liabilities) | $30,494 | | | $53,140 |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | $64,428 | | | $87,223 |
| Deferred tax liabilities | $(33,934) | | | $(34,083) |

The assessment of income tax returns

As of 31 December 2022, the assessment of income tax returns of the Group is as follows:

| | The assessment of income tax returns |
|---|---|
| The Company | Assessed and approved up to 2020 |
| Subsidiary - Taiyen Green Energy Co., Ltd | Assessed and approved up to 2020 |

23. 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.

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| (1) Basic earnings per share | | |
| Profit attributable to ordinary equity holders of the Company (in thousands NT$) | $426,704 | $393,227 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 200,000 | 200,000 |
| Basic earnings per share (NT$) | $2.13 | $1.97 |
| (2) Diluted earnings per share | | |
| Profit attributable to ordinary equity holders of the Company (in thousand NT$) | $426,704 | $393,227 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 200,000 | 200,000 |
| Effect of dilution: | | |
| Employee bonus-stock (in thousands) | 644 | 568 |
| Weighted average number of ordinary shares outstanding after dilution (in thousands) | 200,644 | 200,548 |
| Diluted earnings per share (NT$) | $2.13 | $1.96 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

## 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

| Name | Nature of relationship |
|---|---|
| CHERN FENG ENGINEERING TECH CO., LTD. | Substantive related party |

Significant related party transactions

1. Purchases

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Substantive related party | $18,648 | $151,154 |

The Group's purchases from related parties are not comparable to general transaction prices due to different types of merchandise, and the payment terms are approximately 40 to 70 days, which are comparable to general transactions.

2. Prepaid sales receipts- Associates

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Substantive related party | $- | $1,888 |

3. Accounts Payable- Associates

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Substantive related party | $46,865 | $29,916 |

4. Key management personnel compensation

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Short-term employee benefits | $25,512 | $21,919 |
| Post-employment benefits | 595 | 686 |
| Total | $26,107 | $22,605 |

## VIII. ASSETS PLEDGED AS COLLATERAL

| Item | Carrying amount as at 31 Dec.2022 | Carrying amount as at 31 Dec.2021 | Purpose of pledge |
|---|---|---|---|
| Financial assets measured at amortized costs | $36,379 | $37,360 | Guarantee Deposits, Long-tern borrowings |
| Property, plant and equipment-machine equipment | 87,981 | 72,355 | Long-term borrowings |
| Total | $124,360 | $109,715 | |

## IX. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT

1. The Group signed a contract with a salt company and a shipping company in Australia on 3 February 2023 to purchase and import industrial sun-dried salt and agreed on the related transportation terms. The contract period was 2 year (From 1 March 2023 to 28 February 2025). According to this contract, the Group can acquire a fixed amount of sun-dried salt for industrial and food processing purposes 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 Group 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 18 March 2022. The contract period is 3 years (From 18 March 2022 to 30 September 2025). According to this contract, the Group agrees to purchase 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 20 May 2022. The Group purchased PET bottles from FENC for approximately NT$220 million. According to this contract, after the Group 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.

4. As of 31 December 2022, the Group was involved in the following activities that were not shown in the financial statements:

   (1) Unused letters of credit (in thousands)

| Currency | As of 31 Dec. 2022 |
|---|---|
| USD | USD1,884 |

(2) Subsidiary-Taiyen Green Energy issued guaranteed notes for guarantee of contract performance amounted to NT$1,117 thousand.

(3) The guaranteed notes issued by suppliers for the outsourcing services and construction, which were received by subsidiary-Taiyen Green Energy, amounted to NT$132,617 thousand.

(4) The performance bond issued by subsidiary -Taiyen Green Energy for performance of contract services and construction amounted to NT$20,448 thousand.

5. As of 31 December 2022, the Group still has major contracts as follows:

| Project | Contract amount | Amount paid | Unpaid amount |
|---|---|---|---|
| Replacement project of cogeneration equipment | $601,700 | $419,491 | $182,209 |
| Demolition and construction project of office | 23,800 | 23,534 | 266 |
| New Construction of toothpaste GMP plant | 80,500 | 2,989 | 77,511 |
| Total | $706,000 | $446,014 | $259,986 |

6. As of 31 December 2022, the "Chiayi Yizhu Fishing and Electricity Symbiosis Case EPC Turnkey Project" contracted by the Group's subsidiary Taiyen Green Energy Co., Ltd. has completed the grid connection of the whole area and started the power transmission with the consent of the owner, and according to the payment request progress of the contract, the owner has requested to check and accept the construction. Pursuant to the contract, if the project is overdue, Taiyen Green Energy Co., Ltd. shall pay liquidated damages; however, affected by factors such as the COVID-19 pandemic, force majeure events and delays occurred that were not attributable to Taiyen Green Energy Co., Ltd., the company has applied for an extension of the construction period in accordance with the contract.

7. Eak Engineering Technology Co., Ltd. and Taiyen Green Energy made an appeal to the Chinese Arbitration Association, Taipei for mediation on 30 December 2022 regarding the dispute over the ”Construction Design Service Contract” and the change made to the design. As of 31 December 2022, Taiyen Green Energy has not received any mediation notice. Taiyen Green Energy assessed that the possibility of payment for the project is low, so no related expenses and losses were estimated.

## X. LOSS DUE TO MAJOR DISASTERS

None.

## XI. SIGNIFICANT SUBSEQUENT EVENTS

1. Ronghui Wu, the former chairman of Taiyen Biotech Co., Ltd., resigned on 6 February 2023. Therefore, Yachuan Liu, deputy director of Commerce Department, will temporarily replace him as the chairman.

2. Ronghui Wu, the former chairman of the Group's Subsidiary-Taiyen Green Energy, resigned on 6 February 2023. Therefore, Shihui Chen, president of Taiyen Biotech CO.,Ltd., will temporarily replace him as the chairman.

## XII. OTHER

1. Categories of financial instruments

Financial Assets

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Financial assets at fair value through profit or loss: | | |
| Mandatorily measured at Fair value through profit or loss | $353,179 | $353,539 |
| Financial assets at fair value through other comprehensive income | - | 1,060 |
| Financial assets measured at amortized cost: | | |
| Cash and cash equivalents (exclude cash on hand) | 1,527,937 | 1,724,724 |
| Financial assets measured at amortized cost | 38,904 | 37,360 |
| Notes receivable | 2,006 | 4,580 |
| Accounts receivable | 175,518 | 191,016 |
| Other receivables (Accounted as other current assets) | 32,776 | 7,189 |
| Refundable deposits | 6,037 | 5,445 |
| Subtotal | 1,783,178 | 1,970,314 |
| Total | $2,136,357 | $2,324,913 |

Financial liabilities

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Financial liabilities at amortized cost: | | |
| Short-term borrowings | $20,000 | $287,530 |
| Accounts and other payables | 687,812 | 795,738 |
| Long-term borrowings (current portion included) | 77,573 | 57,369 |
| Guarantee deposits | 108,534 | 82,414 |
| Lease liabilities | 37,864 | 47,083 |
| Total | $931,783 | $1,270,134 |

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. The information of the sensitivity analysis is as follows:

(1) When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2022 and 2021 decreases/increases by NT$4,265 thousand and NT$5,175 thousand, respectively
(2) When NTD strengthens/weakens against AUD by 1%, the profit for the years ended 31 December 2022 and 2021 decreases/increases by NT$570 thousand and NT$547 thousand, respectively.
(3) When NTD strengthens/weakens against CNY by 1%, the profit for the years ended 31 December 2022 and 2021 decreases/increases by NT$2,890 thousand and NT$2,767 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$0 thousand and NT$11 thousand on the equity attributable to the Group for the years ended 31 December 2022 and 2021, 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 contract assets, 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 2022 and 2021, contract assets and accounts receivables from top ten customers represented 88% and 86% of the total contract assets and 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, highly liquid securities and leases. 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 |
|---|---|---|---|---|---|
| As at 31 Dec. 2022 | | | | | |
| Loans | $29,922 | $19,220 | $12,084 | $43,538 | $104,764 |
| Payables | 687,812 | - | - | - | 687,812 |
| Lease liabilities (Note) | 9,985 | 9,088 | 4,320 | 21,600 | 44,993 |

| | Less than 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| As at 31 Dec. 2021 | | | | | |
| Loans | $294,003 | $10,111 | $9,841 | $38,317 | $352,272 |
| Payables | 795,738 | - | - | - | 795,738 |
| Lease liabilities (Note) | 11,486 | 14,743 | 4,923 | 23,760 | 54,912 |

Note: Information about the maturities of lease liabilities is provided in the table below:

| | Maturities | | | | |
|---|---|---|---|---|---|
| | Less than 5 year | 6 to 10 years | 11 to 15 years | > 15 years | Total |
| As at 31 Dec. 2022 | $23,393 | $10,800 | $10,800 | $- | $44,993 |
| As at 31 Dec. 2021 | 31,152 | 10,800 | 10,800 | 2,160 | 54,912 |

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2022:

| | Short-term borrowings | Leases liabilities | Long-term borrowings | Total liabilities from financing activities |
|---|---|---|---|---|
| As at 1 Jan. 2022 | $287,530 | $47,083 | $57,369 | $391,982 |
| Cash flows | (267,530) | (11,379) | (20,204) | (258,705) |
| Non-cash changes | - | 2,160 | - | 2,160 |
| As at 31 Dec 2022 | $20,000 | $37,864 | $77,573 | $135,437 |

Reconciliation of liabilities for the year ended 31 December 2021:

| | Short-term borrowings | Leases liabilities | Long-term borrowings | Total liabilities from financing activities |
|---|---|---|---|---|
| As at 1 Jan. 2021 | $30,000 | $115,695 | $61,656 | $207,351 |
| Cash flows | 257,530 | (17,626) | (4,287) | 235,617 |
| Non-cash changes | - | (50,986) | - | (50,986) |
| As at 31 Dec 2021 | $287,530 | $47,083 | $57,369 | $391,982 |

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:

a. 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.

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 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 of 31 December 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Funds | $353,179 | $- | $- | $353,179 |

As of 31 December 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Funds | $353,539 | $- | $- | $353,539 |
| Equity instrument measured at fair value through other comprehensive income | 1,060 | - | - | 1,060 |

Transfers between Level 1 and Level 2 during the period

For the years ended 31 December 2022 and 2021, 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 of 31 December 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties | $- | $- | $1,259,749 | $1,259,749 |
| Financial assets measured at amortized cost | | | | |
| Time deposits | - | 36,379 | - | 36,379 |

As at 31 December 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties | $- | $- | $1,352,763 | $1,352,763 |
| Financial assets measured at amortized cost | | | | |
| Time deposits | - | 35,960 | - | 35,960 |

9. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

| | As of 31 December 2022 | | |
|---|---|---|---|
| Financial assets | Foreign currencies | Foreign exchange rate | NTD |
| Monetary items: | | | |
| USD | $13,889 | 30.710 | $426,531 |
| AUD | 2,736 | 20.830 | 56,991 |
| CNY | 65,572 | 4.408 | 289,041 |

| | As of 31 December 2021 | | |
|---|---|---|---|
| Financial assets | Foreign currencies | Foreign exchange rate | NTD |
| Monetary items: | | | |
| USD | $18,694 | 27.680 | $517,450 |
| AUD | 2,723 | 20.080 | 54,678 |
| CNY | 63,695 | 4.344 | 276,691 |

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 2022 and 2021, the foreign exchange gains or losses on monetary financial assets and financial liabilities amounted to NT$58,690 thousand and NT$(20,590) 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 of 31 December 2022

| Purchaser | Factoring amount | Advanced amount | Transfer to other receivables | Credit |
|---|---|---|---|---|
| Bank SinoPac | $144 | $- | $144 | $10,000 |

As of 31 December 2021

| Purchaser | Factoring amount | Advanced amount | Transfer to other receivables | Credit |
|---|---|---|---|---|
| Bank SinoPac | $147 | $- | $147 | $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. OTHER DISCLOSURES

(1) The following are additional disclosures for the Group 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 2022: None.

(b) Endorsement/Guarantee provided to others for the year ended 31 December 2022: None.

(c) Securities held as of 31 December 2022 (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 2022: 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 2022: 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 2022: 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 year ended 31 December 2022: 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 2022: 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: 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 four reportable segments as follows:

1. Salt products and packaged water department
2. Biotech cleaning and maintenance department
3. Construction and services department
4. 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.

| For the year ended 2022 | Salt products and packaged water | Biotech cleaning and maintenance | Construction and services | Others | Adjustments and eliminations | Total |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| External customers | $2,481,820 | $515,910 | $570,247 | $45,630 | $- | $3,613,607 |
| Inter-segment (Note) | - | - | 115 | 20,521 | (20,636) | - |
| Total revenue | $2,481,820 | $515,910 | $570,362 | $66,151 | $(20,636) | $3,613,607 |
| Profit and loss by department | $347,559 | $91,754 | $3,949 | $90,970 | $(3,645) | $530,587 |

| For the year ended 2021 | Salt products and packaged water | Biotech cleaning and maintenance | Construction and services | Others | Adjustments and eliminations | Total |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| External customers | $2,370,380 | $432,366 | $1,254,351 | $38,554 | $- | $4,095,651 |
| Inter-segment (Note) | - | - | - | 23,322 | (23,322) | - |
| Total revenue | $2,370,380 | $432,366 | $1,254,351 | $61,876 | $(23,322) | $4,095,651 |
| Profit and loss by department | $374,335 | $73,622 | $71,279 | $30,209 | $(39,527) | $509,918 |

Note: Inter-segment revenue are eliminated on consolidation and recorded under the "adjustment and elimination" column.

2. Geographic information:

(1) Revenue from external customers:

| | For the years ended 31 December | |
|---|---|---|
| | 2022 | 2021 |
| Taiwan | $3,613,437 | $4,095,016 |
| China | 170 | 635 |
| Total | $3,613,607 | $4,095,651 |

Revenue is classified based on the country where the customer is located.

(2) Non-current assets:

| | As at | |
|---|---|---|
| | 31 Dec. 2022 | 31 Dec. 2021 |
| Taiwan | $5,005,534 | $4,946,271 |
| China | 54 | 31 |
| Total | $5,005,588 | $4,946,302 |

The non-current assets of the Group exclude financial assets, deferred tax asset and guarantee deposits paid.

3. Product information:

| Product | For the years ended 31 December 2022 | 2021 |
|---|---|---|
| Various salt products | $1,406,662 | $1,410,596 |
| Beverage and drinking water | 1,021,158 | 959,784 |
| Construction revenue | 293,251 | 937,584 |
| Services providing | 264,704 | 304,281 |
| Food, food additives and pharmaceuticals | 224,544 | 153,090 |
| Cleaning supplies | 176,397 | 135,809 |
| Cosmetics manufacturing | 114,969 | 143,467 |
| Others | 57,922 | 51,040 |
| Total | $3,613,607 | $4,095,651 |

4. Important client information:

| | For the years ended 31 December 2022 | 2021 |
|---|---|---|
| Client A | $897,080 | $850,385 |
| Client B | 294,864 | 926,502 |

Attachment 1

Securities held as at 31 December 2022

| Holding Company | Type and name of securities(note) | Relations with securities issuer | Account | As of 31 December, 2022 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares or units | Amount | Holding ratio | Fair Value | |
| The Company | Currency Fund－JIH SUN money market | - | Financial assets at fair value through profit or loss - current | 2,094,435.14 | $31,565 | - | $31,565 | |
| | Currency Fund－FSITC Taiwan Money Market | - | 〃 | 2,039,641.60 | 31,717 | - | 31,717 | |
| | Currency Fund－Eastspring Investments Well Pool Money Market | - | 〃 | 2,250,170.60 | 31,061 | - | 31,061 | |
| | Currency Fund－Yuanta Wan Tai Money Market | - | 〃 | 684,186.40 | 10,516 | - | 10,516 | |
| | Currency Fund－Yuanta De-Li Market | - | 〃 | 615,695.30 | 10,202 | - | 10,202 | |
| | Currency Fund－Nomura Taiwan Money Market | - | 〃 | 3,181,374.36 | 52,674 | - | 52,674 | |
| | Currency Fund－Shin Kong Chi-Shin Money Market | - | 〃 | 1,969,750.74 | 30,956 | - | 30,956 | |
| | Currency Fund－Franklin Templeton Sinoam Money Market | - | 〃 | 2,959,309.49 | 31,081 | - | 31,081 | |
| | Currency Fund－Cathay Taiwan Money Market | - | 〃 | 2,432,059.50 | 30,691 | - | 30,691 | |
| | Currency Fund－Fubon Chi-Hsiang Money Market | - | 〃 | 1,278,422.10 | 20,339 | - | 20,339 | |
| | Currency Fund－Union Money Market | - | 〃 | 764,198.81 | 10,252 | - | 10,252 | |
| | Currency Fund－SinoPac TWD Money Market | - | 〃 | 724,653.40 | 10,235 | - | 10,235 | |
| | Currency Fund－Prudential Financial Money Market Fund | - | 〃 | 1,275,006.10 | 20,485 | - | 20,485 | |
| | Bond Fund－ PineBridge Global Multi-Strategy High Yield Bond Fund A | - | 〃 | 1,354,710.67 | 17,681 | - | 17,681 | |
| | Bond Fund－ Allianz Global Investors All Seasons Harvest Fund of Bond Funds-A | - | 〃 | 43,584.40 | 13,724 | - | 13,724 | |
| | | | | Subtotal | $353,179 | | $353,179 | |
| | | - | | | | | | |

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 | $19,531 | Paid by contract price after acceptance | 0.54% | (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-22 | 31-Dec-21 | 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 | $235,616 | 24,741,970 | 66.75% | $282,439 | $2,450 | $1,635 | (Note 2) |
| 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% | $19,107 | $2,007 | $2,007 | (Note 2) |
| 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% | $19,107 | $2,007 | $2,007 | (Note 2) |

Note 1: Excluded from upstream transaction elimination of unrealised profits and losses between the company.

Note 2: 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 | $2,007 | 100% | $2,007 | $19,107 | - | - |

| 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 |
|---|---|---|
| $49,136<br>(USD1,600 thousand)<br>(Note 4) | $49,136<br>(USD1,600 thousand)<br>(Note 4) | Equity $6,521,214*60%=$3,912,728<br>(Note 5) |

Note 1: Methods of investment are divided into the following three types; the table can be only noted with type number:

1.Direct investment in Mainland China.

2.Taiyen Samoa indirectly invested in Taiyen Xiamen via investment in Taiyen Hong Kong.

3.Other methods.

Note 2: The financial statements of the investee company has been audited by the independent auditors of EY.

Note 3: The company reinvested in the mainland investee company Henan TianJian Dainy Chemical Co.,Ltd of Pingmei Shenma Group.Since the investment enterprise in mainland China is not a holding company, reinvestment does not need to x apply for permission from the Investment Commission of the ministry of Economic Affairs in advance.

Note 4: The amount of NTD in the table was calculated with the exchange rate of 30.71 at the end of December 2022.

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.

Attachment 5

Information of major shareholders

| Shares / Name of major shareholder | Number of shares | Ratio |
|---|---|---|
| Ministry of Economic Affairs, R.O.C. | 77,768,272 | 38.88% |
| Tung Wei Construction. Co., LTD | 10,000,000 | 5.00% |

Note 1: The shareholders information is mainly derived from the last business day of each quarter-end when shareholders hold more than 5% of the common shares and preferred shares that The shareholders information is mainly derived from the last business day of each quarter-end when shareholders hold more than 5% of the common shares and preferred shares that have been completed (including treasury shares) non-physical registration. As for there may be differences between recorded shares in the Company's financial report and actual shares completed and delivered shares to non-physical registration, this is due to different calculation basis.

Note 2: If the above-mentioned information is in the case of shareholders handing over shares to the trust, the individual account of the trustor who set up the trust account with the trustee should be disclosed. As for shareholders who declare insiders shareholding statement in accordance with the Securities and Exchange Act for holding more than 10% of the shares, it includes shares held personally and shares that are put into the trust and hold the right to exercise decision-making power over the trust propery, etc. Please refer to the Market Observation Post System (MOPS) for more information on the insiders shareholding statement.

Taiyen Biotech Co., Ltd.

Acting Chairman Liu, Ya-Chuan