

TAIYEN BIOTECH CO., LTD.
PARENT COMPANY ONLY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
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 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2021 and 2020, 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 2021 and 2020, and its financial performance and cash flows for the years ended 31 December 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Disclosure of investment property fair value

As of 31 December 2021, the Company's net investment properties at cost amounted to NT\$1,352,763 thousand, which accounted for 18% of total assets of parent company, was material to the financial statement. As the fair value assessment procedure for investment property by the management of TAIYEN BIOTECH CO., LTD was complex, in which the relevant assumptions were based on external expert assessment reports and may be affected by the expected future market or economy, we therefore determined this a key audit matter.

Our audit procedures of key assumption used in disclosure of investment property included, but not limited to, understanding evaluation report by external specialists offered by the Company, and the methods of assumption and assessment used, especially the rent and land price of the subject, which we compared to open market information to analyze the reasonability. We also used internal specialists to assist in evaluating the reasonability of the assumption and assessment method 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 2021, the Company's net inventories amounted to NT\$331,656 thousand, and constituted 4% of total asset. Considering that the assessment of slow-moving inventories should take into consideration product validity period and changes in market, therefore involving significant judgement of management, and that the amount of inventory write-downs is significant to the Company, we determined this as a key audit matter.

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2021 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
18 March 2022

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 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

| ASSETS | Notes | 31 Dec. 2021 | 31 Dec. 2020 | LIABILITIES AND SHAREHOLDERS' EQUITY | Notes | 31 Dec. 2021 | 31 Dec. 2020 |
|---|--------------|--------------------|--------------------|--|----------|--------------------|--------------------|
| Current assets | | | | Current liabilities | | | |
| Cash and cash equivalents | IV/VI.1 | \$1,375,442 | \$1,406,355 | Current contract liabilities | IV/VI.15 | \$36,863 | \$28,114 |
| Current financial assets at fair value through profit or loss | IV/VI.2 | 353,539 | 381,044 | Notes payable | | 114,376 | 90,158 |
| Current financial assets at fair value through other comprehensive income | IV/VI.3 | 1,060 | 1,930 | Accounts payable | | 64,749 | 43,546 |
| Notes receivable, net | IV/VI.5、16 | 2,525 | 2,617 | Other payables | | 268,188 | 229,774 |
| Accounts receivable, net | IV/VI.6、16 | 164,220 | 163,193 | Current tax liabilities | IV/VI.21 | 65,694 | 47,221 |
| Inventories, net | IV/VI.7 | 331,656 | 314,862 | Lease liabilities, current | IV/VI.17 | 5,592 | 13,277 |
| Other current assets | | 22,025 | 41,808 | Other current liabilities | | 42,653 | 37,829 |
| Total current assets | | <u>2,250,467</u> | <u>2,311,809</u> | Total current liabilities | | <u>598,115</u> | <u>489,919</u> |
| Non-current assets | | | | Non-current liabilities | | | |
| Non-current financial assets at amortised cost | IV/VI.4/VIII | 33,960 | 33,960 | Deferred tax liabilities | IV/VI.21 | 34,083 | 33,934 |
| Investments accounted for using equity method | IV/VI.8 | 322,409 | 285,966 | Lease liabilities, non-current | IV/VI.17 | 30,182 | 98,293 |
| Property, plant and equipment | IV/VI.9 | 3,416,150 | 3,203,200 | Long-term deferred revenue | IV/VI.12 | 332,918 | 345,784 |
| Right-of-use assets | IV/VI.17 | 35,976 | 125,961 | Net defined benefit liability, non-current | IV/VI.13 | 108,806 | 124,510 |
| Investment properties | IV/VI.10、17 | 1,352,763 | 1,326,351 | Guarantee deposits | | 64,354 | 65,256 |
| Intangible assets | | 7,128 | 6,116 | Other non-current liabilities, others | | 1,253 | 3,244 |
| Deferred tax assets | IV/VI.21 | 86,457 | 64,144 | Total non-current liabilities | | <u>571,596</u> | <u>671,021</u> |
| Refundable deposits | | 4,569 | 7,379 | Total liabilities | | <u>1,169,711</u> | <u>1,160,940</u> |
| Other non-current assets | IV/VI.11 | 21,006 | 25,535 | Equity attributable to the parent company | | | |
| Total non-current assets | | <u>5,280,418</u> | <u>5,078,612</u> | Common stock | IV/VI.14 | 2,000,000 | 2,000,000 |
| | | | | Capital surplus | IV/VI.14 | 2,501,686 | 2,501,653 |
| | | | | Retained earnings | IV/VI.14 | | |
| | | | | Legal reserve | | 1,305,944 | 1,269,873 |
| | | | | Special reserve | | 45,420 | 45,420 |
| | | | | Unappropriated earnings | | 510,281 | 415,529 |
| | | | | Subtotal | | <u>1,861,645</u> | <u>1,730,822</u> |
| | | | | Other equity | | <u>(2,157)</u> | <u>(2,994)</u> |
| | | | | Total equity | | <u>6,361,174</u> | <u>6,229,481</u> |
| Total assets | | <u>\$7,530,885</u> | <u>\$7,390,421</u> | Total liabilities and equity | | <u>\$7,530,885</u> | <u>\$7,390,421</u> |

English Translation of Financial Statements Originally Issued in Chinese

TAIYEN BIOTECH CO.,LTD.

PARENT COMPANY ONLY OF COMPREHENSIVE INCOME

For the years ended 31 December 2021 and 2020

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

| ITEMS | NOTES | 2021.1.1~ 2021.12.31 | 2020.1.1~ 2020.12.31 |
|---|----------------------|-------------------------|-------------------------|
| Operating revenues | IV/VI.15/VII | \$2,841,413 | \$2,797,226 |
| Operating costs | IV/VI.7、11、13、18 | (1,628,881) | (1,574,788) |
| Gross profit | | 1,212,433 | 1,222,438 |
| Operating expenses | IV/VI.11、13、16、17、18 | | |
| Sales and marketing expenses | | (533,954) | (536,088) |
| General and administrative expenses | VII | (177,203) | (174,738) |
| Research and development expenses | | (52,103) | (54,494) |
| Subtotal | | (763,260) | (765,320) |
| Operating income | | 449,173 | 457,118 |
| Non-operating income and expenses | | | |
| Other revenue | IV/VI.19 | 75,841 | 74,865 |
| Other gains and losses | IV/VI.11、19 | (86,010) | (72,986) |
| Financial costs | IV/VI.19 | (1,879) | (2,265) |
| Share of (loss) profit of associates and joint ventures accounted for using equity method | IV/VI.8 | 39,527 | (3,658) |
| Subtotal | | 27,479 | (4,044) |
| Income from continuing operations before income tax | | 476,652 | 453,074 |
| Income tax expense | IV/VI.21 | (83,425) | (87,989) |
| Net income | | 393,227 | 365,085 |
| Other comprehensive income (loss) | IV/VI.20 | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurements of the defined benefit plan | | 9,495 | (5,464) |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | | 952 | 390 |
| Income tax related to items that will not be reclassified subsequently | | (1,899) | 1,093 |
| Items that may not be reclassified subsequently to profit or loss | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | | (115) | 255 |
| Total other comprehensive income, net of tax | | 8,433 | (3,726) |
| Total comprehensive income | | <u>\$401,660</u> | <u>\$361,359</u> |
| Earnings per share (NTD) | VI.22 | | |
| Earnings per share-basic | | <u>\$1.97</u> | <u>\$1.83</u> |
| Earnings per share-diluted | | <u>\$1.96</u> | <u>\$1.82</u> |

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 2021 and 2020
 (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 | |
| | 3100 | 3200 | 3310 | 3320 | 3350 | 3410 | 3420 | 3XXX |
| Balance as of 1 January 2020 | \$2,000,000 | \$2,486,320 | \$1,230,449 | \$45,420 | \$394,239 | \$(3,376) | \$(263) | \$6,152,789 |
| Appropriation and distribution of 2019 retained earnings | | | | | | | | |
| Legal reserve | - | - | 39,424 | - | (39,424) | - | - | - |
| Cash dividends | - | - | - | - | (300,000) | - | - | (300,000) |
| Other changes in additional paid-in capital | - | 16 | - | - | - | - | - | 16 |
| Net income for the year ended 31 December 2020 | - | - | - | - | 365,085 | - | - | 365,085 |
| Other comprehensive income (loss) for the year ended 31 December 2020 | - | - | - | - | (4,371) | 255 | 390 | (3,726) |
| Total comprehensive income | - | - | - | - | 360,714 | 255 | 390 | 361,359 |
| Changes in subsidiaries' ownership | - | 15,317 | - | - | - | - | - | 15,317 |
| Balance as of 31 December 2020 | <u>\$2,000,000</u> | <u>\$2,501,653</u> | <u>\$1,269,873</u> | <u>\$45,420</u> | <u>\$415,529</u> | <u>\$(3,121)</u> | <u>\$127</u> | <u>\$6,229,481</u> |
| 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 | <u>\$2,000,000</u> | <u>\$2,501,686</u> | <u>\$1,305,944</u> | <u>\$45,420</u> | <u>\$510,281</u> | <u>\$(3,236)</u> | <u>\$1,079</u> | <u>\$6,361,174</u> |

English Translation of Financial Statements Originally Issued in Chinese

TAIYEN BIOTECH CO.,LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended 31 December 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

| ITEMS | 2021.1.1~ 2021.12.31 | 2020.1.1~ 2020.12.31 | ITEMS | 2021.1.1~ 2021.12.31 | 2020.1.1~ 2020.12.31 |
|---|-------------------------|-------------------------|---|-------------------------|-------------------------|
| Cash flows from operating activities: | | | Cash flows from investing activities | | |
| Net income before tax | \$476,652 | \$453,074 | Proceeds from disposal of financial assets at fair value through other comprehensive income | 1,822 | - |
| Adjustments for: | | | Acquisition of financial assets at fair value through profit or loss | (34,140) | (90,000) |
| Income and expense adjustments: | | | Proceeds from disposal of financial assets at fair value through profit or loss | 61,109 | 83,161 |
| Depreciation | 167,219 | 165,749 | Acquisition of investments accounted for using equity method | - | (35,616) |
| Amortization | 11,058 | 12,506 | Acquisition of property, plant and equipment | (370,628) | (246,458) |
| Net (gains) on financial assets or liabilities at fair value through profit or loss | 1,645 | (2,342) | Proceeds from disposal of property, plant and equipment | 271 | 27 |
| Interest expense | 1,879 | 2,265 | Increase in refundable deposits | - | (603) |
| Interest revenue | (10,615) | (15,131) | Decrease in refundable deposits | 2,810 | - |
| Share of loss of associates for using the equity method | (39,527) | 3,658 | Acquisition of intangible assets | (2,024) | (2,186) |
| Losses on disposal of property, plant and equipment | 1,236 | 2,546 | Acquisition of investment property | (995) | (787) |
| (Gains) on disposals of investment property | - | (787) | Proceeds from disposal of investment property | - | 2,088 |
| (Gains) on disposal of investments | (1,109) | (3,161) | Interest received | 10,545 | 15,577 |
| Realized (gains) on inter-affiliate accounts | - | (7,553) | Net cash used in investing activities | (331,230) | (274,797) |
| Losses on disaster | 3,535 | - | | | |
| Changes in operating assets and liabilities: | | | Cash flows from financing activities | | |
| Notes receivable, net | 92 | (1,001) | Increase in guarantee deposits | - | 95 |
| Accounts receivable, net | (1,027) | 14,717 | Decrease in guarantee deposits | (902) | - |
| Inventories | (34,449) | (7,848) | Payments of lease liabilities | (11,787) | (13,452) |
| Other current assets | 19,853 | (12,125) | Cash dividends | (270,000) | (300,000) |
| Contract liabilities | 8,749 | 8,086 | Other changes in capital surplus | 33 | 16 |
| Notes payable | 22,332 | 19,677 | Net cash used in financing activities | (282,656) | (313,341) |
| Accounts payable | 21,203 | (2,495) | | | |
| Other payables | 38,414 | (8,970) | Net decrease in cash and cash equivalents | (30,913) | (76,467) |
| Other current liabilities | 4,824 | (8,372) | Cash and cash equivalents at the beginning of year | 1,406,355 | 1,482,822 |
| Net defined benefit liabilities | (6,209) | (5,385) | Cash and cash equivalents at the end of year | \$1,375,442 | \$1,406,355 |
| Other non-current liabilities | (14,857) | (11,928) | | | |
| Cash generated from operations | 670,898 | 595,180 | | | |
| Interest paid | (1,879) | (2,265) | | | |
| Dividend received | 2,969 | 2,450 | | | |
| Income tax paid | (89,015) | (83,694) | | | |
| Net cash provided by operating activities | 582,973 | 511,671 | | | |

English Translation of Financial Statements Originally Issued in Chinese
TAIYEN BIOTECH CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
For the Years Ended 31 December 2021 and 2020
(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 2021 and 2020, 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 2021 and 2020 were authorized for issue in accordance with the resolution of the board of directors on 18 March 2022.

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 2021. 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, but not yet adopted by the Company as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|-------|---|-------------------------------|
| a | Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements | 1 January 2022 |

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

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

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

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

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

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

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

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

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

Amendment to IFRS 9 Financial Instruments

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

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

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

Amendment to IAS 41

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

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 2022 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 |

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|-------|---|-------------------------------|
| c | Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | 1 January 2023 |
| d | Disclosure Initiative - Accounting Policies – Amendments to IAS 1 | 1 January 2023 |
| e | Definition of Accounting Estimates – Amendments to IAS 8 | 1 January 2023 |
| f | Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | 1 January 2023 |

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

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

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

(b) IFRS 17 “Insurance Contracts”

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

The 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) 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.

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

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

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

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

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

2. Basis of preparation

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

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

3. Foreign currency transactions

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

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

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

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

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

4. Translation of financial statements in foreign currency

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

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

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

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

5. Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

6. Cash and cash equivalents

Cash and cash equivalents 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.

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial instruments

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

8. Fair value measurement

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

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

9. Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on a 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 affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

11. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

| | |
|--------------------------|------------|
| Land improvements | 3~40 years |
| Buildings | 2~65 years |
| Machine equipment | 2~50 years |
| Transportation equipment | 2~20 years |
| Other equipment | 2~30 years |

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

12. Investment property

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal Company that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

| | |
|-------------------------|-------------|
| Land improvements | 3~35 years |
| Structures | 4~55 years |
| Buildings | 33~55 years |
| Warehouse and factories | 10~40 years |
| Others | 4~40 years |

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers properties to or from investment properties according to the actual use of the properties.

The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

13. Leases

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

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- (c) amounts expected to be payable by the lessee under residual value guarantees
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option
- (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 benefit payment.

19. Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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.

(6) Revenue recognition-sales returns and discounts

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, estimates are made on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note VI for more details.

(7) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

VI. CONTENTS OF SIGNIFICANT ACCOUNTS

1. Cash and cash equivalents

| | As at | |
|--|--------------------|--------------------|
| | 31 Dec. 2021 | 31 Dec. 2020 |
| Cash on hand | \$978 | \$1,106 |
| Saving account | 448,849 | 460,116 |
| Cash equivalents | | |
| Time deposits with maturities within 12 months | 925,615 | 945,133 |
| Total | <u>\$1,375,442</u> | <u>\$1,406,355</u> |

Cash and Cash Equivalents were not pledged.

2. Financial assets at fair value through profit or loss

| | As at | |
|--|------------------|------------------|
| | 31 Dec. 2021 | 31 Dec. 2020 |
| Mandatorily measured at fair value through profit or loss: | | |
| Funds | <u>\$535,539</u> | <u>\$381,044</u> |
| Current | <u>\$353,539</u> | <u>\$381,044</u> |

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

3. Financial assets at fair value through other comprehensive income

| | As at | |
|---|----------------|----------------|
| | 31 Dec. 2021 | 31 Dec. 2020 |
| Equity instrument investments measured at fair value through other comprehensive income – | | |
| Current: | | |
| Common stocks | <u>\$1,060</u> | <u>\$1,930</u> |

Financial assets at fair value through other comprehensive income were not pledged.

For equity instrument investments measured at fair value through other comprehensive income, the Company recognized dividends in the amount of NT\$36 thousand and NT\$51 thousand for the years ended 31 December 2021 and 2020, 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. 2021 | 31 Dec. 2020 |
| 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. 2021 | 31 Dec. 2020 |
| Note receivable - from operating | \$2,525 | \$2,617 |
| Less: allowance for doubtful accounts | - | - |
| Total | \$2,525 | \$2,617 |

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. 2021 | 31 Dec. 2020 |
| Accounts receivable | \$164,021 | \$163,018 |
| Less: allowance for doubtful accounts | (132) | (132) |
| Subtotal | 163,889 | 162,886 |
| Accounts receivable-related parties | 331 | 307 |
| Less: allowance for doubtful accounts | - | - |
| Subtotal | 331 | 307 |
| Total | \$164,220 | \$163,193 |

No accounts receivable was pledged.

Accounts receivables are generally on 90-150 day terms. Accounts receivable amounted to NT\$ 164,352 thousand and NT\$ 163,325 thousand as at 31 December 2021 and 2020.

Please refer to Note VI (16) for more details on impairment of accounts receivable for the years ended 31 December 2021 and 2020 and please refer to Note XII for credit risk disclosure.

7. Inventories

| | As at | |
|--------------------|------------------|------------------|
| | 31 Dec. 2021 | 31 Dec. 2020 |
| Raw materials | \$28,974 | \$23,184 |
| Supplies and parts | 89,649 | 99,709 |
| Work in process | 17,009 | 17,593 |
| Finished goods | 142,644 | 127,134 |
| Merchandise | 53,380 | 47,242 |
| Total | <u>\$331,656</u> | <u>\$314,862</u> |

The cost of inventories recognized in expenses amounted to NT\$1,628,881 thousand and NT\$1,574,788 thousand for the years ended 31 December 2021 and 2020, including the write-down of inventory of NT\$7,968 thousand and NT\$2,729 thousand for the year ended 31 December 2021 and 2020.

No Inventories were pledged.

8. Investments accounted for using the equity method

Details are as follows:

| Investee Company | As at | | | |
|------------------------------------|------------------|-------------------------|------------------|-------------------------|
| | 31 Dec. 2021 | | 31 Dec. 2020 | |
| | Amount | Percentage of ownership | Amount | Percentage of ownership |
| <u>Investments in subsidiaries</u> | | | | |
| Taiyen Biotech Co., Ltd., Samoa | \$16,858 | 100% | \$15,459 | 100% |
| Taiyen Green Energy Co., Ltd. | 305,551 | 66.75% | 270,507 | 66.75% |
| Total | <u>\$322,409</u> | | <u>\$285,966</u> | |

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. 2021 | 31 Dec. 2020 |
| Owner occupied property, plant and equipment | <u>\$3,416,150</u> | <u>\$3,203,200</u> |

| | Land | Land improvements | Buildings | Machinery and equipment | Transportation equipment | Other facilities | Construction in progress | Total |
|------------------------------|--------------------|-------------------|--------------------|-------------------------|--------------------------|------------------|--------------------------|--------------------|
| Cost: | | | | | | | | |
| 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 | <u>\$1,736,142</u> | <u>\$190,106</u> | <u>\$1,321,785</u> | <u>\$2,710,324</u> | <u>\$29,000</u> | <u>\$103,410</u> | <u>\$322,882</u> | <u>\$6,413,649</u> |
| As at 1 Jan. 2020 | \$1,683,597 | \$184,463 | \$1,287,631 | \$2,619,160 | \$28,623 | \$94,646 | \$101,251 | \$5,999,371 |
| Additions | - | - | 552 | 2,907 | 402 | 879 | 150,744 | 155,484 |
| Disposals | - | (681) | (6,880) | (25,960) | (2,541) | (1,965) | - | (38,027) |
| Transfers | - | 2,191 | 18,281 | 60,422 | 5,853 | 4,862 | (91,609) | - |
| Other | - | - | - | (28) | - | - | 7,901 | 7,873 |
| As at 31 Dec. 2020 | <u>\$1,683,597</u> | <u>\$185,973</u> | <u>\$1,299,584</u> | <u>\$2,656,501</u> | <u>\$32,337</u> | <u>\$98,422</u> | <u>\$168,287</u> | <u>\$6,124,701</u> |
| Depreciation and impairment: | | | | | | | | |
| 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 | <u>\$5,356</u> | <u>\$156,817</u> | <u>\$776,005</u> | <u>\$1,948,634</u> | <u>\$20,149</u> | <u>\$90,538</u> | <u>\$-</u> | <u>\$2,997,499</u> |
| As at 1 Jan. 2020 | \$5,356 | \$141,713 | \$694,486 | \$1,862,482 | \$23,752 | \$82,828 | \$- | \$2,810,617 |
| Depreciation | - | 8,936 | 44,309 | 86,048 | 1,603 | 5,442 | - | 146,338 |
| Disposals | - | (643) | (5,444) | (24,912) | (2,509) | (1,946) | - | (35,454) |
| Transfers | - | - | (3) | 3 | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| As at 31 Dec. 2020 | <u>\$5,356</u> | <u>\$150,006</u> | <u>\$733,348</u> | <u>\$1,923,621</u> | <u>\$22,846</u> | <u>\$86,324</u> | <u>\$-</u> | <u>\$2,921,501</u> |
| Net carrying amount as at: | | | | | | | | |
| 31 Dec. 2021 | <u>\$1,730,786</u> | <u>\$33,289</u> | <u>\$545,780</u> | <u>\$761,690</u> | <u>\$8,851</u> | <u>\$12,872</u> | <u>\$322,882</u> | <u>\$3,416,150</u> |
| 31 Dec. 2020 | <u>\$1,678,241</u> | <u>\$35,967</u> | <u>\$566,236</u> | <u>\$732,880</u> | <u>\$9,491</u> | <u>\$12,098</u> | <u>\$168,287</u> | <u>\$3,203,200</u> |

Property, plant and equipment were not pledged.

10. Investment properties

| | Land | | | |
|------------------------------|--------------------|----------------|------------------|--------------------|
| | Land | Improvements | Buildings | Total |
| Cost: | | | | |
| 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 | <u>\$1,021,631</u> | <u>\$5,525</u> | <u>\$465,040</u> | <u>\$1,492,196</u> |
| As at 1 Jan. 2020 | \$984,314 | \$5,598 | \$463,258 | \$1,453,170 |
| Additions | - | - | 787 | 787 |
| Disposals | (1,267) | (73) | - | (1,340) |
| As at 31 Dec. 2020 | <u>\$983,047</u> | <u>\$5,525</u> | <u>\$464,045</u> | <u>\$1,452,617</u> |
| Depreciation and impairment: | | | | |
| 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 | <u>\$5,715</u> | <u>\$4,834</u> | <u>\$128,884</u> | <u>\$139,433</u> |
| As at 1 Jan. 2020 | \$5,715 | \$4,727 | \$102,677 | \$113,119 |
| Depreciation | - | 73 | 13,113 | 13,186 |
| Disposals | - | (39) | - | (39) |
| As at 31 Dec. 2020 | <u>\$5,715</u> | <u>\$4,761</u> | <u>\$115,790</u> | <u>\$126,266</u> |
| Net carrying amount as at: | | | | |
| 31 Dec. 2021 | <u>\$1,015,916</u> | <u>\$691</u> | <u>\$336,156</u> | <u>\$1,352,763</u> |
| 31 Dec. 2020 | <u>\$977,332</u> | <u>\$764</u> | <u>\$348,255</u> | <u>\$1,326,351</u> |

| | For the years ended 31 December | |
|---|---------------------------------|----------------|
| | 2021 | 2020 |
| Rental income from investment properties | \$32,671 | \$32,022 |
| Less: Direct operating expenses from investment properties generating rental income | (24,375) | (24,330) |
| Direct operating expenses from investment properties not generating rental income | (653) | (682) |
| Total | <u>\$7,643</u> | <u>\$7,010</u> |

No investment property was pledged.

As at 31 December 2021 and 2020, the fair value of investment properties held by the Company amounted to NT\$3,748,997 thousand and NT\$3,303,990 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. 2021 | 31 Dec. 2020 |
| Average income capitalization rate | 1.04%-2.00% | 1.15%-1.93% |

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. 2021 | 31 Dec. 2020 |
| Condition adjustment percentage | 100% | 100% |
| Date adjustment percentage | 100%-103% | 98%-106% |
| Local factor adjustment percentage | 93%-102% | 94%-105% |
| Individual factor adjustment percentage | 73%-107% | 61-115% |

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. 2021 | 31 Dec. 2020 |
| Residual price rate | 2%-10% | 0-10% |
| Residual service life | 0-41.64 years | 0-37.6 years |

11. Other non-current assets

| | As at | |
|----------------------------------|-----------------|-----------------|
| | 31 Dec. 2021 | 31 Dec. 2020 |
| Tourism assets | \$5,395 | \$6,840 |
| Other non-current assets - other | 15,611 | 18,695 |
| Total | <u>\$21,006</u> | <u>\$25,535</u> |

Tourism assets include the Salt Mountain in Cigu. In order to operate in the tourism and travel industry, and preserve the salt history of Taiwan, the salt mountains were recognized as the tourism assets in 2009 and was amortized in 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 2021 and 2020 amounted to NT\$846 thousand and NT\$972 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 2021 and 2020 amounted to NT\$8,351 thousand and NT\$10,283 thousand, respectively.

12. Deferred revenue

| | As at | |
|------------------|------------------|------------------|
| | 31 Dec. 2021 | 31 Dec. 2020 |
| Deferred revenue | <u>\$332,918</u> | <u>\$345,784</u> |

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 25 April 2047, a total of 35 years.) Five parcels of land located in Emei Section 750, 750-1, 751, 752, and Yancheng Section 781 at Taoyuan City were leased to Quanhua Investment Co., Ltd., with the lessee being the builder of the buildings for the 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 2021 was NT\$306,878 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 2021 the unamortized amount was NT\$26,040 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 2021 and 2020 were NT\$14,411 thousand and NT\$13,360 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\$9,863 thousand to its defined benefit plan during the 12 months beginning after 31 December 2021.

The average duration of the defined benefits plan obligation as at 31 December 2021 and 2020 are 11 years and 12 years.

Pension costs recognized in profit or loss are as follows:

| | For the years ended 31 December | |
|---|---------------------------------|-----------------|
| | 2021 | 2020 |
| Current service cost | \$9,948 | \$10,560 |
| Net interest on the net defined benefit liabilities | 349 | 921 |
| Total | <u>\$10,297</u> | <u>\$11,481</u> |

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

| | As at | | |
|---------------------------------|------------------|------------------|------------------|
| | 31 Dec. 2021 | 31 Dec. 2020 | 1 Jan. 2020 |
| Defined benefit obligation | \$345,132 | \$364,232 | \$369,007 |
| Plan assets at fair value | (236,326) | (239,722) | (244,576) |
| Net defined benefit liabilities | <u>\$108,806</u> | <u>\$124,510</u> | <u>\$124,431</u> |

Reconciliations of liabilities (assets) of the defined benefit plan are as follows:

| | Defined benefit obligation | Plan assets at fair value | Net defined benefit liabilities (assets) |
|--|----------------------------------|------------------------------|---|
| As of 1 January, 2020 | \$369,007 | \$(244,576) | \$124,431 |
| Current service cost | 10,560 | - | 10,560 |
| Interest expense (income) | 2,731 | (1,810) | 921 |
| Subtotal | 382,298 | (246,386) | 135,912 |
| Remeasurements of the defined benefit liabilities/assets: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | (778) | - | (778) |
| Actuarial gains and losses arising from changes in financial assumptions | 19,123 | - | 19,123 |
| Experience adjustments | (4,258) | - | (4,258) |
| Remeasurements of the defined benefit assets | - | (8,623) | (8,623) |
| Subtotal | 14,087 | (8,623) | 5,464 |
| Payment of benefit obligation | (32,153) | 32,153 | - |
| Contribution by employer | - | (16,866) | (16,866) |
| As of 31 December, 2020 | \$364,232 | \$(239,722) | \$124,510 |
| Current service cost | 9,948 | - | 9,948 |
| Interest expenses (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 |

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

| | As at | |
|---|--------------|--------------|
| | 31 Dec. 2021 | 31 Dec. 2020 |
| Discount Rate | 0.54% | 0.28% |
| Expected rate of future salary increase | 2.50% | 3.00% |

A sensitivity analysis for significant assumption as of 31 December 2021 and 2020 is, as shown below:

| | For the years ended 31 December | | | |
|--------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | 2021 | | 2020 | |
| | Defined benefit obligations increase | Defined benefit obligations decrease | Defined benefit obligations increase | Defined benefit obligations decrease |
| Discount Rate increase by 0.5% | - | 18,411 | - | 20,636 |
| Discount Rate decrease by 0.5% | 19,915 | - | 22,437 | - |
| Future salary increase by 0.5% | 19,421 | - | 21,710 | - |
| Future salary decrease by 0.5% | - | 18,157 | - | 20,207 |

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 2021 and 2020 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. 2021 | 31 Dec. 2020 |
| 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 | 108 | 75 |
| Total | <u>\$2,501,686</u> | <u>\$2,501,653</u> |

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(3) Retained earnings and dividend policies

The Company's Articles of Incorporation provide that the current net income, after deducting the previous years' losses, shall appropriate 10% as legal reserve and special reserve according to the company laws and other regulations of R.O.C. If there is still more than the accumulated undistributed income in the previous year, the board of directors shall propose 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 2021 and 2020, the Company adopted the IFRS for the first time that the special reserve amounts were both NT\$45,420 thousand.

Details of the 2021 and 2020 earnings distribution and dividends per share as approved and resolved at the board of director’s meeting and shareholder’ meeting held on 18 March 2022 and 27 August 2021, respectively, are as follows:

| | For the years ended 31 December | | | |
|----------------|---------------------------------|----------|-------------------------|--------|
| | Appropriation of earnings | | Cash dividend per share | |
| | 2021 | 2020 | 2021 | 2020 |
| Legal reserve | \$40,082 | \$36,071 | | |
| Cash dividends | 300,000 | 270,000 | \$1.5 | \$1.35 |

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 | |
|---------------------------------------|---------------------------------|-------------|
| | 2021 | 2020 |
| Revenue from contracts with customers | | |
| Sale of goods | \$2,841,314 | \$2,797,226 |

Analysis of revenue from contracts with customers from the years ended 31 December 2021 and 2020 are as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2021:

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

For the year ended 31 December 2020:

| | Salt products and packaged water | Biotech cleaning and maintenance | Other dept. | Total |
|-----------------------------------|--|--|-----------------|--------------------|
| Sales of goods | <u>\$2,262,310</u> | <u>\$485,625</u> | <u>\$49,291</u> | <u>\$2,797,226</u> |
| Timing of revenue recognition: | | | | |
| At a point in time | <u>\$2,262,310</u> | <u>\$485,625</u> | <u>\$49,291</u> | <u>\$2,797,226</u> |

(2) Contract balances

A. Contract liabilities - current

| | As at | | |
|----------------|-----------------|-----------------|-----------------|
| | 31 Dec. 2021 | 31 Dec. 2020 | 1 Jan. 2020 |
| Sales of goods | <u>\$36,863</u> | <u>\$28,114</u> | <u>\$20,028</u> |

The significant changes in the Company's balances of contract liabilities for the years ended 31 December 2021 and 2020 are as follows:

| | For the years ended 31 December | |
|--|---------------------------------|------------|
| | 2021 | 2020 |
| The opening balance transferred to revenue | \$(24,413) | \$(16,124) |
| Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period) | 33,162 | 24,210 |

16. Expected credit losses / (gains)

| | For the years ended 31 December | |
|---|---------------------------------|------------|
| | 2021 | 2020 |
| Operating expense- expected credit losses | | |
| Notes receivable | \$- | \$- |
| Accounts receivable | - | - |
| Total | <u>\$-</u> | <u>\$-</u> |

Please refer to Note XII for more details on credit risk.

The credit risk for measured at amortized cost is assessed as low. 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 2021 and 2020.

The Company measures the loss allowance of its accounts receivables (including note receivables and accounts receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at 31 December 2021 and 2020 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 2021

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

Note: No notes receivable of the Company were overdue.

As at 31 December 2021

| | Not yet due | Overdue | | | Total |
|---------------------------------|-------------|-----------|-------------|------------|------------------|
| | (Note) | <=90 days | 90-180 days | >=180 days | |
| Gross carrying amount | \$165,883 | \$59 | \$- | \$- | \$165,942 |
| Loss rate | | | | | 0.08% |
| Lifetime expected credit losses | | | | | (132) |
| Carrying amount | | | | | <u>\$165,810</u> |

Note: No notes receivable of the Company were overdue.

The movement in the provision for impairment of note receivables and accounts receivables for the years ended 31 December 2021 and 2020 is as follows:

| | Notes receivables | Accounts receivables |
|--|----------------------|-------------------------|
| Balance as at 1 Jan. 2021 | \$- | \$132 |
| Addition / (reversal) for the current period | - | - |
| Write off | - | - |
| Balance as at 31 Dec. 2021 | <u>\$-</u> | <u>\$132</u> |
| Balance as at 1 Jan. 2020 | \$- | \$132 |
| Addition / (reversal) for the current period | - | - |
| Write off | - | - |
| Balance as at 31 Dec. 2020 | <u>\$-</u> | <u>\$132</u> |

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. 2021 | 31 Dec. 2020 |
| Land | \$28,091 | \$115,253 |
| Buildings | 3,894 | 5,006 |
| Transportation equipment | 3,895 | 5,551 |
| Other equipment | 96 | 151 |
| Total | <u>\$35,976</u> | <u>\$125,961</u> |

For the years ended 31 December 2021 and 2020, the Company's additions to right-of-use assets amounted to NT\$7,394 thousand and NT\$6,458 thousand, respectively.

(b) Lease liabilities

| | As at | |
|-------------------|-----------------|------------------|
| | 31 Dec. 2021 | 31 Dec. 2020 |
| Lease liabilities | <u>\$35,774</u> | <u>\$111,570</u> |
| Current | \$5,592 | \$13,277 |
| Non-current | <u>30,182</u> | <u>98,293</u> |
| Total | <u>\$35,774</u> | <u>\$111,570</u> |

Please refer to Note VI (19) for the interest on lease liabilities recognized for the years ended 31 December 2021 and 2020 and refer to Note XII (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2021 and 2020.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

| | For the years ended 31 December | |
|--------------------------|---------------------------------|----------------|
| | 2021 | 2020 |
| Land | \$1,964 | \$1,964 |
| Buildings | 1,112 | 1,113 |
| Transportation equipment | 3,155 | 3,134 |
| Other equipment | <u>55</u> | <u>14</u> |
| Total | <u>\$6,286</u> | <u>\$6,225</u> |

C. Income and costs relating to leasing activities

| | For the years ended 31 December | |
|--|---------------------------------|---------|
| | 2021 | 2020 |
| The expenses relating to short-term leases | \$1,811 | \$2,356 |

D. Cash outflow relating to leasing activities

For the years ended 31 December 2021 and 2020, the Company's total cash outflows for leases amounted to NT\$15,474 thousand and NT\$18,070 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 | |
|---|---------------------------------|----------|
| | 2021 | 2020 |
| Lease income for operating leases | | |
| Income relating to fixed lease payments and variable lease payments that depend on an index or a rate | \$32,671 | \$32,022 |

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 2021 and 2020 are as follows:

| | As at | |
|--|--------------|--------------|
| | 31 Dec. 2021 | 31 Dec. 2020 |
| Not later than one year | \$23,563 | \$28,051 |
| Later than one year but not later than two years | 20,714 | 19,977 |
| Later than two years but not later than three years | 21,534 | 19,990 |
| Later than three years but not later than four years | 20,793 | 19,286 |
| Later than four years but not later than five years | 20,793 | 18,478 |
| Later than five years | 390,802 | 373,332 |
| Total | \$498,199 | \$479,114 |

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

| | For the years ended 31 December | | | | | |
|----------------------------|---------------------------------|--------------------|--------------|-----------------|--------------------|--------------|
| | 2021 | | | 2020 | | |
| | Operating costs | Operating expenses | Total amount | Operating costs | Operating expenses | Total amount |
| Employee benefits expense | | | | | | |
| Salaries | \$186,620 | \$275,989 | \$462,609 | \$180,083 | \$270,295 | \$450,378 |
| Labor and health insurance | 17,163 | 22,756 | 39,919 | 15,607 | 20,968 | 36,575 |
| Pension | 12,625 | 12,083 | 24,708 | 12,248 | 12,593 | 24,841 |
| Director's remuneration | - | 9,806 | 9,806 | - | 9,513 | 9,513 |
| Other personnel expenses | 8,962 | 10,819 | 19,781 | 8,807 | 10,917 | 19,724 |
| Depreciation | 117,828 | 49,391 | 167,219 | 113,301 | 52,448 | 165,749 |
| Amortization | 7,264 | 3,794 | 11,058 | 9,263 | 3,243 | 12,506 |

The number of employees of the Company were 492 and 491 for the years ended 31 December 2021 and 2020, respectively, of which 7 and 8 were directors who were not concurrently employees.

Companies whose stocks have been listed on the stock exchange or OTC trading center should also disclose the following information:

- (1) The average employee benefit expense this year amounted to NT\$1,128 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\$1,100 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\$954 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\$932 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 2%. ((The average amount of the salary expense this year – the average amount of the salary expense previous year) / the average amount of the salary expense previous year)

- (4) The supervisor's remuneration this year was NT\$0 thousand, and the supervisor's remuneration last year was NT\$0 thousand. The Company has set up an audit committee to replace the supervisory system, therefore, the amount was NT\$0 thousand.
- (5) The Company's salary and remuneration policy (including directors, supervisors, managers and employees):

According to the Articles of Incorporation, 2.25~3.75% of profit of the current year is distributable as employees' compensation and no higher than 1.5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a board meeting attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit level, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2021 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 2021 amounted to NT\$18,865 thousand and NT\$7,546 thousand, respectively. A resolution was passed at the board meeting held on 18 March 2022 to distribute employees' compensation and remuneration to directors and supervisors of 2021. 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.

The Company distributed employees' compensation and remuneration to directors and supervisors for year ended 31 December 2020 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 2020 amounted to NT\$17,932 thousand and NT\$7,173 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 2020.

19. Non-operating income and expenses

(1) Other revenue

| | For the years ended 31 December | |
|---|---------------------------------|-----------------|
| | 2021 | 2020 |
| Rental income | \$32,671 | \$32,022 |
| Interest income | | |
| Financial assets measured at amortized cost | 10,615 | 15,131 |
| Others | 32,555 | 27,712 |
| Total | <u>\$75,841</u> | <u>\$74,865</u> |

Other income—Mainly tourism income and parking fees of Cigu Salt Mountain

(2) Other gains and losses

| | For the years ended 31 December | |
|---|---------------------------------|-------------------|
| | 2021 | 2020 |
| (Losses) on disposal of property, plant and equipment | \$(1,236) | \$(2,546) |
| Gains on disposal of investment property | - | 787 |
| Foreign exchange (losses), net | (21,006) | (17,612) |
| (Losses) gains on financial assets at fair value through profit or loss | (1,645) | 2,342 |
| (Losses) on disaster | (3,535) | - |
| Gain on disposal of investments | 1,109 | 3,161 |
| Others | (59,697) | (59,118) |
| Total | <u>\$(86,010)</u> | <u>\$(72,986)</u> |

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 | |
|-------------------|---------------------------------|------------------|
| | 2021 | 2020 |
| Interest expenses | <u>\$(1,879)</u> | <u>\$(2,265)</u> |

20. Components of other comprehensive income

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 not be reclassified subsequently to profit or loss: | | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | (115) | - | - | (115) |
| Total other comprehensive income (loss) | <u>\$10,332</u> | <u>\$-</u> | <u>\$(1,899)</u> | <u>\$8,433</u> |

For the year ended 31 December 2020:

| | 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 | \$(5,464) | \$- | \$1,093 | \$(4,371) |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | 390 | - | - | 390 |
| Items that may not be reclassified subsequently to profit or loss: | | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | 255 | - | - | 255 |
| Total other comprehensive (loss) income | <u>\$(4,819)</u> | <u>\$-</u> | <u>\$1,093</u> | <u>\$(3,726)</u> |

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 | |
|---|---------------------------------|-----------------|
| | 2021 | 2020 |
| Current income tax expense: | | |
| Current income tax charge | \$111,624 | \$90,250 |
| Adjustments in respect of current income tax of prior periods | (4,136) | (2,267) |
| Deferred tax expense (income): | | |
| Deferred tax expense (income) relating to origination and reversal of temporary differences | (24,063) | 6 |
| Total income tax expense | <u>\$83,425</u> | <u>\$87,989</u> |

Income tax relating to components of other comprehensive income

| | For the years ended 31 December | |
|---|---------------------------------|------------------|
| | 2021 | 2020 |
| Deferred tax expense (income): | | |
| Remeasurements of defined benefit plans | \$1,899 | \$(1,093) |
| Income tax relating to components of other comprehensive income | <u>\$1,899</u> | <u>\$(1,093)</u> |

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

| | For the years ended 31 December | |
|--|---------------------------------|------------------|
| | 2021 | 2020 |
| Accounting profit before tax from continuing operations | <u>\$476,652</u> | <u>\$453,074</u> |
| Tax at the domestic rates applicable to profits in the country concerned | \$95,330 | \$90,615 |
| Tax effect of revenues exempt from taxation | (7,503) | (339) |
| Tax effect of expenses not deductible for tax purposes | 36 | 20 |
| Tax effect of deferred tax assets/liabilities | (302) | (40) |
| Adjustments in respect of current income tax of prior periods | (4,136) | (2,267) |
| Total income tax expenses recognized in profit or loss | <u>\$83,425</u> | <u>\$87,989</u> |

Deferred tax assets (liabilities) related to the following:

For the year ended 31 December 2021

| | As of | Recognized in | Recognized in other comprehensive | As of |
|---|-------------------|-----------------|---|-------------------|
| | 1 Jan. 2021 | profit or loss | income | 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) | | <u>\$24,063</u> | <u>\$(1,899)</u> | |
| Net deferred tax assets/(liability) | <u>\$30,210</u> | | | <u>\$52,374</u> |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | <u>\$64,144</u> | | | <u>\$86,457</u> |
| Deferred tax liabilities | <u>\$(33,934)</u> | | | <u>\$(34,083)</u> |

For the years ended 31 December 2020

| | As of 1 Jan. 2020 | Recognized in profit or loss | Recognized in other comprehensive income | As of 31 Dec. 2020 |
|---|----------------------|---------------------------------|---|-----------------------|
| Temporary differences | | | | |
| Unrealized allowance for inventory valuation losses | \$4,177 | \$546 | \$- | \$4,723 |
| Unrealized exchange losses (gains) | 9,628 | 3,470 | - | 13,098 |
| Unrealized sales returns and discounts | 7,335 | (1,393) | - | 5,942 |
| Unallocated fixed manufacturing expenses | 1,327 | (50) | - | 1,277 |
| Land appreciation tax preparation | (33,339) | - | - | (33,339) |
| Unrealized impairment loss | 5,117 | (186) | - | 4,931 |
| Compensated absence | 2,529 | 477 | - | 3,306 |
| Deferred income | 407 | (133) | - | 274 |
| Net defined benefit liability, non-current. | 24,925 | (1,077) | 1,093 | 24,941 |
| Affiliate transaction | 1,511 | (1,511) | - | - |
| Other | 5,506 | (149) | - | 5,357 |
| Deferred tax income (expense) | | <u>\$(6)</u> | <u>\$1,093</u> | |
| Net deferred tax assets/(liability) | <u>\$29,123</u> | | | <u>\$30,210</u> |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | <u>\$62,909</u> | | | <u>\$64,144</u> |
| Deferred tax liabilities | <u>\$(33,786)</u> | | | <u>\$(33,934)</u> |

The assessment of income tax returns

As of 31 December 2021, the assessment of income tax returns of the Company is as follows:

| | <u>The assessment of income tax returns</u> |
|-------------|---|
| The Company | Assess and approved up to 2019 |

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 | |
|--|--|---------------------------------|-----------|
| | | 2021 | 2020 |
| (1) Basic earnings per share | | | |
| Profit attributable to ordinary equity holders of the Company (in thousand NT\$) | | \$393,227 | \$365,085 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | | 200,000 | 200,000 |
| Basic earnings per share (NT\$) | | \$1.97 | \$1.83 |
| (2) Diluted earnings per share | | | |
| Profit attributable to ordinary equity holders of the Company (in thousand NT\$) | | \$393,227 | \$365,085 |
| 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) | | 568 | 548 |
| Weighted average number of ordinary shares outstanding after dilution (in thousands) | | 200,568 | 200,548 |
| Diluted earnings per share (NT\$) | | \$1.96 | \$1.82 |

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 | |
|---------------------|---------------------------------|----------------|
| | 2021 | 2020 |
| Taiyen Xiamen | \$559 | \$1,020 |
| Taiyen Green Energy | 116 | 128 |
| Total | <u>\$675</u> | <u>\$1,148</u> |

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

2. Purchases

| | For the years ended 31 December | |
|---------------|---------------------------------|-----------------|
| | 2021 | 2020 |
| Taiyen Xiamen | <u>\$22,672</u> | <u>\$15,095</u> |

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

3. Key management personnel compensation

| | For the years ended 31 December | |
|------------------------------|---------------------------------|-----------------|
| | 2021 | 2020 |
| Short-term employee benefits | \$16,957 | \$19,354 |
| Post-employment benefits | 686 | 590 |
| Total | <u>\$17,643</u> | <u>\$19,944</u> |

VIII.ASSETS PLEDGED AS COLLATERAL

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

| Item | Carrying amount as at | | Purpose of pledge |
|--|-----------------------|-----------------|--------------------|
| | 31 Dec. 2021 | 31 Dec. 2020 | |
| Financial assets measured at amortized costs | <u>\$33,960</u> | <u>\$33,960</u> | Guarantee Deposits |

IX. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT

1. The Company signed a contract with a salt company and a shipping company in Australia on 23 December 2021 to the purchase and import industrial sun-dried salt and agreed on related transportation terms. The contract period was 1 year (From 1 February 2022 to 31 January 2023). According to this contract, the Company can acquire a fixed amount of sun-dried salt for industrial and food processing purpose in accordance with the agreed price each year. The annual purchase amount (including transportation costs) is about NT\$300 million. After the contract expires, the Company will reopen the bid.
2. The Company signed a natural gas sales contract for industrial fuel use with CPC Corporation, Taiwan (hereinafter referred to as CPC) on 26 June 2019. The contract period is 3 years (From 1 July 2019 to 30 June 2022). According to this contract, the Company agrees to purchase a quantity of 800 thousand cubic meters of gas from CPC in accordance with the CPC natural gas price list each month, and the Company will base its use on this amount evenly.
3. The Company signed a property purchase contract with Far Eastern New Century Co., Ltd. (hereinafter referred to as FENC) on 21 September 2020. The Company purchased PET bottles from FENC for approximately \$210 million. According to this contract, after the Company signs the contract, the contracted goods will be delivered to the designated place in batches according to the notice of Tung-Hsiao Fine Salt Factory to complete the transaction until the contract volume is reached (at least 700,000 pieces per day).
4. As of 31 December 2021, 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. 2021 |
|----------|--------------------|
| USD | USD1,197 |

5. As of 31 December 2021, the Company still has major contracts as follows:

| Project | Contract amount | Amount paid | Unpaid amount |
|---|------------------|------------------|------------------|
| Replacement project of cogeneration equipment | \$601,700 | \$281,234 | \$320,466 |
| Demolition and construction project of office | 23,800 | 16,875 | 6,925 |
| Total | <u>\$625,500</u> | <u>\$298,109</u> | <u>\$327,391</u> |

X. LOSS DUE TO MAJOR DISASTERS

None.

XI. SIGNIFICANT SUBSEQUENT EVENTS

None.

XII. OTHER

1. Categories of financial instruments

Financial Assets

| | As at | |
|---|--------------|--------------|
| | 31 Dec. 2021 | 31 Dec. 2020 |
| Financial assets at fair value through profit or loss: | | |
| Mandatorily measured at fair value through profit or loss | \$353,539 | \$381,044 |
| Financial assets at fair value through other comprehensive income | 1,060 | 1,930 |
| Financial assets measured at amortized cost: | | |
| Cash and cash equivalents (exclude cash on hand) | 1,374,464 | 1,405,249 |
| Financial assets measured at amortized cost | 33,960 | 33,960 |
| Notes receivables | 2,525 | 2,617 |
| Account receivables | 164,220 | 163,193 |
| Other receivables (Accounted as other current assets) | 6,872 | 26,248 |
| Refundable deposits | 4,569 | 7,379 |
| Subtotal | 1,586,610 | 1,638,646 |
| Total | \$1,941,209 | \$2,021,620 |

Financial liabilities

| | As at | |
|--|--------------|--------------|
| | 31 Dec. 2021 | 31 Dec. 2020 |
| Financial liabilities at amortized cost: | | |
| Trade and other payables | \$447,313 | \$363,478 |
| Guarantee deposits | 64,354 | 65,256 |
| Lease liabilities | 35,774 | 111,570 |
| Total | \$547,441 | \$540,304 |

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 2021 and 2020 decreases/increases by NT\$5,152 thousand and NT\$4,907 thousand, respectively
- (2) When NTD strengthens/weakens against AUD by 1%, the profit for the years ended 31 December 2021 and 2020 decreases/increases by NT\$547 thousand and NT\$596 thousand, respectively.
- (3) When NTD strengthens/weakens against CNY by 1%, the profit for the years ended 31 December 2021 and 2020 decreases/increases by NT\$2,767 thousand and NT\$2,722 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\$11 thousand and NT\$19 thousand on the equity attributable to the Company for the years ended 31 December 2021 and 2020, 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 2021 and 2020, accounts receivables from top ten customers both represented 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. 2021 | | | | | |
| Payables | \$447,313 | \$- | \$- | \$- | \$447,313 |
| Lease liabilities (Note) | 6,236 | 8,436 | 4,923 | 23,760 | 43,355 |
| As at 31 Dec. 2020 | | | | | |
| Payables | \$363,478 | \$- | \$- | \$- | \$363,478 |
| Lease liabilities (Note) | 15,546 | 27,491 | 57,259 | 25,920 | 126,216 |

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

| | Maturities | | | | Total |
|--------------------|----------------------|------------------|-------------------|------------|----------|
| | Less than 5 years | 6 to 10 years | 11 to 15 years | > 15 years | |
| As at 31 Dec. 2021 | \$19,595 | \$10,800 | \$10,800 | \$2,160 | \$43,355 |
| As at 31 Dec. 2020 | 100,296 | 10,800 | 10,800 | 4,320 | 126,216 |

6. Reconciliation of liabilities arising from financing activities

| | Leases liabilities |
|-------------------|--------------------|
| As at 1 Jan. 2021 | \$111,570 |
| Cash flows | (13,663) |
| Non-cash changes | (62,133) |
| As at 31 Dec 2021 | \$35,774 |
| As at 1 Jan. 2020 | \$118,564 |
| Cash flows | (15,714) |
| Non-cash changes | 8,720 |
| As at 31 Dec 2020 | \$111,570 |

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 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 |

As at 31 December 2020

| | Level 1 | Level 2 | Level 3 | Total |
|---|-----------|---------|---------|-----------|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Funds | \$381,044 | \$- | \$- | \$381,044 |
| Equity instrument measured at fair value through other comprehensive income | 1,930 | - | - | 1,930 |

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2021 and 2020, 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 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 |
| Investments accounted for using equity method | - | - | 322,409 | 322,409 |

As at 31 December 2020

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|-------------|-------------|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties | \$- | \$- | \$1,326,351 | \$1,326,351 |
| Investments accounted for using equity method | - | - | 285,966 | 285,966 |

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 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 |
| Financial assets | As at 31 December 2020 | | |
| | Foreign currencies | Foreign exchange rate | NTD |
| Monetary items: | | | |
| USD | \$17,231 | \$28.480 | \$490,738 |
| AUD | 2,714 | 21.950 | 59,572 |
| CNY | 62,197 | 4.377 | 272,236 |

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 2021 and 2020, the foreign exchange losses on monetary financial assets and financial liabilities amounted to NT\$21,006 thousand and NT\$17,612 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. 2021

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

As at 31 Dec. 2020

| Purchaser | Factoring amount | Advanced amount | Transfer to other receivables | Credit |
|--------------|---------------------|--------------------|----------------------------------|----------|
| Bank Sinopac | \$565 | \$- | \$565 | \$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 2021: None.
- (b) Endorsement/Guarantee provided to others for the year ended 31 December 2021: None.
- (c) Securities held as of 31 December 2021 (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 2021: 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 2021: 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 2021: 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 2021: 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 2021: 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 2021

| Holding Company | Type and name of securities(note) | Relations with securities issuer | Account | As of 31 December, 2021 | | | | 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 | \$31,390 | - | \$31,390 | |
| | Currency Fund — FSITC Taiwan Money Market | - | " | 2,039,641.60 | 31,556 | - | 31,556 | |
| | Currency Fund — Eastspring Investments Well Pool Money Market | - | " | 2,250,170.60 | 30,917 | - | 30,917 | |
| | Currency Fund — Yuanta Wan Tai Money Market | - | " | 684,186.40 | 10,454 | - | 10,454 | |
| | Currency Fund — Yuanta De-Li Money Market | - | " | 615,695.30 | 10,141 | - | 10,141 | |
| | Currency Fund — Nomura Taiwan Money Market | - | " | 3,181,374.36 | 52,415 | - | 52,415 | |
| | Currency Fund — Shin Kong Chi-Shin Money Market | - | " | 1,969,750.74 | 30,799 | - | 30,799 | |
| | Currency Fund — Franklin Templeton Sinoam Money Market | - | " | 2,959,309.49 | 30,936 | - | 30,936 | |
| | Currency Fund — Cathay Taiwan Money Market | - | " | 2,432,059.50 | 30,544 | - | 30,544 | |
| | Currency Fund — Fubon Chi-Hsiang Money Market | - | " | 1,278,422.10 | 20,236 | - | 20,236 | |
| | Currency Fund — Union Money Market | - | " | 764,198.81 | 10,192 | - | 10,192 | |
| | Currency Fund — SinoPac TWD Money Market | - | " | 724,653.40 | 10,179 | - | 10,179 | |
| | Currency Fund — Prudential Financial Money Market | - | " | 1,275,006.10 | 20,389 | - | 20,389 | |
| | Bond Fund — PineBridge Global Multi-Strategy High Yield Bond Fund A | - | " | 1,354,710.67 | 19,695 | - | 19,695 | |
| | Bond Fund — Allianz Global Investors All Seasons Harvest Fund of Bond Fund-A | - | " | 43,584.40 | 13,696 | - | 13,696 | |
| | | | subtotal | | \$353,539 | | \$353,539 | |
| | Listed Stock — Walsin Lihwa Corporation | - | Financial assets at fair value through other comprehensive income - current | 40,000 | \$1,060 | | \$1,060 | |

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) |
|----------------------------|-----------------------|--|-------------------------|---------------------------------|---------------------------------|-------------------------------|--------|-----------|---------------------------------------|--------------------------|
| | | | | 31-Dec-21 | 31-Dec-20 | 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% | \$305,551 | \$56,948 | \$38,013 |
| 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% | \$16,858 | \$1,514 | \$1,514 |
| 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% | \$16,858 | \$1,514 | \$1,514 |

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 | \$1,514 | 100% | \$1,514 | \$16,858 | - |

| 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 |
|---|--|--|
| \$44,288 (USD1,600 thousand) (Note 3) | \$44,288 (USD1,600 thousand) (Note 3) | Equity\$6,361,174*60%=\$3,816,704 (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 27.68 at the end of December 2021.

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 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 property, 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 2021

(Expressed in thousands of New Taiwan Dollars)

| Items | Summary | Subtotal | Total | Note |
|---|--------------------|----------|-------------|--|
| Cash | | \$8 | \$8 | 1.Exchange Rate of USD to NTD is 1:27.68 |
| Petty Cash | | 970 | 970 | |
| Subtotal | | | 978 | |
| Bank check deposits | | | 46,971 | 2.Exchange Rate of AUD to NTD is 1:20.08 |
| Bank demand deposits | | | 344,611 | |
| Bank foreign currency deposits | USD 1,728 thousand | 47,836 | | 3.Exchange Rate of CNY to NTD is 1:4.344 |
| | AUD 43 thousand | 866 | | |
| | CNY 1,972 thousand | 8,565 | | |
| | | | 57,267 | |
| Subtotal | | | 448,849 | |
| Cash equivalents | | | | |
| Time deposits with maturities within 12 months | | 925,615 | 925,615 | |
| Total | | | \$1,375,442 | |
| | | | | |

TAIYEN BIOTECH CO.,LTD.

2. Table of accounts receivable, net

As at 31 December 2021

(Expressed in thousands of New Taiwan Dollars)

| Client | Name | Summary | Amount | Note |
|---------------------------------------|------|---------|-----------|--|
| A Company | | | \$83,969 | The amount of individual client in others does not exceed 5% of the account balance. |
| B Company | | | 12,218 | |
| C Company | | | 9,837 | |
| Others | | | 58,328 | |
| Subtotal | | | 164,352 | |
| Less: allowance for doubtful accounts | | | (132) | |
| Total | | | \$164,220 | |
| | | | | |

TAIYEN BIOTECH CO.,LTD.

3. Table of net inventories

As at 31 December 2021

(Expressed in thousands of New Taiwan Dollars)

| Items | Summary | Amount | | Note |
|--|---------|-----------|--------------|---|
| | | Cost | Market price | |
| Raw materials | | \$32,749 | \$32,397 | The market price is the net realizable value. |
| Supplies and parts | | 108,643 | 107,544 | |
| Work in process | | 17,499 | 17,440 | |
| Finished goods | | 149,025 | 148,344 | |
| Merchandise | | 55,321 | 55,272 | |
| Total | | 363,237 | \$360,997 | |
| Less: allowance for inventory valuation losses | | (31,581) | | |
| Total | | \$331,656 | | |

TAIYEN BIOTECH CO.,LTD.

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

As at 31 December 2021

(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 | \$15,459 | - | | \$1,514 | (Note 1) | - | | \$(115) | (Note 2) | 1,600 | \$16,858 | | \$16,858 | 100% | None | |
| Taiyen Green Energy | 24,742 | 270,507 | | | \$38,013 | (Note 1) | - | | (2,969) | (Note 3) | 24,742 | 305,551 | | 457,754 | 66.75% | None | |
| Total | | \$285,966 | | | \$39,527 | | | | \$(3,084) | | | \$322,409 | | | | | |

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 2021

(Expressed in thousands of New Taiwan Dollars)

| Name of supplier | Summary | Amount | Note |
|------------------|---------|-----------|--|
| D Company | | \$13,917 | The amount of individual client in others does not exceed 5% of the account balance. |
| E Company | | 10,634 | |
| F Company | | 8,769 | |
| G Company | | 8,751 | |
| Others | | 72,305 | |
| Total | | \$114,376 | |
| | | | |

TAIYEN BIOTECH CO.,LTD.

6. Table of accounts payable

As at 31 December 2021

(Expressed in thousands of New Taiwan Dollars)

| Name of supplier | Summary | Amount | Note |
|------------------|---------|----------|--|
| H Company | | \$14,995 | The amount of individual client in others does not exceed 5% of the account balance. |
| I Company | | 5,209 | |
| J Company | | 3,638 | |
| Others | | 40,907 | |
| Total | | \$64,749 | |
| | | | |

TAIYEN BIOTECH CO.,LTD.

7. Table of other payable

As at 31 December 2021

(Expressed in thousands of New Taiwan Dollars)

| Items | Summary | Amount | Note |
|--------------------------------|---|-----------|--|
| Salaries payable | Mainly gas expenses and deliver expenses. | \$109,232 | The amount of individual client in others does not exceed 5% of the account balance. |
| Other expenses payable | | 99,942 | |
| Employee compensations payable | | 18,865 | |
| Provision of employee benefits | | 15,453 | |
| Others | | 24,696 | |
| Total | | \$268,188 | |
| | | | |

TAIYEN BIOTECH CO.,LTD.

8. Table of net sales revenues

For the year ended 31 December 2021

(Expressed in thousands of New Taiwan Dollars)

| Items | Numbers | Amount | Note |
|-------------------------|-----------------|-------------|------|
| Salt products | 2,988,965 pcs | \$1,414,349 | |
| Packaged drinking water | 108,398,270 pcs | 1,001,478 | |
| Cleaning products | 2,605,923 pcs | 154,795 | |
| Beauty care products | 608,109 pcs | 143,933 | |
| Health products | 1,517,327 pcs | 154,223 | |
| Merchandise | 252,128 pcs | 37,332 | |
| Others | 628 pcs | 2,345 | |
| | | 2,908,455 | |
| Less: sales return | | (67,141) | |
| Total | | \$2,841,314 | |
| | | | |

TAIYEN BIOTECH CO.,LTD.

9. Statement of operating costs

For the year ended 31 December 2021

(Expressed in thousands of New Taiwan Dollars)

| Items | Amount | Note |
|---|-------------|------|
| Cost of goods sold of self-made product | | |
| Direct material:beginning of year | \$26,398 | |
| Add: raw material purchased | 81,016 | |
| Less: raw material, end of year | (32,749) | |
| transfer to other account title | (3,781) | |
| other | (8,007) | |
| Direct material used | 62,877 | |
| Indirect material | | |
| Indirect material, beginning of year | 109,794 | |
| Add: indirect material purchased | 607,584 | |
| Less: indirect material, end of year | (108,643) | |
| transfer to other account title | (31,166) | |
| other | (22,936) | |
| Indirect material used | 554,633 | |
| Direct labor | 72,383 | |
| Manufacturing expenses | 550,992 | |
| Manufacturing cost | 1,240,885 | |
| Work in process, beginning of year | 18,837 | |
| Add: transfer from merchandise | 261,032 | |
| transfer from finished goods | 26,579 | |
| Less: work in process, end of year | (17,499) | |
| transfer to other account title | (390) | |
| other | (25,630) | |
| Manufacturing cost | 1,503,814 | |
| Finished goods, beginning of year | 134,400 | |
| Add: other | 31,157 | |
| Less: finished goods, end of year | (149,025) | |
| transfer to other account title | (13,833) | |
| transfer to work in process | (26,579) | |
| other | (2,252) | |
| Cost of finished goods | 1,477,682 | |
| Cost of goods sold of merchandise | | |
| Merchandise: beginning of year | 49,046 | |
| Add: merchandise purchased | 341,245 | |
| Less: merchandise, end of year | (55,321) | |
| transfer to other account title | (3,354) | |
| transfer to work in process | (261,032) | |
| other | (1,644) | |
| Cost of goods sold of self-made product | 68,940 | |
| Cost of goods sold of merchandise | 1,546,622 | |
| Add: fixed manufacturing expenses under-applied | 72,902 | |
| loss on scrap of inventories | 2,733 | |
| loss on inventory valuation | 7,968 | |
| other | 200 | |
| Less: gain on inventory valuation recovery | (1,544) | |
| Total Operating Costs | \$1,628,881 | |

TAIYEN BIOTECH CO.,LTD.

10. Table of manufacturing expenses

For the year ended 31 December 2021

(Expressed in thousands of New Taiwan Dollars)

| Items | Amount | Note |
|-------------------------------------|-----------|--|
| Indirect labor expenses | \$156,916 | The amount of other items in others does not exceed 5% of the account balance. |
| Repair expenses | 28,109 | |
| Water, electricity and gas expenses | 47,264 | |
| Processing fees | 28,279 | |
| Taxes | 41,822 | |
| Depreciation | 117,828 | |
| Outsourcing expenses | 59,266 | |
| Fuel expenses | 63,384 | |
| Other expenses | 8,124 | |
| Total | \$550,992 | |
| | | |

TAIYEN BIOTECH CO.,LTD.

11. Table of operating expenses

For the year ended 31 December 2021

(Expressed in thousands of New Taiwan Dollars)

| Items | Marketing expenses | Administration expenses | Research and development expenses | Total | Note |
|------------------------|--------------------|-------------------------|-----------------------------------|-----------|--|
| Salaries expenses | \$147,260 | \$119,565 | \$28,785 | \$295,610 | The amount of other items in others does not exceed 5% of the account balance. |
| Deliver expenses | 118,067 | 124 | 50 | 118,241 | |
| Advertisement expenses | 128,524 | 593 | 53 | 129,170 | |
| Commission expenses | 46,765 | - | - | 46,765 | |
| Depreciation | 17,956 | 6,977 | 4,969 | 29,902 | |
| Insurance fee | 12,260 | 9,252 | 2,204 | 23,716 | |
| Labor fee | 1,785 | 5,666 | 6,092 | 13,543 | |
| Consumption expenses | - | 906 | 3,037 | 3,943 | |
| Other expenses | 61,337 | 34,120 | 6,913 | 102,370 | |
| Total | \$533,954 | \$177,203 | \$52,103 | \$763,260 | |
| | | | | | |