

TAIWAN FERTILIZER CO., LTD.**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 FERTILIZER CO., LTD.:

Opinion

We have audited the financial statements of TAIWAN FERTILIZER CO., LTD. (“the Company”), which comprise the Balance Sheets as of December 31, 2022 and 2021, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the year ended December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 requirement. 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 financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters that, in our professional judgment, should be communicated are as follows:

1. Impairment assessment of investments in equity method (including goodwill and intangible assets with an indefinite useful life)

Please refer to notes 4(n), 5(a) and 6(g) for the “recognition of impairment assessment of investments accounted for by the equity method”, “assumptions used and uncertainties considered in determining investments accounted for by the equity method, investments for impairment loss and obsolescence” and “balances of impairment loss and obsolescence”, respectively.

Key audit matters:

As described in Note 6(g) of the accompanying financial statements, the Company acquired control over Taiwan Yes Deep Ocean Water Co., Ltd. (“Taiwan Yes”), which was accounted for as acquisition using the equity method (including the goodwill and trademark with indefinite useful lives). In accordance with IAS 36 “Impairment of Assets”, goodwill and intangible assets with indefinite useful lives should be tested for impairment annually; and based on the estimated future cash flows of Taiwan Yes (the cash-generating unit), the recoverable amount was evaluated in order to determine whether there is any impairment of the aforementioned investment accounted for by using the equity method (including the goodwill and intangible assets with indefinite useful lives). Since the estimated future cash flows requires management’s forecasting of the industry overview and the future operating performance of Taiwan Yes, the recoverable amount will be affected and an impairment loss will be incurred should there be any change in the situation. Therefore, the impairment assessment of equity method investments has been identified as a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included confirming whether the management have properly assessed the recoverability of goodwill based on the forecasted cash flows within the following 5 years, wherein the assessment have been reviewed by the competent authority; and verifying whether the management has disclosed the impairment of goodwill in the financial statements on a timely manner after identifying such circumstance. In addition, we also assessed the adequacy of the forecasting methods and the discount rate used by the management, and compared the discount rate with external information; verified the management’s assumptions with external relevant information, and evaluated the major assumptions (including the forecast revenue growth rate, discount rate and forecast margin).

2. Inventory Valuation

For details of accounting policies related to inventory valuation, please refer to Note 4(g) Inventory of the financial statements. For details of uncertainties in accounting estimates and assumptions related to inventory valuation, please refer to Note 5(b) of the financial statements. For descriptions on inventory valuation, please refer to Note 6(f) of the financial statements:

Key audit matter:

The price of material is subject to market volatility

The inventory amount of the Company is presented at the lower of costs and net realizable amount. As The price of material is subject to market volatility, the Company complies with the policy of Council of Agriculture of Executive Yuan in order to stabilize the domestic fertilizer price, which may, in turn, generate risks where the inventory costs are higher than the net realizable value. Therefore, inventory valuation is a matter that requires great attention for our audits on the financial statements.

How the matter was addressed in our audit:

Our audit procedures for the above key audit matters included assessing the Company’s inventory allowance amount based on the nature of the inventories; performing audit to check the correctness of the inventory age report; reviewing the Company’s past inventory allowances and assessing whether the estimation methods and assumptions are appropriate; observe the inventory count and check the inventory status to assess whether the inventory is expired or damaged; sampling the latest sales prices of inventory and assessing the reasonableness of net realizable value; assessing whether disclosure items for inventory allowances are appropriate.

Other Matter

We did not audit the financial statements as of and for the years ended December 31, 2022 and 2021, of certain investees in equity method. Those statements were audited by other auditors, whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included in the Corporation's financial statements for these investees, is based solely on the reports of the other auditors. As of December 31, 2022 and 2021, the investments in the aforementioned investees are 11.71% and 13.64% (\$9,420,043 thousand and \$10,758,806 thousand), of the Corporation's total assets. For the years ended December 31, 2022 and 2021, the investment income on the above said investees are 107.20% and 81.84% (\$3,491,558 thousand and \$3,074,009 thousand) of the Corporation's income before income tax.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditors' Responsibilities for the Audit of the 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 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 auditors' report to the related disclosures in the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit.

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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 Kuo-Yang Tseng and Heng-Shen Lin.

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' audit 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' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAIWAN FERTILIZER CO., LTD.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (notes 6(a) and (s))	\$ 2,303,245	3	1,917,886	3	2130	Current contract liabilities (note 6(p))	\$ 173,110	-	139,704	-
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (s))	80,002	-	60,009	-	2150	Notes payable (note 6(s))	1,119	-	1,090	-
1120	Current financial assets at fair value through other comprehensive income (notes 6(c) and (s))	95,464	-	127,059	-	2170	Accounts payable (notes 6(s)and 7)	896,264	1	2,281,757	3
1150	Notes receivable, net (notes 6(d), (p), (s) and 7)	127,872	-	188,453	-	2200	Other payables (notes 6(s)and 7)	829,842	1	708,388	1
1170	Accounts receivable, net (notes 6(d), (p), (s) and 7)	893,651	1	1,736,204	2	2230	Current tax liabilities	679,127	1	111,968	-
1200	Other receivables, net (notes 6(e), (s) and 7)	1,350,201	2	10,672	-	2280	Current lease liabilities (note 6(s))	27,601	-	27,594	-
130X	Inventories (note 6(f))	3,154,881	4	2,667,289	4	2313	Unearned revenue (note 6(j))	440,518	1	389,525	1
1410	Prepayments (note 7)	827,321	1	137,316	-	2310	Other advance receipts	2,218	-	19,820	-
1476	Other current financial assets (notes 6(a) and (s))	792	-	68,203	-	2399	Other current liabilities, others	62,759	-	45,872	-
1470	Other current assets	11,962	-	15,215	-			3,112,558	4	3,725,718	5
Non-current assets:						Non-Current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(c)and (s))	3,040,760	4	3,439,803	5	2550	Non-current provisions	223,648	-	223,648	-
1550	Investments accounted for using equity method, net (notes 6(g) and (s))	12,485,044	16	13,729,226	17	2570	Deferred tax liabilities (note 6(m))	6,965,340	9	7,449,720	10
1600	Property, plant and equipment (note 6(h))	11,349,730	14	11,928,382	15	2580	Non-current lease liabilities (note 6(s))	81,267	-	108,868	-
1755	Right-of-use assets (note 6(i))	922,286	1	1,022,183	2	2630	Long-term deferred revenue (note 6(j))	16,496,708	21	14,257,410	18
1760	Investment property, net (notes 6(j)and (k))	43,193,489	54	41,164,306	52	2640	Net defined benefit liability, non-current (note 6(l))	112,664	-	136,612	-
1780	Intangible assets	10,150	-	13,680	-	2645	Guarantee deposits received (note 6(s))	367,853	-	326,959	-
1840	Deferred tax assets (note 6(m))	211,948	-	355,923	-			24,247,480	30	22,503,217	28
1930	Long-term notes and accounts receivable, net (notes 6(e)and (s))	65,564	-	84,125	-	Total liabilities		27,360,038	34	26,228,935	33
1980	Other non-current financial assets (notes 6(a), (s)and 8)	272,572	-	159,425	-	Equity (note 6(n)):					
1990	Other non-current assets, others (note 6(s))	24,100	-	31,436	-	3100	Capital stock	9,800,000	12	9,800,000	12
		71,575,643	89	71,928,489	91	3200	Capital surplus	2,245,156	3	2,244,652	3
Total assets		\$ 80,421,034	100	78,856,795	100	Retained earnings:					
						3310	Legal reserve	3,982,301	5	3,673,475	5
						3320	Special reserve	30,711,185	38	30,743,799	39
						3350	Unappropriated retained earnings	3,610,220	5	3,950,024	5
						3400	Other equity interest	2,712,134	3	2,215,910	3
						Total equity		53,060,996	66	52,627,860	67
						Total liabilities and equity		\$ 80,421,034	100	78,856,795	100

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAIWAN FERTILIZER CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(j), (k), (p) and 7)	\$ 14,264,756	100	13,074,793	100
5000	Operating costs (notes 6(f), (l), 7 and 14)	<u>(13,440,139)</u>	<u>(94)</u>	<u>(11,221,605)</u>	<u>(86)</u>
5900	Gross profit from operations	<u>824,617</u>	<u>6</u>	<u>1,853,188</u>	<u>14</u>
	Operating expenses (notes 6(d), (l), (q) and 14) :				
6100	Selling expenses	(400,181)	(3)	(396,606)	(3)
6200	Administrative expenses	(1,050,805)	(8)	(1,013,486)	(8)
6300	Research and development expenses	(42,626)	-	(58,695)	-
6450	Expected credit loss	<u>-</u>	<u>-</u>	<u>(2,569)</u>	<u>-</u>
		<u>(1,493,612)</u>	<u>(11)</u>	<u>(1,471,356)</u>	<u>(11)</u>
6900	Net Operating (loss) income	<u>(668,995)</u>	<u>(5)</u>	<u>381,832</u>	<u>3</u>
	Non-operating income and expenses:				
7100	Interest income (note 6(r))	31,155	-	14,062	-
7010	Other income (notes 6(c) and (r))	112,021	1	102,699	1
7020	Other gains and losses (notes 6(r) and 14)	107,303	1	106,695	1
7050	Finance costs (note 6(r))	(3,031)	-	(3,030)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	<u>3,678,627</u>	<u>26</u>	<u>3,153,849</u>	<u>24</u>
	Total non-operating income and expenses	<u>3,926,075</u>	<u>28</u>	<u>3,374,275</u>	<u>26</u>
	Profit from continuing operations before tax	3,257,080	23	3,756,107	29
7950	Less: Income tax expenses (note 6(m))	<u>(587,431)</u>	<u>(4)</u>	<u>(721,491)</u>	<u>(6)</u>
	Profit	<u>2,669,649</u>	<u>19</u>	<u>3,034,616</u>	<u>23</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	21,436	-	(3,848)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(417,138)	(3)	775,903	6
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	(6,390)	-	(11,338)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>4,287</u>	<u>-</u>	<u>(770)</u>	<u>-</u>
		<u>(406,379)</u>	<u>(3)</u>	<u>761,487</u>	<u>6</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
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	1,143,237	8	(278,237)	(2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(229,875)</u>	<u>(2)</u>	<u>55,283</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>913,362</u>	<u>6</u>	<u>(222,954)</u>	<u>(2)</u>
8300	Other comprehensive income	<u>506,983</u>	<u>3</u>	<u>538,533</u>	<u>4</u>
8500	Total comprehensive income	<u>\$ 3,176,632</u>	<u>22</u>	<u>3,573,149</u>	<u>27</u>
	Basic earnings per share (note 6(o))				
9750	Basic earnings per share	<u>\$ 2.72</u>		<u>3.10</u>	
9850	Diluted earnings per share	<u>\$ 2.72</u>		<u>3.09</u>	

See accompanying notes to parent company only financial statements.

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

TAIWAN FERTILIZER CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings				Total other equity interest			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity
Balance at January 1, 2021	\$ 9,800,000	2,244,652	3,397,549	30,823,647	3,391,695	37,612,891	(462,640)	2,113,808	1,651,168	51,308,711
Profit	-	-	-	-	3,034,616	3,034,616	-	-	-	3,034,616
Other comprehensive income	-	-	-	-	(14,416)	(14,416)	(222,954)	775,903	552,949	538,533
Total comprehensive income	-	-	-	-	3,020,200	3,020,200	(222,954)	775,903	552,949	3,573,149
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	275,926	-	(275,926)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,254,000)	(2,254,000)	-	-	-	(2,254,000)
Reversal of special reserve due to sale land	-	-	-	(79,848)	79,848	-	-	-	-	-
Other changes in capital surplus:										
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(11,793)	(11,793)	-	11,793	11,793	-
Balance at December 31, 2021	9,800,000	2,244,652	3,673,475	30,743,799	3,950,024	38,367,298	(685,594)	2,901,504	2,215,910	52,627,860
Profit	-	-	-	-	2,669,649	2,669,649	-	-	-	2,669,649
Other comprehensive income	-	-	-	-	10,759	10,759	913,362	(417,138)	496,224	506,983
Total comprehensive income	-	-	-	-	2,680,408	2,680,408	913,362	(417,138)	496,224	3,176,632
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	308,826	-	(308,826)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,744,000)	(2,744,000)	-	-	-	(2,744,000)
Reversal of special reserve due to sale land	-	-	-	(32,614)	32,614	-	-	-	-	-
Other changes in capital surplus	-	504	-	-	-	-	-	-	-	504
Balance at December 31, 2022	\$ 9,800,000	2,245,156	3,982,301	30,711,185	3,610,220	38,303,706	227,768	2,484,366	2,712,134	53,060,996

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAIWAN FERTILIZER CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 3,257,080	3,756,107
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,029,313	1,029,078
Amortization expense	4,974	7,078
Expected credit loss for bad debt expense	-	2,569
Net gain on financial assets or liabilities at fair value through profit or loss	(1,317)	(2,365)
Interest expense	3,031	3,030
Interest income	(31,155)	(14,062)
Dividend income	(99,567)	(54,585)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(3,678,627)	(3,153,849)
(Gain) loss on disposal of property, plant and equipment	(103)	11,205
Gain on disposal of investment properties	(62,997)	(216,741)
Impairment loss on non-financial assets	-	29,913
Unrealized foreign currency exchange loss	-	844
Compensation	17,708	18,556
Total adjustments to reconcile loss	(2,818,740)	(2,339,329)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	60,581	(70,910)
Decrease (increase) in accounts receivable	842,553	(1,065,117)
(Increase) decrease in other receivable	(531,789)	9,773
(Increase) decrease in inventories	(487,592)	106,721
(Increase) decrease in prepayments	(604,586)	117,898
Increase in other current assets	(667)	(7,962)
Total changes in operating assets	(721,500)	(909,597)
Changes in operating liabilities:		
Increase in contract liabilities	33,406	56,255
Increase in notes payable	29	30
(Decrease) increase in accounts payable	(1,385,493)	1,818,469
Increase in other payable	6,748	207,073
Decrease in receipts in advance	(17,602)	(312,917)
Increase (decrease) in other current liabilities	16,887	(6,318)
(Decrease) increase in net defined benefit liability	(2,512)	1,445
Increase (decrease) in deferred credits	2,290,291	(370,310)
Total changes in operating liabilities	941,754	1,393,727
Total changes in operating assets and liabilities	220,254	484,130
Total adjustments	(2,598,486)	(1,855,199)
Cash inflow generated from operations	658,594	1,900,908
Interest received	31,132	14,525
Dividends received	5,358,897	1,236,064
Interest paid	(3,031)	(3,030)
Income taxes paid	(594,839)	(350,023)
Net cash flows from operating activities	5,450,753	2,798,444

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

TAIWAN FERTILIZER CO., LTD.**Statements of Cash Flows (CONT'D)****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	For the years ended December 31	
	2022	2021
Cash flows from (used in) investing activities:		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	13,500	31,920
Proceeds from disposal of financial assets at amortised cost	-	27,663
Acquisition of financial assets designated at fair value through profit or loss	(1,680,000)	(3,660,000)
Proceeds from disposal of financial assets designated at fair value through profit or loss	1,661,324	4,902,369
Acquisition of property, plant and equipment	(217,285)	(340,967)
Proceeds from disposal of property, plant and equipment	1,371	2,065
Decrease (increase) in refundable deposits	7,336	(11,416)
Decrease in other receivables	11,170	23,751
Acquisition of intangible assets	(1,444)	(9,034)
Acquisition of investment properties	(2,181,971)	(3,265,694)
Proceeds from disposal of investment properties	97,041	301,000
(Increase) decrease in other financial assets	(45,736)	831,560
Net cash flows used in investing activities	(2,334,694)	(1,166,783)
Cash flows from (used in) financing activities:		
Increase in guarantee deposits received	40,894	46,798
Payment of lease liabilities	(27,594)	(27,795)
Cash dividends paid	(2,744,000)	(2,254,000)
Net cash flows used in financing activities	(2,730,700)	(2,234,997)
Net increase (decrease) in cash and cash equivalents	385,359	(603,336)
Cash and cash equivalents at beginning of period	1,917,886	2,521,222
Cash and cash equivalents at end of period	\$ 2,303,245	1,917,886

See accompanying notes to parent company only financial statements.

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

TAIWAN FERTILIZER CO., LTD.

Notes to 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 FERTILIZER CO., LTD. (the “Company”). was incorporated in May 1946. The Company’s registered office address is located at 6F, No. 88, Nanjing E. Rd., Sec.2, Taipei, 10457, Taiwan. The Company is mainly engaged in manufactures and sells inorganic and organic fertilizers and other chemical products, constructs and leases real estate services. The Company’s shares were listed on the TSEC since March 24, 1998.

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

The accompanying 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”

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

- (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”
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

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

- (a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

- (b) Basis of preparation

- (i) Basis of measurement

- 1) Financial instruments 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 (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(q).

- (ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the entities operate. The 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.

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the 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 currencies using the exchange rate at the date that the fair value was determined. Nonmonetary 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 those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's functional 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 only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(Continued)

TAIWAN FERTILIZER CO., LTD.
Notes to Financial Statements

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

An asset is classified as current when:

- (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 and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (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) It does not have an unconditional right to defer settlement 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.

All other liabilities are classified as non-current.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are shortterm, 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 shortterm cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group 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.

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

(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) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group 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.

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)

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

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.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

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, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but 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, amortized costs, notes and trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime 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 and contract assets are 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 considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

(Continued)

TAIWAN FERTILIZER CO., LTD.
Notes to Financial Statements

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

12-month ECLs are the portion of ECLs 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 ECLs 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 and debt securities at FVOCI 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 assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- 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. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, 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.

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TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

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.

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, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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.

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

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.

7) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(g) Inventories

Inventories included Raw materials, finished goods, merchandise, and construction-in-progress—land and projects. Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the 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 progress, 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 cost, of completion and selling expenses.

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TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the 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 financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees, 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.

When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in capital reserves in proportion to its ownership.

Gains and losses resulting from the transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interest 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 associates.

(i) Subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the nonconsolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the nonconsolidated financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries that did not result in the Company's loss of control are recognized as equity transaction.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or for administrative purposes. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment property is measured at initial acquisition cost less accumulated depreciation and accumulated impairment losses. The methods for depreciating and determining the useful life and residual value of investment property are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of certain items of property, plant and equipment on January 1, 2012, the Company's date of transition to the Standards, was determined with reference to its fair value at that date.

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 expenditure

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 depreciable amount of an asset using the straight-line basis over its useful life. The depreciable amount of an asset is determined based on the cost less its residual value.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	3~60years
Machine	3~40years
Instrument equipment	3~15years
Miscellaneous equipment	3~15years

<u>Item</u>	<u>Useful lives</u>	<u>Item</u>	<u>Useful lives</u>
Buildings:		Machine:	
Leasehold improvements and others	3~15 years	Production equipment	3~15 years
Buildings, warehouses, storage sheds	16~60 years	Storage tanks, power transmission systems, etc.	16~40 years

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

(Continued)

TAIWAN FERTILIZER CO., LTD.
Notes to Financial Statements

(iv) Reclassification as investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(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.

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 in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

- there is a change of its assessment on whether it will exercise a purchase, 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 miscellaneous equipment that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(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.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(Continued)

TAIWAN FERTILIZER CO., LTD.
Notes to Financial Statements

(m) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group 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 expenditures, 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, other than goodwill, from the date that they are available for use.

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

Computer software cost	5 years
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Patent	7~8 years
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Amortization methods, useful lives and residual values are reviewed at each 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, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

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. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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.

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. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other 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) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and an outflow of economic benefits is possibly required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(p) Revenue Recognition

(i) Revenue from contracts with customers

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 fertilizer products to market. 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.

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Land development and sale of real estate

The Company develops and sells residential properties and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. The properties have generally no alternative use for the Company due to contractual restrictions. However, an enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. For pre-selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

3) The Company's operating leasing business is classified into operating leases based on lease conditions and the possibility of cash receivables, and recognizes relevant operating lease income.

4) 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.

(q) Employee benefits

(i) Defined contribution plans

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

(Continued)

TAIWAN FERTILIZER CO., LTD.**Notes to Financial Statements****(ii) Defined benefit plans**

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan 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.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(v) 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.

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

(r) 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.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable 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 that reflects uncertainty related to income taxes, if any. 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 Group 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, and reflect uncertainty related to income taxes, if any.

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:
 - 1) the same taxable entity; or
 - 2) 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.

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

(s) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as remuneration of employees and employee stock options.

(t) Operating segments

Please refer to the consolidated financial statements of TAIWAN FERTILIZER CO., LTD. for the years ended December 31, 2022 and 2021 for operating segments information.

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

The preparation of the financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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 next period.

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) Impairment assumptions of carrying amounts of subsidiaries.

The assessment of impairment of subsidiaries requires the Company to allocate the subsidiaries' CGUs to the recoverable amount. To calculate the recoverable amount of relevant CGUs, the management should use the appropriate discount rate for calculating the present value to estimate the future cash flow of CGUs. If the actual cash flow less than expectation, the Company would have significant impairment loss.

(b) Valuation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company estimates the net realizable value of inventories to comply with the policy of Council of Agriculture of Executive Yuan, which is in order to stabilize the domestic fertilizer price and then writes down the cost of inventories to net realizable value. Please refer to note 6(f) for further description of the valuation of inventories.

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

Regarding assumptions and estimation uncertainties, valuation has a significant risk of resulting in a material adjustment within the next financial year as following:

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company strives uses the market observable inputs when measuring its assets and liabilities.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(s), Financial instruments for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 2,602	2,468
Demand deposits and checking accounts	2,300,643	1,915,418
Cash and cash equivalents	<u>\$ 2,303,245</u>	<u>1,917,886</u>

- (i) Time deposits with original maturity of more than 3 months are recorded as other financial assets, and are classified as non-current if their maturities exceed one year, and as follow.

	December 31, 2022	December 31, 2021
Other current financial assets	\$ 792	68,203
Other non current financial assets	272,572	159,425
	<u>\$ 273,364</u>	<u>227,628</u>

- (ii) Refer to Note 6(s) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company. Refer to Note 8 for assets pledged as collateral.

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TAIWAN FERTILIZER CO., LTD.
Notes to Financial Statements

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

	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
Beneficiary certificate	\$ <u>80,002</u>	<u>60,009</u>

Please refer to note 6(r) for the amount of remeasurement fair value through profit or loss.

(c) Financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income		
Stock listed on domestic markets	\$ 95,464	127,059
Stock unlisted on domestic markets	<u>3,040,760</u>	<u>3,439,803</u>
Total	<u>\$ 3,136,224</u>	<u>3,566,862</u>

(i) Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes.

As a result of the investment at fair value through other comprehensive income, the amounts of the dividend revenues recognized for the years ended December 31, 2022 and 2021 were \$99,567 thousand and \$54,585 thousand, respectively.

A resolution was approved during the general shareholders' meeting of TSC Bio Ventures Capital Co., Ltd., one of the financial assets measured at fair value through other comprehensive income by the Company, held on August 9, 2021, for capital reduction, wherein the Company will receive the refund of \$31,920 thousand.

A liquidation procedure was declared by Taipei District Court of Top Taiwan V Venture Capital Co., Ltd., one of the financial assets measured at fair value through other comprehensive income by the Company, held on September 22, 2021, for capital reduction, wherein the cumulative loss of the other equity were \$11,793 thousand and transferred to retained earnings.

A resolution was approved during the provisional meeting of the shareholders of Eminent Venture Capital Corporation, one of the financial assets measured at fair value through other comprehensive income by the Group, held on February 17, 2022, for capital reduction, wherein the Company will receive the refund of \$13,500 thousand.

(ii) For credit risk, please refer to note 6(s).

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

(iii) Financial assets at fair value through other comprehensive income of the Company had not been pledged as collateral for long-term borrowings.

(d) Notes receivable, accounts receivable, long-term notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivables – Merchandise	\$ 127,872	188,453
Account receivables – Merchandise	893,860	1,736,413
Less : Loss allowance	<u>(209)</u>	<u>(209)</u>
	<u>\$ 1,021,523</u>	<u>1,924,657</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, including macroeconomic and relevant industry information. The loss allowance provision in Taiwan were determined as follows:

	December 31, 2022		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$ 994,780	0%~0.01%	-
1 to 30 days past due	26,789	0%~1.01%	(46)
31 to 60 days past due	163	0%~100%	(163)
	<u>\$ 1,021,732</u>		<u>(209)</u>

	December 31, 2021		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$ 1,916,929	0%~0.02%	-
1 to 30 days past due	7,509	0%~1.18%	-
31 to 60 days past due	124	0%~2.01%	-
More than 60 days past due	304	0%~100%	(209)
	<u>\$ 1,924,866</u>		<u>(209)</u>

The movements in the allowance for notes and accounts receivable were as follows:

	For the years ended December 31	
	2022	2021
Balance at January 1	\$ 209	-
Impairment losses recognized	-	2,569
Amounts written off	-	(2,360)
Balance at December 31	<u>\$ 209</u>	<u>209</u>

(Continued)

TAIWAN FERTILIZER CO., LTD.
Notes to Financial Statements

(e) Other receivables (including the long-term receivable)

	December 31, 2022	December 31, 2021
Other receivables	\$ 1,131,655	318,817
Dividends receivables	527,479	-
Property receivables	83,016	103,136
Unrealized interest income	(9,108)	(9,879)
Less : Loss allowance	<u>(317,277)</u>	<u>(317,277)</u>
	<u>\$ 1,415,765</u>	<u>94,797</u>
Other receivables	\$ 1,350,201	10,672
Long-term receivables	<u>65,564</u>	<u>84,125</u>
	<u>\$ 1,415,765</u>	<u>94,797</u>

As of December 31, 2022, the total amount of receivables due to the sale of premises of the Company was \$73,908 thousand. The Company estimates to collect \$8,343 and \$65,565 thousand over the year 2023, 2024 and thereafter, respectively.

The above receivables of \$73,908 thousand are all secured by the premises and promissory notes sold, and a mortgage is established to the Company.

The movement in the allowance for other receivables was as follows.

	For the years ended December 31	
	2022	2021
Balance on December 31 (Same as Balance on January 1)	\$ <u>317,277</u>	<u>317,277</u>

Note: Ending balances in 2022 and 2021 were the same as the beginning balances in 2022 and 2021.

For the explanation of individually assessed impairment, please refers to note 7; for other credit risk information, please refers to note 6(s).

The Company complies with the policy of Council of Agriculture of Executive Yuan, which is in order to stabilize the domestic fertilizer price and supplement stocks of fertilizer raw material, so as to fully meet the fertilizer demands of farmers. As of December 31, 2022, the total amount of subsidy receivables due to no increase in the fertilizer price was \$788,447 thousand, which was recognized in the account of other receivables.

(Continued)

TAIWAN FERTILIZER CO., LTD.
Notes to Financial Statements

- (f) Inventories, construction in progress, land held for sale and receipts in advance

	December 31, 2022	December 31, 2021
<u>Inventories</u>		
Raw materials	\$ 1,665,359	1,623,556
Finished goods	844,724	398,867
Merchandise	<u>15</u>	<u>83</u>
	<u>\$ 2,510,098</u>	<u>2,022,506</u>
<u>Construction in progress</u>		
Hsinchu land development project	<u>\$ 644,783</u>	<u>644,783</u>

The cost of inventories recognized as cost of goods sold and expense for the years ended December 31, 2022 and 2021, amounted to \$12,406,410 and \$10,331,275 thousand, respectively. For the years ended December 31, 2022 and 2021, the Company recognized \$128,762 thousand as cost of goods sold due to valuation loss of inventories to net realizable value.

As of December 31, 2022 and 2021, the aforesaid inventories were not pledged as collateral.

- (g) Investments accounted for using equity method

The Company's financial information for equity accounted investees at the reporting date was as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 2,999,921	2,905,398
Associates	<u>9,485,123</u>	<u>10,823,828</u>
	<u>\$ 12,485,044</u>	<u>13,729,226</u>

- (i) Subsidiaries

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

(Continued)

TAIWAN FERTILIZER CO., LTD.
Notes to Financial Statements

(ii) Associates

The Company's financial information for equity accounted investees at the reporting date was as follows:

	December 31, 2022	December 31, 2021
Material associates		
Al-Jubail Fertilizer Company ("Al-Jubail")	\$ 9,420,043	10,758,806
Associates that are not individually material		
MITAGRI Co., Ltd.	31,047	29,740
Taiwan Agricultural Investment and Development Co., Ltd.	34,033	35,282
	<u>\$ 9,485,123</u>	<u>10,823,828</u>

Associates that had materiality were as follows:

Associate	Nature of relationship	Country of registration	Equity ownership	
			December 31, 2022	December 31, 2021
Al-Jubail Fertilizer Company	Equity-method investee	Kingdom of Saudi Arabia	50.00 %	50.00 %

The following is a summary of financial information on the Company's significant associates. In order to reflect the adjustments for fair value in acquisition of shares and differences in accounting policies, adjustment for the amounts presented on the financial statements of associates in accordance with IFRSs has been made to such financial information.

Summary financial information on Al-Jubail Fertilizer Company

	December 31, 2022	December 31, 2021
Current assets	\$ 8,740,941	11,802,902
Noncurrent assets	16,094,641	14,113,967
Current liabilities	(5,514,618)	(2,622,604)
Noncurrent liabilities	(723,560)	(757,033)
Net assets	<u>\$ 18,597,404</u>	<u>22,537,232</u>
Net assets attributable to non controlling interests	\$ 8,810,249	10,843,013
Net assets attributable to investee owners	9,787,155	11,694,219
	<u>\$ 18,597,404</u>	<u>22,537,232</u>

(Continued)

TAIWAN FERTILIZER CO., LTD.
Notes to Financial Statements

	For the years ended December 31	
	2022	2021
Revenue	\$ 17,284,334	14,974,992
Profit for the year	7,488,324	6,960,425
Other comprehensive income	(14,375)	926
Comprehensive income	\$ 7,473,949	6,961,351
Comprehensive income attributable to non controlling interests	\$ 3,371,560	3,220,802
Comprehensive income attributable to investee owners	\$ 4,102,389	3,740,549
Dividends declared by Associates	\$ 7,366,520	1,507,593

(iii) Collateral

As of December 31, 2022 and 2021, the investments in the aforesaid equity-accounted investees were not pledged as collateral.

(h) Property, plant and equipment

The movements in the cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021 were as follows:

	Land	Building and construction	Machinery and equipment	Transportation Equipment	Other Equipment	Construction in progress	Total
Cost or deemed cost:							
Balance on January 1, 2022	\$ 3,652,778	3,894,349	9,704,501	81,921	438,916	307,696	18,080,161
Additions	-	13,511	83,548	4,533	13,762	106,442	221,796
Disposals	(1,194)	-	(64,372)	(3,288)	(22,855)	-	(91,709)
Reclassification	-	-	-	-	-	4,053	4,053
Transfer from completion	-	(46,558)	89,102	305	1,519	(84,117)	(39,749)
Balance on December 31, 2022	\$ 3,651,584	3,861,302	9,812,779	83,471	431,342	334,074	18,174,552
Balance on January 1, 2021	\$ 3,652,778	3,852,305	9,549,533	82,170	430,677	218,921	17,786,384
Additions	-	8,922	75,408	1,952	5,770	248,586	340,638
Disposals	-	(1,401)	(33,884)	(6,667)	(1,962)	-	(43,914)
Transfer from completion	-	34,523	113,444	4,466	4,431	(159,811)	(2,947)
Balance on December 31, 2021	\$ 3,652,778	3,894,349	9,704,501	81,921	438,916	307,696	18,080,161
Depreciation and impairment loss:							
Balance on January 1, 2022	\$ -	994,525	4,788,007	59,861	226,566	82,820	6,151,779
Depreciation for the year	-	125,681	637,791	7,147	32,481	-	803,100
Disposals	-	-	(64,298)	(3,288)	(22,855)	-	(90,441)
Transfer from completion	-	(32,744)	(7,407)	(471)	1,006	-	(39,616)
Balance on December 31, 2022	\$ -	1,087,462	5,354,093	63,249	237,198	82,820	6,824,822
Balance on January 1, 2021	\$ -	870,120	4,159,185	58,607	193,794	82,820	5,364,526
Depreciation for the year	-	125,806	649,744	7,613	34,734	-	817,897
Disposals	-	(1,401)	(20,922)	(6,359)	(1,962)	-	(30,644)
Balance on December 31, 2021	\$ -	994,525	4,788,007	59,861	226,566	82,820	6,151,779

(Continued)

TAIWAN FERTILIZER CO., LTD.
Notes to Financial Statements

	Land	Building and construction	Machinery and equipment	Transportation Equipment	Other Equipment	Construction in progress	Total
Carrying amounts:							
Balance on December 31, 2022	\$ 3,651,584	2,773,840	4,458,686	20,222	194,144	251,254	11,349,730
Balance on January 1, 2021	\$ 3,652,778	2,982,185	5,390,348	23,563	236,883	136,101	12,421,858
Balance on December 31, 2021	\$ 3,652,778	2,899,824	4,916,494	22,060	212,350	224,876	11,928,382

As of December 31, 2022 and 2021, the property, plant and equipment were not pledged as collateral.

(i) Right-of-use assets

The Company leases land. Information about leases for which the Company as a lessee is presented below:

	Land
Balance on December 31, 2022	\$ <u>1,321,931</u>
Balance on December 31, 2021	\$ <u>1,321,931</u>
Accumulated depreciation and impairment losses:	
Balance on January 1, 2022	\$ 299,748
Depreciation for the year	99,897
Balance on December 31, 2022	\$ <u>399,645</u>
Balance on January 1, 2021	\$ 199,851
Depreciation for the year	99,897
Balance on December 31, 2021	\$ <u>299,748</u>
Carrying amount:	
Balance on December 31, 2022	\$ <u>922,286</u>
Balance on January 1, 2021	\$ <u>1,122,080</u>
Balance on December 31, 2021	\$ <u>1,022,183</u>

On October 31, 2006, the Company leased from the Taichung Harbor Bureau, Ministry of Transportation and Communications ("THB") a 247.298 square meter lot in a special petrochemical industry zone in Taichung to develop wharf areas called wests 8 and 9, and construct warehouse facilities and public roads. The main provisions of the lease agreement were as follows:

- (i) The lease term for the land in a special industrial zone is 20 years, and the agreement is renewable until the total lease reaches 50 years.
- (ii) The Company can sublease the land, and it can also develop wests 8 and 9 of the wharf area, as well as construct warehouse facilities and public roads on behalf of THB. The Company can use its capital expenses for the construction as rentals in advance. However, once the lease term ends or the agreement is early terminated, all the titles to the facilities and improvements on the leased land should be transferred to THB.

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The Company used its expenditures of \$1,500,481 thousand for the construction of wests 8 and 9 of Taichung Harbor as rentals until March 20, 2034. The long-term prepayments for lease should be amortized over its rent free periods.

(j) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are held as right-of-use assets, as well as properties that are owned by the Company. The leases of investment properties contain an initial non-cancellable lease term of 1 to 50 years.

The Company for the Investment property were as follows:

		Own assets		Right-of-use assets	
	Completed Investment Property	Investment Property under Construction	Undeveloped Investment Property	Other	Total
Costs:					
Balance on January 1, 2022	\$ 11,156,185	14,321,265	16,880,889	3,778	42,362,117
Additions	25,702	2,249,260	-	-	2,274,962
Disposals	-	-	(34,044)	-	(34,044)
Reclassification	5,101,635	(4,822,940)	(364,114)	-	(85,419)
Balance on December 31, 2022	<u>\$ 16,283,522</u>	<u>11,747,585</u>	<u>16,482,731</u>	<u>3,778</u>	<u>44,517,616</u>
Balance on January 1, 2021	\$ 10,985,666	11,226,090	16,965,148	3,778	39,180,682
Additions	170,519	3,095,175	-	-	3,265,694
Disposals	-	-	(84,259)	-	(84,259)
Balance on December 31, 2021	<u>\$ 11,156,185</u>	<u>14,321,265</u>	<u>16,880,889</u>	<u>3,778</u>	<u>42,362,117</u>
Amortization and Impairment Loss:					
Balance on January 1, 2022	\$ 472,783	114,024	607,646	3,358	1,197,811
Depreciation	109,496	16,400	-	420	126,316
Balance on December 31, 2022	<u>\$ 582,279</u>	<u>130,424</u>	<u>607,646</u>	<u>3,778</u>	<u>1,324,127</u>
Balance on January 1, 2021	\$ 380,439	96,344	607,646	2,098	1,086,527
Depreciation	92,344	17,680	-	1,260	111,284
Balance on December 31, 2021	<u>\$ 472,783</u>	<u>114,024</u>	<u>607,646</u>	<u>3,358</u>	<u>1,197,811</u>
Balance on December 31, 2022	<u>\$ 15,701,243</u>	<u>11,617,161</u>	<u>15,875,085</u>	<u>-</u>	<u>43,193,489</u>
Balance on January 1, 2021	<u>\$ 10,605,227</u>	<u>11,129,746</u>	<u>16,357,502</u>	<u>1,680</u>	<u>38,094,155</u>
Balance on December 31, 2021	<u>\$ 10,683,402</u>	<u>14,207,241</u>	<u>16,273,243</u>	<u>420</u>	<u>41,164,306</u>
Fair value:					
Balance on December 31, 2022					<u>\$ 119,725,243</u>
Balance on December 31, 2021					<u>\$ 111,112,061</u>

Completed investment property are located in C3/C6/C7/C8/C9 in the Nangang Economic and Trade Park, and the Corporation leased land use right to others.

(i) The main provisions of the C6/C7/C8/C9 contract on the pledging of land use rights were as follows:

1) Land use rights are for 50 years from the date of registration of these rights.

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TAIWAN FERTILIZER CO., LTD.

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- 2) The land use rights (accounted for as deferred income-current and noncurrent) amounted to \$3,200,889 thousand, which has been treated as royalty revenue (accounted for as operating revenue) amortizable over 50 years from June 13, 2006. As of December 31, 2022 and 2021, the unamortized balances of the land used rights under above mentioned contract were \$2,141,928 and \$2,205,946 thousand, respectively.
 - 3) In addition to the land use right, the annual rental payable by the lessee is 8% of the reference land price announced by the local government, with the calculation starting from the contract date. When the reference land price is adjusted, the annual rental will be revised at the percentage the same as that set on the date of the reference price adjustment. The annual rentals in 2022 and 2021 were \$350,289 and \$339,220 thousand, respectively.
- (ii) On September 15, 2015, the Corporation signed with CTBC Life Insurance Co., Ltd. and Taiwan Life Insurance Co., Ltd. (together, the “lessees”) separate contracts for these two insurance companies to have the rights to use land located in C3 in the Nangang Economic and Trade Park. The main provisions of these contracts are as follows:
- 1) Land use rights (LURs) are valid for 45 years from the date of the registration of these rights.
 - 2) The LURs (accounted for as deferred income - current and noncurrent) amounted to \$14,288,705 thousand, which has been treated as royalty revenue (under operating revenue) amortizable over 45 years from December 10, 2015. As of December 31, 2022 and 2021, the unamortized balance of the LURs were \$12,048,377 and \$12,365,904 thousand, respectively.
 - 3) In addition to the LURs, the annual rental payable by the lessees is 0.8% of the reference land price announced by the local government, with the calculation starting from the registration date. When the reference land price is adjusted, the annual rental will be revised at the same percentage as the rate of the reference price adjustment. The lessees’ annual rental in 2022 and 2021 were both \$48,498 and \$46,754 thousand.
 - 4) After nine years and six months from the registration date, the lessees have within six months to extend the validity period for the land use rights to another 40 years by giving a written notice to the Corporation. With this extension, the entire validity period of the LURs will be 85 years, and the lessees should pay an additional one-time royalty of \$15,000,000 thousand.
 - 5) Under the contract, the lessees provided the Taiwan Government Bond A02105 and A03114 as collaterals; the fair values of these bonds were as follow:

	The Taiwan Government Bond A02105	The Taiwan Government Bond A03114
Balance on December 31, 2022	\$ <u>1,043,155</u>	<u>1,538,300</u>
Balance on December 31, 2021	\$ <u>1,190,636</u>	<u>1,686,989</u>
Balance on January 1, 2021	\$ <u>1,211,269</u>	<u>1,760,699</u>

(Continued)

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Notes to Financial Statements

- (iii) The main provisions of the D6 contract on the pledging of land use rights were as follows:
- 1) Land use rights (LURs) are valid for 70 years from the date of the registration of these rights.
 - 2) The LURs (accounted for as deferred income current and noncurrent) amounted to \$2,705,714 thousand, which has been treated as royalty revenue (accounted for as operating revenue) amortizable over 70 years from February 10, 2022. As of December 31, 2022, the unamortized balance of the LURs were \$2,670,282 thousand, respectively.
 - 3) In addition to the LURs, the rental payable by the lessees is 0.8% of the reference land price announced by the local government, with the calculation starting from the registration date. When the reference land price is adjusted, the annual rental will be revised at the same percentage as the rate of the reference price adjustment. The annual rentals in 2022 were \$2,210 thousand.
 - 4) The lessees shall deliver a written notice to the Company no less than three years prior to the expiration of the existing lease term to exercise the extension option.
- (iv) Investment properties under construction are located in Hsinchu City and Hualien City and included land for the “C2 Tourist Hotel Project” and “Commercial Building Project” in the Nangang Economic and Trade Park. The C2 Tourist Hotel Project was won by the Grand Hi Lai Hotel Co., Ltd. and the Caesar Park Hotel Co., Ltd., who both signed a front-end agreement (FEA) on December 31, 2013, with the contract for C2 Tourist Hotel Project signed under lease agreement with the Grand Hi Lai Hotel Co., Ltd. For the development of the C2 Tourist Hotel, the Company intended to make a termination agreement with Caesar Park Hotel Co., Ltd., and the intention was approved during the board meeting of the Company held on May 28, 2019. The related termination procedures were still in progress.

In addition, the bid for the C2 Commercial Building Project was won by Dung Jeng Investment Counsel Co., Ltd. (“Dung Jeng”), in which the Company will construct a building and parking space for Dung Jeng. The lease contract was signed on January 30, 2015, with a lease period of 20 years from the completion of the building and parking space. The Company intended to make a termination agreement with the Dung Jeng Investment Co., Ltd., and the intention was approved during the board meeting of the Company held on May 28, 2019. For the related termination procedures, please refers to note 9.

The construction licenses for C2 Hotel and Commercial Building Projects have been obtained, wherein they are allowed to engage in engineering works such as steel structure and curtain wall, at a total investment amount of \$2,230,867 thousand, of which, the amount of \$10,409,960 thousand had been currently invested. The Commercial Building of C2-B was completed and transfer to Completed Investment Property in 2022.

The fair value of investment properties (as measured or disclosed in the consolidated financial statements) was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The inputs of levels of fair value hierarchy in determining the fair value was classified to Level 3.

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Notes to Financial Statements

The fair values of investment properties were assessed as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
C6/C7/C8/C9	\$ <u>26,367,866</u>	<u>26,089,333</u>
C2	\$ <u>22,140,611</u>	<u>20,730,381</u>
C3	\$ <u>38,699,707</u>	<u>36,563,684</u>
Hsinchu	\$ <u>10,051,593</u>	<u>8,645,318</u>
Kaohsiung	\$ <u>22,465,466</u>	<u>19,083,345</u>

The fair values were based on the valuations carried out at March 10, 2022 and March 31, 2021 by independent qualified professional valuer.

The fair value is measured at market value, mainly use the comparison approach and land development analysis approach to determine the value of the investment property. The weight is 50/50. The significant key assumption of the development profit margin intervals was as follows:

<u>Area</u>	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
C6/C7/C8/C9	18%	18%
C2	18%	18%
C3	18%	18%
HsinChu	18%	18%
KaoHsiung	17%	17%

The other investment properties held by the Corporation are mainly located in different industrial zones. They have no quoted prices in an active market and there was no alternative basis for estimating their fair values. Thus, the fair values of the investment properties were not reliably determinable.

As of December 31, 2022 and 2021 investment properties were not pledged as collateral.

(k) Operating leases

The Company leases out its investment property and some machinery. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(j) sets out information about the operating leases of investment property.

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A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2022	December 31, 2021
Less than one year	\$ 1,214,397	1,012,483
One to two years	1,172,396	935,618
Two to three years	1,145,731	876,952
Three to four years	1,141,919	864,128
Four to five years	1,097,956	859,455
More than five years	<u>13,375,256</u>	<u>13,449,154</u>
Total undiscounted lease payments	<u>\$ 19,147,655</u>	<u>17,997,790</u>

For the years ended December 31, 2022 and 2021, the property rental income was \$1,158,101 and \$822,551 thousand, respectively. There were no significant property equipment and maintenance expenses.

(l) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at and fair value are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ 415,320	464,419
Fair value of plan assets	<u>(302,656)</u>	<u>(327,807)</u>
	112,664	136,612
The effect of the asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liabilities	<u>\$ 112,664</u>	<u>136,612</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits 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.

1) Composition of plan assets

The Company set aside 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 Bureau of Labor Funds, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

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Notes to Financial Statements

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$302,656 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 Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Defined benefit obligation, January 1	\$ 464,419	507,524
Current service costs and interest	14,821	14,878
Re-measurement of the net defined benefit liability		
— Actuarial (losses) gains arose from changes in demographic assumptions	-	771
— Actuarial gains arose from changes in financial assumption	(13,714)	(11,721)
— Experience adjustment	19,439	20,720
Benefits paid	(69,645)	(67,753)
Defined benefit obligation, December 31	<u><u>\$ 415,320</u></u>	<u><u>464,419</u></u>

3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Fair value of plan assets, January 1	\$ 327,807	376,205
Interests revenue	1,976	863
Re-measurement of the net defined benefit liability		
— Experience adjustment	27,161	5,922
Contributions paid by the employer	15,243	12,570
Benefits paid	(69,531)	(67,753)
Fair value of plan assets, December 31	<u><u>\$ 302,656</u></u>	<u><u>327,807</u></u>

4) Movements in the fair value of plan assets : None

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5) Expenses recognized in profit or loss

The Company's pension expenses recognized in profit or loss for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Current service cost	\$ 11,997	13,707
Net interest of net liabilities for defined benefit obligations	848	308
	\$ 12,845	14,015
Operating costs	\$ 8,687	9,339
Operating expenses	4,158	4,676
	\$ 12,845	14,015

6) Re-measurement of net defined benefit liability recognized in other comprehensive income

The Company's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Cumulative amount, January 1	\$ 132,167	129,089
Recognized during the year	(17,149)	3,078
Cumulative amount, December 31	\$ 115,018	132,167

7) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2022.12.31	2021.12.31
Discount rate	1.20 %	0.65 %
Future salary increases	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 \$9,500 thousand.

The weighted-average duration of the defined benefit plan is 5 year.

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8) Sensitivity Analysis

As of December 31, 2022 and 2021, the changes in the principal actuarial assumptions will impact on the present value of defined benefit obligation as follows:

	Impact on the present value of defined benefit obligation	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2022		
Discount rate	(5,952)	6,126
Future salary increase rate	6,092	(5,950)
December 31, 2021		
Discount rate	(7,138)	7,353
Future salary increase rate	7,273	(7,097)

The sensitivity analysis assumed all other variables remain constant during the measurement. This may not be representative of the actual change in defined benefit obligation as some of the variables may be correlated in the actual situation. The model used in the sensitivity analysis is the same as the defined benefit obligation liability.

The analysis is performed on the same basis for prior year.

(ii) Defined contribution plans

The Company contributes an amount at the rate of 6% of the employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance and Council of Labor Affairs in R.O.C. in accordance with the provisions of the Labor Pension Act. The Company's contributions to the Bureau of the Labor Insurance and Social Security Bureau for the employees' pension benefits require no further payment of additional legal or constructive obligations.

As of December 31, 2022 and 2021, the expense of defined contribution plans under Labor Pension Act was as follows:

	For the years ended December 31	
	2022	2021
Operating costs	\$ 12,570	11,383
Operating expenses	9,195	8,957
	\$ 21,765	20,340

The cost of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2022 and 2021 amounted to \$21,556 and \$20,352 thousand, respectively.

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(iii) Short-term employee benefits

	December 31, 2022	December 31, 2021
short term employee benefit liabilities	\$ 10,377	10,938

(m) Income tax

(i) The components of income tax in the years 2022 and 2021 were as follows:

	For the years ended December 31 2022	2021
Current income tax expense		
Current period incurred	\$ 1,139,023	332,344
Land value increment tax	24,605	52,892
Prior years income tax adjustment	(1,630)	5,559
	<u>1,161,998</u>	<u>390,795</u>
Deferred tax expense		
Origination and reversal of temporary differences	(566,859)	350,372
Land value increment tax	(7,708)	(19,676)
	<u>(574,567)</u>	<u>330,696</u>
Income tax expense	\$ 587,431	721,491

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

	For the years ended December 31 2022	2021
Items that will not be reclassified to profit or loss:		
Remeasurements effects of defined benefit plans	\$ 4,287	(770)
Items that may be reclassified subsequently to profit and loss:		
Foreign currency translation differences for foreign operations	\$ 229,875	(55,283)

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Reconciliation of income tax and for 2022 and 2021 as follows:

	For the years ended December 31	
	2022	2021
Profit excluding income tax	\$ 3,257,080	3,756,107
Income tax using the Company's domestic tax rate	651,416	751,221
Investment income of equity method	(37,319)	(15,676)
Non-deductible income tax	519	342
Tax-exempt income	(32,764)	(54,739)
Land value increment tax	16,897	33,217
Overestimate and underestimate of previously income tax	(1,630)	5,559
Others	(9,688)	1,567
Income tax expense	<u>\$ 587,431</u>	<u>721,491</u>

(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

Deferred tax liabilities:

	Land value increment tax	Investment income recognized under the equity method	Exchange difference on the translation of foreign operations	Others	Total
Balance on January 1, 2022	\$ 6,274,708	1,073,602	72,592	28,818	7,449,720
Recognized in profit or loss	(7,708)	(587,636)	-	37,888	(557,456)
Recognized in other comprehensive income	-	-	73,076	-	73,076
Balance on December 31, 2022	<u>\$ 6,267,000</u>	<u>485,966</u>	<u>145,668</u>	<u>66,706</u>	<u>6,965,340</u>
Balance on January 1, 2021	\$ 6,294,384	711,301	72,592	26,447	7,104,724
Recognized in profit or loss	(19,676)	362,301	-	2,371	344,996
Balance on December 31, 2021	<u>\$ 6,274,708</u>	<u>1,073,602</u>	<u>72,592</u>	<u>28,818</u>	<u>7,449,720</u>

Deferred tax assets:

	Unamortized manufacturing costs	Defined benefit obligation	Impairment loss on assets	Exchange difference on the translation of foreign operations	Others	Total
Balance on January 1, 2022	\$ 66,386	32,170	73,150	156,950	27,267	355,923
Recognized in profit or loss	(4,811)	-	(3,711)	-	25,633	17,111
Recognized in other comprehensive income	-	(4,287)	-	(156,799)	-	(161,086)
Balance on December 31, 2022	<u>\$ 61,575</u>	<u>27,883</u>	<u>69,439</u>	<u>151</u>	<u>52,900</u>	<u>211,948</u>
Balance on January 1, 2021	\$ 66,159	31,400	63,456	101,667	22,888	285,570
Recognized in profit or loss	227	-	9,694	-	4,379	14,300
Recognized in other comprehensive income	-	770	-	55,283	-	56,053
Balance on December 31, 2021	<u>\$ 66,386</u>	<u>32,170</u>	<u>73,150</u>	<u>156,950</u>	<u>27,267</u>	<u>355,923</u>

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Notes to Financial Statements

- (iii) The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(n) Share capital and other interests

(i) Share capital

As of December 31, 2022 and 2021, the authorized capital of the Company amounting to \$9,800,000 with par value of \$10 per share. The paid in capital was \$9,800,000 thousands, and the capital that rose from the shares had all been retrieved.

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Treasury share transactions	\$ 2,187,988	2,187,988
Donations	44,803	44,803
Others	12,365	11,861
	<u>\$ 2,245,156</u>	<u>2,244,652</u>

In accordance with Amended Companies Act 2012, realized capital reserves can only be capitalized or distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with Securities Offering and Issuance Guidelines, the amount of capital reserves that can be capitalized shall not exceed 10 percent of the actual share capital amount.

(iii) Retained earnings

Under the dividend policy as set forth in the Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders.

To determine dividend amounts, the Corporation should take into account the diversity of its business, cycles of the industry, and capital demand in relation to specific products and services. To balance business development and shareholders' welfare, the cash dividend should not be less than 10% of total annual dividends, unless there is any capital demand due to essential investment plan, change in financial position, business operation, extension of capacity or any other capital expenditure and should be approved in the shareholders' meetings.

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1) Legal reserve

If the Company earned a profit for the year, the meeting of shareholders decides on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash, and the distribution is limited to the portion of legal reserve which exceeds 25 percent of the actual share capital.

2) Special reserve

The Company implemented the optional exemptions under IFRS 1 "First-time Adoption of International Financial Reporting Standards" when adopting the International Financial Reporting Standards at first time. The increase in retained earnings resulting from the unrealized revaluation increments, cumulative translation adjustment and the revaluation increments in the transfer from fix assets to investment property was \$32,114,341 thousand. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, the same amount of the increasing earnings shall be reclassified to special earnings reserve. If a certain proportion of the asset has been disposed or reclassified, the same proportion of special earnings reserve equivalent to that of the asset, which has been disposed or reclassified, has to be transferred back to its earnings. Such special earnings reserve has to have the same amount with the one that was initially being reclassified to its special earnings reserve. The balance of such special earnings reserve amounted to \$30,297,377 and \$30,329,991 thousand as of December 31, 2022 and 2021, respectively.

In accordance with the aforesaid Ruling, a special reserve is set aside from the current year's net income after tax and prior year's undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The appropriations of earnings for 2021 and 2020 had been approved in the shareholders' meeting on June 29, 2022 and July 28, 2021, respectively. These earnings were appropriated as follows:

	2021		2020	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 2.80	<u>2,744,000</u>	2.30	<u>2,254,000</u>

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On March 8, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	For the year ended December 31	
	2022	
	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 2.5	<u><u>2,450,000</u></u>

(iv) Other equity accounts (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2022	\$ (685,594)	2,901,504	2,215,910
Exchange differences on subsidiaries accounted for using equity method	913,362	-	913,362
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	(417,138)	(417,138)
Balance on December 31, 2022	<u><u>\$ 227,768</u></u>	<u><u>2,484,366</u></u>	<u><u>2,712,134</u></u>
Balance on January 1, 2021	\$ (462,640)	2,113,808	1,651,168
Exchange differences on subsidiaries accounted for using equity method	(222,954)	-	(222,954)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	775,903	775,903
Cumulative gains (losses) reclassified to profit or loss on disposal of investments in debt instrument at fair value through other comprehensive income	-	11,793	11,793
Balance on December 31, 2021	<u><u>\$ (685,594)</u></u>	<u><u>2,901,504</u></u>	<u><u>2,215,910</u></u>

(o) Earnings per share

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

	For the years ended December 31	
	2022	2021
Basic earnings per share		
Profit attributable to ordinary shareholders	<u><u>\$ 2,669,649</u></u>	<u><u>3,034,616</u></u>
Weighted average number of ordinary shares	<u><u>980,000</u></u>	<u><u>980,000</u></u>
	<u><u>\$ 2.72</u></u>	<u><u>3.10</u></u>

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TAIWAN FERTILIZER CO., LTD.
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	For the years ended December 31	
	2022	2021
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	\$ <u>2,669,649</u>	<u>3,034,616</u>
Weighted average number of ordinary shares	980,000	980,000
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>1,803</u>	<u>1,651</u>
Weighted average number of ordinary shares (diluted)	<u>981,803</u>	<u>981,651</u>
	\$ <u><u>2.72</u></u>	<u><u>3.09</u></u>

(p) Revenue from contracts with customers

(i) Details of revenue

The details of revenue were as follows:

	For the years ended December 31	
	2022	2021
Revenue from contracts with customers	\$ 12,002,254	11,205,406
Revenue from investment properties	2,020,551	1,706,031
Other operating revenue	<u>241,951</u>	<u>163,356</u>
	\$ <u><u>14,264,756</u></u>	<u><u>13,074,793</u></u>

(ii) Disaggregation of revenue

	For the year ended December 31, 2022			
	Fertilizers and other chemical products	Real estate property and investment	Others	Total
Primary geographical markets				
Taiwan	\$ 10,091,745	2,020,551	241,951	12,354,247
Middle East	838,297	-	-	838,297
Others	<u>1,072,212</u>	<u>-</u>	<u>-</u>	<u>1,072,212</u>
	\$ <u><u>12,002,254</u></u>	<u><u>2,020,551</u></u>	<u><u>241,951</u></u>	<u><u>14,264,756</u></u>
Major products/services lines				
Fertilizers and other chemical products	\$ 12,002,254	-	-	12,002,254
Lease	-	2,020,551	-	2,020,551
Others	<u>-</u>	<u>-</u>	<u>241,951</u>	<u>241,951</u>
	\$ <u><u>12,002,254</u></u>	<u><u>2,020,551</u></u>	<u><u>241,951</u></u>	<u><u>14,264,756</u></u>

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For the year ended December 31, 2021				
	Fertilizers and other chemical products	Real estate property and investment	Others	Total
Primary geographical markets				
Taiwan	\$ 8,643,195	1,706,031	163,356	10,512,582
Middle East	1,581,375	-	-	1,581,375
Others	980,836	-	-	980,836
	<u>\$ 11,205,406</u>	<u>1,706,031</u>	<u>163,356</u>	<u>13,074,793</u>
Major products/services lines				
Fertilizers and other chemical products	\$ 11,205,406	-	-	11,205,406
Lease	-	1,706,031	-	1,706,031
Others	-	-	163,356	163,356
	<u>\$ 11,205,406</u>	<u>1,706,031</u>	<u>163,356</u>	<u>13,074,793</u>
(iii) Contract balances				
	December 31, 2022	December 31, 2021	January 1, 2021	
Accounts receivable	\$ 1,021,732	1,924,866	764,351	
Less: allowance for impairment	(209)	(209)	-	
Total	<u>\$ 1,021,523</u>	<u>1,924,657</u>	<u>764,351</u>	
Contract liabilities-Chemical fertilizers product	<u>\$ 173,110</u>	<u>139,704</u>	<u>83,449</u>	

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

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were \$132,494 and \$75,881 thousand.

(q) Remuneration to employees, directors and supervisors

In accordance with the articles of incorporation the Company should contribute no less than 2.4% of the profit as employee compensation and less than 1.6% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

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For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$81,427 and \$93,903 thousand, and directors' remuneration amounting to \$54,285 and \$62,602 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2022 and 2021. The numbers of shares to be distributed for 2022 and 2021 were calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors.

If there remunerations change after the board meeting, and the changes will based on accounting estimates. The impact of those changes will recognize in the following period.

There was no difference of Employee compensation and directors' remuneration between the amounts recognized on financial statements and actual distributed amount.

Information on remuneration to employees and directors resolved by the Corporation's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

(r) Non operating income and expenses

(i) Interest income

The details of interest income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Interest income - bank deposits	\$ 29,425	9,363
Other interest income	1,730	4,699
	\$ 31,155	14,062

(ii) Other income

The details of other income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Dividends	\$ 99,567	54,585
Others	12,454	48,114
	\$ 112,021	102,699

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Notes to Financial Statements

(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Gain (loss) on disposal of property, plant and equipment	\$ 103	(11,205)
Gain on disposal of investment properties	62,997	216,741
Net foreign exchange gain and (loss)	79,622	(28,927)
Gain on financial assets at fair value through profit or loss	1,317	2,365
Impairment loss	-	(29,913)
Compensation	(17,708)	(18,556)
Others	(19,028)	(23,810)
	\$ 107,303	106,695

(iv) Finance costs

The details of finance costs for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Bank interest expense	\$ 557	-
Lease interest	2,474	3,030
	\$ 3,031	3,030

(s) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the Company's maximum credit exposure.

2) Credit risk concentrations

The clients of the Company are widely spread and unrelated; thus, credit risk is limited.

3) Receivables and debt securities

For credit risk exposure of notes and trade receivables, please refer to note 6(d).

Other financial assets at amortized cost includes other receivables, investments in government bonds, corporate bonds and time deposits

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TAIWAN FERTILIZER CO., LTD.

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Debt investments at fair value through other comprehensive income include government bonds, listed and unlisted debt securities.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses.

The movement in the allowance for impairment during the years ended December 31, 2022 and 2021, please refer to note 6(d) and 6(e).

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payment and the impact of netting agreements.

	<u>Carrying amount</u>	<u>1-3 months</u>	<u>1-5 years</u>	<u>More than 5 years</u>
December 31, 2022				
Non-derivative financial liabilities				
Noninterestbearing liabilities	\$ 2,095,078	1,727,225	367,853	-
Lease liabilities	<u>113,186</u>	<u>29,527</u>	<u>83,659</u>	<u>-</u>
	<u>\$ 2,208,264</u>	<u>1,756,752</u>	<u>451,512</u>	<u>-</u>
December 31, 2021				
Non-derivative financial liabilities				
Noninterestbearing liabilities	\$ 3,318,194	2,991,235	326,959	-
Lease liabilities	<u>143,253</u>	<u>30,068</u>	<u>113,185</u>	<u>-</u>
	<u>\$ 3,461,447</u>	<u>3,021,303</u>	<u>440,144</u>	<u>-</u>

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

(iii) Market risk

1) Currency risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payment and the impact of netting agreements.

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 32,208	30.71	989,043	38,169	27.69	1,056,900
<u>Non-monetary items</u>						
Investments accounted for using equity						
SAR : NTD	1,150,464	8.19	9,420,043	1,457,179	7.38	10,758,806
USD : NTD	1,195	30.71	36,698	1,179	27.69	32,647

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TAIWAN FERTILIZER CO., LTD.
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	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	20,770	30.71	637,805	56,981	27.69	1,577,812

2) Sensitivity analysis

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, loans, accounts payable and other payables that are denominated in foreign currency. A 10% of appreciation of each major foreign currency against the Company's functional currency as of December 31, 2022 and 2021 would have increased or decreased the before tax net income by \$28,099 and \$(41,672) thousand, respectively. The analysis is performed on the same basis for both periods.

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2022 and 2021, the foreign exchange losses, including both realized and unrealized, amounted to 79,622 and (28,927) thousand, respectively.

(iv) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note of liquidity risk management.

The sensitivity analysis below is based on the exposure to equity price risks at the end of the reporting period. For floating-rate liabilities, the analysis is based on the assumption that the amount of liabilities outstanding on the reporting date is circulated throughout the year.

If interest rates had been 1 basis point higher/lower and all other variables were held constant, the Corporation's pre-tax (loss) profit for the years ended December 31, 2022 and 2021 would decrease/increase by \$0 due to the Company's cash and cash equivalents balances which exceeds its loan amount.

(v) Other price risk

If the stock price changes at the reporting date, the changes in other comprehensive income of the Company are estimated as follows: (The analysis was made on the same basis for both periods, assuming that all other variables remain constant and any impact to forecasted sales and purchases was ignored):

	For the years ended December 31			
	2022		2021	
Equity price at the end of the reporting period	Comprehensive Income (Loss)(net of tax)	Net Income (Loss) (net of tax)	Comprehensive Income (Loss)(net of tax)	Net Income (Loss) (net of tax)
Increase 5%	\$ 156,811	3,200	178,343	2,400
Decrease 5%	\$ (156,811)	(3,200)	(178,343)	(2,400)

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TAIWAN FERTILIZER CO., LTD.

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(vi) Fair value of financial instruments

1) Categories and fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income (available for sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Company's 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 for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 80,002	80,002	-	-	80,002
Financial assets at fair value through other comprehensive income					
Domestic stocks in listed companies	\$ 95,464	95,464	-	-	95,464
Unquoted equity instruments at fair value	3,040,760	-	-	3,040,760	3,040,760
Total	3,136,224	95,464	-	3,040,760	3,136,224
Financial assets measured at amortized cost					
Cash and cash equivalents	2,303,245	-	-	-	-
Other financial assets (including non-current)	273,364	-	-	-	-
Notes receivable and accounts receivables	1,021,523	-	-	-	-
Other receivables (including long-term)	1,415,765	-	-	-	-
Refundable deposit	24,100	-	-	-	-
Total	5,037,997	-	-	-	-
Total	<u>\$ 8,254,223</u>	<u>175,466</u>	<u>-</u>	<u>3,040,760</u>	<u>3,216,226</u>
Financial liabilities at amortized cost					
Notes and accounts payable	\$ 897,383	-	-	-	-
Other payables	829,842	-	-	-	-
Lease liabilities (including non-current)	108,868	-	-	-	-
Refundable deposit	367,853	-	-	-	-
Total	2,203,946	-	-	-	-
Total	<u>\$ 2,203,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Notes to Financial Statements

	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 60,009	60,009	-	-	60,009
Financial assets at fair value through other comprehensive income					
Domestic stocks in listed companies	\$ 127,059	127,059	-	-	127,059
Unquoted equity instruments at fair value	3,439,803	-	-	3,439,803	3,439,803
Total	3,566,862	127,059	-	3,439,803	3,566,862
Financial assets measured at amortized cost					
Cash and cash equivalents	1,917,886	-	-	-	-
Other financial assets (including non-current)	227,628	-	-	-	-
Notes receivable and accounts receivables	1,924,657	-	-	-	-
Other receivables (including long-term)	94,797	-	-	-	-
Refundable deposit	31,436	-	-	-	-
Total	4,196,404	-	-	-	-
Total	<u>\$ 7,823,275</u>	<u>187,068</u>	<u>-</u>	<u>3,439,803</u>	<u>3,626,871</u>
Financial liabilities at amortized cost					
Notes and accounts payable	\$ 2,282,847	-	-	-	-
Other payables	708,388	-	-	-	-
Lease liabilities (including non-current)	136,462	-	-	-	-
Refundable deposit	326,959	-	-	-	-
Total	3,454,656	-	-	-	-
Total	<u>\$ 3,454,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

a) Financial assets measured at amortized cost (held to maturity financial assets)

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

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- b) Financial assets measured at amortized cost (debt investment that has no active markets) and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

- 3) Valuation techniques for financial instruments measured at fair value:

- a) Non-derivative financial instruments

When a financial instrument is regarded as quoted in an active market, the quoted prices in an active market will be the fair value. The market prices from the main exchanges and government bond exchanges are the basis of the fair value of OTC equity instruments and debt instruments which have a quoted market price in an active market.

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. 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.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

If the financial instruments held by the Company do not belong to active markets, the category and nature of the fair value are as follows:

- Equity investments without an active market: The fair value is assessed by market comparison approach. The main assumption is measured from the retained earnings multiplier as the basis.

- 4) Transfers between Level 1 and Level 2

There were no transfers in either direction in 2022 and 2021.

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5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	<u>Unquoted equity instruments</u>
Opening balance, January 1, 2022	\$ 3,439,803
Total gains and losses recognized:	
In other comprehensive income	(385,543)
Capital reduction by capitak stock return	(13,500)
Ending Balance, December 31, 2022	<u>\$ 3,040,760</u>
Opening balance, January 1, 2021	\$ 2,712,178
Total gains and losses recognized:	
In other comprehensive income	773,203
Disposal and liquidation	(13,658)
Capital reduction by capitak stock return	(31,920)
Ending Balance, December 31, 2021	<u>\$ 3,439,803</u>

For the years ended December 31, 2022 and 2021, total gains and losses that were included in “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
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”	\$ (385,543)	773,203

6) 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 – debt investments” and “fair value through other comprehensive income (available-for-sale financial assets) – equity investments”.

The Company most fair value is categorized to Level 3 with single significant unobservable input. The equity investments without an active market has duplicate unobservable inputs. The unobservable inputs of the equity investments without an active market are independent, so there is no correlation to others.

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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 profit or loss- equity investments without an active market	Comparable transaction method	·The multiplier of price-to-sales ratio (As of December 31, 2022 and December 31, 2021, were 1.53~4.86 and 2.10~5.37) ·The multiplier of price-to-book ratio (As of December 31, 2022 and December 31, 2021, were 1.52 and 1.81) ·The multiplier of price-to-earning ratio (As of December 31, 2022 and December 31, 2021, were 20.58 and 15.2) ·Market illiquidity discount (As of December 31, 2022 and December 31, 2021, were 10%~33% and 10%~33%)	The estimated fair value would increase (decrease) if: ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Net Asset Value Method	·Net Asset Value	Not applicable

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

The Company's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results.

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

		Fluctuation in inputs	Profit or loss		Other comprehensive income	
	Inputs		Favour- able	Unfavour- able	Favour- able	Unfavour- able
December 31, 2022						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Market illiquidity discount	±1%	-	-	29,004	(28,997)
December 31, 2021						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-earnings ratio	±1%	-	-	33,164	(33,160)

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The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(t) Financial risk management

(i) Overview

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks.

(ii) Risk management framework

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(iii) Credit risk

Credit risk means the potential loss of the Company if the counterparty involved in that transaction defaults. The primary potential credit risk is from financial instruments like accounts receivable and equity securities.

1) Accounts receivables and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the current deteriorating economic circumstances.

The Company establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables. The two components of this impairment allowance are specific loss component that relates to individually significant exposure and collective loss component which the loss was incurred but not identified. The collective component is based on historical payment experience of similar financial assets.

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2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. As the Company deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, management believes that the Company does not have compliance issues and no significant credit risk.

3) Guarantees

As of December 31, 2022 and 2021, the endorsement guarantee provided by the Company to individual entities of joint ventures, please refer to Note 7.

(iv) Liquidity risk

Liquidity risk is a risk that the Company is unable to meet 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 much as possible, that it always have 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.

(v) Market risk

Market risk is a 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, purchases and borrowings that are denominated in a currency. The currencies used in these transactions are denominated in USD, EUR, JPY, and RMB.

The exchange gains or losses of trade receivables in foreign currencies resulting from the changes in exchange rates are offset against the exchange losses or gains of short-term borrowings in foreign currencies; thus, the exposure to foreign currency risk is insignificant.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances.

The investments of other subsidiaries of the Company are not for hedging.

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2) Interest rate risk

The Company's interest rate risk arises from short-term and long-term loans bearing floating interest rates. Future cash flow will be affected by a change in market interest rate.

3) Other market risk

The Company does not enter into any commodity contracts other than to meet its expected usage and sales requirements; such contracts are not settled on a net basis.

(u) Capital management

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, return capital to shareholders, and issue new shares or sell assets to reduce debts.

The Company manages capital by the debt to equity ratio. Such ratio is calculated as net liabilities divided by total capital. Net liabilities represent the total amount of liabilities on the balance sheet minus cash and cash equivalents. The total amount of capital represents all the equity components (share capital, capital surplus, retained earnings, and other equity) plus net liabilities.

The Company's debt to equity ratios at the balance sheet date were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 27,360,038	26,228,935
Less: cash and cash equivalents	<u>(2,303,245)</u>	<u>(1,917,886)</u>
Net debt	25,056,793	24,311,049
Total capital	<u>53,060,996</u>	<u>52,627,860</u>
Adjusted capital	\$ 78,117,789	76,938,909
Debt to equity ratio	<u>32.08%</u>	<u>31.60%</u>

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

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021, were as follows:

	For the years ended December 31 2022	2021
Purchases of property, plant and equipment	\$ 221,796	340,638
Add: opening balances of equipment and construction payables	71,652	71,981
Deduction: closing balances of equipment and construction payables	<u>(76,163)</u>	<u>(71,652)</u>
	\$ 217,285	340,967

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Notes to Financial Statements

	For the years ended December 31	
	2022	2021
Purchases of investment property	\$ 2,274,962	3,265,694
Add: opening balances of equipment payables	-	-
Deduction: closing balances of equipment payables	(92,991)	-
	\$ 2,181,971	3,265,694

(7) Related-party transactions:

(a) Names and relationship with related parties

The following are entities that have had transactions with related parties and the Company's subsidiaries during the periods covered in the non consolidated financial statements.

Name of related party	Relationship with the Company
Al-Jubail Fertilizer Company	Equity-method investee
TR Electronic Chemical Co.,Ltd.	The Company's jointly controlled entity
TR Electronic Chemical (Kunshan) Ltd.	The Company's jointly controlled entity's subsidiary (Note 1)
TAIFER (CAMBODIA) Co., Ltd.	The Company's subsidiary
Taifer Chemicals International Inc.	"
Taiwan Yes Deep Ocean Water Co., Ltd.	"
PEIFENG Technology & Fertilizer Co., Ltd.	"
TAIFER (CAYMAN) INTERNATIONAL GROUP Co., Ltd.	"
TAIFER INTERNATIONAL (SAMOA) GROUP Co., Ltd.	"
TAIFER CHEMICAL INTERNATIONAL Co., Ltd.	"
Council of Agriculture, Executive Court, R.O.C.	Individuals are those entities in which the Company has significant influence
TAIWAN FERTILIZER Legal Foundation	Other related parties

Note 1: The bankruptcy of TR Electronic Chemical (Kunshan) Ltd. was declared by the court in China in September, 2017, and the relevant statutory procedures had been completed in August, 2020.

(Continued)

TAIWAN FERTILIZER CO., LTD.
Notes to Financial Statements

(b) Significant transactions with related parties

(i) Sale of Goods to Related Parties

The amounts of significant sales transactions and outstanding balances between the Company and related parties were as follows:

	For the years ended December 31	
	2022	2021
Subsidiaries	\$ <u>99,482</u>	<u>34,202</u>

Prices charged for sales transactions with associates were not significantly different from those of non related parties.

(ii) Purchase of Goods from Related Parties

The amounts of significant purchase transactions and outstanding balances between the Company and related parties were as follows:

	For the years ended December 31	
	2022	2021
Al-Jubail Fertilizer Company	\$ <u>950,977</u>	<u>1,830,706</u>

There were no significant differences between the terms and pricing of purchase transactions with related enterprises and those carried out with other normal vendors.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Account receivable	Subsidiaries	\$ 1,491	6,612
Account receivable	Joint ventrue	455	455
		\$ <u>1,946</u>	<u>7,067</u>

(iv) Payables from Related Parties

The payables from related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Account payable	Al-Jubail Fertilizer Company	\$ 587,300	1,592,501
Account payable	Subsidiaries	18,735	19,453
Other payable	Subsidiaries	16,278	11,582
Guarantee deposit	Subsidiaries	1,832	1,822
		\$ <u>624,145</u>	<u>1,625,358</u>

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

(v) Rent revenue

The Company leased its office building to its parent company in 2022 and 2021. The lease contract was based on the regional rent rate. For the years ended December 31, 2022 and 2021, the Company incurred the amounts of \$13,082 and \$13,082 thousand, respectively, resulting from its transaction with other related parties.

(vi) Outsourcing

The Company outsourced its subsidiary, PEIFENG Technology & Fertilizer Co., Ltd., to process fertilizer at an amount of \$244,150 and \$226,901 thousand, which was recognized as operating cost.

(vii) Others

- 1) TR Electronic Chemical Co., Ltd. (TR), a jointly controlled entity of the Corporation, had obtained a financing of US\$10,000 thousand from a bank, and the Corporation and Jing Chin International Limited Corporation, a shareholder of TR, guaranteed the repayment of this financing. When TR failed to make a repayment, the bank then requested the guarantors to repay the loan partially. Because the Corporation could only provide TR-in compliance with the “Regulations Governing the Granting of Loans and Endorsements and Guarantees by Public Companies” - with a limited amount of endorsement, the Corporation’s board approved the repayment of TR’s loan, as following.

<u>Due Date</u>	<u>Date of Repayment</u>	<u>Amount in USD</u>	<u>Amount in NTD</u>
March 27, 2014	June 27, 2014	\$ 4,570	144,641
April 26, 2015	April 24, 2015	3,300	102,610
March 27, 2016	March 31, 2016	2,147	70,026

Considering the weakening operating and repayment capability of TR, the Corporation recognized an impairment loss in 2015.

- 2) The bankruptcy of TR Electronic Chemical (Kunshan) Ltd., declared by the court in China in September 2017, was investigated, and the proposal of liquidated property distribution was announced publicly in mid August, 2018. In November 2018, the Kunshan Court of China reversed its decision and terminated the bankruptcy liquidation process of TR, with the approval of the Market Supervision Administrations of Kunshan in August 2020. Also, the investors of TR Electronic Chemical Co. Ltd., JIN QUN INTERNATIONAL CO., Ltd. and other six stockholders, institute the civil lawsuit with joint liquidation liability in Taipei District Court. The first instance was pronounced in December, 2018. However, the stockholders were not satisfied with the result and appealed for the second instance. The second instance was pronounced in January, 2019. However, the stockholders were not satisfied with the result and appealed for the third instance. In March 2020, the Taiwan High Court delivered the appeal to the Supreme Court. The third instance was pronounced the second instance failure in August 3, 2021, and was delivered the appeal to the Supreme Court for a new trial. The case is still in progress.

(Continued)

TAIWAN FERTILIZER CO., LTD.
Notes to Financial Statements

(c) Compensation of key management personnel

The compensation to directors and other key management personnel were as follows:

	For the years ended December 31	
	2022	2021
Salaries and other short-term employee benefits	\$ 78,471	86,576
Post-employment benefits	812	640
	<u><u>\$ 79,283</u></u>	<u><u>87,216</u></u>

(8) Pledged assets:

The information on pledged assets carrying value as follows:

Asset	Purpose of pledge	December 31, 2022	December 31, 2021
Other financial asset non-current	Guarantee for provisional attachment	<u><u>\$ 272,572</u></u>	<u><u>159,425</u></u>

(9) Commitments and contingencies:

(a) Significant commitments and contingencies

(i) Significant commitments and contingencies were as follows:

	December 31, 2022	December 31, 2021
Purchase real estate property	<u><u>\$ 137,287</u></u>	<u><u>106,579</u></u>
Purchase investment property	<u><u>\$ 1,724,201</u></u>	<u><u>2,323,906</u></u>

(ii) Unused standby letters of credit

	December 31, 2022	December 31, 2021
USD thousands	<u><u>\$ 8,294</u></u>	<u><u>41,130</u></u>

(iii) The Corporation had guarantee notes payable for its debt as follow:

	December 31, 2022	December 31, 2021
Guarantee notes payable	<u><u>\$ 8,215,540</u></u>	<u><u>11,306,840</u></u>

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

- (b) Partial commercial Building and parking lot's area of "C2 Tourist Hotel Project" and "Commercial Building Project" in the Nangang Economic and Trade Park have unsolved lease disputes with Dung Jeng Investment Counsel Co., Ltd. ("Dung Jeng"). Therefore, the above properties were ordered to be enforced and restricted in use by the District Court, including 6 floors, 50 parking lots and 799 parking lots in the basement to be leased out based on the order handed by the district court. A lawyer was appointed to carry out the legal proceedings of the re-protest and litigation. Regarding the litigation of this case, including 6 floors and 50 parking lots, the first instance ruled that the Company should deliver 50 parking lots, and dismissed the rest of the litigation of Dung Jeng. The Company will continue to appeal to the court of the second instance and temporarily suspend the external leasing operations of this restricted area. The case is still in progress. The deposit of the provisional injunction of Dung Jeng was estimated based on the process of the trial of about 4.5~5 years. The Company requested Dung Jeng to provide an advance deposit for the loss that will be incurred from the prohibition of the usage of the properties. According to the deposit ruling of the court, the provisional injunction will cause an estimated rental loss ranging from \$ 80,000 thousand to \$165,000 thousand. However, the actual loss of the Company may change depending on the outcome of the trial. Currently, the above loss will not have a significant impact on the financial and business operation of the Company. If the Company wins the case, it will claim for compensation for the rental loss, as well as the termination of the deposit ruling of the court.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

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

By item	For the years ended December 31					
	2022			2021		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 433,675	483,525	917,200	420,687	471,572	892,259
Health and labor insurance	37,110	23,962	61,072	35,800	24,025	59,825
Pension	21,257	13,353	34,610	20,722	13,633	34,355
Remuneration of directors	-	66,753	66,753	-	75,000	75,000
Others	30,673	14,916	45,589	19,642	12,849	32,491
Depreciation	962,783	49,840	1,012,623	960,517	50,591	1,011,108
Amortization	-	4,974	4,974	-	7,078	7,078

- (i) The depreciation of non-operating income and expenses of the Company in 2022 and 2021 were \$16,690 and \$17,970 thousand, respectively.

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

- (ii) The Company for the years ended December 31, 2022 and 2021 the information of the number of employees and employee benefit expense is as follows:

	2022	2021
Number of employees	<u>644</u>	<u>654</u>
Number of directors who were not employees	<u>8</u>	<u>8</u>
The average employee benefit	<u>\$ 1,664</u>	<u>1,577</u>
The average salaries and wages	<u>\$ 1,442</u>	<u>1,381</u>
Percentage of average employee salary expense	<u>4.42 %</u>	

The remuneration policy for directors

The remuneration policy for directors is clearly set in the Company's articles of association, which stipulates that the remuneration to the chairman shall be 1.25 times the income received by the general manager. The remuneration to the remaining directors and independent directors shall not exceed the highest salary of the Company's employees. The surplus distribution to directors shall not exceed 1.6% of the Company's profit for the year. However, the independent directors do not participate in the Company's surplus distribution.

The remuneration policy for managers.

The remunerations to managers are in accordance with the managerial salary standards of the Company and the Council of Agriculture, R.O.C., which are reviewed by the Remuneration Committee and approved by the board of directors.

Furthermore, the remuneration of the Company's managers is determined by reference to the Company's overall operating performance, future risks and development trends of the industry, as well as the individual's performance achievement rate and contribution to the Company.

The remuneration policy for employees

The employee remuneration includes salary and employee remuneration, as well as allowance. In addition, the wages of the employees of the Company are paid based on the grade table set according to the complexity of their work, the degree of responsibilities, the professional skills required, and with no gender difference.

In order to attract outstanding employees, the Company provides an attractive remuneration policy to take care of employees and encourage them to make good performance.

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to 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:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	Taiwan Fertilizer Co., Ltd. (the “Company”)	Dayun Co., Ltd./City State Co., Ltd./Kuan Chu Construction Co., Ltd	Lone-term receivable	No	10,660	10,064	9,865	1.845%~2.375%	1	79,500	—	-	Commercial paper	15,890	2,653,050	10,612,199
0	Taiwan Fertilizer Co., Ltd. (the “Company”)	OO Lin	Lone-term receivable	No	11,424	10,786	10,573	1.845%~2.375%	1	85,300	—	-	Commercial paper	17,030	2,653,050	10,612,199
0	Taiwan Fertilizer Co., Ltd. (the “Company”)	OO Liao	Lone-term receivable	No	11,109	10,488	10,281	1.845%~2.375%	1	83,120	—	-	Commercial paper	16,560	2,653,050	10,612,199
0	Taiwan Fertilizer Co., Ltd. (the “Company”)	Xiangzhan Investment Development Co., Ltd.	Lone-term receivable	No	11,039	10,448	-	1.845%~2.375%	1	157,880	—	-	Commercial paper	15,770	2,653,050	10,612,199
0	Taiwan Fertilizer Co., Ltd. (the “Company”)	O Tan	Lone-term receivable	No	38,334	36,312	35,627	1.845%~2.375%	1	78,360	—	-	Commercial paper	54,810	2,653,050	10,612,199
0	Taiwan Fertilizer Co., Ltd. (the “Company”)	OO Huang	Lone-term receivable	No	5,262	4,107	3,722	1.645%~2.175%	1	77,000	—	-	Commercial paper	15,400	2,653,050	10,612,199
0	Taiwan Fertilizer Co., Ltd. (the “Company”)	OO Chang	Lone-term receivable	No	5,429	4,237	3,840	1.645%~2.175%	1	79,500	—	-	Commercial paper	15,890	2,653,050	10,612,199

Note 1: (1) The total amount available for lending purpose shall not exceed twenty percent (20%) of the net worth of the Company.

(2) The accumulated capital loan and amount of the company to a single enterprise with business transactions shall be limited to 5% of net worth of the Company.

Note 2: If there is a business transaction, the contract price between the two parties shall be used as the business transaction amount.

Note 3: The second order of mortgage right mentioned above is used as collateral.

Note 4: In accordance with the letter of the Financial Supervision and Administration Commission of the Republic of China on March 11, 2020, No. 1090330422, and in practice, the construction industry generally gives customers a payment of one to five years in installments, and writes off 10 years and 20 years. The goods are disclosed in the table above.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	Taiwan Fertilizer Co., Ltd. (the “Company”)	Taifer Chemicals International Inc.	Subsidiary	48,205	13,500	13,500	13,500	-	0.03 %	26,530,498	Y	N	N

Note 1: (1) The company under business dealings.

(2) A subsidiary in which the Company directly or indirectly holds more than 50% of its common shares.

(3) The parent company which directly or indirectly holds more than 50% of the common shares of the Company.

(4) A subsidiary in which the Company directly or indirectly holds more than 90% of its common shares.

(5) The financial guarantee provided by the Company based on its contractor's agreement to the same trade and co proprietor.

(6) The financial guarantee provided by the Company based on its shareholding due to joint venture relationship.

(7) The financial guarantee provided by the Company based on sales contract regulated by Consumer Protection Act for sales in advance.

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

Note 2: The total amount of the guarantee provided by the Corporation to any individual entity should not exceed 20% of the Corporation's net worth, or 50% of the individual net worth of Taifer.

Note 3: The total amount of guarantee should not exceed 50% of the Corporation's net worth.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Category and name of security	Marketable Securities Type/Name and Issuer	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Taiwan Fertilizer Co., Ltd.	<u>Mutual funds</u>							
	Mega Diamond Money Market Fund	—	Fair value through profit or loss- current	785	10,000	- %	10,000	Note 1
	Capital Money Market Fund	—	Fair value through profit or loss- current	610	10,001	- %	10,001	Note 1
	Deutsche Far Eastern DWS Taiwan Money Market Fund	—	Fair value through profit or loss- current	842	10,000	- %	10,000	Note 1
	Jih Sun Money Market Fund	—	Fair value through profit or loss- current	664	10,000	- %	10,000	Note 1
	Prudential Financial Money Market Fund	—	Fair value through profit or loss- current	622	10,000	- %	10,000	Note 1
	FSITC Money Market	—	Fair value through profit or loss- current	643	10,000	- %	10,000	Note 1
	Taishin 1699 Money Market Fund	—	Fair value through profit or loss- current	726	10,001	- %	10,001	Note 1
	Hua Nan Phoenix Money Market Fund	—	Fair value through profit or loss- current	605	10,000	- %	10,000	Note 1
	<u>Ordinary shares</u>							
Taiwan Fertilizer Co., Ltd.	Eminent Venture Capital Corporation	Our Company is legal representative director of the company	FVOCI - noncurrent	1,350	14,040	10.00 %	14,040	Note 3
	Eminent II VC Corp	"	FVOCI - noncurrent	12,000	112,560	18.50 %	112,560	Note 3
	Eminent III VC Corp	"	FVOCI - noncurrent	30,000	228,600	16.56 %	228,600	Note 3
	Taiwan Stock Exchange Corporation	—	FVOCI - noncurrent	20,500	2,627,464	2.00 %	2,627,464	Note 4
	Visgeneer Inc.	Our Company is legal representative director of the company	FVOCI - noncurrent	3,147	25,303	10.43 %	25,303	Note 4
	TaiAn Technologies Corporation	"	FVOCI - noncurrent	1,667	23,600	16.67 %	23,600	Note 3
	TSCBio Ventures Capital Co.	"	FVOCI - noncurrent	168	9,193	19.75 %	9,193	Note 3
	Green Cellulosity Corporation	—	FVOCI - noncurrent	1,500	-	6.71 %	-	
	Phalanx Biotech Co., Ltd.	—	FVOCI - noncurrent	125	-	0.17 %	-	
	Bion tech Inc.	Our Company is legal representative director of the company	FVOCI - noncurrent	4,167	-	15.16 %	-	
	China Petrochemical Development Corporation	—	FVOCI - current	9,662	95,464	0.26 %	95,464	Note 2

Note 1: The market value was calculated on the basis of the net asset value as of the balance sheet date.

Note 2: The market value was calculated on the basis of the closing price on the Taiwan Stock Exchange as of the balance sheet date.

Note 3: The market value was calculated on the basis of the audited financial statement for the same period.

Note 4: The market value was calculated on the basis of the estimated fair value per share of the expert evaluation report.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Taiwan Fertilizer Co., Ltd.	Al-Jubail Fertilizer Company	Equity-method investee	Purchase	950,977	7.52%	Same as those for third parties	Determined under the considerations of international market price and production cost	30 days	(587,300)	(65.45)%	-

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Taiwan Fertilizer Co., Ltd.	TR ELECTRONIC CHEMICAL CO., LTD.	Jointly controlled entity	Other receivable 317,277	- %	317,277	-	-	317,277

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the years 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 (thousands)	Percentage of ownership	Carrying value			
Taiwan Fertilizer Co., Ltd.	Al-Jubail Fertilizer Company	Kingdom of Saudi Arabia	Manufacture of urea, 2-EH (2-ethyl hexanol), and DOP (dioctyl phthalate)	3,050,000	3,050,000	7	50.00 %	9,420,043	7,488,324	3,491,558	Associate
"	Taifer Chemicals International Inc	Taiwan	International trade; wholesale of fertilizer, tobacco, liquor, beverage, forage, machinery, electrical equipment, etc.; development, operation and management of residential buildings and factory buildings; special zone development; investment in and construction of public works; development of new towns and districts; agent services on regional district requisition; land adjustment; and real estate rental or leasing	126,300	126,300	5,500	100.00 %	91,154	13,941	13,993	Subsidiary
"	Taiwan Yes Deep Ocean Water Co., Ltd.	Taiwan	Wholesale of drinks, food and grocery and other articles for daily use; tobacco and liquor; glass and pottery; hygiene products; fertilizers and other chemical products; and cosmetics; and international trade	1,224,235	1,224,235	25,763	100.00 %	300,347	10,148	10,957	Subsidiary
"	PEIFENG TECHNOLOGY & FERTILIZER CO., LTD.	Taiwan	Manufacture and wholesale of fertilizer	2,400,000	2,400,000	240,000	100.00 %	2,571,722	161,590	161,590	Subsidiary
"	TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD.	Cayman Islands	Investment and holding agriculture	321,900	321,900	-	100.00 %	-	-	-	Subsidiary
"	MITAGRI CO., LTD.	Taiwan	Wholesale and retail of products for organic agriculture	80,000	80,000	2,974	33.33 %	31,047	3,921	1,307	Associate
"	Taiwan Agricultural Investment and Development co., Ltd.	Taiwan	Wholesale and retail of products for organic agriculture	60,000	60,000	3,543	31.58 %	34,033	(3,957)	(1,249)	Associate
"	TAIFER (CAMBODIA) CO., LTD	Cambodia	International trade; wholesale of fertilizer	40,052	40,052	-	100.00 %	36,698	472	472	Subsidiary
TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD.	TR ELECTRONIC CHEMICAL CO., LTD.	Cayman Islands	Investment and holding	321,962	321,962	-	51.00 %	-	-	No applicable	Jointly controlled entity
Taifer Chemicals International Inc.	TAIFER INTERNATIONAL (SAMOA) GROUP CO., LTD.	Samoa	Investment and holding	42,618	42,618	-	100.00 %	73,329	14,369	"	Subsidiary
TAIFER INTERNATIONAL (SAMOA) GROUP CO., LTD.	TAIFER CHEMICAL INTERNATIONAL CO., LTD.	Mongolia	Real estate lease	41,077	41,077	-	100.00 %	67,135	15,552	"	Subsidiary

(Continued)

TAIWAN FERTILIZER CO., LTD.

Notes to 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	Accumulated outflow of investment from Taiwan as of January 1, 2021	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						
TR Electronic Chemical (Kunshan) Ltd.	Manufacture of nitric acid, hydrofluoric acid, ammonia, phosphoric acid, oxalic acid, ammonia fluoride and LCD and IC Stripper	US\$ 21,500 (NT\$660,222) (note 4)	(note 3)	US\$ - (NT\$ -) (note 4)	-	-	US\$ - (NT\$ -) (note 1)	US\$ - (NT\$ -) (note 1)	-%	US\$ - (NT\$ -) (note 5)	US\$ - (NT\$ -) (note 5)	-

(ii) Limitation 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
NT\$ - (US\$ -) (note 1)	NT\$ 336,713 (US\$ 10,965) (note 4)	NT\$31,836,598 (note 2)

Note 1: The Company applied for the cessation of its operations to the local court on March 17, 2017, and the cessation was completed in August 2020. The accumulated investment amount of disposed in the current period is NT\$336,713 thousand (US\$10,965 thousand), and the accumulated investment amount from Taiwan of remitted at the end of the period is zero.

Note 2: The limit is based on the "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China" issued by the Investment Commission under the Ministry of Economic Affairs; the amount is 60% of shareholders' equity or of consolidated shareholders' equity.

Note 3: Indirect investment in mainland China through a subsidiary in a third place. (Investor: TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD.)

Note 4: The foreign currency amounts of original investment amount and carrying value were translated into New Taiwan dollars at the exchange rate NT\$30.708 as of December 31, 2022.

Note 5: As of June 30, 2015, the investment accounted for using the equity method balance of the Corporation was zero, so the Corporation didn't recognize income (loss) of the investment.

(iii) Significant transactions: None

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Council of Agriculture, Executive Court, R.O.C.		235,886,376	24.07 %

(14) Segment information:

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

TAIWAN FERTILIZER CO., LTD.
Statement of cash and cash equivalents
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Please refers to note 6(a).

Statement of trade receivables

Vendor name	Description	Account
Non-related parties		
HSIN TAI CHEMICAL CO., LTD		\$ 165,168
MARUBENI CORPORATION		48,971
KUANG MING ENTERPRISE CO., LTD.		46,034
Other(Note)		<u>633,478</u>
		<u>\$ 893,651</u>

Note : The year-end balance of each vendor doesn't exceed 5% of the account balance.

TAIWAN FERTILIZER CO., LTD.

Statement of other financial assets

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Account	Note
Time deposits	Time deposits with original maturities more than 3 months	\$ <u><u>792</u></u>	Current
Time deposits	Time deposits with original maturities more than 1 year	\$ <u><u>272,572</u></u>	Non-current

TAIWAN FERTILIZER CO., LTD.

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		Decrease		Tax prepayment for shareholders	Adjustment of measured by using the equity method (Note 1)	Ending Balance			Market Value or Net Assets Value		
	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand) (Note 2)	Amount			Shares (in thousand)	Percentage of ownership	Amount	Unit price	Total amount	Collateral
Al-Jubail Fertilizer Company	7	\$ 10,758,806	-	-	-	-	1,396,791	(2,735,554)	7	50.00 %	9,420,043	-	8,810,249	None
TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD.	11	-	-	-	10	-	-	-	1	100.00 %	-	-	-	"
Taifer Chemicals International Inc.	5,500	89,664	-	-	-	-	-	1,490	5,500	100.00 %	91,154	-	96,410	"
MITAGRI CO., LTD.	8,000	29,740	-	-	5,026	-	-	1,307	2,974	33.33 %	31,047	-	31,047	"
Taiwan Agricultural Investment and Development Co., Ltd.	6,000	35,282	-	-	2,457	-	-	(1,249)	3,543	31.58 %	34,033	-	34,032	"
Taiwan Yes Deep Ocean Water Co., Ltd.	25,763	289,390	-	-	-	-	-	10,957	25,763	100.00 %	300,347	-	210,670	"
TAIFER (CAMBODIA) CO., LTD.	-	32,653	-	-	-	-	-	4,045	-	100.00 %	36,698	-	36,698	"
PEIFENG Technology & Fertilizer Co., Ltd.	240,000	2,493,691	-	-	-	-	-	78,031	240,000	100.00 %	2,571,722	-	2,571,722	"
		<u>\$ 13,729,226</u>		<u>-</u>		<u>-</u>	<u>1,396,791</u>	<u>(2,640,973)</u>			<u>12,485,044</u>			

Note 1: Adjustment of measured by using the equity method:

	Account
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method.	\$ 3,678,628
Cash dividends paid by investee(not deduct tax prepayment for shareholders)	(7,456,448)
Exchange differences on translation of foreign financial statements	1,143,237
Changes in other equity	<u>(6,390)</u>
	<u>\$ (2,640,973)</u>

Note 2: Capital reduction to offset the deficit.

TAIWAN FERTILIZER CO., LTD.**Statement of changes in property, plant and
equipment****For the year ended December 31, 2022****(Expressed in thousands of New Taiwan Dollars)**

Please refers to note 6(h).

**Statement of changes in accumulated depreciation of
property, plant and equipment**

Please refers to note 6(h).

Statement of changes in investment property

Please refers to note 6(j).

TAIWAN FERTILIZER CO., LTD.

**Statement of changes in accumulated depreciation of
investment property**

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Please refers to note 6(j).

Statement of operating revenue

<u>Item</u>	<u>Description</u>	<u>Account</u>
Fertilizer		\$ 5,923,252
Chemical products		4,793,217
Urea		838,297
Electronic chemicals products		505,950
Other		<u>5,286</u>
Sales Revenue		12,066,002
Less : sales return, sales discounts and allowances		<u>(63,748)</u>
Net sales revenue		12,002,254
Rental income		2,020,551
Other		<u>241,951</u>
		<u><u>\$ 14,264,756</u></u>

TAIWAN FERTILIZER CO., LTD.

Statement of operating costs

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Account</u>	<u>Note</u>
Raw material			
Raw material, January 1		\$ 1,645,177	
Add : Purchases		9,974,658	
Less : Raw material, December 31		<u>(1,665,359)</u>	
Direct raw material		9,954,476	
Direct labor		211,610	
Manufacturing overhead		<u>1,929,618</u>	
Cost of manufacturing		12,095,704	
Add: Work in process, January 1		420,336	
Purchases		65,888	
Less: Work in process, December 31		<u>(1,016,576)</u>	
Transferred (includes amount Transferred to selling expense and sample fee)		<u>(9,512)</u>	
Cost of finished goods		11,555,840	
Add: Finished goods, January 1		83	
Purchases		721,739	
Loss on value of inventories		128,762	
Less: Finished goods, December 31		<u>(14)</u>	
Cost of goods sold		12,406,410	
Lease cost		834,875	
Other operating cost		<u>198,854</u>	
		<u><u>\$ 13,440,139</u></u>	

TAIWAN FERTILIZER CO., LTD.

Statement of selling expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Sales</u>	<u>Administration</u>	<u>Research and development</u>	<u>Total</u>
Salary and wages expense	\$ 45,867	486,072	18,339	550,278
Rent expense	283	1,063	-	1,346
Supplies expense	537	2,016	103	2,656
Travelling expense	1,127	960	223	2,310
Shipping expenses	205,426	-	-	205,426
Postage expenses	628	2,949	117	3,694
Repair and maintenance expense	145	9,425	1,745	11,315
Advertisement expense	56,454	2,705	38	59,197
Utilities expense	301	21,632	610	22,543
Insurance expense	3,551	23,099	1,373	28,023
Entertainment expense	4,315	6,196	30	10,541
Donation expense	5	35,750	-	35,755
Tax	841	265,012	188	266,041
Depreciation expense	2,245	42,312	5,283	49,840
Various amortization	-	4,861	113	4,974
Employee benefit	541	14,265	110	14,916
Commission expense	26,558	-	-	26,558
Professional service Expense	76	60,929	292	61,297
Transportation expense	2,774	880	105	3,759
Export expense	22,187	-	-	22,187
Sample fee	1,482	259	-	1,741
Pension	1,678	11,094	581	13,353
Computer usage expense	-	11,664	-	11,664
Other	23,160	47,662	13,376	84,198
Total	\$ 400,181	1,050,805	42,626	1,493,612