

TAIWAN STYRENE MONOMER CORPORATION**Parent Company Only Financial Statements****With Independent Auditors' Report
for the Years Ended December 31, 2022 and 2021**

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

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Independent Auditors' Report

To the Board of Directors of Taiwan Styrene Monomer Corporation:

Opinion

We have audited the parent company only financial statements of Taiwan Styrene Monomer Corporation (“the Company”), which comprise the statements of financial position as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 parent company only financial statements of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Regarding accounting policies on revenue recognition, please refer to note 4(o) “Revenue recognition” to the parent company only financial statements.

Description of key audit matter:

The Company's sales revenue is easily affected by the external economic environment and changes in market demand; besides, sales revenue in 2022 increased significantly compared to 2021. Therefore, the occurrence of revenue recognition is considered to be one of most significance in the audit.

How the matter was addressed in our audit:

Our principal audit procedures included assessing whether the accounting policies regarding to revenue recognition were inconformity with relevant accounting standards; obtaining understanding and testing the design and implement effectiveness of internal controls over occurrence revenue recognition; selecting samples and examining the transaction terms and vouchers; in addition, we also performed analytical procedures on primary customers and products to evaluate if there is any material abnormality.

Other Matter

We did not audit the financial statements of some equity-accounted investees of the Company (including those statements which were prepared using a difference financial reporting framework). Those statements were audited by other auditors, whose reports have been furnished to us. We have performed audit procedures on the conversion adjustments to the financial statements of those investees, which conform to those financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Our opinion, insofar as it relates to the amounts included for those investees and the amounts prior to the conversion adjustments, is based solely on the reports of other auditors. Investments accounted for using equity method on those investees constituting 13.50% and 15.14% of total assets at December 31, 2022 and 2021, and the related share of profit of subsidiaries, associates and joint ventures accounted for using equity method constituting (0.44)% and (888.64)% of total profit before tax for the years then ended.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 disclosures, 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 investment in other entities accounted for using the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lin Wu and Yuan-Sheng Yin.

KPMG

Taipei, Taiwan (Republic of China)

March 8, 2023

Notes to Readers

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

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

(English Translation of Financial Statements Originally Issued in Chinese)
TAIWAN STYRENE MONOMER CORPORATION

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2022</u>		<u>December 31, 2021</u>				<u>December 31, 2022</u>		<u>December 31, 2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 317,578	4	54,783	1	2100	Total short-term borrowings (note 6(l))	\$ 700,000	8	235,759	3
1110	Current financial assets at fair value through profit or loss (note 6(b))	120,538	2	183,037	2	2130	Current contract liabilities (note 6(t))	7,829	-	12,830	-
1170	Accounts receivable, net (note 6(c))	963,645	11	909,849	10	2170	Accounts payable	889,042	11	969,496	10
1200	Other receivables (note 7)	2,231	-	6,075	-	2200	Other payables (note 6(m))	89,910	1	154,201	2
1220	Current tax assets	-	-	44	-	2230	Current tax liabilities	4,771	-	-	-
130X	Inventories (note 6(d))	567,203	7	824,976	9	2280	Current lease liabilities (note 6(n))	4,414	-	3,178	-
1410	Prepayments (note 6(e))	200,164	2	133,663	2	2399	Other current liabilities	2,178	-	2,574	-
1460	Non-current assets(or disposal groups) held for sale, net	1,288	-	-	-		Total current liabilities	1,698,144	20	1,378,038	15
	Total current assets	2,172,647	26	2,112,427	24		Non-Current liabilities:				
Non-current assets:						2570	Deferred tax liabilities (note 6(p))	174,028	2	173,561	2
1517	Non-current financial assets at fair value through other comprehensive income (note 6(f))	643,571	8	781,428	9	2580	Non-current lease liabilities (note 6(n))	11,372	-	5,347	-
1550	Investments accounted for using equity method (note 6(g))	2,803,908	33	2,960,451	34	2640	Net defined benefit liabilities, non-current (note 6(o))	50,106	1	64,100	1
1600	Property, plant and equipment (note 6(h))	2,508,198	30	2,695,789	31		Total non-current liabilities	235,506	3	243,008	3
1755	Right-of-use assets (note 6(i))	16,181	-	8,703	-		Total liabilities	1,933,650	23	1,621,046	18
1780	Intangible assets (note 6(j))	6,125	-	7,932	-		Equity (note 6(q)):				
1840	Deferred tax assets (note 6(p))	227,290	3	126,467	1	3100	Capital stock	5,278,698	63	5,278,698	60
1920	Refundable deposits	3,645	-	3,421	-	3200	Capital surplus	70,947	1	46,300	1
1990	Other non-current assets, others (note 6(k))	23,959	-	85,401	1		Retained earnings:				
	Total non-current assets	6,232,877	74	6,669,592	76	3310	Legal reserve	639,287	8	612,264	7
						3320	Special reserve	8,811	-	-	-
						3350	Unappropriated retained earnings	688,983	8	1,167,693	13
								1,337,081	16	1,779,957	20
						3400	Other equity	(214,852)	(3)	56,031	1
						3500	Treasury shares	-	-	(13)	-
							Total equity	6,471,874	77	7,160,973	82
Total assets		<u>\$ 8,405,524</u>	<u>100</u>	<u>8,782,019</u>	<u>100</u>	Total liabilities and equity		<u>\$ 8,405,524</u>	<u>100</u>	<u>8,782,019</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TAIWAN STYRENE MONOMER CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (note 6(t))	\$ 12,711,672	100	11,579,268	100
5000	Operating costs (notes 6(d), (h), (i), (j), (n), (o), (v))	<u>13,061,198</u>	<u>103</u>	<u>11,484,485</u>	<u>99</u>
	Gross profit (loss) from operations	<u>(349,526)</u>	<u>(3)</u>	<u>94,783</u>	<u>1</u>
	Operating expenses (notes 6(c), (h), (i), (j), (n), (o), (r), (v) and 7):				
6100	Selling expenses	65,622	1	60,105	1
6200	Administrative expenses	89,364	1	107,882	1
6300	Research and development expenses	1,817	-	2,127	-
6450	Expected credit impairment loss	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>
		<u>156,805</u>	<u>2</u>	<u>170,116</u>	<u>2</u>
	Operating losses	<u>(506,331)</u>	<u>(5)</u>	<u>(75,333)</u>	<u>(1)</u>
	Non-operating income and expenses (notes 6 (f), (g), (n), (u) and 7):				
7100	Interest income	3,284	-	1,009	-
7010	Other income	45,556	-	9,177	-
7020	Other gains and losses	(34,460)	-	7,377	-
7050	Finance costs	(4,320)	-	(448)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	<u>33,141</u>	<u>-</u>	<u>53,421</u>	<u>-</u>
		<u>43,201</u>	<u>-</u>	<u>70,536</u>	<u>-</u>
9900	Loss before tax	(463,130)	(5)	(4,797)	(1)
7950	Income tax benefits (note 6(p))	<u>89,225</u>	<u>1</u>	<u>109,401</u>	<u>1</u>
	Net income (loss)	<u>(373,905)</u>	<u>(4)</u>	<u>104,604</u>	<u>-</u>
8300	Other comprehensive income (loss) :				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	14,771	-	(3,937)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(134,696)	(1)	16,329	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(153,072)	(1)	(46,205)	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>2,954</u>	<u>-</u>	<u>(787)</u>	<u>-</u>
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>(275,951)</u>	<u>(2)</u>	<u>(33,026)</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation	1,334	-	(847)	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	25,908	-	(9,446)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>27,242</u>	<u>-</u>	<u>(10,293)</u>	<u>-</u>
8300	Other comprehensive income	<u>(248,709)</u>	<u>(2)</u>	<u>(43,319)</u>	<u>-</u>
8500	Comprehensive income	<u>\$ (622,614)</u>	<u>(6)</u>	<u>61,285</u>	<u>-</u>
	Earnings per share (note 6(s))				
	Basic earnings per share	<u>\$ (0.71)</u>		<u>0.20</u>	
	Diluted earnings per share	<u>\$ (0.71)</u>		<u>0.20</u>	

See accompanying notes to financial statements.

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

TAIWAN STYRENE MONOMER CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Legal reserve	Special reserve	Retained earnings		Exchange differences on translation of foreign financial statements	Other equity interest		Treasury shares	Total equity
					Unappropriated retained earnings	Total		Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total		
Balance at January 1, 2021	\$ 5,278,698	48,224	610,435	581,249	581,961	1,773,645	(26,745)	195,208	168,463	(15,178)	7,253,852
Net income	-	-	-	-	104,604	104,604	-	-	-	-	104,604
Other comprehensive income	-	-	-	-	(3,120)	(3,120)	(10,293)	(29,906)	(40,199)	-	(43,319)
Total comprehensive income	-	-	-	-	101,484	101,484	(10,293)	(29,906)	(40,199)	-	61,285
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	1,829	-	(1,829)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(263,917)	(263,917)	-	-	-	-	(263,917)
Reversal of special reserve	-	-	-	(581,249)	581,249	-	-	-	-	-	-
Endowment received from shareholders	-	13	-	-	-	-	-	-	-	(13)	-
Share-based payments transactions	-	4,433	-	-	-	-	-	-	-	15,178	19,611
Associates disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	74,637	74,637	-	(74,637)	(74,637)	-	-
Changes in ownership interests in subsidiaries	-	997	-	-	-	-	546	-	546	-	1,543
Changes in ownership interests for using equity method	-	(7,367)	-	-	94,108	94,108	1,858	-	1,858	-	88,599
Balance at December 31, 2021	5,278,698	46,300	612,264	-	1,167,693	1,779,957	(34,634)	90,665	56,031	(13)	7,160,973
Net loss	-	-	-	-	(373,905)	(373,905)	-	-	-	-	(373,905)
Other comprehensive income	-	-	-	-	12,277	12,277	27,242	(288,228)	(260,986)	-	(248,709)
Total comprehensive income	-	-	-	-	(361,628)	(361,628)	27,242	(288,228)	(260,986)	-	(622,614)
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	27,023	-	(27,023)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	8,811	(8,811)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(79,156)	(79,156)	-	-	-	-	(79,156)
Overdue dividends not received by shareholders	-	24,585	-	-	-	-	-	-	-	-	24,585
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	504	504	-	(504)	(504)	-	-
Associates disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	9,393	9,393	-	(9,393)	(9,393)	-	-
Changes in ownership interests for using equity method	-	65	-	-	(11,989)	(11,989)	-	-	-	-	(11,924)
Treasury shares transactions	-	(3)	-	-	-	-	-	-	-	13	10
Balance at December 31, 2022	\$ 5,278,698	70,947	639,287	8,811	688,983	1,337,081	(7,392)	(207,460)	(214,852)	-	6,471,874

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TAIWAN STYRENE MONOMER CORPORATION

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Loss before tax	\$ (463,130)	(4,797)
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	251,711	222,462
Amortization expense	1,807	2,553
Expected credit impairment loss	2	2
Interest expense	4,320	448
Interest income	(3,284)	(1,009)
Dividend income	(19,616)	(6,843)
Share-based payments	-	4,472
Share of gain of subsidiaries, associates and joint ventures accounted for using equity method	(33,141)	(53,421)
Gain on disposal of property, plant and equipment	-	(270)
Loss on disposal of investments	-	1,858
Impairment loss on non-financial assets	873	139
Gain on bargain purchase transaction	-	(403)
Gain on lease modification	(6)	-
Loss from decline (gain from recovery) in value of inventories	(114,209)	130,000
Total adjustments to reconcile profit (loss)	88,457	299,988
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets mandatorily measured at fair value through profit or loss	62,499	(137,677)
Accounts receivable	(53,798)	(39,305)
Other receivables	3,844	(1,441)
Inventories	371,982	(524,995)
Prepayments	(67,374)	(10,789)
Total changes in operating assets	317,153	(714,207)
Changes in operating liabilities:		
Contract liabilities	(5,001)	5,001
Accounts payable	(80,454)	186,015
Other payables	(26,444)	(12,828)
Other current liabilities	(396)	190
Net defined benefit liabilities	777	955
Total changes in operating liabilities	(111,518)	179,333
Total changes in operating assets and liabilities	205,635	(534,874)
Cash outflow generated from operations	(169,038)	(239,683)
Interest received	3,284	1,047
Dividends received	19,616	6,843
Interest paid	(3,939)	(348)
Dividends paid	(38)	(57)
Income taxes paid	(9,270)	(35,926)
Net cash flows used in operating activities	(159,385)	(268,124)
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,873	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	15,718
Acquisition of investments accounted for using equity method	-	(17,273)
Acquisition of property, plant and equipment	(73,445)	(179,328)
Proceeds from disposal of property, plant and equipment	-	270
Increase in refundable deposits	(224)	(39)
Acquisition of intangible assets	-	(915)
Increase in other non-current assets	-	(24,798)
Decrease in other non-current assets	61,442	-
Dividends received	51,930	24,312
Net cash flows from (used in) investing activities	41,576	(182,053)
Cash flows from financing activities:		
Increase in short-term borrowings	2,550,000	435,759
Decrease in short-term borrowings	(2,085,759)	(200,000)
Payment of lease liabilities	(4,491)	(4,382)
Cash dividends paid	(79,156)	(263,917)
Proceeds from sale of treasury shares	10	-
Proceeds from transfer of treasury shares to employees	-	15,139
Net cash flows from (used in) financing activities	380,604	(17,401)
Net increase (decrease) in cash and cash equivalents	262,795	(467,578)
Cash and cash equivalents at beginning of period	54,783	522,361
Cash and cash equivalents at end of period	\$ 317,578	54,783

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TAIWAN STYRENE MONOMER CORPORATION

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

Taiwan Styrene Monomer Corp. (the “Company”) was incorporated on November 16, 1979, under the approval of Ministry of Economic Affairs, Republic of China (ROC). Registered address is 8F.-1, No.6, Sec.1, Roosevelt Rd., Taipei City. The Company manufactures and sells styrene monomer.

(2) Approval date and procedures of the financial statements

These parent-company-only financial statements were authorized for issue by the Board of Directors on March 8, 2023 .

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

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TAIWAN STYRENE MONOMER CORPORATION
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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the presented periods in the parent company only financial statements.

- (a) Statement of compliance

These parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the preparation of Financial Reports by Securities Issuers (the "Regulations").

- (b) Basis of preparation

- (i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities are measured at the present value of the defined benefit obligation less fair value of the plan assets.

- (ii) Functional and presentation currency

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

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TAIWAN STYRENE MONOMER CORPORATION
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(c) Foreign currencies

(i) Foreign currency transactions

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

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

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

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

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

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

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TAIWAN STYRENE MONOMER CORPORATION
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A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:

An entity shall classify a liability as current when:

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, trade receivables, other receivables and refundable deposits).

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
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The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

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

Loss allowance for trade receivables is always measured at an amount equal to lifetime ECL.

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;

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- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
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3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition.

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs incurred upon completion and selling expenses.

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(h) Investments in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

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

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

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (or retained earnings) when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(Continued)

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(i) Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies.

(j) Investment in subsidiaries

In preparing the parent company only financial statements of the Company, investees controlled by the Company are accounted for using equity method. Under equity method, profit or loss and other comprehensive income recognized in the parent company only financial statement are the same as the profit or loss and other comprehensive income attributable to the owners in the consolidated financial statements. In addition, changes in equity recognized in parent company only financial statement is the same as changes in equity attributable to owners of parent in the consolidated financial statements.

Change in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with owners.

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

- | | |
|------------------------------|------------|
| 1) Buildings and structures: | 4~60 years |
| 2) Machinery and equipment: | 6~20 years |
| 3) Transportation equipment: | 5 years |
| 4) Other equipment: | 3~20 years |

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

(l) Leases

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

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

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

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

(Continued)

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

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

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

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

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

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

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(Continued)

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(ii) As a lessor

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

(m) Intangible assets

(i) Recognition and measurement

Other intangible assets, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Technical royalty: 15 years

2) Computer software: 3~5 years

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

(n) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

(Continued)

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An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. For non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Revenue recognition

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

(1) Sale of goods

The Company manufactures and sells styrene monomer. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(1) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) Government grants

The Company recognizes an unconditional government grant related to operation in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(Continued)

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(ii) Defined benefit plans

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

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

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

(iii) Short-term employee benefits

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

(r) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Grant date of a share-based payment award is the date which the Board of Directors authorized the price and the subscription date.

(s) Income taxes

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

(Continued)

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

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

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

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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

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

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

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

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

(u) Operating segments

The Company has disclosed information about operating segments in the consolidated financial statements. Therefore, no segmental information is disclosed in the parent company only financial statements.

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

In preparing these parent company only financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

The Company is likely to be facing economic uncertainty, such as inflation. Those events may have a significant impact in the next financial year on the following accounting estimates, which depend on the future forecasts.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the parent company only financial statements is judgment regarding control of subsidiaries. For related information, please refer to the consolidated financial statements for the year ended December 31, 2022.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Fair value measurements in level 3 equity instruments

If the fair value of financial assets recognized in balance sheets cannot be reached from the active market, the Company will measure the fair value of financial assets based on valuation technique, including market approach and asset-based approach. The measurement of fair value involves in assumptions, estimations and judgements, such as the selection of comparable company, comparable transaction or price of equity transaction, liquidity discount and valuation multiplier. The fluctuation of assumption used in measurements of fair value may influence the fair value of financial instruments recognized. Please refer to note 6(f) and (w) for relevant explanation.

The accounting policies and disclosure of the Company include the adoption of fair value measurement of its financial and non-financial assets and liabilities. The Company has established internal control policies for fair value measurement, including obtaining valuation report issued by external experts for the fair value measurement of significant level 3 equity instruments. The Company will evaluate the supporting evidence for expert's work, and determine if the valuation and the classification of fair value level comply with the rule set by IFRS.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

The Company uses the market observable inputs as much as possible when measuring its assets and liabilities. The levels of fair value are classified with the inputs used in valuation technique as below:

- (i) Level 1: The quoted prices in active market of the same assets or liabilities (not adjusted)
- (ii) Level 2: Except for the quoted prices included in Level 1, the input parameter of assets or liabilities is directly (price) or indirectly (derive from price) observable.
- (iii) Level 3: The input parameter of assets or liabilities is not based on observable market information (unobservable parameter).

(6) Explanation of significant accounts

- (a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash	\$ 160	160
Deposits in bank	317,418	54,623
	\$ 317,578	54,783

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

	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss:		
Listed stocks	\$ 120,070	183,037
Derivative instruments not used for hedging-foreign exchange swap contracts	468	-
	\$ 120,538	183,037

The Company uses derivative financial instruments to hedge certain foreign exchange risk exposures arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss financial assets and liabilities:

	December 31, 2022	
	Contract amount (in thousand)	Maturity dates
Buy USD / Sell TWD	USD 8,000	2023.01
Buy USD / Sell TWD	USD 6,200	2023.01
Buy USD / Sell TWD	USD 1,000	2023.02

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

(c) Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 963,693	909,895
Less: Loss allowance	(48)	(46)
	<u>\$ 963,645</u>	<u>909,849</u>

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

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	<u>\$ 963,693</u>	0.005%	<u>48</u>
	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	<u>\$ 909,895</u>	0.005%	<u>46</u>

The movement in the allowance for notes and accounts receivable was as follows:

	2022	2021
Beginning balance	\$ 46	44
Impairment losses recognized	2	2
Ending balance	<u>\$ 48</u>	<u>46</u>

(d) Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ 190,868	241,732
By-product	9,363	7,160
Semi-finished products	62,616	79,182
Work in progress	46,865	46,133
Raw materials	178,560	422,913
Supplies	78,931	27,856
	<u>\$ 567,203</u>	<u>824,976</u>

In 2022 and 2021, inventories recognized as cost of sales amounted to \$13,175,407 thousand and \$11,354,485 thousand, respectively.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

Except for the transfer of inventory to operating costs from sales, other losses directly included in operating costs are as follows:

	<u>2022</u>	<u>2021</u>
Loss from decline (gain on recovery) in value of inventories	\$ <u>(114,209)</u>	<u>130,000</u>

None of the inventories of the Company was pledged as collateral on December 31, 2022 and 2021.

(e) Prepayments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Office supplies	\$ 105,822	84,407
Prepayment for purchases	68	59
Overpaid sales tax	68,557	44,702
Others	<u>25,717</u>	<u>4,495</u>
	<u>\$ 200,164</u>	<u>133,663</u>

(f) Non-current financial assets at fair value through other comprehensive income

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Equity investments:		
Domestic non-listed stocks	\$ 555,600	688,949
Foreign non-listed equity investments	<u>87,971</u>	<u>92,479</u>
	<u>\$ 643,571</u>	<u>781,428</u>

- (i) The Company designated the investments shown above at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes not for trading purposes. During 2022 and 2021, the dividends of \$13,184 thousand and \$4,817 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended were recognized.
- (ii) In May, 2022, the Company disposed its shares held in Yu-Chie Inc., as a result of the completion of the liquidation. The shares disposed had a fair value of \$1,873 thousand and the Company realized a gain of \$504 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the year ended December 31, 2021.
- (iii) For market risk; please refer to note 6(w).
- (iv) None of the above-mentioned financial assets had been pledged as collateral as of December 31, 2022 and 2021.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

(g) Investments accounted for using equity method

Investment accounted for using the equity method were follows:

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 1,651,459	1,613,935
Associates	1,152,449	1,346,516
	<u>\$ 2,803,908</u>	<u>2,960,451</u>

(i) Subsidiaries

Please refer to the consolidated financial report for the years ended December 31, 2022.

(ii) Associates

Associates of the Company consisted of the following:

	December 31, 2022		December 31, 2021	
	Amount	Share- holding (%)	Amount	Share- holding (%)
Grand Cathay Venture Capital Co., Ltd.	\$ 478,292	25.00	467,450	25.00
Wonderland Enterprise Co., Ltd.	630,762	37.04	835,959	37.04
Functional Coating System Technologies Co., Ltd.	25,575	34.88	26,069	34.88
Universal Investment Limited	17,820	40.00	17,038	40.00
	<u>\$ 1,152,449</u>		<u>1,346,516</u>	

The Company acquired 40% of the shares of Universal Investments Limited with \$17,273 thousand, getting the significant influence in February 2021. The identifiable net equity on the purchase date was greater than the purchase price, the Company has therefore recognized gain on bargain purchase of \$403 thousand as other income in the statement of comprehensive income.

Gvision-USA, Inc. conducted a capital increase by cash of USD2,000 thousand on October 25, 2021. The Company did not participate in the capital increase proportionally, and its shares of the company dropped to 19.61%. The Company decreased the capital surplus of \$7,367 thousand due to the decrease of its ownership. Meanwhile, the exchange difference of \$(1,858) thousand previously recognized in other comprehensive income had been reclassified to profit or loss. The Company lost the significant influence on the company and reclassified the investment to financial assets at fair value through other comprehensive income.

The Company's financial information for investments accounted for using equity method that are individually insignificant was as follows:

	2022	2021
Attributable to the Company:		
Net income	\$ 1,508	40,481
Other comprehensive income	(139,694)	63,494
Total comprehensive income	<u>\$ (138,186)</u>	<u>103,975</u>

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

To assess the impairment of Grand Cathay Venture Capital Co., Ltd., an appraisal report issued by an expert had been prepared based on an asset-based approach.

None of the investments using equity method of the Company was pledged as collateral as of December 31, 2022 and 2021.

(h) Property, plant and equipment

The movements of the property, plant and equipment of the Company were as follows:

	<u>Land</u>	<u>Land improvements</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:								
Balance as of January 1, 2022	\$ 812,199	8,462	226,405	7,307,108	1,655	547,924	298,058	9,201,811
Additions	-	-	-	12,570	-	811	46,459	59,840
Disposals	-	-	-	(69,331)	-	(1,010)	-	(70,341)
Reclassification	-	-	-	282,262	-	8,290	(290,552)	-
Balance as of December 31, 2022	<u>\$ 812,199</u>	<u>8,462</u>	<u>226,405</u>	<u>7,532,609</u>	<u>1,655</u>	<u>556,015</u>	<u>53,965</u>	<u>9,191,310</u>
Balance as of January 1, 2021	\$ 812,199	8,462	226,405	7,280,630	8,261	511,715	226,973	9,074,645
Additions	-	-	-	-	-	148	138,184	138,332
Disposals	-	-	-	(356)	(6,606)	(4,204)	-	(11,166)
Reclassification	-	-	-	26,834	-	40,265	(67,099)	-
Balance as of December 31, 2021	<u>\$ 812,199</u>	<u>8,462</u>	<u>226,405</u>	<u>7,307,108</u>	<u>1,655</u>	<u>547,924</u>	<u>298,058</u>	<u>9,201,811</u>
Accumulated depreciation:								
Balance as of January 1, 2022	\$ -	8,404	112,998	6,008,783	1,496	374,341	-	6,506,022
Depreciation	-	21	6,083	208,585	119	32,623	-	247,431
Disposals	-	-	-	(69,331)	-	(1,010)	-	(70,341)
Balance as of December 31, 2022	<u>\$ -</u>	<u>8,425</u>	<u>119,081</u>	<u>6,148,037</u>	<u>1,615</u>	<u>405,954</u>	<u>-</u>	<u>6,683,112</u>
Balance as of January 1, 2021	\$ -	8,383	106,904	5,830,383	7,983	345,457	-	6,299,110
Depreciation	-	21	6,094	178,756	119	33,088	-	218,078
Disposals	-	-	-	(356)	(6,606)	(4,204)	-	(11,166)
Balance as of December 31, 2021	<u>\$ -</u>	<u>8,404</u>	<u>112,998</u>	<u>6,008,783</u>	<u>1,496</u>	<u>374,341</u>	<u>-</u>	<u>6,506,022</u>
Carrying value:								
Balance as of December 31, 2022	<u>\$ 812,199</u>	<u>37</u>	<u>107,324</u>	<u>1,384,572</u>	<u>40</u>	<u>150,061</u>	<u>53,965</u>	<u>2,508,198</u>
Balance as of January 1, 2021	<u>\$ 812,199</u>	<u>79</u>	<u>119,501</u>	<u>1,450,247</u>	<u>278</u>	<u>166,258</u>	<u>226,973</u>	<u>2,775,535</u>
Balance as of December 31, 2021	<u>\$ 812,199</u>	<u>58</u>	<u>113,407</u>	<u>1,298,325</u>	<u>159</u>	<u>173,583</u>	<u>298,058</u>	<u>2,695,789</u>

As of December 31, 2022 and 2021, none of the property, plant and equipment of the Company had been pledged as collateral for loans.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

(i) Right-of-use assets

The cost and accumulated depreciation of leased land, buildings and structures, and transportation equipment of the Company were as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance as of January 1, 2022	\$ 4,064	503	9,569	4,814	18,950
Additions	-	-	6,874	4,800	11,674
Lease modification	84	-	-	-	84
Disposals	-	(503)	(8,570)	-	(9,073)
Balance as of December 31, 2022	<u>\$ 4,148</u>	<u>-</u>	<u>7,873</u>	<u>9,614</u>	<u>21,635</u>
Balance as of January 1, 2021	\$ 387	503	9,569	4,814	15,273
Additions	4,064	-	-	-	4,064
Disposals	(387)	-	-	-	(387)
Balance as of December 31, 2021	<u>\$ 4,064</u>	<u>503</u>	<u>9,569</u>	<u>4,814</u>	<u>18,950</u>
Accumulated depreciation:					
Balance as of January 1, 2022	\$ 87	335	7,658	2,167	10,247
Depreciation	214	168	2,696	1,202	4,280
Disposals	-	(503)	(8,570)	-	(9,073)
Balance as of December 31, 2022	<u>\$ 301</u>	<u>-</u>	<u>1,784</u>	<u>3,369</u>	<u>5,454</u>
Balance as of January 1, 2021	\$ 353	167	4,526	1,204	6,250
Depreciation	121	168	3,132	963	4,384
Disposals	(387)	-	-	-	(387)
Balance as of December 31, 2021	<u>\$ 87</u>	<u>335</u>	<u>7,658</u>	<u>2,167</u>	<u>10,247</u>
Carrying amount:					
Balance as of December 31, 2022	<u>\$ 3,847</u>	<u>-</u>	<u>6,089</u>	<u>6,245</u>	<u>16,181</u>
Balance as of January 1, 2021	<u>\$ 34</u>	<u>336</u>	<u>5,043</u>	<u>3,610</u>	<u>9,023</u>
Balance as of December 31, 2021	<u>\$ 3,977</u>	<u>168</u>	<u>1,911</u>	<u>2,647</u>	<u>8,703</u>

(j) Intangible assets

The movements of intangible assets of the Company were as follows:

	<u>Technical royalty</u>	<u>Computer software</u>	<u>Total</u>
Cost:			
Balance as of January 1, 2022	\$ 14,623	5,945	20,568
Disposals	-	(4,100)	(4,100)
Balance as of December 31, 2022	<u>\$ 14,623</u>	<u>1,845</u>	<u>16,468</u>
Balance as of January 1, 2021	\$ 14,623	5,030	19,653
Additions	-	915	915
Balance as of December 31, 2021	<u>\$ 14,623</u>	<u>5,945</u>	<u>20,568</u>

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

	Technical royalty	Computer software	Total
Accumulated amortization:			
Balance as of January 1, 2022	\$ 8,449	4,187	12,636
Amortization	975	832	1,807
Disposals	-	(4,100)	(4,100)
Balance as of December 31, 2022	<u>\$ 9,424</u>	<u>919</u>	<u>10,343</u>
Balance as of January 1, 2021	\$ 7,474	2,609	10,083
Amortization	975	1,578	2,553
Balance as of December 31, 2021	<u>\$ 8,449</u>	<u>4,187</u>	<u>12,636</u>
Carrying value:			
Balance as of December 31, 2022	<u>\$ 5,199</u>	<u>926</u>	<u>6,125</u>
Balance as of January 1, 2021	<u>\$ 7,149</u>	<u>2,421</u>	<u>9,570</u>
Balance as of December 31, 2021	<u>\$ 6,174</u>	<u>1,758</u>	<u>7,932</u>

(k) Other non-current assets

	December 31, 2022	December 31, 2021
Long-term prepaid expenses	<u>\$ 23,959</u>	<u>85,401</u>

Except catalysts shall be allocated by actual consumption, the rest of prepaid expenses will be expensed on a straight line basis over the economic lives.

(l) Short-term borrowings

Short-term borrowings of the Company were as follows:

	December 31, 2022	December 31, 2021
Unsecured bank loans	<u>\$ 700,000</u>	<u>235,759</u>
Unused short-term credit lines	<u>\$ 1,237,829</u>	<u>477,117</u>
Range of interest rate	<u>1.725~2.060%</u>	<u>0.75~0.98%</u>

(m) Other payables

	December 31, 2022	December 31, 2021
Accrued payroll	\$ 18,691	12,998
Compensation payable to directors	-	49
Employee bonus payable	-	49
Compensated absences	14,202	26,822
Utility payable	14,064	14,713
Payables on equipment	10,642	24,247
Dividends payable	452	9,730
Other payables — other	31,859	65,593
Total	<u>\$ 89,910</u>	<u>154,201</u>

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

(n) Lease liabilities

Lease liabilities of the Company were as follows:

	December 31, 2022	December 31, 2021
Current	\$ <u>4,414</u>	<u>3,178</u>
Non-current	\$ <u>11,372</u>	<u>5,347</u>

For the maturity analysis, please refer to 6(w).

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	\$ <u>182</u>	<u>129</u>
Expenses relating to short-term leases	\$ <u>265</u>	<u>415</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>476</u>	<u>564</u>

The amounts recognized in the statement of cash flows was as follows:

	2022	2021
Total cash outflow for leases	\$ <u>5,414</u>	<u>5,490</u>

(o) Employee benefits

(i) Defined benefit plans

Reconciliations of defined benefit obligations at present value and plan assets at fair value are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 215,541	230,377
Fair value of plan assets	<u>(165,435)</u>	<u>(166,277)</u>
Net defined benefit liabilities	\$ <u>50,106</u>	<u>64,100</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$165,435 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in the present value of defined benefit obligations

The movements in the present value of defined benefit obligations of the Company were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligations at January 1	\$ 230,377	252,647
Current service costs and interest cost	2,185	3,012
Remeasurements of defined benefit liabilities		
— Actuarial gains and losses arising from financial assumptions	(3,115)	2,094
— Actuarial gains and losses arising from experience adjustments	2,537	3,741
Benefits paid	(16,443)	(31,117)
Defined benefit obligations at December 31	<u>\$ 215,541</u>	<u>230,377</u>

3) Movements in fair value of plan assets

The movements in the fair value of plan assets of the defined benefit the Company were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 166,277	193,439
Interests income	833	1,550
Remeasurements of defined benefit assets		
— Return on plan assets (excluding interest income)	14,193	1,898
Contributions	575	507
Benefits paid	(16,443)	(31,117)
Fair value of plan assets at December 31	<u>\$ 165,435</u>	<u>166,277</u>

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Company were as follows:

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 1,033	991
Net interest on defined benefit liabilities (assets)	319	471
	<u>\$ 1,352</u>	<u>1,462</u>
	<u>2022</u>	<u>2021</u>
Operating cost	\$ 999	1,105
Operating expenses	353	357
	<u>\$ 1,352</u>	<u>1,462</u>

5) Remeasurement values of the defined benefit liabilities recognized in other comprehensive income

The remeasurement values of the defined benefit liabilities recognized in other comprehensive income of the Company were as follows:

	<u>2022</u>	<u>2021</u>
Recognized during the period	\$ (14,771)	3,937

6) Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.00%	0.50%
Future salary increase rate	1.50%	1.50%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$578 thousand.

The weighted-average lifetime of the defined benefit plans is 3.5 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligations shall be as follows:

	<u>Influence of defined benefit obligation</u>	
	<u>Increase</u>	<u>Decrease</u>
December 31, 2022		
Discount rate(changed by 0.25%)	\$ (1,503)	1,539
Future salary increase rate(changed by 1%)	6,254	(5,809)

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

	Influence of defined benefit obligation	
	Increase	Decrease
December 31, 2021		
Discount rate(changed by 0.25%)	(1,745)	1,789
Future salary increase rate(changed by 1%)	7,334	(6,785)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

The calculation and assumptions used in the sensitivity analysis during the year were consistent with prior year.

(ii) Defined benefit plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$8,444 thousand and \$8,373 thousand for the years ended December 31, 2022 and 2021, respectively.

(p) Income taxes

(i) Income tax benefits

The components of income tax in the years ended 2022 and 2021 were as follows:

	2022	2021
Current income tax expense:		
Current period	\$ 5,195	-
Adjustment for prior periods	8,890	145
	14,085	145
Deferred income tax expense:		
Origination and reversal of temporary difference	(103,310)	(109,546)
Income tax benefits	<u><u>\$ (89,225)</u></u>	<u><u>(109,401)</u></u>

The amount of income tax recognized in other comprehensive income for 2022 and 2021 was as follows:

	2022	2021
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u><u>\$ (2,954)</u></u>	<u><u>787</u></u>

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
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Reconciliation of income tax and profit before tax for 2022 and 2021 is as follows:

	2022	2021
Loss before tax	\$ <u>(463,130)</u>	<u>(4,797)</u>
Income tax using the Company's domestic tax rate	\$ (92,626)	(959)
Non-deductible expenses	10,966	1,126
Tax-exempt income	(9,261)	(2,245)
Investment loss	(26,361)	(113,279)
Current-year losses for which no deferred tax asset was recognized	13,972	5,811
Adjustment for prior periods	8,890	145
Tax on undistributed profit	<u>5,195</u>	<u>-</u>
Total	\$ <u>(89,225)</u>	<u>(109,401)</u>

(ii) Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

Movements of recognized deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

Deferred tax liabilities:

	Land value increment tax	Other	Total
Balance at January 1, 2022	\$ 173,509	52	173,561
Recognized in profit or loss	<u>-</u>	<u>467</u>	<u>467</u>
Balance at December 31, 2022	\$ <u>173,509</u>	<u>519</u>	<u>174,028</u>
Balance at January 1, 2021	\$ 173,509	562	174,071
Recognized in profit or loss	<u>-</u>	<u>(510)</u>	<u>(510)</u>
Balance at December 31, 2021	\$ <u>173,509</u>	<u>52</u>	<u>173,561</u>

Deferred tax assets:

	Decline in Value of Inventories	Tax loss carryforward	Defined benefit pension plans	Accumulated compensated absences	Total
Balance at January 1, 2022	\$ 26,149	12,820	5,365	82,133	126,467
Recognized in profit or loss	(22,842)	155	(2,524)	128,988	103,777
Recognized in other comprehensive income	<u>-</u>	<u>(2,954)</u>	<u>-</u>	<u>-</u>	<u>(2,954)</u>
Balance at December 31, 2022	\$ <u>3,307</u>	<u>10,021</u>	<u>2,841</u>	<u>211,121</u>	<u>227,290</u>
Balance at January 1, 2021	\$ 150	11,841	4,653	-	16,644
Recognized in profit or loss	25,999	192	712	82,133	109,036
Recognized in other comprehensive income	<u>-</u>	<u>787</u>	<u>-</u>	<u>-</u>	<u>787</u>
Balance at December 31, 2021	\$ <u>26,149</u>	<u>12,820</u>	<u>5,365</u>	<u>82,133</u>	<u>126,467</u>

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

The Company's income tax return for the year 2020 had been examined by the tax authorities.

(q) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, the number of authorized ordinary shares were \$6,750,000 thousand shares with par value of \$10 per share. As of December 31, 2022 and 2021, of 527,870 thousand shares were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus of the Company were as follows:

	December 31, 2022	December 31, 2021
Difference arising from subsidiary's share price and its carrying value	\$ 8,953	8,953
Changes in ownership interests in subsidiaries	26,307	26,307
Changes in equity of investments in associates using equity method	6,659	6,594
Treasury share transactions	4,430	4,433
Donation from shareholders	13	13
Overdue dividends not received by shareholders	24,585	-
Total	<u><u>\$ 70,947</u></u>	<u><u>46,300</u></u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's Article of Incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

In general, cash dividends shall not be less than 30% of total dividends. However, based on the need to respond to changes in the industry, major investment plans and improve the financial structure, or in the case of sudden major capital needs, the cash dividend payout rate could be adjusted to 10% to 30%. If the cash dividend is less than \$0.1 per share, it will not be issued, and the stock dividend will be paid instead.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with ruling issued by the FSC, the Company is required to appropriate a special reserve in the amount equal to the sum of debit elements under other equity arising in current period. Special reserve shall be appropriated from current period net income plus items other than net income adjusted to the current year's undistributed earnings and undistributed prior period earnings; for debit elements under other equity arising in prior periods, special reserve is appropriated from undistributed prior period earnings and is prohibited from distribution. If any of the debit elements are reversed, then the special reserve in the amount equal to the reversal may be released for earnings distribution.

3) Earnings distribution

On June 22, 2022 and July 7, 2021, the shareholders' meetings resolved to distribute the 2021 and 2020 earnings. These earnings were appropriated as follows:

	<u>2021</u>	<u>2020</u>
Dividends distributed to ordinary shareholders:		
Cash	\$ <u>79,156</u>	<u>263,917</u>

On March 8, 2023, the Board of Directors planned to distribute the 2022 earnings. The earning was appropriated as follows:

	<u>2022</u>	
	<u>Ratio of allotment of shares (NTD)</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders:		
Cash	\$ 0.20	\$ <u>105,574</u>

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

(iv) Other equity

Changes of other equity of the Company were as follows:

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1, 2022	\$ (34,634)	90,665	56,031
Exchange differences on foreign operations	1,334	-	1,334
Exchange differences on subsidiaries, associates and joint ventures accounted for using equity method	25,908	-	25,908
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(134,696)	(134,696)
Unrealized losses from financial assets measured at fair value through other comprehensive income, subsidiaries, associates and joint ventures accounted for using equity method	-	(153,532)	(153,532)
Cumulative gains reclassified to retained earnings on disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(504)	(504)
Cumulative gains reclassified to retained earnings on associates disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(9,393)	(9,393)
Balance as of December 31, 2022	<u>\$ (7,392)</u>	<u>(207,460)</u>	<u>(214,852)</u>
Balance as of January 1, 2021	\$ (26,745)	195,208	168,463
Exchange differences on foreign operations	(847)	-	(847)
Exchange differences on subsidiaries, associates and joint ventures accounted for using equity method	(9,446)	-	(9,446)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	16,329	16,329
Unrealized losses from financial assets measured at fair value through other comprehensive income, subsidiaries, associates and joint ventures accounted for using equity method	-	(46,235)	(46,235)
Cumulative gains reclassified to retained earnings on associates disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(74,637)	(74,637)
Changes in ownership interests in subsidiaries	546	-	546
Changes in ownership interests in associates	1,858	-	1,858
Balance as of December 31, 2021	<u>\$ (34,634)</u>	<u>90,665</u>	<u>56,031</u>

(v) Treasury stock

In accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 1,040 thousand shares of treasury stock in order to transfer shares to employees. In 2021, a total of 1,040 thousand shares were all transferred to employees.

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TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

(r) Share-based payment

A resolution was decided during the Board meeting held on March 24, 2021 to award 1,040,000 shares of employee stocks options to employees. These employees with the employee stock option are entitled to purchase shares at the price of \$14.6 per share, the Company therefore recognized related remuneration of \$4,472 thousand.

The Company used Black-Scholes option pricing model in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2021
	Treasury stock transferred to employees
Fair value at grant date (NT dollars per share)	4.3
Share price at grant date	19.05
Exercise price	14.60
Expected volatility (%)	25.91%
Expected life (years)	0.12
Expected dividend (%)	2.83%
Risk-free interest rate (%)	0.76%

Details of the employee stock options and the transfer of treasury stock were as follows:

(in thousand)

	2021	
	Weighted average exercise price (dollars)	Number of options
Granted during the year (number)	14.60	1,040
Exercised during the year (number)	14.60	(1,040)
Outstanding at end of period		-

(s) Earning per share

The Company's basic earnings per share and diluted earnings per share were calculated as follows:

(i) Basic earnings per share

	2022	2021
Profit (loss) attributable to the Company	<u>\$ (373,905)</u>	<u>104,604</u>
Weighted-average number of ordinary shares outstanding	<u>527,870</u>	<u>527,513</u>
Earnings per share (NTD)	<u>\$ (0.71)</u>	<u>0.20</u>

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

(ii) Diluted earnings per share

	<u>2022</u>	<u>2021</u>
Profit (loss) attributable to the Company(diluted)	\$ <u>(373,905)</u>	<u>104,604</u>
Weighted-average number of ordinary shares outstanding	527,870	527,513
Effect of dilutive potential ordinary shares		
Employee remuneration in stock	-	244
Weighted-average number of ordinary shares outstanding (diluted)	<u>527,870</u>	<u>527,757</u>
Diluted earnings per share (NTD)	\$ <u>(0.71)</u>	<u>0.20</u>

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2022</u>	<u>2021</u>
Primary geographical markets:		
Asia	\$ 12,519,625	11,542,203
America	145,148	21,308
Europe	46,899	15,757
	<u>\$ 12,711,672</u>	<u>11,579,268</u>
Major products/services lines:		
Commodity sales revenue	<u>\$ 12,711,672</u>	<u>11,579,268</u>

(ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities-unearned sales revenue	\$ <u>7,829</u>	<u>12,830</u>	<u>7,829</u>

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

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

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TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

(u) Non-operating income and expenses

(i) Other income

Details of other income of the Company were as follows:

	<u>2022</u>	<u>2021</u>
Rent income	\$ 48	48
Gain from bargain purchase transactions	-	403
Dividend income	19,616	6,843
Others	25,892	1,883
Total	<u>\$ 45,556</u>	<u>9,177</u>

(ii) Other gains and losses

	<u>2022</u>	<u>2021</u>
Foreign exchange gains	\$ 15,705	6,989
Losses on disposals of investments	-	(1,858)
Gains (losses) on financial assets at fair value through profit or loss	(48,496)	2,154
Gains on disposals of property, plant and equipment	-	270
Impairment loss	(873)	(139)
Gain on lease modification	6	-
Others	(802)	(39)
Total	<u>\$ (34,460)</u>	<u>7,377</u>

(iii) Finance costs

	<u>2022</u>	<u>2021</u>
Interest expense	<u>\$ 4,320</u>	<u>448</u>

(v) Employee compensation and directors and supervisors' remuneration

According to the Article of Incorporation, once the Company has annual profit, it should appropriate 1%~5% of the profit to its employees and 2.5% or less to its directors as remuneration. However, if the Company still has accumulated deficit, the profit should be reserved to offset the deficit.

For the years ended December 31, 2022, there was no appropriation of remunerations to employees and directors because of net loss before tax.

For the years ended December 31, 2022, the remunerations to employees and directors were both amounted to \$49 thousand. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. The information is available on the Market Observation Post System Website. The differences between the amount as stated before and the actual distribution to employees and directors in 2021 were both \$(49) thousand which already recognized in profit or loss in 2022.

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TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

As of December 31, 2022 and 2021, the Company reviewed the concentrations of credit risk arising from the major top ten customers, and it was 96% and 97% of the total accounts receivable, respectively. The concentrations of credit risk of the remaining accounts receivable are relatively small.

3) Credit risk of receivables

For credit risk exposure of note and trade receivables, please refer to note 6(c). Other financial assets at amortized cost include time deposits and other receivables, etc. The allowance for the receivables is measured by lifetime expected credit losses. The remaining financial assets are measured by 12-month expected credit losses.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 700,000	701,942	701,942	-	-	-
Accounts payable	978,952	978,952	978,952	-	-	-
Lease liabilities	15,786	16,774	4,701	4,133	4,771	3,169
	<u>\$ 1,694,738</u>	<u>1,697,668</u>	<u>1,685,595</u>	<u>4,133</u>	<u>4,771</u>	<u>3,169</u>
December 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	\$ 235,759	235,992	235,992	-	-	-
Accounts payable	1,117,873	1,117,873	1,117,873	-	-	-
Lease liabilities	8,525	9,151	3,280	1,307	1,217	3,347
	<u>\$ 1,362,157</u>	<u>1,363,016</u>	<u>1,357,145</u>	<u>1,307</u>	<u>1,217</u>	<u>3,347</u>

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

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TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

(iii) Market risk

1) Currency risk

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

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$	8,026	246,478	9,909	27.680	274,281
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD		7,895	242,455	16,185	27.680	448,024
EUR		19	622	-	-	-

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) of 1% of the NTD against the USD as of December 31, 2022 and 2021, for the years ended December 31, 2022 and 2021, respectively, would have increased (decreased) net profit before tax by \$34 thousand and \$1,737 thousand. The analysis is performed on the same basis.

For years 2022 and 2021, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$15,705 thousand and \$6,989 thousand, respectively.

2) Interest rate risk

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding through the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 1% the Company profit before tax would have decreased/increased by \$7,000 thousand and \$2,358 thousand for the years ended December 31, 2022 and 2021, respectively, with all over variable factors remaining constant. This is mainly due to Company's loan at variable rates.

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TAIWAN STYRENE MONOMER CORPORATION
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3) Other market price risk

If the securities price at the reporting date changes (the analysis is performed on the same basis and all other variable factors remaining constant), the effect for comprehensive income is illustrated below:

Prices of securities at the reporting date	2022		2021	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 1%	\$ <u>6,449</u>	<u>1,201</u>	<u>7,814</u>	<u>1,830</u>
Decreasing 1%	\$ <u>(6,449)</u>	<u>(1,201)</u>	<u>(7,814)</u>	<u>(1,830)</u>

(iv) Fair value information

1) Types and fair value of financial instruments

Financial assets measured at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on the basis of repeatability. The carrying amount and fair value of the financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2022				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Listed stocks	\$ 120,070	120,070	-	-	120,070
Derivative instruments not used for hedging-foreign exchange swap contracts	468	-	468	-	468
Financial assets at fair value through other comprehensive income:					
Domestic and foreign non-listed stocks (included non-current assets (or disposal groups) held for sale)	644,859	-	-	644,859	644,859
Financial assets measured at amortized cost:					
Cash and cash equivalents	317,578	-	-	-	-
Accounts receivable	963,645	-	-	-	-
Other receivables	2,231	-	-	-	-
Refundable deposits	<u>3,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>1,287,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,052,496</u>	<u>120,070</u>	<u>468</u>	<u>644,859</u>	<u>765,397</u>

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TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

December 31, 2022					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 700,000	-	-	-	-
Accounts payable	889,042	-	-	-	-
Other payables	89,910	-	-	-	-
Lease liabilities	15,786	-	-	-	-
Total	<u><u>\$ 1,694,738</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
December 31, 2021					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Financial assets mandatorily at fair value through profit or loss	\$ 183,037	183,037	-	-	183,037
Financial assets at fair value through other comprehensive income:					
Domestic and foreign non-listed stocks	781,428	-	-	781,428	781,428
Financial assets measured at amortized cost:					
Cash and cash equivalents	54,783	-	-	-	-
Accounts receivable	909,849	-	-	-	-
Other receivables	6,119	-	-	-	-
Refundable deposits	3,421	-	-	-	-
Subtotal	<u>974,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 1,938,637</u></u>	<u><u>183,037</u></u>	<u><u>-</u></u>	<u><u>781,428</u></u>	<u><u>964,465</u></u>
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 235,759	-	-	-	-
Accounts payable	969,496	-	-	-	-
Other Payables	148,377	-	-	-	-
Lease liabilities	8,525	-	-	-	-
Total	<u><u>\$ 1,362,157</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

2) Valuation techniques for financial instruments measured at fair value

A. Non-derivative financial instruments

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

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting date. For example, yield curve of Taipei Exchange and average interest rate of commercial paper quoted by Reuters.

Measurements of fair value of equity investments without an active market nor quoted market price are based on comparable listed company method. This method is based on the estimated earnings before interest, taxes, depreciation and amortization and the multipliers that are extrapolated from comparable listed company quoted prices. The estimated fair values are adjusted to the discounting effect of lack of market liquidity.

B. Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of currency swap contract is usually determined by the forward currency exchange rate.

3) Transfers between Level 1 and Level 2

There is no transfer for the years ended December 31, 2022 and 2021.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2022	\$ 781,428
Total gains and losses recognized	
Other comprehensive income	(134,696)
Reclassification	(1,288)
Disposals	(1,873)
Ending Balance, December 31, 2022	<u>\$ 643,571</u>
Opening balance, January 1, 2021	\$ 756,428
Total gains and losses recognized	
Other comprehensive income	16,329
Reclassification	24,389
Capital reduction by cash	(15,718)
Ending Balance, December 31, 2021	<u>\$ 781,428</u>

Above-mentioned total gains and losses were included in unrealized gains and losses from financial assets at fair value through other comprehensive income. Among those related to the assets still held on December 31, 2022 and 2021 were as follows:

	2022	2021
Total gains and losses recognized:		
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	\$ (134,696)	16,329

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

The Company's financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through profit or loss-equity investments.

The Company's equity investments without an active market which are classified as Level 3 have numerous unobservable inputs. The significant unobservable inputs of equity instrument investments are not correlated to each other.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
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Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income - equity investments without an active market	Market approach (Comparable listed company method)	- Price to book ratio (0.96~1.75 and 0.96~2.01 as of December 31, 2022 and 2021) - Lack of market liquidity discount (3%~30% and 3%~43% December 31, 2022 and 2021)	- The fair value would increase if price to book ratio increase - The fair value would decrease if lack of market liquidity discount increase
	Net asset value method	Net asset value	The estimated fair value would increase if the net asset value were higher

- 6) Fair value measurements in Level 3— sensitivity analysis of reasonably possible alternative assumptions

The fair value measurement of financial instruments by the Company is reasonable, but the use of different evaluation models or evaluation parameters may result in different evaluation results. For financial instruments classified as Level 3, changing the price to book ratio or liquidity discount would have the following effects on other comprehensive income:

		<u>Increase/ Decrease</u>	<u>Other comprehensive income</u>	
	<u>Inputs</u>		<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2022				
Financial assets at fair value through other comprehensive income	Price to book ratio	10%	3,419	(3,419)
	Liquidity discount	10%	17,747	(17,747)
December 31, 2021				
Financial assets at fair value through other comprehensive income	Price to book ratio	10%	348	(348)
	Liquidity discount	10%	17,445	(17,445)

The favorable and unfavorable changes of the Company refer to the fluctuation of fair value, and the fair value is calculated by valuation techniques based on the unobservable input parameters of different degrees.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

(x) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

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

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The financial department of the Company provides services and coordinates the operation of the financial market. And the important activities are subject to the Board of Directors' approval. The Company must be abided by the financial risk management and operation. Internal Audit undertakes reviews of risk management controls and procedures, the results of which are reported to the Board of Directors regularly.

(iii) Credit risk

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

1) Accounts receivable and other receivables

The financial department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the financial department; these limits are reviewed regularly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The customers of the Company covered many types and regions. In order to reduce credit risk, the Company review financial status and recoverable of account receivable each customer regularly and accounted loss allowance.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

The Company has allowance for impairment losses account to reflect the estimated loss of account receivable and other receivables. The main components of the allowance account include specific loss components related to individual significant risks, and combined loss components established for similar asset groups that have occurred but have not yet been identified. Portfolio loss allowance accounts are determined based on historical payment statistics for similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with financial institutions with good credit rating. The Company does not concentrate on specific counterparty hence there is no significant credit risk arising therefrom.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

(v) Market risk

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

1) Currency risk

The Company is exposed to currency risk on sales and purchases are denominated in a currency other than the respective functional currency of the Company. The currency used in these transactions is USD. The Company adopts a natural hedging strategy. When the net assets and liabilities imbalances occur in the short-term, the Company buys or sells foreign currencies to maintain exposures at an acceptable level.

2) Interest rate risk

Interest rate risk is the risk of changes in the fair value of financial instruments caused by changes in market interest rates or the risk of changes in cash flows of financial instruments caused by changes in market interest rates. The interest rate risk of the financial assets and liabilities is described in the note of liquidity risk management.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

3) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. The Company actively monitors the performance of this investment portfolios using fair value basis. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments.

(y) Capital management

The Company plan the capital which need in the future (including research and development costs and repayment) based on the characteristics of operating and development, and considering factors such as changes in the external environment to protect sustainable development of the Company, give back to shareowners and maintain the best structure to enhance value. Overall, the Company adopts a prudent risk management strategy.

(z) Investing and financing activities not affecting current cash flows

There is no non-cash investing activities for the years ended December 31, 2022 and 2021.

Reconciliation of liabilities arising from financing activities in 2022 and 2021 were as follows:

	January 1, 2022	Cash flows	Non-cash changes		December 31, 2022
			Lease modification	Lease additions	
Lease liabilities	\$ <u>8,525</u>	<u>(4,491)</u>	<u>78</u>	<u>11,674</u>	<u>15,786</u>

	January 1, 2021	Cash flows	Non-cash changes		December 31, 2021
			Lease modification	Lease additions	
Lease liabilities	\$ <u>8,843</u>	<u>(4,382)</u>	<u>-</u>	<u>4,064</u>	<u>8,525</u>

(7) Related-party transactions

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
YSIC Ltd.	Subsidiary
Yuan-Shin Materials Technology Co., Ltd.	Subsidiary
Yangmingshan Tien Lai Resort & SPA	Subsidiary
Asia Carbons & Technology Inc.	Subsidiary
Eastern Broadcasting Co., Ltd.	A substantive related party

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

(b) Significant transactions with related parties

(i) Receivables from related parties

The amounts of receivables from related parties were as follows:

<u>Accounts</u>	<u>Types of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other receivables	Asia Carbons & Technology Inc.	\$ -	1,560

(ii) Rental income

	<u>2022</u>	<u>2021</u>
Other subsidiaries	\$ 48	48

(iii) Operating expense

The Company purchased the souvenirs for the shareholders from a related party. The amounts of expenses were as follows:

	<u>2022</u>	<u>2021</u>
Yangmingshan Tien Lai Resort & SPA	\$ 850	5,636

(c) Key management personnel compensation

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 19,781	21,830
Post-employment benefits	490	505
	\$ 20,271	22,335

Short-term employee benefits include the estimated employee compensation. Please refer to note 6(v) for the estimated method.

(8) Pledged assets: None

(9) Commitments and contingencies:

(a) Letter of credit issued but not expired

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Letter of credit outstanding for the import of raw materials	\$ 936,318	1,168,086
	(including USD303 thousand)	(including USD256 thousand)

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By Function By item	2022			2021		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salary	136,169	48,997	185,166	157,511	54,799	212,310
Labor and health insurance	13,633	3,579	17,212	14,164	3,978	18,142
Pension	7,559	2,237	9,796	7,554	2,281	9,835
Remuneration of directors	-	1,271	1,271	-	3,883	3,883
Others	8,756	14,816	23,572	7,503	13,272	20,775
Depreciation	248,002	3,709	251,711	219,678	2,784	222,462
Amortization	1,621	186	1,807	2,553	-	2,553

The information about employees and salary of the Company for the years ended December 31, 2022 and 2021 are as bellow:

	2022	2021
Employees	<u>208</u>	<u>199</u>
Non-employee directors	<u>9</u>	<u>9</u>
Average employee benefits	<u>\$ 1,185</u>	<u>1,374</u>
Average salary	<u>\$ 930</u>	<u>1,117</u>
Average salary adjustment	<u>(16.74)%</u>	<u>(3.62)%</u>
Remuneration of supervisors	<u>\$ -</u>	<u>-</u>

Information regarding the Company's remuneration policy (including directors, managers, employees) is shown below:

An Audit Committee which is composed of all independent directors is set up according to Security and Exchange Act and replaces the functions of supervisors.

Remuneration policies for Directors and Managers are described as follows:

(i) The policies, standards and portfolio of remunerating Directors, process of formulating the remuneration, and the connection between operating performance and future risks:

1) Remuneration policies, standards and portfolio

Director's (including independent director) remuneration and compensation are handled according to the Articles of Incorporation and "Director's transportation expense/ attendance fee/ remuneration standards" approved by the Board of Directors.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION
Notes to the Parent Company Only Financial Statements

- a) Directors compensation: Depending on their level of participating in the Company's operation and the value of contribution, compensation is determined based on the general payment level in the same industry and should take into account if the Board members attend Board meetings in person, hold a position in Remuneration Committee, Audit Committee or other functional committees, and the degree of risks they take.
 - b) Remuneration for Directors: When the Company profits, remunerates is paid based on rate stated in the Article of Incorporation.
- 2) Process of formulating the remuneration
 - a) As required by the Article of Incorporation, the remuneration should not exceed 2.5% of the Company's profit. If the Company still has accumulated deficit, the profit should be reserved to offset the deficit.
 - b) Fixed compensation for directors is handled according to "Director's transportation expense/ attendance fee/ remuneration standards".
- 3) The connection between operating performance and future risks

According to the Article of Incorporation, Directors' compensation is determined based on the level of profit of the Company and depend on the value of contribution to the Company's operation, which can be evaluated by "performance review policy of the Board of Directors".
- (ii) The policies, standards and portfolio of remunerating managers and employees, process of formulating the remuneration, and the connection between operating performance and future risks:
 - 1) Remuneration policies, standards and portfolio

Salary is formed by monthly wage, year-end bonus, and employee remuneration. The amount of year-end bonus and employee remuneration depend on their contribution to the Company's operation and their performance evaluation. Managers' year-end bonus is proposed by Remuneration Committee and approved by the Board of Directors.
 - 2) Process of formulating the remuneration
 - a) As required by the Article of Incorporation, the remuneration should appropriate 1% to 5% of the Company's profit. If the Company still has accumulated deficit, the profit should be reserved to offset the deficit.
 - b) The amount of year-end bonus is based on yearly operational performance.
 - 3) The connection between operating performance and future risks

According to the Article of Incorporation, remuneration is based on the profit of the Company. The Company's Remuneration Committee evaluates the rationality of managers remuneration on a regular basis, and will report to the Board of Directors

(Continued)

TAIWAN STYRENE MONOMER CORPORATION

Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2022:

- (i) Lending to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Information regarding securities held at the reporting day (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with the security issuer	Account	Ending balance				Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Test Research Inc.	-	Current financial assets at fair value through profit or loss	455,000	28,984	0.19 %	28,984	
The Company	Solar Applied Materials Technology Corp.	-	Current financial assets at fair value through profit or loss	2,842,000	91,086	0.48 %	91,086	
The Company	Universal Venture Capital Investment Corporation	-	Non-current investment in equity instrument at FVOCI	8,400,000	55,173	6.98 %	55,173	
The Company	Euroc Venture Capital Corp.	-	Non-current investment in equity instrument at FVOCI	19,000	144	2.38 %	144	
The Company	Euroc III Venture Capital Corp.	-	Non-current investment in equity instrument at FVOCI	15,000	228	5.00 %	228	
The Company	Global Investment Holding Co., Ltd	-	Non-current investment in equity instrument at FVOCI	10,233,608	84,339	5.82 %	84,339	
The Company	Faith Alliance Corporation	-	Non-current investment in equity instrument at FVOCI	25,720	45	0.06 %	45	
The Company	Excellence Electronic Co., Ltd.	-	Non-current investment in equity instrument at FVOCI	912	7	0.01 %	7	
The Company	Leadwell Cnc Machines Mfg., Corp.	-	Non-current investment in equity instrument at FVOCI	37,352	1,100	0.06 %	1,100	
The Company	Crownpo Technology Inc.	-	Non-current investment in equity instrument at FVOCI	709	16	0.01 %	16	
The Company	Infomedia Inc.	-	Non-current assets (or disposal groups) held for sale	200,000	1,288	0.13 %	1,288	
The Company	Vxis Technology Corp.	-	Non-current investment in equity instrument at FVOCI	72,480	865	0.61 %	865	
The Company	Asia Global Venture Capital II Co., Ltd	-	Non-current investment in equity instrument at FVOCI	531,300	22,843	10.00 %	22,843	
The Company	Shieh Tai Biochemical Technology Co., Ltd	-	Non-current investment in equity instrument at FVOCI	120,339	-	0.32 %	-	
The Company	Lof Solar Corp.	-	Non-current investment in equity instrument at FVOCI	600,000	-	3.64 %	-	
The Company	Yuan-Jie Investment Co., Ltd.	-	Non-current investment in equity instrument at FVOCI	21,000,000	180,406	19.09 %	180,406	
The Company	Yu-Jie Investment Co., Ltd.	-	Non-current investment in equity instrument at FVOCI	21,320,000	219,806	19.38 %	219,806	
The Company	Deng Yun Co., Ltd.	-	Non-current investment in equity instrument at FVOCI	591,945	46,445	3.09 %	46,445	
The Company	Lidien Inc.	-	Non-current investment in equity instrument at FVOCI	760,000	13,471	19.00 %	13,471	
The Company	GVISION-USA, INC.	-	Non-current investment in equity instrument at FVOCI	666,667	18,683	19.05 %	18,683	
YSIC Ltd.	OBI Pharma, Inc.	-	Current financial assets at fair value through profit or loss	170,032	11,749	0.07 %	11,749	
YSIC Ltd.	Senao Networks, Inc.	-	Current financial assets at fair value through profit or loss	30,000	5,970	0.06 %	5,970	
YSIC Ltd.	MPI Corporation	-	Current financial assets at fair value through profit or loss	10,000	1,125	0.01 %	1,125	
YSIC Ltd.	Eson Precision Ind. Co., Ltd.	-	Current financial assets at fair value through profit or loss	30,000	1,725	0.02 %	1,725	
YSIC Ltd.	Turvo International Co., Ltd.	-	Current financial assets at fair value through profit or loss	20,000	2,020	0.03 %	2,020	

(Continued)

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Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with the security issuer	Account	Ending balance				Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value	
YSIC Ltd.	BizLink Holding Inc.	-	Current financial assets at fair value through profit or loss	20,000	4,730	0.01 %	4,730	
YSIC Ltd.	Yulon Finance Corporation	-	Current financial assets at fair value through profit or loss	20,000	3,110	- %	3,110	
YSIC Ltd.	Handa Pharmaceuticals, Inc.	-	Current financial assets at fair value through profit or loss	20,000	2,500	0.02 %	2,500	
YSIC Ltd.	Global Unichip Corp.	-	Current financial assets at fair value through profit or loss	2,000	1,282	- %	1,282	
YSIC Ltd.	Parade Technologies, Ltd.	-	Current financial assets at fair value through profit or loss	6,000	4,638	0.01 %	4,638	
YSIC Ltd.	Lin BioScience, Inc.	-	Current financial assets at fair value through profit or loss	40,000	6,920	0.06 %	6,920	
YSIC Ltd.	Ingentec Corporation	-	Current financial assets at fair value through profit or loss	20,000	2,850	0.05 %	2,850	
YSIC Ltd.	Xintec Inc.	-	Current financial assets at fair value through profit or loss	40,000	3,852	0.01 %	3,852	
YSIC Ltd.	Chip Hope Co., Ltd.	-	Current financial assets at fair value through profit or loss	40,000	4,080	0.06 %	4,080	
YSIC Ltd.	China Steel Structure Co., Ltd.	-	Current financial assets at fair value through profit or loss	20,000	1,180	0.01 %	1,180	
YSIC Ltd.	Chunghwa Precision Test Tech. Co., Ltd.	-	Current financial assets at fair value through profit or loss	1,000	465	- %	465	
YSIC Ltd.	Actron Technology Corporation	-	Current financial assets at fair value through profit or loss	10,000	1,635	0.01 %	1,635	
YSIC Ltd.	Shin Kong Chi-Shin Money-Market Fund	-	Current financial assets at fair value through profit or loss	1,800,000	28,288	- %	28,288	
YSIC Ltd.	Fubon Taiwan high dividend 30 ETF	-	Non-current financial assets at fair value through profit or loss	100,000	1,039	- %	1,039	
YSIC Ltd.	Cjw International Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	676,413	7,576	0.50 %	7,576	
YSIC Ltd.	Cyca International Co., Ltd.	-	Non-current investment in equity instrument at FVOCI	101,677	-	- %	-	
YSIC Ltd.	Mcm Stamping Co., Ltd.	-	Non-current investment in equity instrument at FVOCI	54,430	331	0.63 %	331	
YSIC Ltd.	Vxis Technology Corp.	-	Non-current investment in equity instrument at FVOCI	72,480	865	0.61 %	865	
YSIC Ltd.	Infomedia Inc.	-	Non-current assets(or disposal groups) held for sale	650,000	4,186	0.43 %	4,186	
YSIC Ltd.	Yuan-Jie Investment Co., Ltd.	-	Non-current investment in equity instrument at FVOCI	100,000	859	0.09 %	859	
YSIC Ltd.	Yu-Jie Investment Co., Ltd.	-	Non-current investment in equity instrument at FVOCI	103,000	1,062	0.09 %	1,062	
Grand Capital Co., Ltd.	Deng Yun Co., Ltd.	-	Non-current investment in equity instrument at FVOCI	3,082,453	241,855	16.10 %	241,855	
Yuan-Shin Materials Technology Co., Ltd.	Yuanta Financial Holding Co., Ltd.	-	Current financial assets at fair value through profit or loss	309,000	6,705	- %	6,705	
Yuan-Shin Materials Technology Co., Ltd.	Weikeng Industrial Co., Ltd.	-	Current financial assets at fair value through profit or loss	40,000	1,052	0.01 %	1,052	
Yuan-Shin Materials Technology Co., Ltd.	Wah Lee Industrial Co., Ltd.	-	Current financial assets at fair value through profit or loss	20,000	1,676	0.01 %	1,676	
Yuan-Shin Materials Technology Co., Ltd.	China General Plastics Corp.		Current financial assets at fair value through profit or loss	50,000	1,320	0.01 %	1,320	
Yuan-Shin Materials Technology Co., Ltd.	Asustek Computer Inc.		Current financial assets at fair value through profit or loss	6,000	1,611	- %	1,611	
Yuan-Shin Materials Technology Co., Ltd.	Giga-Byte Technology Co., Ltd.		Non-Current financial assets at fair value through profit or loss	4,000	426	- %	426	
Yuan-Shin Materials Technology Co., Ltd.	Supreme Electronics Co., Ltd.		Non-current investment in equity instrument at fair value through profit or loss	30,000	1,074	0.01 %	1,074	

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Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with the security issuer	Account	Ending balance				Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value	
Yuan-Shin Materials Technology Co., Ltd.	Chang Wah Electromaterials Inc.		Non-current investment in equity instrument at FVOCI	5,000	152	- %	152	

- (iv) Information regarding purchase or sale of securities for the period exceeding NTD300 million or 20% of the Company's paid-in capital: None
- (v) Information on acquisition of real estate with purchase amount exceeding NTD300 million or 20% of the Company's paid-in capital: None
- (vi) Information regarding receivables from disposal of real estate exceeding NTD300 million or 20% of the Company's paid-in capital: None
- (vii) Information regarding related-parties purchases and/or sales exceeding NTD100 million or 20% of the Company's paid-in capital: None
- (viii) Information regarding receivables from related-parties exceeding NTD100 million or 20% of the Company's paid-in capital: None
- (ix) Information regarding trading in derivative financial instruments: Please refer to note 6(b).

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
The Company	Grand Cathay Venture Capital Co., Ltd.	Taiwan	Investment business	400,000	400,000	40,000,000	25.00 %	478,292	67,489	16,872	
The Company	Wonderland Enterprise Co., Ltd.	Taiwan	General investment business	325,230	325,230	29,629,597	37.04 %	630,762	(38,655)	(14,318)	
The Company	Functional Coating System Technologies Co., Ltd.	Taiwan	OEM of Semiconductor and components conformal coating	28,500	28,500	1,744,186	34.88 %	25,575	(1,417)	(494)	
The Company	Universal Investments Limited	British Cayman Islands	Real estate investment business	17,273	17,273	80	40.00 %	17,820	(822)	(552)	
The Company	YSIC Ltd.	Taiwan	Residential building and industrial plant development rental business	1,638,169	1,638,169	72,446,838	99.99 %	910,762	33,604	33,597	Subsidiary
The Company	Yuan-Shin Materials Technology Co. Ltd.	Taiwan	Basic precision chemical materials and plastic raw material manufacturing	145,900	145,900	5,000,000	100.00 %	49,282	(1,456)	(1,456)	Subsidiary
The Company	Yangmingshan Tien Lai Resort & SPA	Taiwan	General hotel industry	630,555	630,555	25,865,618	65.07 %	691,415	3,728	112	Subsidiary
The Company	Asia Carbon & Technology Inc.	Taiwan	Electronic component manufacturing	-	291,064	-	- %	-	(629)	(620)	Subsidiary
YSIC Ltd.	Kun Shan International Ltd.	Seychelles	General investment business	122,572	122,572	3,702,718	62.03 %	203,281	107,686	66,802	Subsidiary
YSIC Ltd.	Grand Capital Co., Ltd.	Seychelles	General investment business	90,182	90,182	2,698,002	100.00 %	243,721	(252)	(252)	Subsidiary
YSIC Ltd.	Yangmingshan Tien Lai Resort & SPA	Taiwan	General hotel industry	110,836	110,836	4,807,774	12.10 %	118,253	3,728	91	Subsidiary
YSIC Ltd.	Globaltop Technology Inc.	Taiwan	Aluminum Nitride Powder	162,643	162,643	5,255,553	23.89 %	43,363	(27,822)	(6,645)	
YSIC Ltd.	Tien Lai Co., Ltd.	Taiwan	Pipe Lines Construction	5,000	5,000	500,000	50.00 %	1,485	90	45	Subsidiary

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TAIWAN STYRENE MONOMER CORPORATION

Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Kun Shan Yu-Fu Technology Education Consulting Co., Ltd.	Educational consulting, information operation consulting, software and data storage consultation	3,071 (USD 100)	(2)	112,092 (USD 3,650)	-	-	112,092 (USD 3,650) (Note 4)	90,638 (USD 3,044)	62.03%	56,226	59,231	-
Kun Shan Jia-An Technology Education Consulting Co., Ltd.	Educational consulting, information operation consulting, software and data storage consultation	74,674 (USD 2,432)	(2)	(Note 3)	-	-	(Note 3)	24,584 (USD 826)	62.03%	15,250	54,843	-

Note 1: The investment methods are divided into the following three types: (1) Direct investment in Mainland China. (2) Indirect investment in Mainland China through a holding company established in other countries. (3) Others.

Note 2: The foreign currency transactions have been translated into New Taiwan Dollar at the exchange rate at the end of the financial reporting date and the average exchange rate (USD1= NTD30.71, USD1=NTD29.7748).

Note 3: Kun Shan Yu-Fu Technology Education Consulting Co., Ltd. had been spun-off as Kun Shan Yu-Fu Technology Education Consulting Co., Ltd. and Kun Shan Jia-An Technology Education Consulting Co., Ltd.

Note 4: The amount of USD2,089,543.71 were proceeds of KUN SHAN INTERNATIONAL LTD. due to capital reduction of Kun Shan Yu-Fu Technology Education Consulting Co., Ltd. in 2022 has yet to be remitted to Taiwan, therefore, the amount of accumulated investment in Mainland China still included the amount.

(ii) Upper limit on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note)
112,092 (Note 4) (USD 3,650)	112,092 (USD 3,650)	546,534

Note: The investment limit was calculated based on the official document 10804600980 announced by the MOEAIC on March 12, 2019.

(iii) Significant inter-company transactions with the subsidiary in Mainland China: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Taiwan Steel Group United Co., Ltd.		41,794,000	7.91 %
Frank.C.Chen Foundation for Culture and Education		28,750,000	5.44 %

(14) Segment information:

The Company has provided the operating segments disclosure in the consolidated financial statements.

TAIWAN STYRENE MONOMER CORPORATION

Statement of Cash and Cash Equivalents

December 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount
Petty cash		\$ 160
Deposits in bank	Demand deposits in NTD	317,115
Deposits in bank	Demand deposits in USD10 thousand@ 30.71	<u>303</u>
Total		<u><u>\$ 317,578</u></u>

TAIWAN STYRENE MONOMER CORPORATION

Statement of Financial Assets Measured at Fair Value through Profit or Loss - Current

December 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

Name of investee	Beginning balance		Addition		Decrease		Ending balance		Accumulated impairment	Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Listed stock:											
Solar Applied Materials Technology Corp.	2,842,000	\$ 145,226	-	-	-	-	2,842,000	91,086	-	Nil	
Test Research , Inc.	500,000	29,250	-	-	45,000	(266)	455,000	28,984	-	Nil	
Gloria Material Technology Corp.	390,000	8,561	-	-	390,000	8,561	-	-	-	Nil	
Derivative instruments not used for hedging- foreign exchange swap contracts	-	-	-	468	-	-	-	468	-	Nil	
		<u>\$ 183,037</u>		<u>468</u>		<u>8,295</u>		<u>120,538</u>	<u>-</u>		

TAIWAN STYRENE MONOMER CORPORATION

Statement of Accounts Receivable

December 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Non-related parties:			
Company A	Payment for goods	\$ 492,886	
Company B	"	163,617	
Company C	"	94,851	
Company D	"	71,281	
Company E	"	66,130	
Others	"	<u>74,928</u>	Note
		963,693	
Less: Loss allowance		<u>(48)</u>	
Total		<u><u>\$ 963,645</u></u>	

Note: The amount of individual client in others does not exceed 5% of the account balance.

Statement of Inventories

Item	Description	Amount		Note
		Cost	Net realizable value	
Finished goods	SM and PDEB	\$ 195,759	190,868	
By-product	Toluene	9,411	9,363	
Semi-finished products	Ethylbenzene	62,616	62,616	
Work in progress	Ethylbenzene	48,566	46,865	
Raw materials	Benzene, Ethylene	188,457	178,560	
Supplies	Energy, Chemicals	<u>78,931</u>	<u>78,931</u>	
		583,740		
Less: Allowance for inventory decline in value		<u>(16,537)</u>	<u><u>567,203</u></u>	
		<u><u>\$ 567,203</u></u>		

Note : Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs incurred upon completion and selling expenses.

TAIWAN STYRENE MONOMER CORPORATION

Statement of Changes in Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-current

For the year ended December 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

Name of investee	Beginning balance		Addition		Decrease		Ending balance		Accumulated impairment	Collateral	Note
	Shares	Amount	Shares	Amount (Note1)	Shares	Amount (Note2)	Shares	Fair Value			
Universal Venture Capital Investment Corporation	8,400,000	\$ 58,812	-	-	-	3,639	8,400,000	55,173	NA	Nil	
Euroc Venture Capital Corp.	19,000	221	-	-	-	77	19,000	144	NA	Nil	
Euroc III Venture Capital Corp.	15,000	1,037	-	-	-	809	15,000	228	NA	Nil	
Global Investment Holding Co., Ltd	10,233,608	99,303	-	-	-	14,964	10,233,608	84,339	NA	Nil	
Faith Alliance Corporation	25,720	81	-	-	-	36	25,720	45	NA	Nil	
Multilayer P. C. B. & Assembly Manufacturer	912	9	-	-	-	2	912	7	NA	Nil	
Leadwell Cnc Machines Mfg.,Corp.	37,352	1,026	-	74	-	-	37,352	1,100	NA	Nil	
Crownpo Technology Inc.	709	15	-	1	-	-	709	16	NA	Nil	
Infomedia Inc.	200,000	1,209	-	79	200,000	1,288	-	-	NA	Nil	
Vxis Technology Corp.	72,480	1,144	-	-	-	279	72,480	865	NA	Nil	
Asia Global Venture Capital II Co., Ltd	531,300	24,413	-	4,465	-	6,035	531,300	22,843	NA	Nil	
Shieh-Tai Biochemical	120,339	-	-	-	-	-	120,339	-	NA	Nil	
Lof Solar Corp.	600,000	-	-	-	-	-	600,000	-	NA	Nil	
Yuan-Jie Investment Co., Ltd.	21,000,000	234,184	-	-	-	53,778	21,000,000	180,406	NA	Nil	
Yu-Jie Investment Co., Ltd.	21,320,000	276,321	-	-	-	56,515	21,320,000	219,806	NA	Nil	
Deng Yun Co., Ltd.	591,945	43,640	-	3,487	-	682	591,945	46,445	NA	Nil	
Lidien Inc.	760,000	13,994	-	79	-	602	760,000	13,471	NA	Nil	
Yu Chie Inc.	38,000	1,593	-	-	38,000	1,593	-	-	NA	Nil	
GVISION-USA INC.	666,667	24,426	-	1,806	-	7,549	666,667	18,683	NA	Nil	
		<u>\$ 781,428</u>		<u>9,991</u>		<u>147,848</u>		<u>643,571</u>			

Note1: The amount of addition included gain on financial assets at fair value \$9,991 thousand.

Note2: The amount of decrease included reclassification \$1,288 thousand, reduction of capital \$1,873 thousand and loss on financial assets at fair value \$144,687 thousand.

TAIWAN STYRENE MONOMER CORPORATION

Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

Name of investee	Beginning balance		Addition (Note1)		Decrease (Note2)		Ending balance			Market Value or Net Assets Value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price	Total amount		
Yangmingshan Tien Lai Resort & SPA	25,865,618	\$ 690,914	-	501	-	-	25,865,618	65.07 %	691,415	-	691,415	Nil	
YSIC Ltd.	72,446,838	865,025	-	45,737	-	-	72,446,838	99.99 %	910,762	-	910,762	Nil	
Yuan-Shin Materials Technology Co., Ltd.	5,000,000	57,376	-	-	-	8,094	5,000,000	100.00 %	49,282	-	49,282	Nil	
Asia Carbon & Technology Inc.	9,866,389	620	-	-	9,866,389	620	-	-	-	-	-	Nil	
Grand Carhay Venture Capital Co., Ltd.	40,000,000	467,450	-	56,134	-	45,292	40,000,000	25.00 %	478,292	-	478,292	Nil	
Wonderland Enterprise Co.,Ltd.	29,629,597	835,959	-	3,200	-	208,397	29,629,597	37.04 %	630,762	-	630,762	Nil	
Funtional Coating System Technology Co., Ltd.	1,744,186	26,069	-	-	-	494	1,744,186	34.88 %	25,575	-	25,575	Nil	
Universal Investments Limited	80	17,038	-	1,334	-	552	80	40.00 %	17,820	-	17,820	Nil	
		\$ 2,960,451		106,906		263,449			2,803,908		2,803,908		

Note1: The amount of addition included investment income \$50,581 thousand, other comprehensive income \$56,260 thousand, and changes in ownership interests in investments \$65 thousand.

Note2: The amount of decrease included investment losses \$17,440 thousand, other comprehensive loss \$182,090 thousand, dividend received \$51,930 thousand, and changes in ownership interests in investments \$11,989 thousand.

TAIWAN STYRENE MONOMER CORPORATION

Statement of Accounts Payables

December 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Decrease</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Company F	Payment for goods	\$ 512,115	
Company G	"	80,335	
Company H	"	75,699	
Company I	"	74,646	
Company J	"	68,926	
Company K	"	62,636	
Others	"	14,685	Note
Total		\$ 889,042	

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

TAIWAN STYRENE MONOMER CORPORATION

Statement of Operating Costs

For the year ended December 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>	
	<u>Subtotal</u>	<u>Total</u>
Cost of sales from manufacturing		
Direct raw materials		
Balance at 1 January	\$ 521,969	
Purchases of raw materials	11,207,544	
Other	97	
Balance at December 31	<u>(188,457)</u>	11,541,153
Indirect supplies		
Balance at January 1	28,512	
Purchases of indirect supplies	978,814	
Less: transfer to other prepayments and other non-current assets	(5,250)	
Balance at December 31	<u>(78,931)</u>	923,145
Direct labor		52,312
Manufacturing overhead		<u>569,908</u>
Manufacturing cost		13,086,518
Work-in -process inventory, January 1		131,638
Work-in process inventory, December 31		<u>(111,182)</u>
Cost of goods manufactured		13,106,974
Finished goods, January 1		273,603
Finished goods, December 31		(205,170)
Gain on recovery in value of inventories		<u>(114,209)</u>
Total operating costs		<u><u>\$ 13,061,198</u></u>

TAIWAN STYRENE MONOMER CORPORATION

Statement of Selling Expenses

For the year ended December 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Export expense		\$ 21,231	
Shipping expenses		32,543	
Salaries		6,754	
Others		<u>5,094</u>	Note
Total		<u><u>\$ 65,622</u></u>	

Note: The amount of individual item in others does not exceed 5% of the account balance.

Statement of Administrative Expenses

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Salaries	\$ 41,892	
Employee welfare	12,936	
Depreciation (common parts)	3,709	
Insurance	4,541	
Others	<u>26,286</u>	Note
Total	<u><u>\$ 89,364</u></u>	

Note: The amount of individual item in others does not exceed 5% of the account balance.

Statement of Prepayments: Note 6(e)
Statement of Changes in Property, Plant and Equipment: Note 6(h)
Statement of Changes in Accumulated Depreciation of Property, Plant and Equipment: Note 6(h)
Statement of Changes in Right-of-use assets: Note 6(i)
Statement of Changes in Accumulated Depreciation of Right-of-use assets: Note 6(i)
Statement of Changes in Intangible Assets: Note 6(j)
Statement of Deferred Tax Assets: Note 6(p)
Statement of Other Non-current Assets: Note 6(k)
Statement of Other Payables: Note 6(m)
Statement of Lease Liabilities: Note 6(n)
Statement of Deferred Tax Liabilities: Note 6(p)
Statement of Operating Revenue: Note 6(t)
Statement of the Net Amount of Other Revenues(Gains) and Expenses(Losses): Note 6(u)
Statement of Finance Costs: Note 6(u)
Statement of Current Period Employee Benefits, Depreciation, and Amortization by Function: Note 12