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https://mops.twse.com.tw

Website for disclosure of annual report of the company:
https://www.taifer.com.tw

培元・固本・創新・永續

台肥

2022
Annual Report

台灣肥料股份有限公司
TAIWAN FERTILIZER CO.,LTD.

FTSE4Good
TIP Taiwan ESG Index

TIP
Taiwan Index Plus

I. Spokespersons of the Company

	Spokesperson	Deputy Spokesperson
Name	Peng, Shen Long	Huang, Mei Ling
Title	Deputy General Manager	Chief, Finance Division
Contact No.	(02) 2542-2231, ext 601	(02) 2542-2231, ext 628
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II. Addresses and Telephone Numbers of Headquarter and Facotries

Headquarter:
Address: 6F., No.88, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)
Tel: (02) 2542-2231 Fax: (02) 2563-4597

Keelung Factory:
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Hualien Factory
Address: (970) No.15, Huadong, Hualien City, Hualien County
Tel: (03) 822-3181 Fax: (03) 822-1854

Miaoli Factory
Address: (360) No.210, Fuxing, Miaoli City, Miaoli County
Tel: (037) 260-601 Fax: (037) 267-170

Taichung Factory
Address: (435) No.100, Sec. 2, Nanti Rd., Wuqi Dist., Taichung City
Tel: (04) 2521-8588 Fax: (04) 2630-5618

III. Share Transfer Agency:

Name: Stock Affair Team, TFC Website: http://www.taifer.com.tw/
Address: 6F., No.88, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)
Tel: (02) 2542-2231 Fax: (02) 2531-7679

IV. CPAs audited the annual financial report for the most recent fiscal year

Name of CPAs: Tseng, Kuo-Yang, and Lin, Heng-Sheng
Name of Accounting Firm: KPMG Taiwan
Address: (110) 68F, No. 7, Xinyi Rd., Sec. 5, Taipei City
Tel.: (02) 8101-6666 Fax: (02) 8101-6667
Website: https://home.kpmg.com/tw/zh/home.html

V. Name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: none

VI. Website of the Company: http://www.taifer.com.tw

2022 Annual Report
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One. Report to Shareholders

Overview of 2021 Business:

Through the effects of the COVID-19 pandemic and shifting geopolitics, the prices of global bulk raw materials remained at relative peaks in 2022. Other than fully implementing the pandemic containment actions to secure the supply of fertilizers, we have been continuously optimizing and adjusting the profit structure, and seeking to achieve the operating profit goals via the gains from reinvestment, development of niche products, and operation/investment in real estate. In the future, we will continue to closely monitoring the evolving operating environment in an effort to create better rewards for the Company's shareholders.

For the C2 development project in Nangang District, the overall development progress reached 94% (as of December 2022). Of which, the office building obtained the use permits for certain parts in October 2021, and the leasing procedures have begun. For the C4 development project in Nangang District, the overall development progress reached 46% (as of December 2022), and the construction progress is on schedule. For the development projects of the Scientific Park Area of Hsinchu City, the TFC ONE office building has been fully leased out, and currently the development projects for the new office building (construction permit obtained) and residence (construction permit obtained) are in progress. The land of the old production factory in Kaohsiung will participate in the rezoning of urban land sponsored by the government. Going forward, the best development planning will be made based on the market conditions and actual progress of the re-zoning. For the fertilizer products, the development of niche fertilizers continues. Other than "Hey Won" and the potassium sulfate organic compound fertilizer series, the powerful slow-release fertilizers have been well received by farmers.

The Company has again been selected as a constituent stock of the "Taiwan Sustainability Index," indicating that it has been affirmed by third-party auditing entity in relation to governance, corporate social responsibility and operating performance. Since the establishment of the Taifer Foundation, in addition to supporting the exchange between agriculture and industry and making charitable donations to underprivileged groups, it has also granted scholarships for excellence in 2022, seeking to encourage outstanding students majoring in chemical engineering, chemistry, agriculture, horticulture, and agricultural economy as a way of cultivating future talent in the industry.

The Company's actual output of fertilizer products totaled 709,882 tons in 2022, an increase of 12.81% from 2021. The output of chemical engineering products totaled 210,087 tons, an increase of 2.74% from 2021. The actual sales of fertilizer products totaled 718,899 tons, a decrease of 2.39% from 2021 (the domestic sales volume of fertilizer products, and the decrease resulted from the reduced re-sale of urea by Al-Jubail Fertilizer Company), and chemical engineering products totaled 186,629 tons, a decrease of 16.05% from 2021.

In the regards to revenue and profit, based on the consolidated financial statements, the operating revenue was NT$15,052,251 thousand in 2022, an increase of 10.2% from NT$13,659,406 thousand in 2021. The net operating profit was NT$(488,523) thousand, a decreased of 196.29% from 2021. The net non-operating profit was NT$3,784,988 thousand, an increase of 15.24% from 2021. The current profit if NT$2,669,649 thousand, a decrease of 12.03% from 2021.

Based on the consolidated financial statements, the Company was deemed to have a solid financial structure. Until December 31, 2022, the Company had assets that totaled NT$80,752,474 thousand, and liabilities totaling NT$27,691,478 thousand. The liability ratio was 34.29%. The equity amounted to NT$53,060,996 thousand, and net worth per share is NT$54.14.

Summary of 2023 Business Plan:

The international economic conditions are affected by geopolitics and inflations, so there are uncertainties for the global economic conditions.

As for our main business of fertilizer chemical engineering, TFC will continue to increase the production and sales volume of niche products and develop friendly agricultural concepts in pursuit of improving our main business. The projects of renewable energy, energy saving, and recycling cooling energy are conducted in factories to enhance the overall production energy consuming efficiency. We plan the development of biotechnologies and organic agriculture materials, the launch of new fertilizer products, and to enhance the level of fertilizer manufacturing technologies.

Regarding TFC's real estate business, with the principles of stable profit and sustainable business, TFC has selected to develop office buildings, hotels, and residences using methods best suited to the local conditions, namely, self-construction and self-operation, joint-construciont and lease-sale methods. Currently, TFC is carrying out projects including the C2 and C4 hotel and office building in the Nangang District, Taipei, the commercial and residence development planning project in the Scientific Park Area of Hsinchu City, and the overall land development design project in the special trade zone of Kaohsiung City

Summary of future business development strategies:

Looking into the future, facing rapid changes in domestic and international industrial and economic and environmental circumstances, TFC will continue to uphold the business concepts of development, consolidation, innovation, and sustainability to carry out transformation and growth. With profit growth, competitive improvement, and sustainable business practices as our consistent strategic goals, TFC will focus on the two main business ventures of 'fertilizer chemical engineering' and 'real estate and investment' in pursuit of the Company's goal to achieve sustainable business and development.

I wish you
all the best and prosperity.

Chairman, Huang, Yao Hsing

Two. Company Profile

I. Establishment date

May 1st, 1946

II. Organization and operations

Originally a state-owned enterprise (SOE), the Company has been established for 77 years. During the SOE period, to cope with the government's agriculture policies, the Company was responsible for the production and supply of domestic fertilizer products. Through the business development for more than 70 years, it has became the largest modernized fertilizer production business in Taiwan, and enabled the sufficient supply of the fertilizer needed for various stages of agricultural development in Taiwan without interruption; this is and has been a great contribution to advance the development of Taiwanese agriculture. Under the SOE privatization policy actively promoted by the government, the Company was privatized on September 1, 1999, and became a listed private corporation.

The Company is the largest fertilizer manufacturer in Taiwan, supplying more than 700,000 tons to the domestic market annually, accounting for about 70% of the total domestic demand. The main self-produced fertilizer products include single nutrient fertilizers, "King Won" Potassium sulfate nitrophosphate organic compound fertilizer series, "Hey Won" nitrophosphate organic compound fertilizer series, Biotec Organic compound fertilizer series, Organic Fertilizer series, Instant Water Soluble Fertilizer series, Biopower Stimulants series, Microbial fertilizer, and acidic soil conditioner. In addition, it also manufactures and imports chemical products and electronic grade chemicals for domestic and foreign markets. After privatization, in response to changes in the internal and external environment, the Company has actively developed into deep seawater, real estate development, biotechnology, health care products and other businesses.

Looking forward to 2023, to deal with the rapid changes in domestic and foreign industrial and economic environmental conditions, the Company will keep upholding the management philosophy focusing on solidity, reinforcement, innovation and business sustainability, transforming and upgrading the Company's constitution, and continuing to adopt the profit growth, optimization of competition and sustainable development as its strategic objectives to construct the development blueprint for the two major business units, "fertilizer chemical business" and "real estate and investment business," and also hopes to achieve the objectives of sustainability and business development pursued by the Company by exploitation of diversified business development and strategy of diversification.

Key milestones since the establishment are summarized as the following:

May 1946	Established by the previous Resources Commission and Taiwan Provincial Government.
Dec. 1979	As the representative of the government, TFC entered a joint venture agreement with Saudi Arabia to establish Al-Jubail Fertilizer Company in the Al-Jubail Industrial Zone in Saudi Arabia.
May 1989	The land of the Company's Nangang Factory was zoned as the land for the "Nangang Software Park" as instructed.
Mar. 1995	The privatization proposal was approved by the Executive Yuan
Mar. 1998	The first share offering after the privatization by public drawing placement for 24.93% held by the government; the IPO was successfully completed.
July 1998	To cope with the government's overall planning and development of the Nangang Software Park, the Nangang Factory was officially shutdown.
Sep. 1999	Officially and fully privatized.
Feb. 2002	Coping with the planning and development of "Special Zone Program for New Central Business District in Hsinchu" by the Hsinchu City Government through the land of Hsinchu Factory.
Nov. 2004	Approved the feasibility research report of transforming the Hualien Factory to a deep seawater

	technology park, and the first-phase investment plan.
Jan. 2005	The Ministry of Economic Affairs released 200 million shares of TFC through the auction after market close; the shareholding percentage was reduced to 24.07%.
Mar. 2005	The shares held by the government were managed by the Ministry of Finance.
May 2005	The shares held by the government were managed by the Council of Agriculture.
Oct. 2005	The “Plan to Relocate All the TFC Factories to Taichung Harbor” was approved.
Dec. 2005	Pursuant to the Taipei City Government’s regulations related to the urban renewal business, the R13 land had joined with the adjacent lands to build the collective housing with joint investment.
May 2006	The C6/C7/C8/C9 lands in the Nangang Software Park were offered for development with the surface right of 50 years; after the public tendering, CTBC was awarded the tender.
Sep. 2006	TFC and Young Energy Source Co., Ltd to establish “Taiwan Yes Deep Ocean Water Co., Ltd.,” for treatment of deep seawater, production and sales of packaged drinking water and beverages in partnership.
May 2007	The piping operation for intaking deep seawater has been completed, with the depth of -662 meters.
May 2007	The fish collagen peptide factory was officially commissioned.
Nov. 2007	Taiwan Fertilizer Foundation was established officially
June 2009	To fulfill the corporate social responsibility, the Board of Directors approved USD50 million donation to sponsor the Agriculture Ministry of Saudi Arabia for establishing an agriculture center.
Sep. 2009	The Chairman and the chief in charge of fertilizer department, Saudi Basic Industries Corporation, Mr. Al-Sheaibi jointly signed the shareholders’ resolution of Al-Jubail Fertilizer to amend the Articles of Incorporation of Al-Jubail Fertilizer; the survival period of Al-Jubail Fertilizer was extended from 33 years to 53 years.
May 2010	Invested NT$1.41 billion for the Phase 1 development of Hsinchu Science and Commerce Park at the land of TFC’s Hsinchu Factory.
Jan. 2011	“TR Electronic Chemical (Kunshan) Co., Ltd.” was established in Kunshan, China.
Nov. 2011	Invested NT$100 million to established the 100% owned subsidiary, “Taifer Biotech Product Marketing Co., Ltd.”
Dec. 2011	The Remuneration Committee was established.
Dec. 2012	Acquired all 50% of stake at “Taiwan Yes Deep Ocean Water Co., Ltd.” from Young Energy Source Co., Ltd.
July 2013	The Taichung Factory was officially commissioned.
Dec. 2013	Through the “Tourism Hotel Tenant Recruitment for C2 of Nangang Software Park Project,” the “Collaborative Planning Agreement” was entered with the tender winner, “Grand Hi-Lai Hotel Co., Ltd,” and “Caesar Park Hotels Ltd.”
Feb. 2015	Approved the tender winner of the tenant recruitment for C2 office building.
Feb. 2015	The Company invested in Cambodia to establish Taifer (Cambodia) Co., Ltd.
Apr. 2015	“Ocean Mine 1400” produced by the re-investee, “Taiwan Yes Deep Ocean Water Co., Ltd.” was certified as the health food by the Ministry of Health and Welfare.
June 2015	The addition of two seats of independent directors was approved by 2015 AGM.
Aug. 2015	The Nangang C3 surface right tender was awarded to CTBC Life and China Life Insurance Co., Ltd. jointly.
Sep. 2015	The Nangang C3 surface right agreement was entered with CTBC Life and China Life Insurance Co., Ltd.
Dec. 2015	The construction commence ceremony of Nangang C2 office building and tourism hotel was held.
Dec. 2015	The first Corporate Social Responsibility Report (2014) was released.
Jan. 2016	The beam installation ceremony for D7-A office building in Hsinchu was held.
Feb. 2016	The new product, “#43 "HeyWon" Nitrophosphate Organic Compound Fertilizer” was launched.
May 2016	Completed the GHG inventory for each factory.
Aug. 2016	The re-investee, TR Electronic Chemical (Kunshan) Co., Ltd. proceeded to the dissolution.
Aug. 2016	The subsidiary, Taifer Biotech Product Marketing is renamed to “Mitagri Co. Ltd.”
Oct. 2016	The Board of Directors approved the proposal of factory construction at No. 10 West Pier of Taichung Harbor, with total investment of NT$2.367 billion.

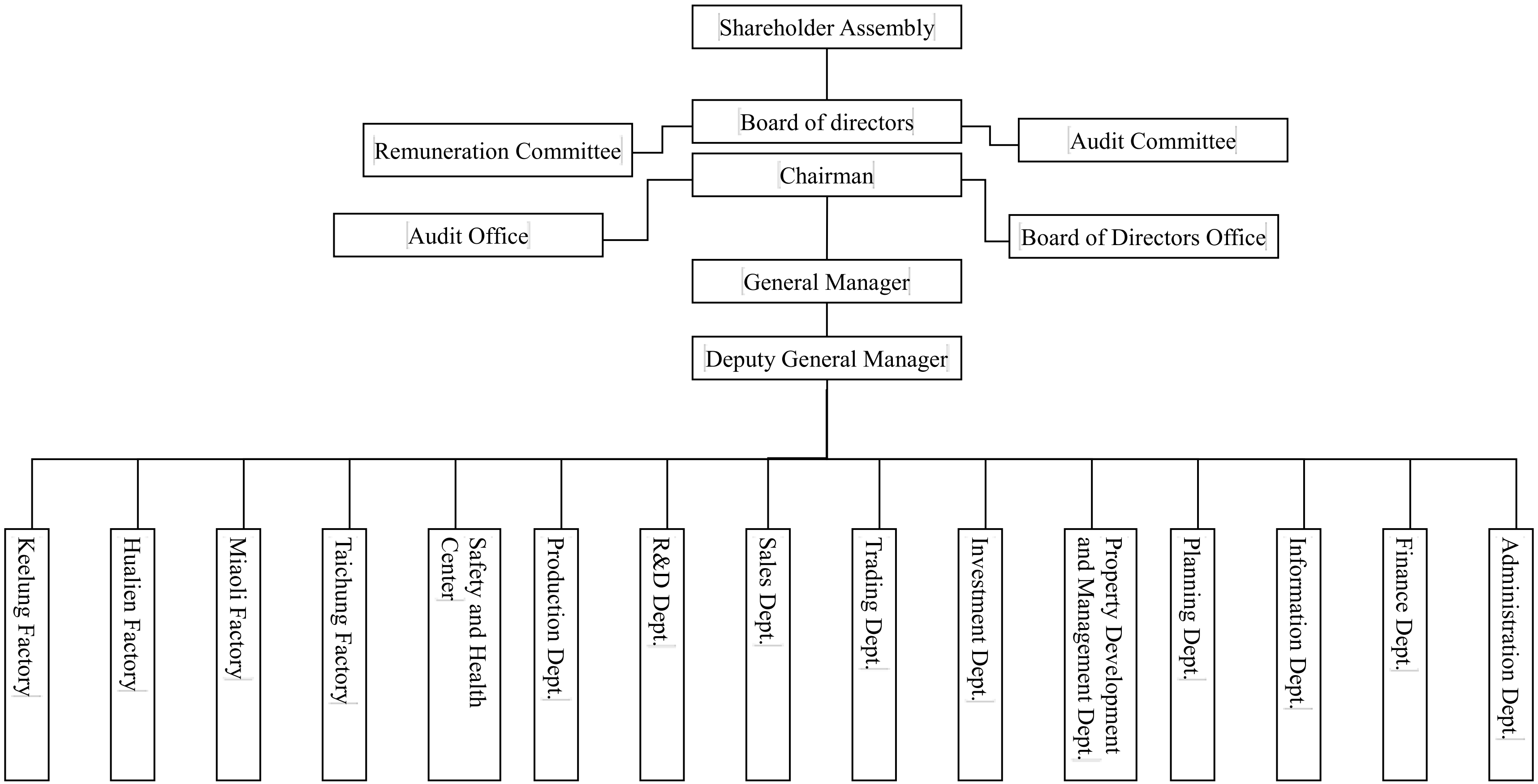
Nov. 2016	The Board of Directors approved to invest “Mitagri Co. Ltd.” for total NT$80 million.
Nov. 2016	The new product, “#4 "HeyWon" Nitrophosphate Organic Compound Fertilizer” was launched.
Nov. 2016	The Company won the “Rookie Award” of 2016 TCSA. (Taiwan Corporate Sustainability Awards)
Dec. 2016	“#1 HeyWon” and “#4 HeyWon” compound fertilizers were imported to Malaysia for promotion and sales.
Mar. 2017	“#43 HeyWon” compound fertilizer was imported to Malaysia for demonstrative farm and trial sales.
May 2017	The Company launched the new product “#42 Biotec Organic Compound Fertilizer,” to replace the market of #142 and #1 Biotec Organic Compound Fertilizer.
May 2017	To promote the organic nutrients and fertilizers, the Company and West Lake Greenview Compound Farm Park in Maoli jointly established the organic model farm
May 2017	The Company established Peifeng Technology Co. , Ltd for the investment in No. 10 West Pier of Taichung Harbor.
June 2017	The first supply center was established in Hualien.
June 2017	In coordination with government policies, the fertilizers of TFC achieved the goal of comprehensive “Biotec-lization”.
Aug. 2017	The commercial office building in Hsinchu, TFC ONE, was completed.
Aug. 2017	To improvement the problem of PM2.5 generated from burning rice straw, the Company launched “#10 Biotec Organic Fertilizer” and “#12 Biotec Organic Fertilizer.”
Oct. 2017	The Board of Directors approved the land development of Nangang C4.
Nov. 2017	The Company won the “TOP 50 Enterprise Sustainability Report: Golden Award for Conventional Manufacturing” and “Social Co-fusion Award in the 2017 TCSA.
Dec. 2017	Premier Lai Ching-te inspected Hualien Deep Sea Water Park and instructed Three “100%” policy goals.
Dec. 2017	TFC announced the ”Nongyo Biotech 10 Organic Fertilizer series” and “Nongyo Biotech 12 Organic Fertilizer series”.
Feb. 2018	TFC’s micro-movie won the “Best Original Script Award” at the 2018 Taipei Golden Eagle Micro-movie Festival.
July 2018	The 1st Audit Commission of TFC was founded.
Aug. 2018	TFC signed an agreement with National Chengong University on the industry-academic cooperation project of Hualien Deep Sea Water Park.
Oct. 2018	President Tsai Ing-wen visited Hualien Deep Sea Water Park and planned assisting the central government in founding the National Marine Resource Museum.
Nov. 2018	TFC won the “Platinum Award for Top 50 Corporate Sustainability Report”.
Dec. 2018	TFC was selected as FTSE4Good.
Dec. 2018	The Board of Directors approved to invest “Taiwan Agricultural Investment and Development Co., Ltd” for total NT$60 million.
Feb. 2019	The market value of TFC once again became one of the top 100 enterprises of Taiwan.
July 2019	Awarded with the 2019 “National Brand Yushan Award: Best Product Category”
Dec. 2019	TFC’s fertilizers were recognized by Tottori Flower Gallery in Japan, and signed the Letter of Intention for Collaboration.
Dec. 2019	The Company won the “Golden Award of Corporate Sustainability Report”.
Dec. 2019	Beam Installation Ceremony for the Nangang C2 Project.
Jan 2020	TFC was selected as FTSE4Good for 2019 to 2020 consecutively.
Apr. 2020	President Tsai, Ing-Wen visited the Taichung Plant.
Apr. 2020	The Company was awarded with the Top Ten Excellent Enterprises Award of the “Golden Peak Award: Large Enterprise.”
June 2020	Selected as one of constituents for the Taiwan Sustainability Index for 2020, for the third year in a row.
July 2020	The subsidiary, “Peifeng Technology & Fertilizer Co., Ltd.” officially commenced the production in its nitrophosphate compound fertilizer plant.
Aug. 2020	To accommodate the real-name system 2.0 for buying fertilizer imposed by the Council of Agriculture, the Company established the on-line fertilizer order platform.

Sep. 2020	The Company was awarded with the 17th version of the "National Brand Yushan Award."
Nov. 2020	Silver Award of Corporate Sustainability Report from the 13th Taiwan Sustainability Award.
Dec. 2020	Selected as one of constituents for the Taiwan Sustainability Index for the first half of 2021, for the third and half year in a row.
Nov. 2021	First export of Hey Won compound fertilizer to the Philippines.
Dec. 2021	Selected as one of constituents for the Taiwan Sustainability Index for the first half of 2022, for the fourth and half year in a row.
Dec. 2021	Commencement Ceremony for X Base of Hsinchu Science Park, located at the Company's Land D6 in Hsinchu.
June 2022	Awarded with the 19th National Brand Yushan Award: Outstanding Enterprise.
Dec. 2022	Awarded with the Bronze Tower Award from the Unity Group of the Taiwan Continuous Improvement Activities.
Dec. 2022	Selected as one of constituents for the Taiwan Sustainability Index for the first half of 2023, for the fifth and half year in a row.

Three. Corporate Governance Report

I. Organization System

(I) Corporation Organization



(II) Affairs in charge for each major department

Unit Name	Duties
R&D Dept.	1. Evaluation and introduction of new products and new technology.
	2. R&D of new products and technology and related business.
	3. Improvement of existing products and technology.
	4. Intellectual property management.
	5. Other relevant R&D and related business.
Trading Dept.	1. Purchase and supply of the domestic and foreign raw materials.
	2. Dispatching and inventory control of raw materials.
	3. Storage and transportation management of products and materials and treatment of dull and waste materials.
	4. Planning and execution of unloading and storage services.
	5. Constructions and services outsourcing.
	6. Import & export and marketing and planning management of the bio-tech chemical products.
	7. Other relevant purchase and marketing of bio-tech chemical products.
Sales Dept.	1. To market, import, export, plan and manage various fertilizers.
	2. To handle customer complaints regarding fertilizer products and bio-tech chemical products.
	3. To compile information regarding business conditions in fertilizer and bio-tech chemical products markets.
	4. To demonstrate and promote ideas of safe agriculture and fertilizer domestically and overseas.
	5. Other business about the promotions of fertilizers and bio-tech chemical products.
Business Development Dept.	1. To seek for, assess, select and study investment opportunities.
	2. To research and execute domestic and overseas investment, cooperation, share participation, merger, venture capital, etc.
	3. To research and execute the technology introduction or cooperation and technical investment.
	4. To research and execute the investment business and its feasibility.
	5. To trace and review investment and reinvestment performance.
	6. To deal with other investment related businesses.
Property Development and Management Dept.	1. Land development business.
	2. Project design and budget preparation.
	3. Handling of works such as project outsourcing, construction supervision, and acceptance.
	4. Merchant recruitment, maintenance management and occupation treatment of real estate assets.
	5. Purchase and sale of real estate assets.
	6. Handling of other business related real estate assets.
Planning Dept.	1. To research and execute operation policy, operation strategy, mid-term and long-term project plan and annual operation plan.
	2. To plan and carry forward operation and management systems; manage and evaluate operation performance.
	3. To trace and evaluate operation meeting minutes, resolutions and project affairs.
	4. To deal with authorization by levels and compile rules and regulations.
	5. To deal with other matters in relation to enterprise planning.
Information Dept.	1. To deal with the business of information system.
	2. To deal with information network.
	3. To deal with the other relevant business.
Finance Dept.	1. To develop service plan, and to dispatch and control funds.
	2. To research and develop financial strategies and conduct financial analysis and prediction.
	3. To plan and execute financial and wealth management matters.
	4. To research and develop accounting system.
	5. To conduct budget and final settlement and control cost and expense.
	6. Business related to investor relationship (IR).
	7. To deal with other matters in relation to finance, accounting and statistics.
Administration Dept.	1. To plan and execute the HR system, plan and execute organization and HR matters.
	2. To deal with employee-employer relationship.
	3. To manage instruments and transact general affairs.
	4. To distribute and keep cash, securities, notes and deeds.
	5. External public relation.

Unit Name	Duties
	6. To deal with other matters out of the duties of the other departments and offices.
Board of Directors Office	1. Matters related to the board and functional committees.
	2. Preparation of annual report and the minutes of shareholders' meeting.
	3. Compilation of ESG reports and publications.
	4. Promotion of corporate social responsibility as well as integrity policies.
	5. To deal with stock matters.
Audit Office	To master and manage internal control and internal audit matters.
Production Dept.	1. Planning, integrating and managing production plans.
	2. Managing production technology, quality and efficiency, and promoting the maintenance system of production equipment.
	3. Planning, integrating and managing construction plans and capital expenses.
	4. Managing fixed and idle assets other than land.
	5. Evaluating and introducing production technology.
	6. Improving production efficiency for saving energy.
	7. Managing intellectual property rights related to production technology.
	8. Other related business regarding the production management and technology development.
Safety and Health Center	1. Drawing up safety and health policies, goals, and rules and regulations.
	2. Implementing and supervising safety and health related laws and regulations.
	3. Promoting and implementing safety and health plans.
	4. Auditing and assisting the safety and health business of each plant and subsidiary.
	5. Investigating, analyzing, improving and handling occupational safety events.
	6. Managing and promoting health of employees; safety health education and training for employees.
	7. Counseling and providing information of safety health related business.
	8. Other business related to environment, safety and health.
Production Factories	Manufacturing and production management.

II. Information on Directors, Supervisors, President, Vice Presidents, and Management Team

(I) Director information

Director information (I)

April 30, 2023

Title	Nationality	Name	Gender/Age	Election (Accession) Date	Term	Date First Elected	Shareholding When Elected		Current shareholding		Shareholding by Spouse and Children of Minor Age		Shareholding by Nominee Arrangement		Experience (Education)	Other executives or directors who are related as spouses or within the second degree of consanguinity	Executives ir Directors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)			Title	Name	Relation	
Chairman	Republic of China	COA		July 28, 2021	Three years	2005.5.20	235,886,376	24.07	235,886,376	24.07	0	0	0	0	-	-	-	-	-	
	Republic of China	Representative: Huang, Yao Hsing	Male/ 51-60	July 28, 2021	Three years	2020.2.12	0	0	0	0	0	0	0	0	PhD, Department of Materials Science, National Sun Yat-sen University Assistant Vice President at Taiwan Fertilizer Co. Vice President at Taiwan Fertilizer Co. Vice President at Taiwan Fertilizer Co.	President of Taiwan Fertilizer Co.	-	-	-	Note 1
Director	Republic of China	COA		July 28, 2021	Three years	2005.5.20	235,886,376	24.07	235,886,376	24.07	0	0	0	0	-	-	-	-	-	
	Republic of China	Representative: Hu, Jong I	Male/ 61-70	July 28, 2021	Three years	2021.2.22	0	0	0	0	0	0	0	0	PhD, Agricultural Economics, The University of Tokyo Chief Secretary, Council of Agriculture, Executive Yuan	Director General, Agriculture and Food Agency, Council of Agriculture, Executive Yuan Director, Agricultural Credit Guarantee Fund	-	-	-	
Director	Republic of China	COA		July 28, 2021	Three years	2005.5.20	235,886,376	24.07	235,886,376	24.07	0	0	0	0	-	-	-	-	-	
	Republic of China	Representative: Fan, Mei Ling	Female/ 51-60	July 28, 2021	Three years	2021.3.8	0	0	0	0	0	0	0	0	PhD, Natural Resources Administration, National Dong Hwa University Hualien District Agricultural Research and Extension Station, Council of Agriculture, Executive Yuan	Chief Secretary, Council of Agriculture, Executive Yuan	-	-	-	
Director	Republic of China	COA		July 28, 2021	Three years	2005.5.20	235,886,376	24.07	235,886,376	24.07	0	0	0	0	-	-	-	-	-	

Title	Nationality	Name	Gender/Age	Election (Accession) Date	Term	Date First Elected	Shareholding When Elected		Current shareholding		Shareholding by Spouse and Children of Minor Age		Shareholding by Nominee Arrangement		Experience (Education)	Other executives or directors who are related as spouses or within the second degree of consanguinity	Executives ir Directors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)			Title	Name	Relation	
	Republic of China	Representative: Tai, Ko Yuan	Male/ 31-40	July 28, 2021	Three years	2021.7.28	0	0	0	0	0	0	0	0	Master, Department of Aquaculture, National Pingtung University of Science and Technology Chairman, Young Farmer Union, Chiayi County	Key Staff, Dalin Township Office, Chiayi County	-	-	-	
Director	Republic of China	COA		July 28, 2021	Three years	2005.5.20	235,886,376	24.07	235,886,376	24.07	0	0	0	0			-	-	-	
	Republic of China	Representative: Wu, Hsi Ta	Male/ 61-70	December 15, 2022	Three years	October 31, 2000	0	0	0	0	0	0	0	0	Credit course, National Sun Yat-sen University Director of the 27th and 28th Term, TFC	Leader, Management Team, Miaoli Factory, Taiwan Fertilizer Convener of Supervisor of the 22nd term, Industry Union Federation of TFC	-	-	-	
Director	Republic of China	Tsao, Chi Hung	Male/ 71-80	July 28, 2021	Three years	July 28, 2021	0	0	2,000	0	0	0	0	0	Completed, Institute of Education, National Kaohsiung Normal University Minister, Council of Agriculture, Executive Yuan Pingtung County Magistrate Members of the Legislative Yuan, 4th and 5th Term	Chairman, Dawu Mountain Foundation Independent Director, SUN RISE E&T CORPORATION	-	-	-	
Independent Director	Republic of China	Lin, Su Ming	Male/ 61-70	July 28, 2021	Three years	July 28, 2021	0	0	0	0	0	0	0	0	PhD of Accounting, Arizona State University Dean, Department and Institute of Accounting, National Taiwan University Independent Director, Chunghwa Telecom Co., Ltd	Professor, Department of Accounting, National Taiwan University	-	-	-	

Title	Nationality	Name	Gender/Age	Election (Accession) Date	Term	Date First Elected	Shareholding When Elected		Current shareholding		Shareholding by Spouse and Children of Minor Age		Shareholding by Nominee Arrangement		Experience (Education)	Other executives or directors who are related as spouses or within the second degree of consanguinity	Executives ir Directors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)			Title	Name	Relation	
Independent Director	Republic of China	Weng, Ming Jang	Male/ 51-60	July 28, 2021	Three years	July 28, 2021	0	0	0	0	0	0	0	0	PhD of Economics, Texas A&M University Director, EMBA Center, National University of Kaohsiung Independent Director, Perfect Medical Industry Co., Ltd.	Associate Professor, Department of Applied Economics, National University of Kaohsiung	-	-	-	
Independent Director	Republic of China	Ho, Yen Sheng	Male/ 41-50	July 28, 2021	Three years	July 28, 2021	0	0	0	0	0	0	0	0	PhD, Institute of Real Estate and Built Environment, National Taipei University Consulting commissioner, National Audit Office, Control Yuan Member, Legal Affair Committee, Council of Agriculture, Executive Yuan Member, Real Estate Dispute Mediation Committee, Taichung City	Associate Professor, Department of Real Estate and Built Environment, National Taipei University	-	-	-	

Note 1: The Company's Chairman takes a concurrent position of the General Manager. Chairman Huang, Yao Hsing started from an entry-level position and has worked for years for the Company. He is experienced in various business areas and his professional competence has been well recognized by those inside or outside the Company. He has the expertise in governance needed as the President, which can help the Company in its sustainability and development. Pursuant to Paragraph 2, Article 4 of the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers, “where the chairman of the board of directors and the president or person of an equivalent post of a TWSE listed company are the same person, spouses or relations within the first degree of kinship, not less than four independent directors shall be established before 31 December 2023......(omitted below);” therefore, the Company will elect one additional independent director in this shareholder’s meeting as required above.

Table 1: Key Shareholders of Institutional Shareholders

April 30, 2023

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
Council of Agriculture, Executive Yuan (ownership: 24.07%)	N/A

Form 2: Key Shareholders as Corporations: None

Director information (II)

1. Information disclosure of directors' professional qualifications and independence of independent directors:

May 1, 2023

Qualification / Name	Professional qualification and experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Huang, Yao Hsing (Chairman)	Currently serving as the Chairman and General Manager of TFC. PhD, Department of Materials Science, National Sun Yat-sen University. Used to serve as Assistant Deputy General Manager and Deputy General Manager. Possessing professional qualification in fertilizer, chemical engineering, and business administration. *Not having any of the circumstances in Article 30 of the Company Act.	1. Served as the President of the Company 2. Institutional representative, Council of Agriculture, Executive Yuan	0
Hu, Jong-I	Currently serving as Director General, Agriculture and Food Agency, Council of Agriculture, Executive Yuan. PhD, Agricultural Economics, The University of Tokyo. Possessing professional qualification in agricultural economics and agriculture promotions. *Not having any of the circumstances in Article 30 of the Company Act.	Institutional representative, Council of Agriculture, Executive Yuan	0
Fan, Mei Ling	Chief Secretary, Council of Agriculture, Executive Yuan. PhD, Natural Resources Administration, National Dong Hwa University. Possessing professional qualification in agriculture policy and public administration. *Not having any of the circumstances in Article 30 of the Company Act.	Institutional representative, Council of Agriculture, Executive Yuan	0
Tai, Ko Yuan	Current serving as Key Staff of Dalin Township Office, Chiayi County; Master, Department of Aquaculture, National Pingtung University of Science and Technology. Possessing professional qualification and experience in aquaculture and flower planting, and agriculture promotion. *Not having any of the circumstances in Article 30 of the Company Act.	Institutional representative, Council of Agriculture, Executive Yuan	0
Wu, Hsi Ta	Currently serving as Leader, Management Team, Miaoli Factory, Taiwan Fertilizer. *Not having any of the circumstances in Article 30 of the Company Act.	Institutional representative, Council of Agriculture, Executive Yuan	0
Tsao, Chi Hung	Currently serving as Chairman, Dawu Mountain Foundation. Completed, Institute of Education, National Kaohsiung Normal University. Used to serve as Minister, Council of Agriculture, Executive Yuan, Pingtung County Magistrate, and two terms of Members of the Legislative Yuan. Possessing professional qualification and experience in agriculture policy and public administration. *Not having any of the circumstances in Article 30 of the Company Act.		0
Lin, Su Ming (Independent Director)	Currently serving as Professor, Department of Accounting, National Taiwan University; PhD of Accounting, Arizona State University. Also serving as the Chair of the Company's Audit Committee. Used to serve as Independent Director of Nanshan Life Insurance, Ruentex Industries, and China Airlines. Possessing professional qualification and experience in accounting and taxation, and finance. *Not having any of the circumstances in Article 30 of the Company Act.	Pursuant to the Company's "Articles of Incorporation" and the "Corporate Governance Best Practice Principles," the election of directors adopts the candidate nomination system. When nominating and electing the board members, the Company has obtained the written declaration, working experience, and certificates of education from each director, to verify the independence of themselves, their spouses and relatives within the second degree of kinship relative to the Company, that none of them serves as the director, supervisor, or employee of the Company or any of its affiliates. Independent director him/herself, the spouses and relatives within the second degree of kinship (or in other's name) holding zero of the Company's shares; amount of compensation received by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company: 0.	1
Weng, Ming Jang (Independent Director)	Currently serving as Associate Professor, Department of Applied Economics, National University of Kaohsiung; PhD of Economics, Texas A&M University. Also serving as the member of the Company's Audit Committee and Chair of the Remuneration Committee. Possessing professional qualification and experience in business administration, finance, applied economics. *Not having any of the circumstances in Article 30 of the Company Act.		1

Ho, Yen Sheng (Independent Director)	Currently serving as Associate Professor, Department of Real Estate and Built Environment, National Taipei University.; PhD, Institute of Real Estate and Built Environment, National Taipei University. Also serving as the member of the Company's Audit Committee and the Remuneration Committee. Possessing professional qualification and experience in real estate, urban renewal dispute settlement . *Not having any of the circumstances in Article 30 of the Company Act.	The Company has verified that the three independent directors have complied with required qualification specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission and Article 14-2 of the Securities and Exchange Act during two years prior to the election and their terms of office; additionally, all independent directors are empowered with the authorities to fully participate the decision-making and opinion expression pursuant to Article 14-3 of the Securities and Exchange Act, to exercise their duties independently.	0

2. Diversity and independence of the board of directors:

(1) **Diversity of the board of directors**: Healthy, diversified, and professional board of directors is an integral part of the corporate governance, also the key foundation for seeking sustainable development. To enhance the corporate governance and promote the health development of the board of directors' composition and structures, the election of the board members shall be diversity and cross-industry oriented. The 35th term of board of director consists of nine directors (thee independent directors and one labor directors included); all of them are Taiwanese. The Company also emphasizes the gender equality. The board members of this term include one female directors, accounting 11%. In the future, the Company will be committed to increase the proportion of female directors to one third, as the goal. Age distribution of directors: one director is aged 31-40 years old; one for 41-50 years old, three for 51-60 years old, three for 61-70 years old, and one for 71-80 years old.

Pursuant to Article 20 of the Company's Corporate Governance Best Practice Principles, as a whole, the board of directors shall possess the following abilities: I. Ability to make operational judgments. II. Ability to perform accounting and financial analyst. III. Ability to conduct management administration. IV. Ability to conduct crisis management. V. Knowledge of the industry. VI. An international market perspective. VII. Ability to lead. VIII. Ability to make decision decisions. The majority of board members have worked as key positions in governmental agencies, or taught in colleges. They have abundant experience in fertilizer, chemical engineering, agricultural economics and promotion, finance, accounting and taxation, aquaculture, flower plants, land management, real estate, and urban renewal dispute settlement, for the better operating decision-making of the board of directors. The election of the board members implemented the diversity policy, and their capabilities are cross-industrial and complementary to each other. In the future, the diversity policy will be amended and added timely depending on the operating demands and operation format, to ensure the board members possess the professional knowledges and skills required to perform their duties.

The diversity of board members was implemented in 2022 as below:

Diversity / Names of Directors	Basic composition							Industrial experience				Professional capabilities		
	Nationality	Gender	Age range					Fertilizer and chemical	Finance, accounting, and taxation	Agricultural economy and promotion	Management of real estate	Public administration	Aquaculture and flower farming	Handling disputes over urban renewal
			31-40	41-50	51-60	61-70	71-80							
Huang, Yao Hsing	Republic of China	Male			✓			✓	✓	✓	✓			
Hu, Jong I	Republic of China	Male				✓		✓		✓		✓		
Fan, Mei Ling	Republic of China	Female			✓			✓		✓		✓		
Tai, Ko Yuan	Republic of China	Male	✓							✓		✓	✓	
Wu, Hsi Ta	Republic of China	Male				✓		✓						
Tsao, Chi Hung	Republic of China	Male					✓	✓		✓		✓	✓	
Lin, Su Ming	Republic of China	Male				✓			✓					
Weng, Ming Jang	Republic of China	Male			✓				✓	✓				
Ho, Yen Sheng	Republic of China	Male		✓							✓			✓

(2) Independence of the Board:

Structure of the Board: the Company adopts the candidate nomination system. The election of directors are open and fair, complying with requirements provided in the Company's "Articles of Incorporate," "Regulations Governing the Election of Directors and Independent Directors," "Corporate Governance Best Practice Principles," "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," and "Article 14-2 of the Securities and Exchange Act." The 35th term of board of director consists of six ordinary directors and three independent directors, weighting one-third of all members. To be aligned with the spirit of corporate governance, and enhance the supervisory mechanism of independent directors; in the future, it is committed to increase the weight of independent directors to a half of the board, as the goal.

Independence of the Board: None of the board member is a spouse or relative within second degree of kinship to any other director, nor any circumstance set forth in Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act. The Company's "Rules Governing the Scope of Powers of Independent Directors" specifies that "when an independent director objects to or expresses reservations about any of the matters, it shall be recorded in the board meeting minutes;" and "the Company may not obstruct, refuse, or evade the actions of independent directors in the performance of their duties. As they deem necessary to performing those duties, independent directors may request the board to appoint relevant personnel or to hire professionals for assistance;" to enable the independent directors to fulfill their responsibility, supervise the board of directors' operation, and enhance the Company's operation performance. All independent directors meeting the requirements for independent directors stipulated by the Financial Supervisory Commission. Their independence is as following:

Name	Whether the independent director him/herself, the spouses and relatives within the second degree of kinship not serving as the director, supervisor, or employee of the Company or any of its affiliates.	Number and proportion of shareholding of the independent director him/herself, the spouses and relatives within the second degree of kinship (or in other's name)	Whether the independent director him/herself, the spouses and relatives within the second degree of kinship not serving as the director, supervisor, or employee of companies having special relationship with the Company.	Amount received by providing commercial, legal, financial, accounting or related services to the Company or any affiliate of the company
Lin, Su Ming	No	0	No	0
Weng, Ming Jang	No	0	No	0
Ho, Yen Sheng	No	0	No	0

(II) Information on the President, Vice Presidents and Management Team

April 30, 2023

Title	Nationality	Name	Gender	Election (Accession) Date	No. of shared held		Shareholding by Spouse and Children of Minor Age		Shareholding by Nominee Arrangement		Experience (Education)	Currently holding the position of other companies	Executives or directors who are spouses or relatives within 2nd degree of kinship			Remarks
					Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)			Title	Name	Relation	
General Manager	Republic of China	Huang, Yao Hsing	Male	2016.9.1	0	0	0	0	0	0	PhD, Department of Materials Science, National Sun Yat-sen University Assistant Vice President at Taiwan Fertilizer Co. Vice President at Taiwan Fertilizer Co. Vice President at Taiwan Fertilizer Co.	Chairman, Taiwan Fertilizer Co., Ltd.	-	-	-	Note 1
Deputy General Manager	Republic of China	Chang, Chang Lang	Male	2015.10.1	0	0	0	0	0	0	NTU Graduate Institute of Building and Planning Assistant VP, Taiwan Fertilizer Co., Ltd., Assistant Vice President at Taiwan Fertilizer Co. Vice President at Taiwan Fertilizer Co.	Director and President, Taichuang Asset Management Co., Ltd. Representative of Institutional Director, Taiwan Fertilizer (Samoa) CO., LTD. President, Mongolia Taichuang Limited	-	-	-	
Deputy General Manager	Republic of China	Lin, Chin Sheng	Male	2020.3.1	0	0	0	0	0	0	Department of Mechanical Engineering, Cheng Shiu Junior College of Engineering Deputy plant director of Taichung plant, Taiwan fertilizer CO., LTD.	Chairman and President, Peifeng Technology Co., Ltd Factory Chief, Taichung Factory, Taiwan Fertilizer Co., Ltd	-	-	-	
Deputy General Manager	Republic of China	Peng, Shen Long	Male	2021.10.5	266	0	0	0	0	0	Institute of Chemistry, National Tsing Hua University Factory Chief, Hualien Factory, Taiwan Fertilizer Co., Ltd	Chief, Administration Division, Taiwan Fertilizer Spokespersons of Taiwan Fertilizer	-	-	-	
Finance Dept Chief	Republic of China	Huang, Mei Ling	Female	2017.5.1	0	0	0	0	0	0	EMBA, Soochow University Chief Auditor, Taiwan Fertilizer Co., Ltd	Supervisor, Peifeng Technology Co., Ltd Acting Spokespersons of Taiwan Fertilizer	-	-	-	
Taichung Factory Factory Chief	Republic of China	Lin, Chin Sheng	Male	2018.1.1	0	0	0	0	0	0	Department of Mechanical Engineering, Cheng Shiu Junior College of Engineering Deputy plant director of Taichung plant, Taiwan fertilizer CO., LTD.	Chairman and President, Peifeng Technology Co., Ltd	-	-	-	
Keelung Factory Factory Chief	Republic of China	Sung, Chyuan Hsu	Male	2021.6.15	0	0	0	0	0	0	Institute of Chemical Engineering, National Tsing Hua University Factory Chief, Hualien Factory, Taiwan Fertilizer Co., Ltd		-	-	-	
Hualien Factory Factory Chief	Republic of China	Huang, Yeong Dar	Male	2021.6.15	31,000	0	0	0	0	0	Department of Electronic Engineering, National Taiwan Institute of Technology Chief, Industrial Health and Safety Division, Taiwan Fertilizer	Director, Taiwan Yes Deep Ocean Water Co., Ltd	-	-	-	
Miaoli Factory Factory Chief	Republic of China	Hsu, Tsang Hsien	Male	2019.11.1	0	0	0	0	0	0	Master of Computer Engineering, Northrop University, US Team leader, Electrification Production Group, Miaoli Factory, Taiwan Fertilizer	Director, Al-Jubail Fertilizer Company	-	-	-	

Note 1: The Company's Chairman takes a concurrent position of the General Manager. Chairman Huang, Yao Hsing started from an entry-level position and has worked for years for the Company. He is experienced in various business areas and his professional competence has been well recognized by those inside or outside the Company. He has the expertise in governance needed as the President, which can help the Company in its sustainability and development. Pursuant to Paragraph 2, Article 4 of the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers, "where the chairman of the board of directors and the president or person of an equivalent post of a TWSE listed company are the same person, spouses or relations within the first degree of kinship, not less than four independent directors shall be established before 31 December 2023......(omitted below);" therefore, the Company will elect one additional independent director in this shareholder's meeting as required above.

III. Remuneration paid to directors, supervisors, president and vice presidents for the recent

(I) Remuneration for directors of the board (including independent directors) (Summary of ways for coordinative disclosure of names)

May 1, 2023
Unit: NT$ thousand

Title	Name	Directors' remuneration								Ratio of Total Remuneration (A+B+C+D) to After-tax Net Income		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation(A+B+C+D+E+F+G) to Net Income		Compensation Paid from an Invested Company Other than the Company's Subsidiary or the Parent Company
		Salary (A)		Severance Pay and Pens		Remuneration to Directors (C)		Business Execution Expense (D)				Salary, Bonus & Allowance etc. (E)		everance Pay and Pensi		Remuneration to employee (G)						
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
																Cash Amount	Share Amount	Cash Amount	Share Amount			
COA																						
Chairman	Representative: Huang, Yao Hsing	7,176	7,176	0	0	9,047	9,047	1,933	1,933	0.68%	0.68%	-	-	-	-	-	-	-	-	0.68%	0.68%	-
Director	Representative: Hu, Jong I	-	-	-	-	45,237	45,237	3,360	3,360	1.82%	1.82%	1,898	1,898	-	-	199	-	199	-	1.90%	1.90%	-
Director	Representative: Fan, Mei Ling																					
Director	Representative: Tai, Ko Yuan																					
Director	Representative: Wu, Hsi Ta																					
Director	Representative: Hsu, Min Lin (Dismissed on December 14, 2022)																					
Natural Person																						
Director	Tsao, Chi Hung																					
Independent Director	Lin, Su Ming																					
Independent Director	Weng, Ming Jang																					
Independent Director	Ho, Yen Sheng																					

1. The Company's policy, system, standards and structure of remuneration payments to independent directors, and describe the relationship between the responsibility, risk, time committed to the organization and other factors and the amount of remuneration to them:
   According to the resolution of the 5th meeting of the state-owned enterprises supervision team of the Executive Yuan on August 6, 2010, the remunerations to independent directors of state-owned enterprises supervised by various ministries and departments of the central government are specified as follows: The monthly remuneration to general independent directors shall be capped at two times the independent directors of state-owned enterprises (currently at NT$60,000). It is a type of directors' remuneration which is paid on a monthly basis, and does not pay the surplus distribution.
2. In addition to the disclosure shown in the above table, the remuneration received by the directors for their service provided to all companies listed in the financial reports in the most recent fiscal year: None.
3. The remuneration of the Chairman, Huang, Yao Hsing, for NT$9,047 thousand was fully collected by COA and submitted to the National Treasury as required.

Remuneration Scale Table of 2022

<table>
<tr><td rowspan="3">Remuneration Scale Paid to Each Director</td><td colspan="4">Names of Directors</td></tr>
<tr><td colspan="2">Total of (A+B+C+D)</td><td colspan="2">Total of (A+B+C+D+E+F+G)</td></tr>
<tr><td>The Company</td><td>All companies in the consolidated statements H</td><td>The Company</td><td>All consolidated companies I</td></tr>
<tr><td>Below NT$1,000,000</td><td>Independent Director: Lin, Su Ming
Independent Director: Ho, Yen Sheng
Independent Director: Weng, Ming Jang
Ordinary Director: Wu, Hsi Ta, Representative of COA</td><td>Independent Director: Lin, Su Ming
Independent Director: Ho, Yen Sheng
Independent Director: Weng, Ming Jang
Ordinary Director: Wu, Hsi Ta, Representative of COA</td><td>Independent Director: Lin, Su Ming
Independent Director: Ho, Yen Sheng
Independent Director: Weng, Ming Jang
Ordinary Director: Wu, Hsi Ta, Representative of COA</td><td>Independent Director: Lin, Su Ming
Independent Director: Ho, Yen Sheng
Independent Director: Weng, Ming Jang
Ordinary Director: Wu, Hsi Ta, Representative of COA</td></tr>
<tr><td>NT$1,000,000 (inclusive) ~ NT$2,000,000 (exclusive)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$2,000,000 (inclusive) ~ NT$3,500,000 (exclusive)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$3,500,000 (inclusive) ~ NT$5,000,000 (exclusive)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)</td><td>Director: Hu, Jong I, Representative of COA
Director: Fan, Mei Ling, Representative of COA
Director: Tai, Ko Yuan, Representative of COA
Director: Tsao, Chi Hung
Director: Hsu, Min Lin, Representative of COA</td><td>Director: Hu, Jong I, Representative of COA
Director: Fan, Mei Ling, Representative of COA
Director: Tai, Ko Yuan, Representative of COA
Director: Tsao, Chi Hung
Director: Hsu, Min Lin, Representative of COA</td><td>Director: Hu, Jong I, Representative of COA
Director: Fan, Mei Ling, Representative of COA
Director: Tai, Ko Yuan, Representative of COA
Director: Tsao, Chi Hung</td><td>Director: Hu, Jong I, Representative of COA
Director: Fan, Mei Ling, Representative of COA
Director: Tai, Ko Yuan, Representative of COA
Director: Tsao, Chi Hung</td></tr>
<tr><td>NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)</td><td>-</td><td>-</td><td>Director: Hsu, Min Lin, Representative of COA</td><td>Director: Hsu, Min Lin, Representative of COA</td></tr>
<tr><td>NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)</td><td>Chairman: Representative of COA Huang, Yao Hsing</td><td>Chairman: Representative of COA Huang, Yao Hsing</td><td>Chairman: Representative of COA Huang, Yao Hsing</td><td>Chairman: Representative of COA Huang, Yao Hsing</td></tr>
<tr><td>NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$50,000,000 (inclusive)~ NT$100,000,000 (exclusive)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Above NT$100,000,000</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>10</td><td>10</td><td>10</td><td>10</td></tr>
</table>

Note 1: Director, Wu, Hsi Ta took office on December 15, 2022; Director, Hsu, Ming Ling was dismissed on December 14, 2022.

Note 2: The amount of remuneration for directors by surplus distribution is paid by the amount of allotment adopted by the Board of Directors for Surplus Distribution for 2022.

Note 3: The remuneration to representatives of institution includes the directors' remuneration to be obtained by the institution; for the directors representing the shares held by the government appointed by the Council of Agriculture: Chairman Huang, Yao Hsing, previous Director, Hsu, Ming Ling (dismissed on December 14, 2022), Director, Hu, Jong I, Director Fan, Mei Ling, Director Tai, Ko Yuan, and Director, Wu, Hsi Ta (appointed on December 15, 2022), the directors' remunerations distributed from earnings are collected by the Council of Agriculture and paid to the national treasury as required.

Note 4: The retirement pension actually paid to directors for 2022 is NT$0, with the provision for new system retirement pension for directors accounting for NT$0, and provision for old system retirement pension for directors accounting for NT$0.

(II) Remuneration for President and Vice Presidents (Summary of ways for coordinative disclosure of names)

May 1, 2023
Unit: NT$ thousand

Title	Name	Wage (A)		Severance Pay and Pension (B)		Bonus and Special Expense (C)		Remuneration to employees (D)				Ratio of Total Remuneration (A+B+C+D) to After- tax Net Income (%)		Compensation Paid from an Invested Company Other than the Company's Subsidiary or the Parent Company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash Amount	Share Amount	Cash Amount	Share Amount			
General Manager	Huang, Yao Hsing (Note 1)	6,312	6,312	-	-	5,563	5,563	1,189	-	1,189	-	0.49%	0.49%	30
Deputy General Manager	Chang, Chang Lang													
Deputy General Manager	Lin, Chin Sheng													
Deputy General Manager	Peng, Shen Long													

Note 1: The General Manager is concurrently served by the Chairman; only the chairman's remuneration is received, and the general manager's remuneration is NT$0.

Remuneration Scale Table

Remuneration Scale Paid to Each President and Vice President	Name of President and Vice President	
	The Company	All consolidated companies
Below NT$1,000,000	-	-
NT$1,000,000 (inclusive) ~ NT$2,000,000 (exclusive)	-	-
NT$2,000,000 (inclusive) ~ NT$3,500,000 (exclusive)	-	-
NT$3,500,000 (inclusive) ~ NT$5,000,000 (exclusive)	Lin, Chin Sheng; Chang, Chang Lang; Peng, Shen Long	Lin, Chin Sheng; Chang, Chang Lang; Peng, Shen Long
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)	-	-
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)	-	-
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)	-	-
NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive)~ NT$100,000,000 (exclusive)	-	-
Above NT$100,000,000	-	-
Total	3	3

Note 1: The amount of remuneration for employees is paid by the amount of allotment adopted by the Board of Directors for Surplus Distribution for 2022.

Note 2: The retirement pension of General Manager and Deputy General Manager paid in 2022 was NT$0 thousand. The new-system pension payable to General Manager and Deputy General Manager was NT$108 thousand; the old-system pension payable to General Manager and Deputy General Manager was NT$365 thousand.

(III) Names of Management Team for the Allotment of Employee Remuneration, and Allotment Conditions

May 1, 2023
Unit: NT$ thousand

	Title	Name	Remuneration in Share	Remuneration in Cash	Total	Raito of Total Amount to After-Tax Net Income (%)
Managerial Officers	Deputy General Manager	Chang, Chang Lang	-	2,588	2,588	0.10%
	Deputy General Manager	Lin, Chin Sheng				
	Deputy General Manager	Peng, Shen Long				
	Assistant Deputy General Manager	Liu, Kuo Ying				
	Assistant Deputy General Manager	Chung, Chun Ming (Note 1)				
	Chief, Finance Dept	Huang, Mei Ling				
	Corporate Governance Officer	Chung, Shun Hua				

Note 1: Appointed as the Assistant Deputy General Manager since December 6, 2022

(IV) Comparison and explanation of percentage of the total remuneration for directors, supervisors, Presidents and Vice Presidents of this Company paid over the past two years by this Company and all companies in the consolidated financial statements in the net income of individuals or individual financial reports after tax, the policy of remuneration payment, the combination of standard varieties, procedure for remuneration decision, and the relevant between operation performance and future risks:

Year	Profit after tax (NT$ thousand)	Director	Managerial Officers
2021	3,034,616	2.54%	0.36%
2022	2,669,649	2.58%	0.49%

Note 1: According to the articles of association of the Company, the salary of the chairman is 1.25 X the income of the president, and the other directors of the board and supervisors might get NT$20,000 traffic fee per month as compensation. However, the remuneration for the independent director is NT$60,000 per month, and the independent director is not allowed to participate the allocation of remuneration for directors and supervisors.

Note 2: According to the articles of association of the Company, after the provision of reserves, the after-tax net income will be put aside no more than 1.6% as the remuneration for Directors and Supervisors, and 2.4% as remuneration to employees.

IV. Operation of Corporate Governance

(I) Operation of the Board of Directors

The board of directors convened five meetings (A) in 2022. The attendance of the directors and supervisors is described below:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A)	Remarks
Chairman	Representative of COA: Huang, Yao Hsing	5	0	100%	
Director	Representative of COA: Fan, Mei Ling	5	0	100%	
Director	Representative of COA: Hu, Jong I	5	0	100%	
Director	Representative of COA: Tai, Ko Yuan	5	0	100%	
Director	Representative of COA: Wu, Hsi Ta	-	-	-	Took office on December 15, 2022
Director	Representative of COA: Hsu, Min Lin	5	0	100%	Dismissed on December 14, 2022
Director	Tsao, Chi Hung	5	0	100%	
Independent Director	Lin, Su Ming	5	0	100%	
Independent Director	Weng, Ming Jang	5	0	100%	
Independent Director	Ho, Yen Sheng	5	0	100%	

Other matters required to be recorded.

I. **If the operation of board of directors matches one of the following conditions, it is required to specify dates, number of meetings and content of proposals of directors, opinions of all independent directors and response to the opinions of independent directors on the Company.**

(I) For matters set in the Article 14-3 of Security Exchange Act.

1. 5th Meeting, Board of Directors of 35th Term, March 22, 2022
   (1) Proposal: Disbursement of 2021 remuneration to the Company's directors and employees
   Independent directors' opinion: no dissent or qualified opinion.
   (2) Proposal: Distribution of 2021 remuneration to the directors.
   Independent directors' opinion: no dissent or qualified opinion.
   (3) Proposal: 2021 year-end bonus for the Chief of Board's Office (Corporate Governance Officer) the Chief of Finance Dept and other staff as deputy general manager or above.
   Independent directors' opinion: no dissent or qualified opinion.
2. 6th Meeting, Board of Directors of 35th Term, May 10, 2022
   (1) Proposal: The amendments to the Company's "Operating Procedure for Acquisition or Disposition of Assets" in part
   Independent directors' opinion: no dissent or qualified opinion.
3. 7th Meeting, Board of Directors of 35th Term, August 10, 2022
   (1) Proposal: Amendment to the "Standard Regulations of Internal Control System for Stock Affairs Unit."
   Independent directors' opinion: no dissent or qualified opinion.

4. 8th Meeting, Board of Directors of 35th Term, November 9, 2022
   (1) Proposal: Continuing to commissioned KPMG Taiwan for certifications in 2023.
   Independent directors' opinion: no dissent or qualified opinion.
   (2) Proposal: 2023 annual audit program
   Independent directors' opinion: no dissent or qualified opinion.
5. 9th Meeting, Board of Directors of 35th Term, December 6, 2022
   (1) Proposal: Intention to promote Kao, Bing Huang, Leader of the Supply Team, Trading Division to the Chief Auditor.
   Independent directors' opinion: no dissent or qualified opinion.

(II) Other resolutions, except for the above-mentioned ones, in the board of directors meeting about which any independent director expresses dissent or reservation and a record or written statement is made: None.

II. **As for the implementation status of recusal bearing on the interest of a director is involved, the name of the director, proposal, reasons for the recusal, and participation in the voting shall be described.**

(I) 27th Meeting, Board of Directors of 34th Term, March 25, 2022

Proposal: 2021 year-end bonus for the Chief of Board's Office (Corporate Governance Officer) the Chief of Finance Dept and other staff as deputy general manager or above.

Director to recuse: Chairman Huang, Yao Hsing

Reason of recusal: Chairman Huang, Yao Hsing also concurrently serves as the General Manager, having a conflict of interest.

Participation of voting: not participated.

Proposal: Disbursement of 2021 remuneration to the Company's directors and employees

Directors shall recuse: Chairman Huang, Yao Hsing, Director Hu, Jong I, Fan, Mei Ling, Tai, Ko Yuan, Hsu, Min -Ling, and Tsao, Chi Hung

Reason of recusal: conflict of interest

Participation of voting: not participated.

Proposal: Distribution of 2021 remuneration to the directors.

Directors shall recuse: Chairman Huang, Yao Hsing, Director Hu, Jong I, Fan, Mei Ling, Tai, Ko Yuan, Hsu, Ming Ling, and Tsao, Chi Hung

Reason of recusal: conflict of interest

Participation of voting: not participated.

III. **Implementation of the Board Performance Evaluation**

2022 external performance evaluation of the Board of Directors (functional committees included)

(I) Pursuant to Paragraph 3, Article 3 of the "Rules for Performance Evaluation of Board of Directors," an external performance evaluation of the Board shall conducted once every three years by external independent professional institutions or teams of external experts and scholars. Therefore, an external independent professional institution, EY Business Advisory Services Inc., was engaged to implement the external performance evaluation of the Board (functional committees included). The evaluation period is January 1, 2022 to December 31, 2022.

(II) EY evaluated eight major aspects (1. Structure and process of the Board. 2. Members composing the Board. 3. Legal person and organizational structure. 4. Roles and powers. 5. Trainings and development of directors 6. Behaviors and culture. 7. Supervision over the risk control. 8. Supervision over reporting, disclosure, and performance), and on January 2, 2022, the relevant documents provided by the Company were firstly reviewed, and the self-evaluation questionnaire for the performance of the board of directors (including nine directors and one Remuneration Committee member) were disseminated; and on January 5, January 10, and January 11, 2022, the individual interviews with the corporate governance officer, chief auditor and directors (including the chairman and three independent directors) were conducted. Through the comprehensive evaluation and analysis by EY, the performance evaluation report was issued on February 16, 2023.

(III) EY believes that Taiwan Fertilizer's Board of Directors has a healthy and sound interaction culture of the Board. Based on this good foundation, EY furnished its observations and advices, to assist the Company and the Board of Directors in continuous optimization and improvement, to become an industry benchmark for corporate governance and board performance.

(IV) EY furnished the following eight advices on the performance of the Company's Board:

1. It is advised to formulate the medium and long-term business strategies and long-term financial objectives.
2. Regarding the professions needed for Taiwan Fertilizer's future business development, to enhance the diversify of board members and decision-making, it is advised to evaluate the possibility of adding more seats for independent directors.

3. It is advises to add special committees, such as the Sustainability Committee, Risk Management Committee or Land Resources Management Committee, to improve the operational efficiency of the Board.
4. Continue to invite external experts to provide group continuing education courses for directors.
5. It is advised the Board to include important emerging risk items in regular reporting matters.
6. It is advised the management team to formulate relevant risk indicators, and specifically regulate the regular schedule for reporting risk management implementation to the Board with analysis of the differences before and after the establishment of the system, to strengthen the risk management capabilities of the Board.
7. It is advised that for major unexpected incident, a standardized operation approach for real-time notification by level.
8. It is advised that the proposals of the Board to add the remark column to remind that relevant securities management laws and regulations to be complied with.

(V) The results of the external performance evaluation of the Board (including functional committees) for 2022 have been submitted to the 5th meeting of the 5th term of Remuneration Committee and the 10th meeting of the 35th Term of Board on March 8, 2023.

2022 internal performance evaluation of the Board of Directors (functional committees included)

(I) Pursuant to Article 3, paragraph 1 of the “Rules for Performance Evaluation of Board of Directors," the Company shall conduct the internal performance evaluation for the Board once every year, and the evaluation period is from January 1 to December 31 every year. Therefore, the evaluation period of the 2022 internal performance evaluation for the Board (functional committees included) is January 1 to December 31, 2022.

(II) Evaluation scope: the board, individual board members and functional committees.

(III) Evaluation method: self-evaluation questionnaires for the board, individual board members and functional committees.

(IV) Evaluation contents:

1. Board performance evaluation including five major aspects: A. the participation in the operation of the Company; B. improvement of the quality of the board of directors' decision making; C. composition and structure of the board of directors; D. election and continuing education of the directors; E. internal control.
2. Individual board member performance evaluation includes six major aspects: A. the alignment of the goals and missions of the Company; B. awareness of the duties of a director; C. participation in the operation of the Company; D. management of internal relationship and communication; E. the director's professionalism and continuing education; F. internal control.
3. The Audit Committee performance evaluation including five major aspects: A. the participation in the operation of the Company; B. awareness of the duties of the Audit Committee; C. improvement of quality of decisions made by the Audit Committee; D. makeup of the Audit Committee and election of its members; E. internal control.
4. The Remuneration Committee performance evaluation including five major aspects: A. the participation in the operation of the Company; B. awareness of the duties of the Remuneration Committee; C. improvement of quality of decisions made by the Remuneration Committee; D. makeup of the Remuneration Committee and election of its members; E. internal control.

(V) Evaluation results:

1. There are total 45 indicators for the Board’s performance evaluation, and all the average score exceeds 4 point (excellent)
2. There are total 23 indicators for an individual board member’s performance evaluation, and all the average score exceeds 4 point (excellent)
3. There are total 22 indicators for the Audit Committee’s performance evaluation, and all the average score is 5 point (excellent).
4. There are total 19 indicators for the Remuneration Committee’s performance evaluation, and all the average score is 5 point (excellent).

IV. **Goal for enhancement of board functions in the respective year and the most recent year and assessment of implementation conditions:**

(I) In the 5th Meeting, Board of Directors of 35th Term, March 22, 2022, the amendment to partial provisions of “Rules of Procedure for Shareholders Meetings” was approved.

(II) In the 6th Meeting, Board of Directors of 35th Term, May to, 2022, the partial amendment to the “Corporate Governance Best Practice Principles” was approved.

(III) In the 8th Meeting, Board of Directors of 35th Term, November 9, 2022, the Company approve the 2021 Sustainability Report for reference.

(IV) In the 8th Meeting, Board of Directors of 35th Term, November 9, 2022, the Company approve the establishment of the Risk Management Policy and Procedures.

(V) The Company has completed the 2022 external performance evaluations of the Board of Directors (functional committees included) in 2023 Q1, and disclosed the results on the official website and the MOPS.

(VI) In 2022, the directors spent total 69 hours in continuing education; or 6.9 hours as the average. The courses include Analysis of corporate financial information and application of decision making, Discussion of corporate sustainability transformation from the ESG management, Discussions on human resources and employee placement issues for corporate mergers and acquisitions, How directors and supervisors shall supervise corporate risk management and crisis management, Corporate digital transformation and risk management, Real Value created by the circular and low-carbon innovation - understanding the circular economy and governance, and Variables of the international order and corporate governance responses.

(II) Operation of the Audit Committee

There are total of three members of the Audit Committee, with the term of office from July 28 2021 to July 27, 2024. The Audit Committee convened five meetings (A) in . The attendance of the directors and supervisors is described below:

Title	Name	Attendance in Person (B)	Actual Attendance Rate (%) (B/A)	Remarks
Independent Director	Lin, Su Ming	5	100%	Convener
Independent Director	Weng, Ming Jang	5	100%	
Independent Director	Ho, Yen Sheng	5	100%	

Other matters required to be recorded.

I. Audit Committee composition and responsibilities:

(I) Communication with employees and shareholders.

1. A meeting was held in accordance with Article 6 Authority of the Audit Committee Charter, and managerial departments attended the meeting to provide explanation.
2. The independent directors, Lin, Su Ming and Weng, Ming Jang participated the 2022 regulare shareholders' meeting.

(II) Communication with internal auditing officers and CPAs.

1. **Communication between the Audit Committee and CPAs**

Meeting Date	Communication Point
March 22, 2022	1. CPAs provide a detailed description of financial and profit/loss conditions in 2021 and education on newly amended accounting principles and laws. 2. CPAs discuss and convey their opinions on issues raised by meeting participants.
May 10, 2022	1. CPAs provide a detailed description of financial and profit/loss conditions in the first quarter of 2022 and education on newly amended accounting principles and laws. 2. CPAs discuss and convey their opinions on issues raised by meeting participants.
August 10, 2022	1. CPAs provide a detailed description of financial and profit/loss conditions in the second quarter of 2022 and education on newly amended accounting principles and laws. 2. CPAs discuss and convey their opinions on issues raised by meeting participants.
November 9, 2022	1. CPAs provide a detailed description of financial and profit/loss conditions in the third quarter of 2022 and education on newly amended accounting principles and laws. 2. CPAs discuss and convey their opinions on issues raised by meeting participants.

2. **Communication between the Audit Committee and internal auditing officers**

Meeting Date	Communication Point
March 22, 2022	1. Evaluation of the effectiveness of the Company's 2021 internal control protocols. 2. Discussed and communicated about the audit reports of December 2021, and January and February 2022.
May 10, 2022	Discussed and communicated about the audit reports of March and April 2022.
August 10, 2022	1. Discussed and communicated about the audit reports of May, June, and July 2022. 2. Report on the key points of "Corporate Governance 3.0 -Sustainable Development Roadmap" of the FSC. 3. Discussion of current system of TFC and "Corporate Governance 3.0."

November 9, 2022	1. Proposal of 2023 annual audit program. 2. Proposal to abolish the “Regulations Governing Internal Audit for Investment, Trading, and Operation of Financial Products.” 3. Discussed and communicated about the audit reports of August, September, and October 2022.
December 6, 2022	Discussion and communication about the audit report of November 2022.

II. Compilation of the 2022 audit committee work highlights:

1. Establish or amend the internal control protocols.
2. Assess the effectiveness of the internal control protocols.
3. Review quarterly and annual financial reports.
4. Deliberate the related internal regulations
5. Commissioned the certification operations to the certifying CPAs
6. Appointment of CPAs.

III. Resolutions of the 2022 audit committee work highlights and the Company's handling of the audit committee's opinions.

Meeting date	Content of important proposals	Resolutions	Company's treatment of audit committee's opinions
March 22, 2022 5th meeting of the Audit Committee, the 2nd Term	1. 2021 consolidated and parent-only financial statements. 2. 2021 business report 3. 2021 earnings allocation 4. The Company's “2021 Evaluation of the Effectiveness of Internal Control System.” 5. Amendment to the Company's “Rules of Procedure for Board of Directors Meetings.”	1. Unanimous vote by all attending committee members to approve the proposal and submit it to the board for consideration. 2. Unanimous vote by all attending committee members to approve the proposal and submit it to the board for consideration. 3. Unanimous vote by all attending committee members to approve the proposal and submit it to the board for consideration. 4. Unanimous vote by all attending committee members to approve the proposal and submit it to the board for consideration. 5. Unanimous vote by all attending committee members to approve the proposal after amendment and submit it to the board for consideration.	Submitted to the Board for deliberation, and approved as revised based on the Audit Committee’s opinions.
May 10, 2022 6th meeting of the Audit Committee, the 2nd Term	1. 2022 Q1 consolidated financial statements of the Company and subsidiaries 2. Amendment to the Company's “Operating Procedure for Acquisition or Disposition of Assets.”	1. Unanimous vote by all attending committee members to approve the proposal and submit it to the board for consideration. 2. Unanimous vote by all attending committee members to approve the proposal and submit it to the board for consideration.	Submitted to the board of directors for deliberation, and approved as proposed.
August 10, 2022 7th meeting of the Audit Committee, the 2nd Term	1. 2022 Q2 consolidated financial statements of the Company and subsidiaries 2. Amendment to the “Standard Regulations of Internal Control System for Stock Affairs Unit.”	1. Unanimous vote by all attending committee members to approve the proposal and submit it to the board for consideration. 2. Unanimous vote by all attending committee members to approve the proposal and submit it to the board for consideration.	Submitted to the board of directors for deliberation, and approved as proposed.
November 9, 2022 8th meeting of the Audit Committee, the 2nd Term	1. 2022 Q3 consolidated financial statements of the Company and subsidiaries 2. 2022 assessment of the	1. Unanimous vote by all attending committee members to approve the proposal and submit it to	Submitted to the board of directors for deliberation, and approved as proposed.

	independence and suitability of CPAs. 3. Commission KPMG Taiwan to audit and certify the 2023 financial reports and income tax return and the reporting of the 2023 undistributed surplus. 4. 2023 annual audit program. 5. Establishment of the Company's Risk Management Policy and Procedures. 6. Intention to amend the Company's "Rules of Procedure for Board of Directors Meetings" in part.	the board for consideration. 2. Unanimous vote by all attending committee members to approve the proposal and submit it to the board for consideration. 3. Unanimous vote by all attending committee members to approve the proposal and submit it to the board for consideration. 4. Unanimous vote by all attending committee members to approve the proposal and submit it to the board for consideration. 5. Unanimous vote by all attending committee members to approve the proposal and submit it to the board for consideration. 6. Unanimous vote by all attending committee members to approve the proposal and submit it to the board for consideration.	
December 6, 2022 9th meeting of the Audit Committee, the 2nd Term	Proposal of appointing the chief auditor.	Unanimous vote by all attending committee members to approve the proposal and submit it to the board for consideration.	Submitted to the board of directors for deliberation, and approved as proposed.

(III) Corporate Governance - Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSETPEx Listed Companies and the Reasons

Items assessed	Operation			Deviations from "the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
I. Does the company follow the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and has the company established and disclosed its own Corporate Governance Best Practice Principles?	V		The Company has established and disclosed the Corporate Governance Best-Practice Principles pursuant to the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies."	No deviation.
II. Shareholding structure and shareholders' rights of the Company				
(I) Does the company stipulate internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation matters, and implement them according to procedures?	V		The Company has established the "Management Procedures for Stock Affair Operation" and the dedicated stock affair unit, to handle shareholders' suggestions or related issues.	No deviation.
(II) Does the Company grasp the main shareholders that control the Company and the name list of final controllers of the main shareholders?	V		The Company established a stock affair team under the Board of Directors Office to manage the major shareholders that actually control the Company and name list of the persons who ultimately control the major shareholders. The team is also responsible for reporting the change of information in accordance with the regulations.	No deviation.
(III) Does the Company establish and perform the risk control and firewall mechanism with the affiliates?	V		The Company shall also prepare the Operation Procedure of Capital Loan and the Endorsement Guarantee in order to establish the proper risk control mechanism and firewall with the affiliates. The business contact between the Company and all of the affiliates should be handled after the signature of the contract and submission to the board of directors for deliberation.	No deviation.
(IV) Does the Company prepare the internal regulations to prevent its personnel from trading the securities in virtue of the information that is not open to the public?	V		The Operation Procedure on the Treatment of Major Information inside Taiwan Fertilizer Co., Ltd. has been drafted to regulate the directors, supervisors, managers, employees and the personnel who are in other identities, occupations or controlling relationship but acquire the major internal information of the Company. Those who are prohibited to do any inside trades.	No deviation.

III. Composition and duties of the board of directors				
(I) Does the board of directors establish the diversity policy, concrete management targets, and implement such?	V		To create good and thorough corporate governance system, the Company has established the Practice Principles for Taiwan Fertilizer Co., Ltd. Article 20 of the Principles clearly states the diverse policies of the board of directors. The formation of the board of directors shall take into account the organizational culture, business model and long-term development, including but not limited to genders, age, nationality and culture. The directors shall have good education, experience and knowledge in the industry and professional background to put the diverse policies of the board of directors into practice and complete its organization. The current board of director of TFC consists of nine directors (thee independent directors included); they have expertise in fertilizer, chemical engineering, agricultural economics and promotion, public administration, real estate, accounting and finance management; one female directors, accounting 11%. In the future, the Company will be committed to increase the proportion of female directors to one third, as the goal. Their ages are between 31-79 years old, and formed a diverse and professional composition with both knowledges and experience, and they are complementary to each other, for the more complete and visionary decision-making. In the future, the diversity policy will be amended and added timely depending on the operating demands and operation format, to ensure the board members possess the professional knowledges and skills required to perform their duties.	No deviation.
(II) Does the company voluntarily set up other functional committees in addition to the Remuneration committee and the Audit Committee?		V	This Company has established an Audit and Remuneration Committee pursuant to relevant laws. The spirit of corporate culture and governance has been incorporated in existing regulatory frameworks governing administrative management, education & training, and auditing. Other functional committees have therefore not been established.	There is a deviation. The Company has not established functional committees other than Audit and Remuneration Committees.
(III) Does the company stipulate the performance appraisal methods of the board of directors and their assessment methods, and conduct performance evaluations every year and regularly?		V	At the 16th meeting of the 34th term of the board on December 24, 2019, the board approved the "Taiwan Fertilizer Co., Ltd. Evaluation Procedures for the Board of Directors Performance". The internal performance appraisal of the board is conducted once a year, and the evaluation period starts from January 1 and ends on December 31. The performance appraisal of the board is conducted once every three years by external independent specialized institution or teams of external experts and scholars. The results of both the internal and external performance appraisal of the board are to be completed and announced before the end of the first quarter of the next fiscal year. The latest results of performance evaluation (external performance evaluation) have been completed by Q1 2023 and disclosed on the official website and the MOPS.	There is a deviation. The results of performance evaluation have not yet linked to the remunerations and nomination of individual directors.
(IV) Does the company regularly assess the independence of the certifying CPAs?	V		This Company assesses auditor independence on a regular basis. Assessment of CPA independence was approved in the 8th meeting of the 35th board on November 9, 2022. The Company has therefore compiled a CPA Independence Assessment Form (note 1) with reference to Article 47 of the Certified Public Accountant Act and Code of Ethics for Professional Accountants Statement No.10. In addition to a comprehensive assessment of various impacts on CPA independence, CPAs must issue a Declaration of Independence.	No deviation.

<table>
<tr><td>IV. Whether the listing company has set up a corporate governance or personnel responsible for corporate governance related matters (including but not limited to providing information required by directors and supervisors to conduct business, and handling matters related to meetings of the board of directors and shareholders meeting in accordance with the law, handling company registration and change registration, making board of directors and shareholders meeting, etc.)?</td><td>V</td><td></td><td>The Company appoints the board office as its dedicated corporate governance unit. This office is responsible for corporate governance related affairs. Chung, Shun Hua, Chief of Board of Directors Office was appointed as the corporate governance officer, to implement the corporate governance operation, including:
1. Handling matters related to board of directors and shareholders meeting
2. Taking minutes of the board of directors and shareholding meeting
3. Assist directors onboard and continuing education
4. Providing data as required by directors conducting business
5. Assist director for compliance
6. Follow the matters specified in the Articles of Incorporation and contracts
7. Assist the board of directors and each functional committees for their self-evaluation, and the external performance evaluation every three years
8. Supervising and improving the implementation of corporate governance.
9. Advancing the achievement of corporate governance indicator, and reviewing the key elements to get scores in f every corporate governance evaluation indicators
10. Purchasing liability insurance for directors and managerial officers
The continuing education of the Corporate Governance Officer is as following:
<table>
<tr><th>Date</th><th>Topic</th><th>Hour</th><th>Sponsor</th></tr>
<tr><td>March 15, 2022</td><td>Necessary knowledge regarding the legal responsibility of corporate fraud, and trials of criminal offenses in courts</td><td>Three hours</td><td>Taiwan Corporate Governance Association</td></tr>
<tr><td>July 15, 2022</td><td>True or false? Crisis management toward fake reports</td><td>Three hours</td><td>Taiwan Corporate Governance Association</td></tr>
<tr><td>August 10, 2022</td><td>Analysis of corporate financial information and application of decision making</td><td>Three hours</td><td>Securities and Futures Institute</td></tr>
<tr><td>November 9, 2022</td><td>Discussion of corporate sustainability transformation from the ESG management</td><td>Three hours</td><td>Securities and Futures Institute</td></tr>
</table></td><td>No deviation.</td></tr>
<tr><td>V. Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up stakeholder areas on the company's website, and respond appropriately to important corporate societies of concern to stakeholders, and responsibility issues?</td><td>V</td><td></td><td>The Company has a spokesman. If required by the stakeholders, they can communicate with its spokesman or its business unit(s) at any time. The communication channel is smooth. The special zone for the stakeholders is set in the website of the Company to respond the issues concerned by the stakeholders properly.</td><td>No deviation.</td></tr>
<tr><td>VI. Does the Company entrust a professional stock agency?</td><td></td><td>V</td><td>Pursuant to the Regulations Governing the Administration of Shareholder Services of Public Companies and the internal control system, the Company handle the stock affair on its own.</td><td>There is a deviation. The Company handle the stock affair on its own.</td></tr>
<tr><td colspan="5">VII. Information disclosure</td></tr>
<tr><td>(I) Has the company set up a website to disclose financial and corporate governance information?</td><td>V</td><td></td><td>The Company has set the special column for serving the investors in its website in both Chinese and English versions, disclosing the information about financial statement and governance information of Company and providing it to the investors for reference on a regular basis.</td><td>No deviation.</td></tr>
</table>

(II)	Does the company adopt other information disclosure methods (such as setting up an English website, appointing a dedicated person responsible for the collection and disclosure of company information, implementing the spokesman system, and posting the company's corporate briefing process on the website, etc.)?	V		The Company provides its English version of the critical news such as the annual reports, a handbook for shareholders' meeting, and a notice of shareholders' meeting, which the Company's operation information is fully disclosed in its website. The Company has appointed the spokespersons to issue the Company news externally, and dedicated staff to collect and contact all of media information. The information of investor conferences is uploaded to the official website simultaneously, and dedicated staff are assigned to issue material information on MOPS.	No deviation.
(III)	Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and monthly operating status reports before the stipulated deadlines?		V	The Company has completed the publishing and reporting of its first, second and third quarter financial reports and the operating status for each month on the Market Observation Post System within 45 days before the quarter ends, within 75 days from the end of a fiscal year, and before the 10th of the following month in accordance with the relevant regulations of the Securities and Exchange Act.	There is a deviation. The annual financial reports were not published and reported before the end of February of the following year.
VIII.	Does the Company have any other important information (including but not limited to employees' rights, employee care, investor relations, supplier relationship, rights and interests of stakeholders, training for directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?	V		(I) Rights and interests of employees as well as employee care: Adhering to the principle that Taiwan Fertilizer is a family, the Company has established the Welfare Committee of Employees to provide employees excellent and considerate welfare activities and caring projects. (II) Investor relation: The Company aims at ensuring the rights and interests of the shareholders and treats all of them equally. According to the relevant provisions of the competent securities authority, the Company issues the major news such as the finance, business and change of the shareholders at Observation Website for News Disclosure. (III) Relations with suppliers: The Company reviews the supplier's quality capacity, delivery capacity, service team capacity, etc. on a regular basis according to supplier management methods of the Company, to stabilize material quality and to ensure material source safety. In regard to suppliers, the Company not only emphasizes the supplier's quality, price, delivery time, etc. but also concerns human rights, labor welfare, workplace safety, etc., so as to establish a sustainable supply chain system that develops stably. Now, supplier ESG management is gradually introduced. First, the Company promotes supplier self-assessment to know the supplier operating risks, providing the basis for promotion of supplier ESG management and leading suppliers to develop a production and sales model, while prioritize human rights, labor welfare, occupational safety higher. (IV) Rights of the stakeholders: The Company always abides by the principle of ethical in maintaining and safeguarding the rights of the stakeholders. The Company also provides a smooth communication channel for different kinds of stakeholders to express their opinions any time. (V) Further study of directors and supervisors: The Company follows the provisions of Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies, please refer to MOPS or the official website for the directors' continuing education. (VI) Implementation of risk management policies and risk balance standard: Subject to the "Risk Management Policy and Procedures, Taiwan Fertilizer Co., Ltd." of the Company, the risk management policy and the risk evaluation standard of the Company are prepared according to the suitability of the Company objective and the units at different levels of the Company. The goals and the result of risk evaluation are set to help the Company to design, modify and implement the control required on a timely basis. (VII) Implementation of client policies: The Company has prepared Details on the Management of Customer Relationship. Its business departments have set up the customer service center to communicate with customers. (VIII) Purchase of insurance for directors: We have bought the liability insurance for directors and managerial officers from Shinkong Insurance according to relevant regulations. The coverage is USD5 million with the premium of USD3,500; the insurance period is from noon, April 1, 2022 to noon, April 1, 2023. Please refer to MOPS - Corporate Governance - Information of Directors and Supervisors - Liability Insurance Coverage of Directors and Supervisors.	No deviation.

IX. Please state the improvements made to the items in the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. of the latest year (2023, and indicate the enhancement and improvement measures for the items not yet improved.

The Company ranked in the top 21%~35% range of the listed companies for the 98th Term of Corporate Governance Evaluation; the improvement situation is described below:

1. The interim financial statements of the Company shall be approved by the Audit Committee in the future, and presented to the Board of Directors for discussion and resolution.
2. The Company has formulated and approved the performance evaluation of the Board of Directors. It is explicitly stipulated that an external evaluation shall be conducted at least once every three years.

Note 1: The CPA independence evaluation chart of Taiwan Fertilizer Co., Ltd. (2022)

Items assessed	Violation of Independence
1. Having a direct or material indirect financial interest in the Company (holding the equity securities, loans or other debt instrument of the Company, including the rights thereof and derived rights)	No
2. Having financing or guaranteed conduct with the Company and the directors	No
3. Members of the audit service team have significant close business relationships with the Company or any director or managerial officers of the Company.	No
4. The audit service team has potential employment negotiations with the Company (confirming to be serving as the Company's director or managerial officer, or position having a significant influence on the audit case in the future)	No
5. Entering into a contingent fee arrangement relating to the audit engagement.	No
6. Any audit service team members have been serving as directors, managerial officers or positions that have a significant impact on the audit case in the Company within the last two years.	No
7. The non-audit service that was performed by the accounting firm is provided.	No
8. A member of the audit service team is a relative to a director, supervisor, or managerial officer of the Company or an employee of the Company who is in a position to exert significant influence over the subject matter of the audit engagement.	No
9. A member of the audit service team receives valuable gifts from the Company or its directors or managerial officers	No
10. The Company not request the audit service team to accept improper options made by management in accounting policies or improper disclosures in financial statements?	No
11. The Company has put pressure on CPAs to reduce professional service fees and thus prompt them to improperly reduce the audit tasks that should be performed	No
12. Whether the same CPAs have not provided the Company's audit service for seven consecutive years	No

(IV) Composition, function, and operation circumstances of the Remuneration Committee

1. Information of compensation committee members

Status	Qualification / Name	Professional qualification and experience	Independence	No. of other listed companies serving as remuneration committee member concurrently
Independent Director (Convener)	Weng, Ming Jang	Currently serving as Associate Professor, Department of Applied Economics, National University of Kaohsiung; PhD of Economics, Texas A&M University. Also serving as the member of the Company's Audit Committee. Possessing professional qualification and experience in business administration, finance, applied economics.	Pursuant to the Company's "Articles of Incorporation" and the "Corporate Governance Best Practice Principles," the election of directors adopts the candidate nomination system. When nominating and electing the board members, the Company has obtained the written declaration, working experience, and certificates of education from each director, to verify the independence of themselves, their spouses and relatives within the second degree of kinship relative to the Company, that none of them serves as the director, supervisor, or employee of the Company or any of its affiliates. Independent director him/herself, the spouses and relatives within the second degree of kinship (or in other's name) holding zero of the Company's shares; amount of compensation received by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company: 0. The Company has additionally verified that the two independent directors at the left hand side have complied with required qualification specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission and Article 14-2 of the Securities and Exchange Act during two years prior to the election and their terms of office; additionally, all independent directors are empowered with the authorities to fully participate the decision-making and opinion expression pursuant to Article 14-3 of the Securities and Exchange Act, to exercise their duties independently.	1
Independent Director	Ho, Yen Sheng	Currently serving as Associate Professor, Department of Real Estate and Built Environment, National Taipei University.; PhD, Institute of Real Estate and Built Environment, National Taipei University. Also serving as the member of the Company's Audit Committee. Possessing professional qualification and experience in real estate, urban renewal dispute settlement .		0
Others	Ma, Chen Chi	Currently serving as Chair Professor, Department of Chemical Engineering, National Tsing Hua University. PhD, Chemical Engineering, North Carolina State University; used to serve as senior engineer, Monsanto Company, Advisor, MOEA S&T Advisors Office and Technology Office, and Advisor, MOE S&T Advisors Office.	None of the independent director him/herself, the spouses and relatives within the second degree of kinship not serving as the director, supervisor, or employee of the Company or any of its affiliates. Independent director him/herself, the spouses and relatives within the second degree of kinship (or in other's name) holding zero of the Company's shares; amount of compensation received by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company: 0. During two years prior to the election and their terms of office, not violating any requirement of independence specified in each subparagraph of Article 6, the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange."	3

Note : Scope of duties and powers of the Remuneration Committee:

(1) Regular review of the organizational charter of the Remuneration Committee and proposal of amendments.

(2) Formulation and regular review of director and manager performance appraisal standards, annual and long-term performance goals as well as remuneration policies, systems, standards, and structures. Performance appraisal standards are disclosed in annual reports.

(3) Regular assessment of director and manager performance target achievement; individual remuneration contents and amounts in accordance with appraisal results based on the aforementioned standards; individual performance appraisal results, remuneration contents and amounts, and relevance and reasonableness of appraisal results for directors and managers are disclosed in annual reports and reported to shareholders' meetings.

2. Remuneration Committee Operation Status
   (1) The Company's Remuneration Committee is composed of three members.
   (2) Current tenure: July 28, 2021–July 27, 2024. In the most recent year, the compensation committee held two meetings (A). Members' attendance are listed below:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A)	Remarks
Independent Director	Weng, Ming Jang	2	0	100%	Convener
Independent Director	Ho, Yen Sheng	2	0	100%	
Member	Ma, Chen-Chi	2	0	100%	

Other matters required to be recorded.

I. If the board of directors does not accept or modify the suggestions from the Remuneration Committee, the date and the number of times of the meeting, contents of the proposal, the board of directors' resolution, and the response of the Company to the suggestions shall be stated. (If the remuneration approved by the board of directors is higher than the Remuneration Committee suggests, the difference and the reason shall be stated.) : not applicable.

II. If there is a discussed matter in the Remuneration Committee opposed by the members, or a matter the members hold qualified opinions on, which had record or statement in writing, the date and the number of times of the meeting, contents of the proposal, opinions of all members and the response to the opinions shall be stated: not applicable

III. The 2022 meeting date and the content and results of resolutions of the remuneration committee, as well as the Company's treatment of the remuneration committee's opinions.

Meeting date	Content of proposal	Resolutions	Company's treatment of the remuneration committee's opinions.
March 22, 2022 3rd meeting of the Remuneration Committee, the 5th Term	1. Report on 2021 Board Performance Evaluation 2. Proposal of 2021 year-end bonus for the Chief of Board's Office (Corporate Governance Officer) the Chief of Finance Dept and other staff as deputy general manager or above. 3. Distribution of 2021 remuneration to the directors.	1. Noted. 2. Unanimous vote by all attending committee members to approve the proposal after amendment and submit it to the board for consideration. 3. Unanimous vote by all attending committee members to approve the proposal after amendment and submit it to the board for consideration.	Submitted to the Board for deliberation, and approved as revised based on the Remuneration Committee's opinions.
August 10, 2022 4th meeting of the Remuneration Committee, the 5th Term	Deliberate the 2021 employees' remuneration of Chief of Finance Dept, Assistant Deputy General Managers and above.	Unanimous vote by all attending committee members to approve	Proceeded as resolved

(V) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Item	Implementation			Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
I. Did the company have established the governance framework for promoting sustainable development a designated unit in charge of promoting sustainable development, and the senior management is authorized by the board of directors for handling, as well as the status of board of directors' oversight?	V		1. The Company has established the "Sustainable Development Promotion Committee" serves as the highest ranked unit of the company in the field of sustainable development promotion. The CSR Secretariat, which is a dedicated unit directly subordinate to the board, assists the Sustainable Development Promotion Committee in the implementation of various tasks associated with sustainable development promotion policies approved by the board. The Chairman serves as supervising member of the Sustainable Development Promotion Committee. The President and Vice President serve as the chairperson and deputy chairperson of the committee which is comprised of AVPs, division heads, and factory managers. Four subunits (Corporate Governance Promotion Task Force, Sustainability Promotion Task Force, Green Commitment Task Force, and Social Engagement Task Force) have been established. These task forces convene meetings or initiate projects for different issues, while reporting the sustainable development promotion results and implementation to the board at least once annually. 2. Functions and responsibilities of the Sustainability Promotion Committee: （1） Development and determination of ESG policy directions. （2） Collection and compilation of stakeholder opinions and identification and management of ESG related impacts, risks, and opportunities. （3） Formulation of KPIs and management approaches and regular inspection of ESG performance and goal achievement. （4） Annual reporting of ESG performance and future strategic goals to the board. （5） Regular organization of ESG training. 3. Compilation of sustainability reports and submission to the chairman for review and release.	No deviation.
II. Does the company assess the risk of the environment, society, and issue of management of the company and set up a policy or strategy of risk management, according to principle of importance?	V		1. On November 9, 2022, in the 8th board meeting of the 35th term, the establishment of the "Risk Management Policy and Procedures, Taiwan Fertilizer Co., Ltd." was approved. The information regarding risk management assessment in the key operating units, including production, sales, asset development and management and reinvestment, finance, and information are reported in the same meeting aggregately. 2. On November 25, 2022, the President approved the "Guidelines for Establishment of the Risk Management Promotion and Implementation Team, Taiwan Fertilizer Co., Ltd." while establishing the "Risk Management Promotion and Implementation Team" for the continuous promotion.	No deviation.
III. Environmental Issue				
(I) Does the company set up an appropriate environmental management system, according to the feature of the industry?	V		Our plants in Taichung and Miaoli have completed the establishment of ISO 14001 environmental management system and regularly conducted internal audits to ensure the continuous adoption of the practices. Pleaser refer to the official website (https://www.taifer.com.tw/csr/Persistencemanagement/ISODocument.html) for the certificates and valid period.	No deviation.
(II) Does the company dedicate in promoting resource utilization efficiency, and use renewable materials that have low impact to the environment.	V		The Company has introduced its integration policy for production value chain and established the most efficient production and energy process design at the Taichung pant (fertilizer chemicals production base) to fully recycle energy and greatly improve energy efficiency. Taiwan Fertilizer uses recycled materials which have less negative impact to the environment to develop a circular economy. For example, waste fish scales are used to extract collagen peptide powder, and wine lees, decomposed wood chips, biogas digestate and rice straw are made into biotech organic	No deviation.

			fertilizers.	
(III) Does the company assess the risks and chances that the climate change makes to the present and the future of the company, and adapt measures against the climate issue?	V		We understand the significant economic and environmental impacts of climate change caused by operating activities. We have introduced the SIO 14064-1 greenhouse gases accounting system and regularly conducted the GHG inventory to establish target benchmark for reduction and offer energy-saving, carbon-reduction and GHG reduction solutions and improvement measures	No deviation.
(IV) Does the company calculate the emission of green house gas, water consumption, and the amount of waste, and set up a managerial policy of energy saving and carbon reduction, reducing green house gas, reducing using water, or other waste.	V		We have disclosed the GHG emissions, amount of water used and volume of business waste disposal the several recent years every year in our Sustainability Report, and gradually reinforced our in-house management with more stringent measures compared with the environmental protection standards to continue promoting energy conservation and waste reduction actions. Please refer to the Sustainability Report issued by the Company.	No deviation.
IV. Social Issues				
(I) Does the Company establish policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		The Company respects and supports the standards and principles of international human right conventions, such as "Universal Declaration of Human Rights," “The United Nations Global Compact,” and “Declaration of Fundamental Principles and Rights at Work," while by complying the related domestic labor laws and regulations, the Company establish the “Statement of Human Right Policy of Taiwan Fertilizer Co., Ltd.” to be committed to protecting the basic human rights of the Company’s employees and creating a diverse and open working environment, so that the personnel will be surely treated with fairness and dignity. These are simultaneously announced on the Company’s website and intranet for employees to check, and serving as the basis of the Company’s management policies. In 2022, the education and trainings of the working place with gender equality were conducted, for the enhanced promotion of gender equality and related legal interests and rights. Total of 103 people attended the trainings.	No deviation.
(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits) and appropriately reflected the business performance or results in the employee remuneration policy?	V		We provide our employees with the most comprehensive welfare system, which covers vacations, birthday gifts, social activities and making of work uniforms, and establish an employee welfare committee to offer a variety of subsidies to all employees. We submit proposals to the board to distribute year-end bonuses based on the operating performance. Individual performance bonuses and year-end bonuses are issued based on the appraisal results of individual work responsibilities and contributions.	No deviation.
(III) Has the Company provided employees with a safe and healthy working environment and regularly conducted safety and health training?	V		The plants in Taichung and Miaoli have obtained the ISO 45001 and CNS 45001 occupational health and safety management system certification. In addition, the Company offers health promotion program and holds a variety of health activities and health education seminars to build a healthy and safe workplace for employees. The annual occupational accident statistics and improvement programs are disclosed in the annual sustainability reports.	No deviation.
(IV) Has the Company established an effective career development training program for employees?	V		Based on the needs of organizational strategy, individual performance development, and functional enhancement, the Company establishes effective training programs for employees, to strengthen their professional technical capabilities and knowledge, enabling them to fully develop their potentials and improve work quality and performance. In 2022, the training courses for different functional aspects were held, including professional functions (labor laws and regulations, asset management, internal audit and internal control, production skills, financial report preparation, engineering practice), management functions (series of training courses for middle and senior managers), core functions (voluntary improvement, information security promotion, ethical management and philosophy, workplace with gender equality, and international trends), combining with the online learning platform. Through the rich and diverse training resources, even though the domestic pandemic was unpredictable, the good environment and channels for talent cultivation were maintained. The Company has a total of 2,912 people attending the trainings during the year, and the total training hours were 13,205 hours.	No deviation.
(V) Has the Company complied with the relevant regulations and international standards and formulated policies for consumer or customer rights	V		Article 24 of the Company's Sustainable Developmenty Best Practice Principles discloses that the practices adopted by the Company for the marketing and labeling or products and services in accordance with regulations and international standards include:	No deviation.

and grievance procedures with respect to consumer health and safety, customer privacy, marketing and labeling of products and services?			1. Labels of packaging bags and promotional materials for fertilizers are in compliance with the domestic regulations on fertilizer management. 2. The Company's real estate development is designed, constructed and managed in accordance with domestic construction regulations. Marketing and product information labeling of properties for sales or for rent honestly disclose information to consumers and have not violated any relevant regulations and international standards. 3. In order to protect the health and safety of customers, we continue to improve our "Fertilizer Traceability System" and have introduced the ISO 22000 food safety system, conducted internal audits twice a year and external audit once a year and recorded the results on the traceability system of the Ministry of Health and Welfare. 4. In order to reinforce customer privacy and business information protection, we have established a Personal Information Protection Management Committee to formulate protection policies and systems for personal information, and rigorously adhered to the Confidentiality Implementation Measures and the Personal Data Protection Act to protect the Company's trade secrets.	
(VI) Has the Company established supplier management policies which require suppliers to comply with regulations on environmental protection, occupational safety and health or labor rights, and reported the implementation?	V		The Company has added the ESG self-assessment or evaluation clauses to the Supplier Management Measures and ESG clauses to supplier contracts, and required that suppliers ensure human rights and pay attention to labor rights. The Company also conducts on-site surveys of main suppliers to understand the status of their evaluation in the environmental and social aspects.	No deviation.
V. Has the Company referred to international reporting standards or guidelines in its preparation of sustainability reports and other reports which disclose the Company's non-financial information? Have the abovementioned reports obtained the verification or assurance opinions from third-party certification organizations?	V		The Company prepares its sustainability report in accordance with the GRI Standards Core Option published by the Global Reporting Initiative (GRI), while referring to the Taiwan Stock Exchange “Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies” as the reference basis for disclosing information in the reports. EY Taiwan has implemented the limited assurance procedures to the information of the assurance target for the Sustainability Report, pursuant to the Standards on Assurance Engagement No. 1, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information.”	No deviation.

VI. If the company has its own sustainable development code in accordance with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies, please describe the difference between its operation and the prescribed code:

The Company has established the “Sustainable Development Best Practice Principles,” as the basis for fulfillment of corporate social responsibilities. The Company has constructed three major aspects including governance, environmental sustainability and social responsibility, shaped policies, promoted plans and executed management guidelines. The Company also demonstrates and reports the annual ESG implementation situation to all stakeholders by preparing and publishing sustainability reports.

VII. Other important information to help understand the operation of sustainable development:

1. In 2019 and 2021, the Taichung Factory completed the programs of "public boilers to use natural gas," and "the Nitrophosphate II Factory to use natural gas," to replace fuel gradually with the natural gas that has lower pollution and lower greenhouse gas emissions. The decline became significantly from 2019, and by 2021, the fuel consumption became only 38.36% of that in 2019. In the future, programs including "Nitrophosphate I Factory to use natural gas" and "Ammonium Phosphates Factory to use natural gas" are planned for implementation. It is expected that by 2024, the Taichung Factory will completely replace fuel with natural gas, which will reduce carbon dioxide emissions by about 3,500 tons per year.
2. For years, TFC has been committed to promote the rationalized fertilizing education, and the model farms for fertilizing. Expenses and human resources have been invested every year, and results are obtained. According to the statistics, in the recent three years, there were 4,674 participants in the promotional events, and more than 36,000 attended farmers. The expenses invested was NT$13,861,982, with total 959 seminars of rationalized fertilizing and model farms, a very fruitful outcome.
3. In 2021, the Company participated in the project, “Paddy Adoption with Love,” to fund the cultivation of small farmers in Taoyuan, and sustain the possible natural disasters and pests during the planting process with the farmers. The harvested crops will be donated to the children in nurseries, to help small farmers and disadvantaged children simultaneously. This project was mainly promoted by the "Baby Looking for Home Social Welfare Association," and the Company provides financial support. The plan has two major features. One is that the fields are open to the nursery children during the harvest period for experiencing, for promoting the food and agriculture in a practical way; the other one is that during the fallow period of the rice paddies (from the end of August to the end of December), the idle lands will be used to plant the "green fertilizing crops," i.e. sweet potatoes. The so-called green fertilizing crops are fresh crops to be directly buried in the soil for composting, to increase the organic matter in the soil, and improve fertility; meanwhile, the rationalize fertilization to delay soil acidification is achieved. It is a land-friendly farming method.

(VI) Implementation of Ethical Corporate Management and Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons

Items assessed	Operation: Yes	Operation: No	Operation: Summary	Deviations with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
I. Setting ethical management policies and programs				
(I) Does the company establish ethical management policies approved by the board and have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures and the commitment regarding the implementation of such policy from the board and the executive management team?	V		The Company specifies its policies and actions of integrity operation in the rules and external documents as follows: 1. We disclose our core value, ethics, in the company profile, three-year business management strategies, and our official website. We established the "Ethical Corporate Management Best Practice Principles" to create a corporate culture of ethical management, build a good risk control mechanism, and sturdily ensure sustainable management and development for the enterprise. 2. The Company prepares sustainability report each year to explain its integrity operation commitment and execution performance.	No deviation.
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly which at least cover the prevention measures against the conducts listed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	V		We have established the Ethical Corporate Management Best Practice Principles which serves as the guidelines at the highest standard and code of conduct for operating activities of Taiwan Fertilizer, its subsidiaries and other investees over which Taiwan Fertilizer has the controlling interest. In order to fully implement the ethical management policy, Taiwan Fertilizer has also introduced the Ethical Corporate Management Best Practice Principles and Code of Ethical Conduct for Directors and Top Executives, the Taiwan Fertilizer Staff Working Rules and the Taiwan Fertilizer Staff Evaluation Measures as solutions for preventing unethical behaviors of personnel at various levels. We have also established the Internal and External Personnel Grievances Procedures which details methods for filing grievances, investigation procedures, protection of whistleblowers and others, and adhered to these policies.	No deviation.
(III) Has the Company defined operating procedures, conduct guidelines, disciplinary penalties and grievance process in the program preventing unethical conduct and put them in practice, and regularly reviewed and amended the program?	V			No deviation.
II. Implementation of ethical management				
(I) Does the Company evaluate the integrity records of the transaction object and conclude the terms regarding the integrity behavior in the agreement signed with them?	V		Prior to the purchase, the Company evaluates the integrity records of the transaction object and specifies in the purchase agreement, trading agreement, etc. that the object shall, prior to the execution of the agreement or during the terms of this agreement, never give present to Party A's employee in any form. Should Party B go against the regulations, Party A can terminate this agreement immediately as long as it is discovered and cancels Party B's rights of trading with Party A or contracting Party A's projects.	No deviation.
(II) Has the Company established a specialized unit under the board responsible for the promotion of corporate ethics management, which regularly (at least once a year) reports policies on ethical operations, programs on prevention of unethical conduct and the status of supervision to the board?	V		The board office under the board, the audit office, administration divison of the management department are jointly responsible for promoting corporate ethics management policies and related implementation measures.	No deviation.
(III) Does the Company prepare the policies against interest conflict and provide and implement the proper statement channel?	V		The Company clearly stipulates in its Ethical Corporate Management Best Practice Principles and Code of Ethical Conduct for Directors and Top Executives that the company's directors, independent directors, and top executives shall prevent conflicts of interest involving personal interests or the overall interests of the company. Where it is detected that conduct of employees involves conflicts of interest, such conduct shall be reported to the Audit Committee, managers, internal auditing officers, or other relevant	No deviation.

			personnel and handled in a confidential manner.	
(IV) Has the Company established an effective accounting and internal control system to put ethical operations management into practice and arranged for the internal audit unit to formulate audit plans based on the risk assessment of unethical conduct and audit the compliance to prevent unethical conduct, or commissioned independent auditors to conduct the audit?	V		The Company shall establish its accounting system according to laws and the internal control system pursuant to the "Regulations Governing Establishment of Internal Control Systems by Public Companies." The audit office prepares the annual audit plan for check, and the internal audit shall be reported in written at each board meeting.	No deviation.
(V) Does the Company hold regular internal and external education trainings on ethical management regularly?	V		The Company regularly conducts education and training sessions on ethical management. In August 2022, invited David Tsai, Alex Li, and Lily Huang, attorneys at law from Lexcel Partners, were invited as lecturers, to hold a promotional seminar on the theme of "Ethical Corporate Management, Insider Trading, and Workplace with Gender Equality," to have the employees to understand the importance of ethics and morality via case studies. The seminar lasted three hours in total, and 103 employees attended. During the seminar, they interacted frequently with the lecturers, and the space constraints were overcome to have the synchronized video connections with the Taichung, Miaoli and Hualien factories, so that employees in these factories also attended the seminar without being restricted by space.	No deviation.
III. Operation of the Company's whistle-blowing system				
(I) Does the Company prepare the specific whistle-blowing and award & punishment system, establish the convenient whistle-blowing channel and designate a person to deal with the accused?	V		The Company has established its Internal and External Personnel Grievances Procedures and accessible channels for filing grievances. Whistleblowers can submit their cases through written letters or emails to a specified address or email box. The audit office is the responsible unit handling the cases. Whistleblowers or those with meritorious performance in handling the cases are rewarded appropriately in accordance with Article 10 of the Internal and External Personnel Grievances Procedures	No deviation.
(II) Does the Company establish standard operating procedures for investigating the complaints received, follow-up measures to be adopted and the related confidentiality measures after investigation?	V		Article 6 of the Internal and External Personnel Grievances Procedures have stipulated detailed standard investigation procedures and the confidentiality measures.	No deviation.
(III) Does the Company take measures for protecting the whistle-blower from being punished improperly?	V		The whistleblower protection policy is specified in Article 9 of the "Internal and External Personnel Grievances Procedures". It protects the whistleblower from any inappropriate treatment due to whistleblowing.	No deviation.
IV. Strengthening of information disclosure				
Does the company disclose the contents of its Ethical Corporate Management Best Practice Principles and the effectiveness on its website and MOPS?	V		This Company discloses relevant norms and regulations set forth in its Ethical Corporate Management Best Practice Principles as well as educational information and implementation results on its official website. These principles and the Code of Ethical Conduct for Directors and Top Executives are also disclosed on the Market Observation Post System and relevant training courses are organized. Ethical corporate management implementation records are disclosed in annually released sustainability reports.	No deviation.
V. If the company has its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between them: The Company prepared Ethical Corporate Management Best Practice Principles as the basis to put integrity operation into practice. Prior to these principles, the Company still abided by the spirit of integrity operation in promoting all of its businesses. The Company will implement the integrity operation in terms of operation and corporate governance by abiding by the items stated herein in order to realize sustainable development.				
VI. Other important information that helps to understand the company's ethical management operation: The operation situation and effectiveness of ethical management of the Company are documented in the annual sustainability report issued each year, available for public reference.				

(VII) Disclosure of Inquiry Ways in Case of any Formulation of Corporate Governance Rules and Relevant Regulations by the Company

1. For more information about the "Corporate Governance Best Practice Principles of Taiwan Fertilizer Co., Ltd." And" TFC Ethical Corporate Management Best Practice Principles", please visit our official website: https://www.taifer.com.tw/FileUploadCategoryListC005110.aspx?CategoryID=31dadb88-2653-4cc2-834a-0d449891f654

(VIII) Other Important Information Enough to Enhance the Understanding of the Operation of Corporate Governance

1. Pleaser refer to the official site for the CSR (sustainability) reports from 2014 to 2022, available in Chinese and English.
2. The Company approved the amendment to the "Detailed Table of Leveled Authorization, TFC" and the "Board of Directors and Managerial Officers' Power Division Table" in the 4th meeting, the board of directors of 35th Term on December 23, 2021.
3. In the 28th Meeting, Board of Directors of 34th Term, May 22, 2021, the amendment to partial provisions of "Rules of Procedure for Board of Directors Meetings, TFC" was approved.
4. The Company approved the amendment to the "Corporate Governance Best Practice Principles, TFC" and "Sustainable Development Best Practice Principles, TFC" in the 6th meeting, the board of directors of 35th Term on May 10, 2022.
5. The Company has amended the "Articles of Incorporation, TFC" in the shareholders' meeting on June 29, 2022.
6. In the 7th Meeting, Board of Directors of 35th Term, August 10, 2022, it was resolved to approve the addition of "Standard Regulations of Internal Control System for the Shareholder Service Unit, TFC."
7. The Company has amended the "Key Points of Confidentiality, TFC" upon the approval of the President on October 11, 2022.
8. In the 8th Meeting, Board of Directors of 35th Term, November 9, 2022, it was resolved to approve the establishment of the Risk Management Policy and Procedures.

(IX) Status of the Execution of the Internal Control System

1. Declaration for Internal Control System of Public Listed Company

Declaration for Internal Control System of Public Listed Company
Showing the effectiveness in design and implementation

(The part following rules and regulations in the Declaration is applicable when all of the rules and regulations are adopted)

TAIWAN FERTILIZER CO., LTD.
Declaration for Internal Control System

Date: March 8, 2023

With respect to the internal control system for 2022, based on the self inspection result, we hereby represent as follows:

I. The Company acknowledges that it is the responsibility of the Board of Directors and the managers of the Company to establish implement and maintain the internal control system, and the Company has established the system for the purpose of providing reasonable assurance of the achievement of such targets as the operating result and efficiency (including profits, performance and safeguarding assets safety, etc.), the financial report reliability and the compliance with relevant statues.

II. The internal control system has its congenital limitation; notwithstanding a perfect design, the effective internal control system can only provide reasonable assurance of the achievement of the above three targets; furthermore, the internal control system effectiveness may vary according to the change of the environment and conditions, provided that internal control system of this Company is equipped with the self supervision mechanism and the Company can take any corrective action in case of any deficiency identified.

III. The Company shall judge the design of the internal control system and the effectiveness of the implementation thereof based on the judgment items of the effectiveness of the internal control system as provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as “the Regulations”). The internal control system judgment adopted in the Regulations refers to the management based control process and divides the internal control system into five elements: 1. control environment; 2. risk evaluation; 3. Control job; 4. information and communication; and 5.supervision. Each element contains a number of items. For the above items, refer to the Regulations.

IV. The Company has adopted the above-mentioned internal control system judgment items to examine the design of the internal control system and the effectiveness of the implementation thereof.

V. Based on the preceding examination result, the Company deems that, the internal control system of the Company on December 31, 2022 (including the supervision and management of its subsidiary), including knowing about the operating result and the achievement of the efficiency and targets, financial whistle-blowing reliability and the design of and the implementation effectiveness of the internal control system regarding the compliance with relevant statues, is effective, and it can reasonably ensure the achievement of the above targets.

VI. This Declaration shall be the main content of the annual report and prospectus of the Company and be disclosed to the public. In case of any false or hidden illegal matters, the above content disclosed shall involve the legal responsibilities in Article 20, Article 32, Article 171 and Article 174 in the Securities and Exchange Act.

VII. We state herein that the Statement was approved by the board of directors on March 8, 2023. None of the nine directors (one proxy included) present at the meeting expressed any objection, and all of them agreed on the contents of the Statement.

TAIWAN FERTILIZER CO., LTD.

Chairman and General Manager: Huang, Yao Hsing

2. If a CPA is appointed to review the internal control system, the CPA's audit report shall be disclosed: N/A

(X) Punishment to the Company and its Personnel by Law and Punishment to its Personnel in Breach of Internal Control Systems by the Company as well as Major Shortcomings and Improvements over the Recent Years and up to the Date of Publication of Annual Reports: not applicable

(XI) Important resolutions at the shareholders' and board of directors meetings in the most recent year and as of the date on which the annual report was printed.

1. Key resolution and implementation of 2022 shareholders meeting (June 29, 2022)

Item	Content	Implementation
1	The financial statements and recognition of final statements of the Company in 2021 were approved. No shareholders proposed disagreement after the inquiry of the chairman.	All shareholders have been mailed to for review.
2	The 2021 Earnings Distribution Plan was approved after no attending shareholder voiced an objection following an inquiry by the chair.	1. Notification has been sent out to shareholders regarding shareholder bonuses and director, and employee remuneration. 2. On August 10, 2022, in the 7th meeting, Board of directors of 35th, the 2021 cash dividends of NT$ 2.8 per share distributable to shareholders; the distribution base date was determined as September 3, 2022.
3	The amendment of certain provisions set forth in the Articles of Incorporation was approved after no attending shareholder voiced an objection following an inquiry by the chair.	Announce has been made on the Company's website and the amended regulations are adopted.
4	The amendment of certain provisions set forth in the "Operating Procedure for Acquisition or Disposition of Assets" was approved after no attending shareholder voiced an objection following an inquiry by the chair.	Announce has been made on the Company's website and the amended regulations are adopted.

2. Important resolutions at the board of directors meeting

Month/Year	Content
March 2022	I. Approved the 2021 consolidated and parent-only financial reports. II. Approved the 2021 business report. III. Approved the 2021 earnings allocation IV. Approved the 2021 Declaration for Internal Control System V. Approved the 2021 remuneration disbursed to the Company's directors and employees VI. Approved the Distribution of 2021 remuneration to the directors.
May 2022	I. Approved the amendments to the Company's "Operating Procedure for Acquisition or Disposition of Assets" in part II. Approved to amend the title and partial provisions of the "Corporate Social Responsibility Best Practice Principles, TFC." III. Approved to amend the "Corporate Governance Best Practice Principles, TFC" in part.
August 2022	I. Approved 2022 Q2 consolidated financial reports of the Company and subsidiaries II. Approved the 2021 cash dividends of NT$ 2.8 per share distributable to shareholders; the distribution base date was determined as September 3, 2022. III. Approved the amendment to the "Standard Regulations of Internal Control System for Stock Affairs Unit."
November 2022	I. Approved 2022 Q3 consolidated financial reports of the Company and subsidiaries II. Approved 2022 assessment of the independence and suitability of CPAs. III. Approved the commission of KPMG Taiwan to audit and certify the 2023 financial reports and income tax return and the reporting of the 2022 undistributed surplus. IV. Approved the 2023 business plan and budget. V. Approved the establishment of the Company's Risk Management Policy and Procedures. VI. Approved the 2023 annual audit program.

Month/Year	Content
	VII. Approved the amendments to the “Rules of Procedures for Board of Directors Meetings, Taiwan Fertilizer Co., Ltd.” in part.
December 2022	I. Approved the appointment of the chief auditor.
March 2023	I. Approved the 2022 consolidated and parent-only financial reports. II. Approved the 2022 business report. III. Approved the 2022 earnings allocation IV. Approved the 2022 Declaration for Internal Control System V. Approved the 2022 remuneration disbursed to the Company's directors and employees VI. Approved the Distribution of 2022 remuneration to the directors. VII. Approved the tender for the land of Residential I, D7, Hsinchu

(XII) Major Contents of Different Opinions of Directors or Supervisors on Important Resolutions with Records or Written Statements as Adopted by the Board of Directors over the Recent Years and up to the Date of the Publication of Annual Reports: not applicable

(XIII) In most recent year and as of the end of this annual report is printed out, the resignation summary of the company's chairman, president, accounting, financial, internal audit, management officers and R&D executives:

February 28, 2023

Title	Name	Date of appointment	Date of dismissal	Reason of resign or dismissal
Chief Auditor	Chung, Chun Ming	May 1, 2017	December 6, 2022	Job adjustment

V. Professional Service Fees of CPAs

(I) Professional Service Fees of Certifying CPAs

Unit: NT$ thousand

Name of the accounting firm	Name of CPAs	Duration of Audit	Audit fee	Non-audit fee	Total	Remarks
KPMG Taiwan	Tseng, Kuo Yang	January 1, 2022 to December 31, 2022	4,400	550	4,950	-
	Lin, Heng Sheng					

Note: non-audit fees: service fee of advising system amendment.

(II) **When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed:** not applicable.

(III) **When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed:** not applicable.

VI. Information on replacement of certified public accountant: not applicable.

VII. Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: not applicable.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report.

(I) Information on transfer of shares:

Title	Name	2022		2023 up to April 30	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	COA	0	0	0	0
	Representative: Huang, Yao Hsing	0	0	0	0
Director	COA	0	0	0	0
	Representative: Hu, Jong I	0	0	0	0
Director	COA	0	0	0	0
	Representative: Fan, Mei Ling	0	0	0	0
Director	COA	0	0	0	0
	Representative: Tai, Ko Yuan	0	0	0	0
Director	COA	0	0	0	0
	Representative: Wu, Hsi Ta	0	0	0	0
Director	Tsao, Chi Hung	0	0	0	0
Independent Director	Lin, Su Ming	0	0	0	0
Independent Director	Weng, Ming Jang	0	0	0	0
Independent Director	Ho, Yen Sheng	0	0	0	0
General Manager	Huang, Yao Hsing	0	0	0	0
Deputy General Manager	Chang, Chang Lang	0	0	0	0
Deputy General Manager	Lin, Chin Sheng	0	0	0	0
Deputy General Manager	Peng, Shen Long	0	0	0	0
Chief, Finance Dept	Huang, Mei Ling	0	0	0	0
Corporate Governance Officer	Chung, Shun Hua	0	0	0	0

(II) Information on pledge of equity interests:

The counterparty in any such transfer or pledge of equity interests is a related party: None

IX. Information on top ten shareholders and their mutual relationship as spouse or blood relative within the second degree:

Name	Shareholding one self		Shareholding by Spouse and Children of Minor Age		Shareholding by nominee arrangement		Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another as stated in No. 6 of SFAS		Remarks
	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)	Name	Relation	
Council of Agriculture, Executive Yuan	235,886,376	24.07	0	0	0	0	None	None	
Representative: Huang, Yao Hsing	0	0	0	0	0	0	None	None	
Representative: Hu, Jong I	0	0	0	0	0	0	None	None	
Representative: Fan, Mei Ling	0	0	0	0	0	0	None	None	
Representative: Tai, Ko Yuan	0	0	0	0	0	0	None	None	
Representative: Wu, Hsi Ta	0	0	0	0	0	0	None	None	
Taiwan Cooperative Bank Co., Ltd.	39,200,000	4.00	0	0	0	0	None	None	
Representative: Lei, Chung Da	0	0	0	0	0	0	None	None	
Chunghwa Post Co., Ltd.	38,865,000	3.97%	0	0	0	0	None	None	
Representative: Wu, Hong Mou	0	0	0	0	0	0	None	None	
China Life Insurance Co., Ltd	21,000,000	2.14	0	0	0	0	None	None	
Representative: Huang, Si Kuo	0	0	0	0	0	0	None	None	
Paolyta Co., Ltd	13,676,000	1.40	0	0	0	0	Bao Cang Da Investment Co., Ltd. Wei Chang Investment Co., Ltd.	The same Chairman	
Representative: Lu, Bai Tsang	0	0	0	0	0	0			
Bao Cang Da Investment Co., Ltd.	13,075,000	1.33	0	0	0	0	Paolyta Co., Ltd Wei Chang Investment Co., Ltd.	The same Chairman	
Representative: Lu, Bai Tsang	0	0	0	0	0	0			
Hai Yang Investment Co., Ltd.	12,783,000	1.30	0	0	0	0	Paolyta Co., Ltd	The representative is the director of Paolyta Co., Ltd.	
Representative: Wang, Yun Er	0	0	0	0	0	0			
Wei Chang Investment Co., Ltd.	11,344,000	1.16	0	0	0	0	Paolyta Co., Ltd Bao Cang Da Investment Co., Ltd.	The same Chairman	
Representative: Lu, Bai Tsang	0	0	0	0	0	0			
Taiwan Life Insurance Co., Ltd.	10,657,000	1.09	0	0	0	0	None	None	
Representative: Cheng, Tai ke	251,000	0.02	0	0	0	0	None	None	
Labor Pension Fund (the New System)	10,501,536	1.07	0	0	0	0	None	None	

X. Percentage number of shares and consolidate percentage of the company, directors, supervisor, managers and the businesses that are controlled by the company directly or indirectly on the invested company

February 28, 2023
Unit: share (NT$); %

Reinvested entities (Note 1)	Investment by the Company		Investments by directors, supervisors, managerial officers and directly or indirectly controlled enterprises		Total investment	
	Shares (capital paid)	Shareholding (capital paid) ratio	Shares (capital paid)	Shareholding (capital paid) ratio	Shares (contribution)	Shareholding (capital paid) ratio
TAIWAN YES DEEP OCEAN WATER CO., LTD.	25,763,200 shares	100.00	0	0.00	25,763,200 shares	100.00
PEIFENG TECHNOLOGY CO., LTD.	240,000,000 shares	100.00	0	0.00	240,000,000 shares	100.00
TAIZHUANG ASSETS MANAGEMENT & DEVELOPMENT CO., LTD.	5,500,000 shares	100.00	0	0.00	5,500,000 shares	100.00
TAIFER INTERNATIONAL (SAMOA) GROUP CO., LTD.	0	0.00	1,414,989 shares	100.00	1,414,989 shares	100.00
TAIFER CHEMICAL INTERNATIONAL CO., LTD.	0	0.00	US$ 1,333,494	100.00	US$ 1,333,494	100.00
TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD.	1 share	100.00	0	0.00	1 share	100.00
TR ELECTRONIC CHEMICAL CO., LTD.	0	0.00	10,965,000 shares	51.00	10,965,000 shares	51.00
TAIFER (CAMBODIA) CO., LTD.	US$1,254,557	100.00	0	0.00	US$1,254,557	100.00
Al-Jubail Fertilizer Company	6,715 shares	50.00	0	0.00	6,715 shares	50.00
Mitagri Co., Ltd (Note 2)	5,433,230 shares	32.52	0	0.00	5,433,230 shares	32.52

Note 1: Long-term investments with the equity method.
Note 2: The Company's previous reinvestment, "Taiwan Agricultural Investment Co., Ltd.," became the 100% owned subsidiary of "Mitagri Co., Ltd." since January 1, 2023 through a stake conversion process. Meanwhile, the Company's shareholding in "Mitagri Co., Ltd." is adjusted to 5,433,230 shares, or 32.52%.

Four. Capital Raising Activities

I. Capital and Shares

(I) Source of share capital

Month/Year	Issuance price	Approved share capital		Paid-in share capital		Remarks		
		Shares (thousand shares)	Amount (NT$ thousand)	Shares (thousand shares)	Amount (NT$ thousand)	Source of share capital	Property other than cash provided as capital contributions	Others
Aug 2000	NT$10	980,000	9,800,000	980,000	9,800,000	Capital reserve transferred to capital increase NT$2.8 billion (Note)	None	None

Note: Approved with the Letter (89) Tai-Cai-Zheng (1)No.60387 dated July 12, 2000, issued by Securities and Futures Commission.

Share type	Approved share capital			Remarks
	Outstanding shares (thousand shares)	Unissued shares (thousand shares)	Total	
Ordinary share	980,000	0	980,000	Public listed

Shelf-registration system: not applicable

(II) Shareholder structure

April 30, 2023

Shareholder structure / Quantity	Governmental agencies	Financial institution	Other artificial person	Individual	Foreign Institutions and foreigners	Total
Number of shareholders	7	37	359	82,151	335	82,889
Number of shares held	260,003,817	162,240,575	123,665,330	313,544,193	120,546,085	980,000,000
Shareholding ratio	26.53%	16.56%	12.62%	31.99%	12.30%	100%

(III) Share ownership distribution

1. Ordinary share

April 30, 2023

Classification of shareholding	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	41,278	1,543,026	0.16
1,000 to 5,000	32,474	65,099,534	6.64
5,001 to 10,000	4,306	34,801,909	3.55
10,001 to 15,000	1,248	16,305,246	1.66
15,001 to 20,000	913	17,064,307	1.74
20,001 to 30,000	829	21,502,827	2.19
30,001 to 40,000	411	14,852,195	1.52
40,001 to 50,000	298	13,925,311	1.42
50,001 to 100,000	539	39,207,293	4.00
100,001 to 200,000	313	44,391,483	4.53
200,001 to 400,000	124	35,500,976	3.62
400,001 to 600,000	44	21,239,208	2.17
600,001 to 800,000	23	15,971,467	1.63
800,001 to 1,000,000	15	13,487,508	1.38
More than 1,000,001	74	625,107,710	63.79
Total	82,889	980,000,000	100

2. Preference share: none

(IV) List of Major Shareholders

April 30, 2023

Shares / Name of major shareholder	Number of shares held	Shareholding ratio
Council of Agriculture, Executive Yuan	235,886,376	24.07%
Taiwan Cooperative Bank Co., Ltd.	39,200,000	4.00%
Chunghwa Post Co., Ltd.	38,865,000	3.97%
China Life Insurance Co., Ltd	21,000,000	2.14%
Paolyta Co., Ltd	13,676,000	1.40%
Bao Cang Da Investment Co., Ltd.	13,075,000	1.33%
Hai Yang Investment Co., Ltd.	12,783,000	1.30%
Wei Chang Investment Co., Ltd.	11,344,000	1.16%
Taiwan Life Insurance Co., Ltd.	10,657,000	1.09%
Labor Pension Fund (the New Fund)	10,501,536	1.07%

(V) Market share price, net worth, earnings, dividend and relevant information for the most recent two years

Item		Year	2022	2021	Current year up to March 31, 2023 (Note 5)
Market price per share (Note 1)	Highest		NT$85	NT$73.2	NT$58.5
	Lowest		NT$50.6	NT$49.95	NT$52.9
	Average		NT$70.95	NT$61.48	NT$56.1
Net value per share	Before distribution		NT$54.14	NT$53.7	NT$54.58
	After distribution		Not yet distributed	NT$50.9	Not yet distributed
Earnings per Share	Weighted-average shares (thousand shares)		980,000	980,000	980,000
	Earnings per Share		NT$2.72	NT$3.10	NT$
Dividends per share	Cash dividends		Not yet distributed	NT$	Not yet distributed
	Bonus share	Shares from earnings	—	—	—
		Shares from capital reserves	—	—	—
	Cumulative unpaid dividends		—	—	—
Analysis of return on investment	Price to earnings ratio (Note 2)		26.08	19.83	—
	Price to dividend ratio (Note 3)		—	21.96	—
	Cash dividend yield (%) (Note 4)		—	4.55	—

Note 1: Setting forth the highest and lowest market price per share of common stock for each fiscal year. And calculating each fiscal year's average market price based upon each fiscal year's actual transaction prices and volume.

Note 2: Price to earnings ratio= Average closing price per share of the year/ EPS

Note 3: Price to dividend ratio= Average closing price per share of the year/ cash dividend per share

Note 4: Cash dividend yield= Cash dividend per share/average closing price per share of the year

Note 5: the market price per share for 2023 is up to March 31, 2023; the net value and earnings per share are the data from the Q1 consolidated financial statements reviewed by the CPAs.

Note 6: the net value and earnings per share are the data of 2021 and 2022 are the figures audited by the CPAs.

(VI) Dividend Policy and Implementation

1. Dividend policy:
   (1) The dividend policy specified in the Articles of Incorporation is as the following:

   Paragraph 3 and 4 of Article 25

   In the case the Company has surplus profit after settling the annual accounts, when allocating its surplus profits after having paid all taxes and dues, it shall first set aside ten percent of said profits as legal reserve, and appropriate or reverse the special reserves as required by laws. The sum of such balance with the accumulated undistributed earnings from the previous year is deemed the distributable earnings. However, the special reserves may be reserved or appropriated as the operation requires, and the Board of Directors will propose the earnings distribution to the AGM to distributing bonus to shareholders.

   The Company's shareholder dividends should consider the characteristics of the diversified business, and the changes in the economy, while taking the future capital needs during the life cycle of each product or service, and business development and shareholder rights into account. Unless there are major investment plans, material changes in financial conditions, major operational changes and capacity expansion or other major capital expenditures, the shareholders' cash dividend distribution ratio shall not be lower than 10% of the total dividends for the year, and shall be reported to shareholders' meeting for approval and enforcement.

   (2) The major considerations for distribution of shareholders' dividends include the future funds of the Company, while taking into account of stable dividends and transformation needs of the Company. After deducting the legal reserve and special reserve, at least 50% of the distributable net profit will be distributed principally.
2. The dividend distribution to be proposed to the shareholders' meeting:

   Based on the 2022 earnings distribution proposal by the Board of Directors, the cash dividend is NT$2.5 per share, for total NT$2,450,000,000.
3. Expected significant changes to dividend policy: None.

(VII) The influence of the bonus shares issuance proposed at the current shareholders' meeting on the operation performance and EPS of the Company: not applicable

(VIII) Remunerations to employees and directors

1. Employees' and directors' remuneration percentage or range as stated in the Articles of Incorporation:
   Paragraph 1 and 2 of Article 25 of the Articles of Incorporation.
   If the Company records a profit in a year, it shall appropriate 2.4 of the profit as remuneration to employees and not more than 1.6 percent of the profit as remuneration to directors. However, the amount to offset the Company's accumulated losses shall be set aside in advance.
   The employees and directors' remuneration in the preceding paragraph, shall be resolved by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, and report to the shareholders' meeting.
2. The basis for the estimation of the amount of remuneration of employees and directors in the current period, and the accounting treatment if there is a difference between the

estimated amount and the actual bonus paid in shares or cash:
The estimated employees' remuneration, NT$81,427 thousand and directors' remuneration, NT$54,285 thousand, are both estimated on the basis as 2.4% and 1.6% of 2022 profit, respectively, pursuant to Article 25 of the Articles of Incorporation; no remuneration is distributed in shares. In case the actual amount of distribution is different from the estimation, it is deemed a change in accounting estimate, and recorded as income/loss in 2023.

3. Remuneration distribution as decided by the Board of Directors' meeting:
   (1) Amount of distributed employees and directors' remunerations, in cash or share
   The proposed amount of distribution approved by the Board of Directors (as the following table), are both estimated on the basis as 2.4% and 1.6% of 2022 profit, respectively, pursuant to Paragraph 1, Article 25 of the Articles of Incorporation; in case the actual amount of distribution is different from the estimation, it is deemed a change in accounting estimate, and adjusted in 2023.

Unit: NT$ thousand

Item	Proposed amount of distribution approved by the Board of Directors
Employees' remuneration in cash	81,427
Employees' remuneration in shares	None
Directors' remuneration	54,285

   (2) Employee remuneration paid in shares as a percentage of the total amount of the current net profit after tax reported in the consolidated or parent company-only financial statements and the total employee remuneration: not applicable

4. Actual distribution of employees and directors' remuneration (including distributed cash, shares, and share prices) in the prior year, and the accounting disclosures, treatments and explanations if a discrepancy exists:
   The employees and directors' remunerations distributed for the previous year (2021) were recorded in the expense of the previous year (2021); the actual distributed employees and directors' remunerations are identical to the proposed amount of distribution approved by the Board of Directors

Unit: NT$ thousand

Item	Proposed amount of distribution approved by the Board of Directors	Actual distributed amount
Employees' remuneration	93,903	93,903
Directors' remuneration	62,602	62,602

(IX) Implementation of Share Buyback Program

During 2022 and 2023 as of the publication date of the annual report, the Company has not bought back any share of the Company.

II. Issuance of corporate bonds: none

III. Preferred shares: none

IV. Global depository receipts: none

V. Employee share subscription warrants: none

VI. Mergers and acquisitions, or as assignee of new shares issued by another Company: none

VII. Financial Plans and Implementation: not applicable

Five. Operation Highlights

I. Business Content

(I) Scope of Business

Taiwan Fertilizer Co., Ltd. has been developing mainly under two major business groups, namely "fertilizer chemical" and "real estate development and investment". Meanwhile, the internal supporting management of the Company has been structured into five sections according to functions. Descriptions are as follows:

1. Fertilizer and chemical business:

(1) Fertilizers products:

Considering industry development trend and government's policy of promotion friendly agricultural environment, in addition to the original fertilizer, we constantly expand the green agricultural industry towards the organic development of fertilizers as well as develop biotech agricultural products and promote niche fertilizer products. The Company uses the advantages including fertilizers expert experiences and Know-You's brand value to progressively explore overseas markets; meanwhile, we assess the appropriate collaborative opportunities or investment plans in seeking for new opportunities for the development of fertilizer industry.

(2) Chemical products:

Based on the original business in chemical and electrochemical products, the sales, market, and business in chemical products have been expanded by way of integration of upstream and downstream products as well as upgrade to electrochemical products. In the oversea market, the focus has been on the investment in electrochemical products and the penetration of international electrochemical market, both in production and in sales, so that the technology, knowhow, and market shares of our electrochemical products can be enhanced.

(3) Trading logistics:

Incorporating the existing procurement business in raw materials, taking advantage of the edge of the special piers at Taichung Harbor along with the planning of free trade zone therein, the Company has constructed a number of chemical storage tanks to further expand the business of import procurement, unloading warehousing, transit trade, while actively transforming into the role of a provider for product integration services and a supplier for relevant raw materials.

2. Real estate development and investment business:

(1) Development of residential buildings:

Due to regional environmental changes, the industrial lands of the old factories have been changed to non-industrial lands by the local government, and with city development, the lands have become premium areas. Among them, the land of the Nangang Software Park is the most valuable, while the land of the Hsinchu Science and Commercial Park and the special trade area of Kaohsiung are the second best. Land in these parks can be changed to high-value commercial land use for hotels, shopping malls, offices, etc.

Currently, the "C2 Hotel and Office Development Project" in Nangang Software Park has obtained the use permit in Q4 2021, and the operation has been commenced with the fruitful merchant recruitment results. Many international technology companies have occupied the offices. The A block of hotel is operated by Grand Hi-Lai Hotel, and the commencement is expected in Q3 2023. The Nangang Software Park C4 Commercial and Office Development Project has started to construct.

To cope with the national technology industry develop policy, the "Hsinchu Science Park X Program" is promoted. The first commercial office building, Hsinchu "TFC ONE" is 100% leased, attracting key domestic and international technology manufacturers. The D6 block has set the superficies to the Hsinchu Science Park Bureau to build office buildings. The D7-B block in Hsinchu has been planned and the construction permit is obtained. Where the D7 and D5 block will be developed, in phases, as the commercial real estates, and transformed to "Hsinchu Business Park."

(2) Business Investments:

The COVID-19 pandemic peaked in 2022. The investment strategy in the post-pandemic era focuses on the inventory of the existing investment businesses, integrating investment resources, and improving investment returns. For example, the resource consolidation of overseas investees is conducted to reduce management costs. Furthermore, the Hualien Deep Ocean Water Park not only produces existing deep ocean water related products, but also develops seaweed products.

The seaweed application food are expected to launched in 2023. As the location of the Marine Resource Museum is determined at the neighborhood of Hualien Port, in 2022, the government convened the businesses in the neighborhood to establish the "Platform of the Co-Prosperity Development Partnership for the Neighborhood of Hualien Port," to discuss the planning of the neighborhood and the improvement of the outward connecting roads in phases.

(II) Industry Overview

1. Macro Economic Environment

(1) International Economy

Last year (2022), the world has experienced the Russia-Ukraine War, inflationary pressures, and the tightening monetary policy of major economies. the economic growth has declined quarter by quarter. Based on the estimate of the international forecasting agency, S&P Global in January, the global economic growth rate in last year was 3.0%. Looking to this year (2023), benefited from the slowdown in inflation, the global economy started to see the light. Although the recent pace of growth has been sluggish, it is expected to recover the momentum quarter by quarter. It is estimated that the growth rate will be 1.9% for the whole year, an increase of 0.3 percentage points from last month's estimate.

Forecast of Global Growth Rate

Unit: %

Source: 1. OECD, OECD Economic Outlook, Nov. 22, 2022.
2. IMF, *World Economic Outlook*, Oct. 11, 2022.
3. EIU, *Global outlook summary*, Dec. 14, 2022.
4. S&P *Markit, World Overviews*, Dec. 15, 2022.

Forecast of Growth Rate in Major Economies

Unit: %

Country	2021	2022	2022
The U.S.	5.9	1.9	0.3
Eurozone	5.3	3.3	-0.2
Japan	2.2	1.2	1.2
China	8.1	2.8	4.6

Source: S&P Global, World Overview, Dec. 15, 2022.

(2) Domestic Economy

Due to the adjustment to inflation in major economies, weak end demand, pressure to adjust the supply chain inventory, and the impact of the pandemic in China, Taiwan's exports and manufacturing production index in December last year (2022) decreased by 12.1% and 8.4% year-on-year, respectively. In terms of private consumption, year-end promotions and the Lunar New Year in 2023 earlier than last year, prompted the business opportunities for purchasing new year necessities and gift boxes to emerge. In addition, the colder weather boosted the purchase of thermal products and hot drinks, driving the growth of the retail and food and beverage service industry in last December. The turnover increased by 9.4% and 13.8%, respectively.

Looking ahead, 5G, high-performance computing, automotive electronics and other emerging technology applications and digital transformation demands continue to expand, which is expected to inject momentum into the production of manufacturing industry in Taiwan. Provided that the interference of uncertain factors such as the inflation, interest rate hike, Russia-Ukraine War and China-US technology war, coupled with the reduced working days during the Lunar New Year in January this year (2023), it is possible to suppress the production performance of manufacturing industry in Taiwan. The subsequent development needs to be closely monitored and carefully responded to; the retail and food and beverage service are expected to continue the growing trend of their sales due to the peak season of the Lunar New Year, with the crowded going out and gathering for meals during the longer vacation.

2. Recent Status and Development of the Industry

(1) Overview, Development Tendency and Race Condition of Fertilizer Industry:

A. The fertilizer industry, a mature and essential industry with a long history, is closely related to people's livelihood. Recently, the government has implemented the organic fertilizer policy towards the promotion of developing friendly agricultural environment. The government has subsidized major fertilizer compound prepared for organic substance. In the future, the compound organic fertilizer will gradually replace the traditional compound fertilizer.

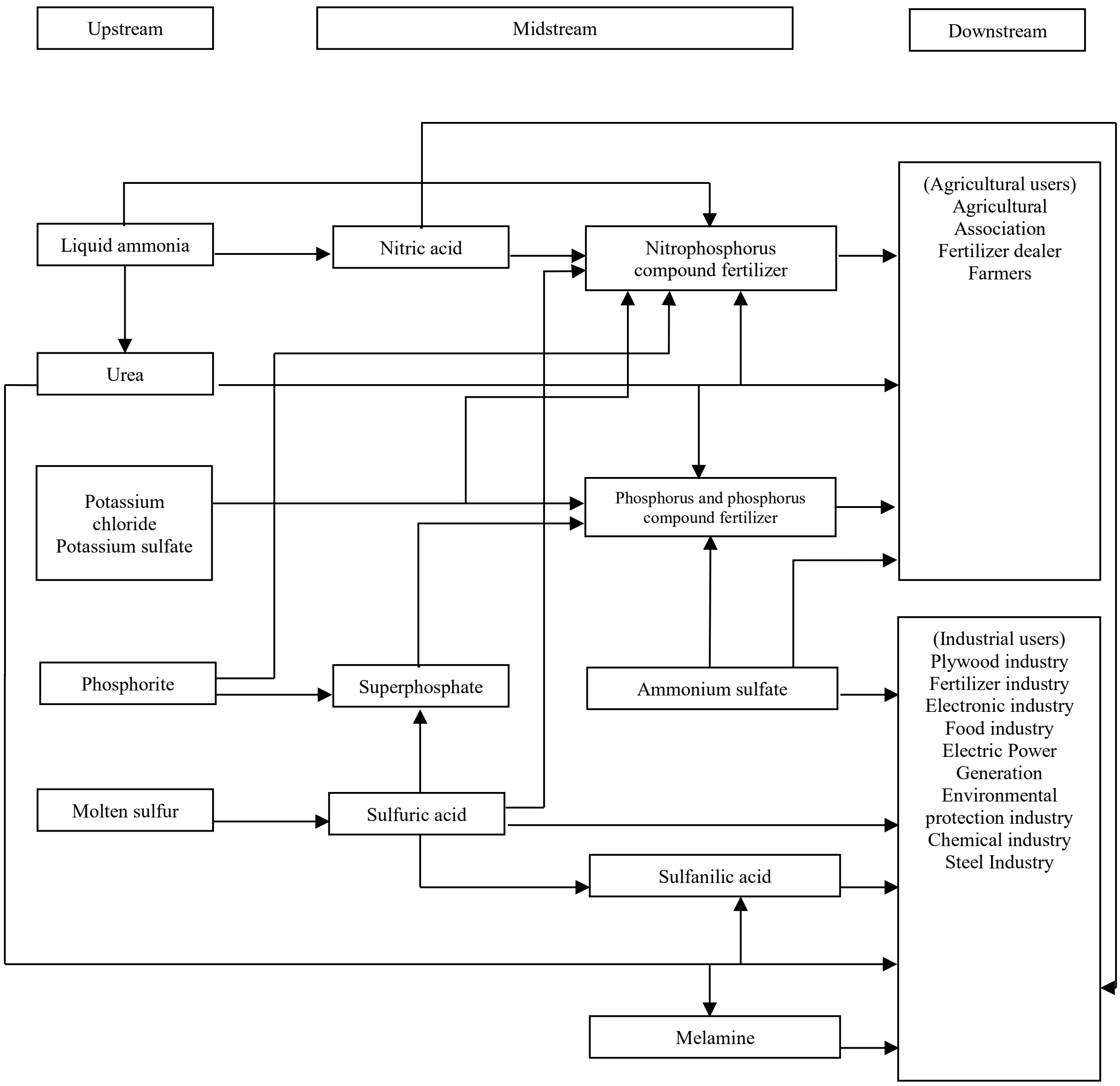
B. There is a lack of raw material for producing fertilizer in our nation, almost all of which are imported. Because the production costs are influenced by the prices of international fertilizer raw materials, we can only be in line with the government’s policy of caring for famers. As a result, the prices of domestic fertilizer have been constrained by the government for a long time.

C. Due to the lack of rural labor and rising wages, mechanized farming has gradually replaced manpower, resulting in the demand for compound fertilizers to grow every year, while the demand for single nutrient fertilizers is shrinking year by year. All fertilizer manufacturers are actively fight for the domestic compound fertilizer market, which is also the most competitive product in the market. Furthermore, in recent years, the key development projects in the developed countries have been developed for controlled release fertilizers, biological fertilizers, organic compound fertilizers, and functional fertilizer. New type fertilizers that improve crop quality and fertilizer absorption efficiency of crops have become the focus of R&D.

(2) Overview, Development Tendency and Race Condition of Chemical Industry:

In recent years, Taiwan has been witnessing an outflow and brain drain in chemical industry as a result of scarcity of natural resources and lack of competitiveness therein. At present, all products of the company, except for nitric acid, sulphanilic acid and fuming sulfuric acid, which are subject to transportation and storage restricts on them or their by-products, are still produced in Taiwan. Imported goods have outgrown as the dominant sources for items such as liquid ammonia, industrial urea, etc.; products in downstream market are all supplied to Taiwan to meet internal demand, except for sulphanilic acid that is sold to Europe and America. In the relatively mature and saturated market, it is saturated yet relatively stable.

The fertilizer chemical industry up/mid/downstream relationship diagram



(3) Overview, Development Tendency and Race Condition of Electric-grade Chemical Industry:

Electric-grade chemicals are generally referred to various chemicals that can be used in the process of electronics industry or facility end, the product items include single organic solvents of simple substance, alkaline acid solution of simple substance to formulas of different proportions. At present, the products are used in the processes such as yellow developer, peeling, itching, polishing and cleaning in semiconductor, panel, solar energy and LED industries.

In 2022, the value of output of domestic semiconductor industry has broken through NT$3 trillion and more than 200,000 people are employed by this industry. The value-added rate of this industry has exceeded 50% and it contributes more than 15% GDP of Taiwan. Although the pandemic and the Russia-Ukraine War caused the global inflation and shrunken economy, the IC industry has been benefited from the booming development of 5G, AI, electric vehicles and the at-home economy. The overall semiconductor industry is expected to gradually grow by about 10%. Meanwhile, the "Nation Safeguard," i.e. TSMC, continues to increase capital expenditures, it is expected to drive the upward growth of related supply chains and chemical demands. In the first half of the year, the panel industry is in supply shortage due to the impact of the pandemic and the order shifting effect of the US-China trade war. However, in the later half of the year, the interferences from the Russia-Ukraine War and inflation resulted in the downward revision of the capacity utilization for about 30%. The two leading domestic manufacturers, AUO and Innolux, will focus on the existing capacities to continuously adjust the product mixes for obtaining the maximum operating benefits; therefore, it will inevitably lead to moderate adjustment in the demands for related chemicals, consumables and key components. The LED industry market demand is not as expected, and the average prices of chips and packages have fallen sharply. Looking forward to the future, the compound annual growth rate of the LED industry will not be able to achieve the growth of more than 10% as easily as in the past, but there is still room for growth. Taiwan's solar power industry will reduce the capacity of domestic capacity of solar cells, and will vertically integrate their OEM partnerss in the third locations, such as China, Thailand, Vietnam, and Malaysia, taking the development of back-end modules, solar power plants and provisions of overall solutions to customers as the future direction of operations. In nutshell, after the termination of zero-COVID lockdown measure in China, the global and Taiwanese demand volume of the electronic grade chemical products will tend to positive growth trend due to the innovative applications and capacity expansions of various industries; therefore, it is seen that the electronic chemical market still has room to develop.

The electronic grade chemicals are the examples of perfect competition. In addition to our commitments to achieving the quality requirements of different industries and different clients, accordingly, our company needs to deepen product production control, quality assurance, technical support and assistance, and comprehensive after-sale customer service. Besides the existing clients in panel industry, we will upgrade relevant technical capabilities to develop products required by the semiconductor industry and make downward proliferation in seeking solar energy as well as the niche products in LED industry. It is hoped to combine the current self-produced ammonia by Miaoli Plant with the products such as nitric and organic solvents with the capabilities of distillation, formulation, separation and waste liquid recycle, to expand our product range for offering the comprehensive one-stop shopping service.

(4) General Situation and Development Trend of the DOW Aquatic Industry:

Oceans contain abundant resources and energies, particularly deep ocean water (DOW) located more than 200 meters deep. Featured in low-temperature, clean, rich minerals, and nutritious salt applications, the applications of DOW in Taiwan are mainly in the aquaculture and food, as well as agricultural application, health, beauty and medical care, such as ocean therapy and eco-friendly ocean thermal energy conversion. The government continuously promotes to link the up-, mid-, and downstream of the DOW industry chain. The introduced private business activities mainly focus on the downstream applications. The Company's Hualien D-Park and the subsidiary, Taiwan Yes Depp Ocean Water Co., Ltd. are the key development enterprises in the Taiwanese DOW industry, including the applications of minerals in the deep ocean and development and sales of water products, and establishes the multi-stage DOW reproduction and farming production system to increase the development and sales of aquatic products. By utilizing the land and resources of Hualien D-Park, merchants are recruited actively with the related vendors from the up- and downstream, and integrated various industries, to occupy the Park for joint development, and add more value to the DOW industry production values jointly.

(5) Overview, Development Tendency and Race Condition of Land Development Industry:

According to the analysis of the Cathay Real Estate Index quarterly report in Q4 2022, the market of new launched projects in 2022 full year showed a pattern of rising price and stable volume. In the first quarter, the domestic housing market showed a structure of rising prices and stable volumes. Facing the unfavorable factors such as inflation, interest rate hikes, and the pandemic, the outlook for the housing market was still uncertain; in the second quarter, the housing market showed a structure of rising prices and shrinking volumes. Under the economic cycle where volume ran ahead of price, the future downside risks increased; the housing market in the third quarter showed a structure of rising prices and volumes, and consumers stayed sideline due to impacts of numerous negative factors in the housing market; In the fourth quarter, the housing market showed the structure of stable price and shrinking volume. The gap between the sellers and buyers regarding the recognized prices has widened, and the downward trend of the housing market was obvious as the volume ran ahead of price. As a whole, the elevated house prices in 2022 pushed up the amount of sold projects, hitting a new high since 1992. The annual sales rate still reached more than 10%, and the housing market was featured with rising price and stable volume. Provided that recently, the buying momentum faded quickly, and the house prices have not changed significantly, showing the divergent price and volume.

Commercial building market in Taipei: According to the report of Xinyi Global Assets Commercial Real Estate and Cathay Real Estate Index for Q4 2022, From January to October

2021, among the construction permits issued by the Ministry of the Interior, spaces of office construction permits issued in Taipei City soared to 790,000 3.3m^2, setting a new record, showing that construction companies adjusted their positioning strategies to respond to the market development and actively invested in commercial offices and plant-offices development. Location conditions, traffic convenience, and business opportunities available to companies are the factors to be considers by business owners when choosing a location to lease offices. Since currently no new supply is released in the market, high-quality targets are sought after without enough supply, resulting in the annual vacancy rate dropped three times in a row to a new low of 2.38% in the fourth quarter. After the new office buildings come into the market successively in 2023, the office vacancy and rent changes in Taipei City are worthy to be monitored. The average selling price was driven by the benchmark A-grade offices of each CBD, rising slightly to NT$885,000 per 3.3m^2. The cap rate was unchanged from the previous quarter, as 2.48%. Looking to the future, as the amendment to the “Equalization of Land Rights Act” was approved, the pre-sale housing market is indeed to be impacted in the short term. However, for the mid- and long-term development of housing market, funds will move towards value-preserving and anti-inflation products. With the wave of office upgrade in recent years, it is expected that commercial offices and plant-offices will be the focus of attention in the commercial housing market in 2023 for investment and property purchase.

Regarding the Commercial real estate market in Hsinchu City, in the past, Hsinchu’s commercial real estate market mostly relied on the support of enterprises’ self-use purchases, and during 2018-2019, it was only about NT$6 billion per year. Since the pandemic in 2019-2020, under the influence of the dual uncertainties of the US-China trade war and the COVID-19 pandemic, Taiwanese businessmen returned, and the topic of industrial parks heightened. Many industrial chains have returned to Taiwan to position, and thus chose to expand their factories in Taiwan, which has also indirectly driven the regional job opportunities and employed population. However, since 2021-2022, the life insurance industry that has always invested in the core metropolitan area, extended the positioning reach to Hsinchu. The TWSE and TPex listed companies have acquired large-scale properties and land for commercial and industrial real estate, as well as superficies transactions in Hsinchu, and the visibility of the Hsinchu commercial market has greatly increased. The commercial and land transaction scale broke NT$15 billion, and even reaching NT$28.3 billion in 2021. Although the overall market was frozen and weakened in 2022, Hsinchu still had a transaction scale of NT$18.9 billion, accounting for more than 8% of total sales in Taiwan, and surpassed Taoyuan City for the first time, to become the new leader among Taoyuan, Hsinchu and Miaoli.

In the recent years, the global reliance on Taiwanese chip products, also indirectly results in the hugh fund inflows to the commercial real estate market in Hinshu. Hsinchu is a major economic hub for high-tech industries in Taiwan, with an annual output value of trillion NTD to solidify its position in the global economy. The vigorous development of the Science Park not only promotes the continuous increase in demand to lands for high-tech industry, but also drives the development of related upstream, mid- and downstream industries to form complete industrial chains. The corridors on both sides of Gongdaowu Road in Hsinchu City are adjacent to the Hsinchu Science Park and the extent affected by its spillover influence. In recent years, clusters of science and technology factories and offices here have formed a technological innovation industry corridor. In addition, the Hsinchu City Government proposed the "Zhuke X Project-Innovation Industrial Park" project, which obtained the support from the Executive Yuan in July 2020, its industrial strategy of "One Zone, Two Belts, and Three Arrows," combining with the CPC oil depot and the Company's land to be developed, to form a science and technology corridor with the current Hsinchu Science Park, assisting in the upgrading of technology industries in Hsinchu, and deploying the public facilities to improve the environmental quality and increase the incentives for the industries to stay in Hsinchu. The Company has entered the agreement of superficies setting with Hsinchu Science Park Bureau in December 2021, to provide a development base for high-tech office buildings; the D7-B developed project will be launched soon, to supply the commercial real estate market in Hsinchu City.

(III) Technology and R&D overview

1. R&D expenditure

Year / Item	2021	2022	Q1 2023
R&D expenditure (NT$ thousand)	58,695	42,570	10,996
Proportion in business volume (%)	0.43%	0.28%	0.32%

2. Achievements in recent 2 years

The Company strengthens cooperation with foreign research institutions, introduces new technology and shortens the R&D period by following the innovative strategies and transformation of scientific technology to enter the high-tech market. We will keep improving our microbiologic fermentation technology, establish enzyme hydrolysis extraction technology, DOW highly economic aquaculture technology, inorganic and organic fertilizer formula, and development of core technologies such as process technology and purification technology for electrochemical products, etc.

(1) Development of biotech fertilizer:

A. Application of agricultural microbial strains

a. Development of circular agricultural and livestock materials

The Company, to cope with the COA's policy to promote the achievement of the agriculture net-zero by 2040, actively invests in the development of residual agricultural resources. Since 2021, it has worked with the Far East University in an industry-academic cooperation project was entered, to develop the technology of rapid conversion of agricultural organic residual materials into organic materials. During the period, the biogas residue after biogas power generation and livestock manure were tested, and by adding various adjustment materials (bagasse, coffee grounds, mushroom bag sawdust, etc.) for rapid fermentation, the odor is significantly reduced, and materials can be reused in fertilizer products.

The Company evaluated the feasibility of applying biochar to fertilizers, or developing new products by integrating microorganisms. In 2021 and 2022, the industry-academic cooperation project of agricultural technology, "developing microbial fertilizer products applying biochar as carrier" have been proposed with "Kaohsiung District Agricultural Research and Extension Station." It is completed to apply biochar as carrier for microbial agent for its porous feature that provide shields for microbial, to improve the number of bacteria in microbial agents, number of bacteria after applied in fields, and the microbiota are maintained, for the purpose of ensuring the effects of microbial agents

b. Development of commercialization technology for Streptomyces thermomovulgaris microbial fertilizer

In order to improve the functionality and competitiveness of organic fertilizers, the Company commissioned National Chung Hsing University in March 2019, to develop a multifunctional organic fertilizer for controlling Meloidogyne spp. completed the trial of manufacturing the compost inducing actinomycetes groups, confirmed the best composition formula and additive proportions of the usable materials, and screened out the strain number h73 and 20 had the capability to inhibit the incubation of Meloidogyne spp. Afterwards, the trial of "preliminary development of multifunctional biotechnology products for the prevention and treatment of Meloidogyne spp., and the appraisal of the quality and field test effect of mass-produced compost trial products for the prevention and treatment of Meloidogyne spp" was completed continuously. It is confirmed that the actinomycetes strain No. h73 is *Streptomyces thermovulgaris* through MLST, and strain No. 20 may be the new species of *Streptomyces.* Both strains have phosphorus-dissolving activity, and strain No. 20 has more obvious potassium-dissolving activity. In addition, the Company has also developed the formula of S8medium, which helps to increase the number of bacteria of the two strains.

The results of the pulmonary acute toxicity and pathogenicity test and the oral acute toxicity and pathogenicity test conducted by the Agricultural Technology Research Institute showed that *Streptomyces thermovulgaris* CHA 610 (i.e. strain h73) is not toxic. Greenhouse pot experiments showed that when tomato plants were inoculated with Meloidogyne spp., the 100-fold diluted S8-20 bacterial solution had the best control effect on Meloidogyne spp., with the equivalent effect to the chemical pesticide, oxamyl. The field trial results showed that the application of S8-20 or S8-h73 bacterial solution may reduce the population density of Meloidogyne spp. in the soil, and promote the yield and fruit quality of tomatos. Therefore, the strains 20 and h73 cultivated with S8 medium has the advantage to be further developed as commercialized biopesticides for preventing and controlling Meloidogyne spp. or microbial fertilizers for promoting crop growth.

B. Field validation and demonstration promotion of fertilizer materials

a. Chemical fertilizer materials

For the farmers' needs for fertilizers, the Company has introduced new chemical fertilizers in recent years. In 2021, the new products that have been registered and launched included: BauLanFei, the organic compound fertilizer under the brand of "Nonyou" and Powerful fertilizer series. Among them, when applying BauLanFei frequently to green peppers and colored peppers, the yield and average fruit weight outperforms the npk fertilizers on shelf. To save the manpower of fertilization and maintain the maximum utilization rate of fertilizers for rice cultivated in a large area with long growth period, the Company provides products, "Powerful Fertilizer No. 1" and "Powerful Fertilizer No. 3" that are mixes of compound fertilizers and the slowe-release fertilizers coated with urea "(item 6-02 coated compound fertilizer), to provide the nutrients needed by rice in the short and medium growth period; in 2022, the promotional trials of the slow-release fertilizer products were conducted actively in the western Taiwan, and six or more trials collaborative trials were completed in Taoyuan, Miaoli and Chiayi. Due to the climate differences in the north, central and south, different cultivation methods of different cultivation approaches adopted by farmers, and differences in the quantity of fertilizer used for different rice varieties, the field trials in various regions have been continued to find out the optimal amount of application, and promote the fertilizer products to farmers in the neighborhood. Taiwan is facing the issues including aging farming population and a shortage of manpower. It is urgent to develop and apply new slow-release fertilizers. Currently, this product category of the Company meet the "Carbon Reduction Subsidy for Coated Compound Fertilizer" of the Agriculture and Food Administration. The subsidy is NT$5 per kg, and the maximum subsidy is 1,000kg per hectare, to encourage farmers to select the fertilizers based on the crops' requirements.

b. Organic agricultural materials

The Company values the deep cultivation of organic agriculture in Taiwan, and actively promotes high-quality and user-friendly organic agricultural materials to farmers. It has established a "TFC Organic Demonstration Farm" at TFC Miaoli Factory, which satisfy the certification of "Chengda Agama International Certification Corporation" every year, and obtained the organic agricultural product certification (1-014-026411). For many years, the "Nongyou Taifer Biopower phosphate-solubilizing bacteria biofertilizer," a recommended microbial fertilizers produced locally, is used to pair with the "biotech organic fertilizer series", for the organic cultivation trials of seasonable vegetables, melons and fruit crops in the farm, which is also used as a promotional venue for material demonstration. The Company insists to actively integrate the practical experience of farmers in the field, and has signed a cooperation contract with local organic farm "Green View Garden" in Miaoli as the "Organic Demonstration Collaborative Farm of TFC" as the demonstration base of fertilizer cultivation management, to exchange and promote the organic and friendly agriculture, and improve the contribution of diverse values to the ecological environment from the agricultural production.

(2) Development of biological pesticides

In response to the rise of safe and organic agriculture, the Company is committed to the development of environmentally friendly, non-toxic, and safe agricultural microbial agents. In 2013, the transfer of "bacillus amyloliquefaciens Ba-BPD1" patented strains and technology from the "Taiwan Agricultural Chemicals and Toxic Substances Research Institute, Council of Agriculture, Executive Yuan" successfully developed "Taiwan Fertilizer Nongzhonghe", a new agricultural pesticide product. In August of 2018, it was certified by the review and assessment and acquired the agricultural pesticide permit (NonyaoZhi Zi No. 06345) The product has the effective ingredient (the number of spores) over 1×10^9 CFU/m, and meets the requirement of a water suspending agent. It can be used to prevent gray mold on strawberries, vegetables, flowers, and other crops, and features the advantages of high safety, non-toxic, free residue tolerance, and is applicable during harvest. It not only reduces the occurrence of resistance, but also reduces the use of chemical pesticides and residual risk and help to ensure the safety of agricultural products. To expand the extent of use and increase the sales opportunity of the Company's biopesticide, "Nongzhonghe," in October 2021, the Company commissioned "Jun Zhan Agricultural Science Consultants Limited" to handle the design of field trial and the official reports on pesticide application, investigation, and permit. The suitable trial fields were found in Hsiushui, Changhua County and Xinshe, Taichung City for the trial. In January 2023, three field trials were completed for the largetype tomatos. The trial results showed that after diluting Nongzhonghe 200 times, the tomato southern bacterial wilt may be effectively prevented. Subsequently, the report will be sent to the "Taiwan Agricultural Chemicals and Toxic Substances Research Institute" and the "Bureau of Animal and Plant Health Inspection and Quarantine" for review.

(3) R&D of functional amino acid calcium fertilzer materials

In order to expand and develop agents of fertilizer and pest management, the Company takes the high value crops, strawberry, in Miaoli area, the supporting application planting techniques matching the fertilizer agent materials are established. The technology started from the strawberry production techniques from Japan's Miura Farm in 2017, and the industry-academia collaboration project, "Trial plantation of Japanese style safe strawberry cultivation management method", with Yuanpei University of Medical Technology to verify the possibility of producing healthy and safe strawberries in Taiwan. In light of the remarkable effect of using amino acids in the collaborative trial, in 2022, specific amino acids were further applied to develop a multifunctional amino acid calcium fertilizer (liquid agent) with calcium and trace elements added. The field trial results showed that the it is significantly effective to improve the taste and flavor of strawberries, and the prevention of calcium deficiency in various crops, such as tomato and bell fruits. The application of this product is positioned for continuous harvesting crops, with the efficacies of quality improvement, nutrient supplement and disease prevention. It is planned to register the item 4-42 liquid miscellaneous secondary and trace element fertilizer. The product name is "Nongyou Energy Calcium Fertilizer," and expected to be launched in 2023.

(4) Deep seawater for aquaculture application development:

A. Establishment of multi-stage algae culture water monitoring and the follow-up adoption in white shrimp farming models

Deep ocean water is a precious water resource with high cost and value. The Company's Hualien Factory plans three multi-stage application models for large-scale seaweeds and white shrimp farming with different growth temperature differences. Currently, the commercial mass production technology and production modes for three seaweed farming, namely enteromorpha, sarcodia suiae, and ulva, have been gradually established. To fully implement the improvement of the utilization efficiency for DOW, the technical establishment of connecting water from the seaweed farming to white shrimp farming is currently being conducted continuously. To ensure that the connected water to meet the water quality requirements of white shrimp farming, it is necessary to conduct long-term detection and discussion on the changes in quality of seaweed farming tail water, or take appropriate water quality improvement measures to make such water to be suitable as a water source for white shrimp farming, to achieve the maximum synergy of multi-stage utilization of DOW. Therefore, in 2022, the sampling, monitoring and analysis were conducted for the changes of water quality in each stage of seaweed farming and white shrimp ponds, seeking to establish a stable multi-stage farming water technology and model, and to ensure the stable production capacity and quality of algae and shrimp farming.

B. Refinement and improvement of algae processing plant

The Company's Hualien Factory adopts the high-economic seaweed such as enteromorpha, sarcodia suiae, and ulva in farmed in DOW for processing and production. To further improve the quality and efficiency of seaweed processing, and complies with the standardized systematic production regulations of ISO 22000 and HACCP management, in 2022, the Company continued to improve algae processing technologies and equipment improvement. Currently, the improvement of seaweed cleaning process, the algae processing ventilation system, and milling room, with additional construction have been completed. In addition to addressing the issues of high indoor humidity and dust exposure during the processing process, the seaweed drying efficiency has been greatly improved by 53~130%, and the utilization of algae plant and the batch output have been greatly improved. The quality of the dried seaweed is highly consistent, with obviously better color, aroma, and taste. These can be stored at low temperature for a long time, exceeding six months.

(5) Algae Polysaccharide Extraction Technology Research and Development:

The Company commissioned National Taiwan Ocean University to develop "Extraction of algal polysaccharides from large Ulva lactuca nurtured by deep ocean water" in October 2018. The technical transfer of "Ulva Polysaccharide Extraction Technology" was done in 2020. During 2020 to 2021, the multi-batch mass production trial of ulva polysaccharide was conducted to prescribe the certificate of analysis (COA) of ulva polysaccharide, and establish the techniques of mass production. The fresh ulva raw material used by the Company comes from the cultivation in DOW by our Hualien Factory. The growth and breeding conditions of ulva are affected by climate and environmental factors in different season. In 2022, it mainly analyzes and monitors the composition changes in algal polysaccharides extracted from ulva cultivated in different month to be used as the basis for revising the COA and for promotions.

(6) Development of film-coated collagen peptide compound tablets

The Company has transferred the "collagen peptide extraction technology from fish scales" from the Fisheries Research Institute, to produce collagen peptide powder, and sale such through its subsidiary, TAIWAN YES DEEP OCEAN WATER CO., LTD. Currently, the source of customers have stable procurement, and consumers share their feedback that the collagen peptide powder is effective in increasing joint lubrication of joint, reducing the days of muscle soreness after exercise, improving skin smoothness, and whitening spots after ingesting the powder. Considering the convenience of consumption by consumers, the collagen peptide powder was developed into collagen peptide tablets in 2022, providing consumers with another dosage format option. For the consumers' peace of mind. the Company carefully select the OME vendors of health food with GMP, HACCP, and ISO international certifications. The new product is expected to be launched in 2023.

(7) Development of purification technology for electrochemical products

A. Research of EBR (PGMEA) phase splitting and esterification technologies

EBR (Edge Bead Removal) is a chemical mixture composed of propylene dimethyl ether acetate (PGMEA) and propylene glycol methyl ether (PGME). It is an excellent organic solvent in the semiconductor industry. Based on the trend of waste recycling, and in recent years, the Company's Miaoli Factory has made breakthroughs in chemical purification technology research, while the quality of recycled products being recognized by customers. Therefore it plans to recycle, purify and reuse EBR waste liquid. Since 2020, the Company worked with ITRI for the "development of EBR purification technology," and established the PGMEA purification technology in the laboratory, which successfully purified the PGMEA waste liquid to the semiconductor solvent grade (purity ≥99.5%, moisture ≤0.03%, chromaticity ≤ 10, and the metal content (20 metals such as Na, Ca, Fe, etc.)≤500 ppt), passed the third-party COA verification, and completed the semiconductor factory introduction verification approval. Since September 2021, the Miaoli Factory conducted the installation and development of the production lines related to the technology. T-9 Plant is planned as the factory esterifying and producing PGEMA. The ITRI will assist by participating the related construction, design, and production commissioning.

B. Development of process technology to concentrate the diluted acid into concentrated sulfuric acid

To establish an in-house technology for diluted sulfuric acid concentration, to be used as a raw material for the production of nitrophosphate and phosphorus fertilizers, and increase the product competitiveness. Since July 2022, the Company has work with the ITRI to develop a process technology for to concentrate the diluted acid into concentrated sulfuric acid. The analysis method establishment, diluted acid concentration simulation and concentration preliminary trail have been completed.

C. Development of the technology to distill and purify crude MDI to pure MDI:

Methylene diphenyl diisocyanate (MDI) is the main raw material for producing polyurethane (PU), and widely applied industrially. MDI may be divided as poly MDI and pure MDI, and the latter has higher economic benefits. The Company worked with the ITRI for the development of the technology to distill and purify crude MDI to pure MDI and poly MDI since November 2020. Based on the lab distillation test results, the basic design drawings, including PFD, PID, material balance and layout, will be completed.

(IV) Short-, mid-, and long-term business development plans

Category	Short-term business	Medium and Long-term business
Fertilizer industry	(1) To stabilize the existing industry, strength after-sales service, continuously improve fertilizer quality so as to satisfy quality requirements of customers. (2) To separate the market, develop and introduce niche products and keep promoting fertilizers with high additive values so as to increase sales income. (3) To improve packaging quality, strengthen advocacy of new fertilizers, establish test, demonstration and explanation sessions in highly economic crops area of entire province in order to increase the additive value of products. (4) In line with the Southbound Policy of the Government along with the global deployment through the construction of ten Plants in the West, work has been undertaken to integrate the industry need of the domestic market, as well as to redirect the excessive fertilizer capacity from domestic market outwards after satisfying the domestic demands, via exporting so as to lay out a foundation for the target oversea markets.	(1) To continuously develop high-technology organic fertilizers in coordination with development of organic agriculture. (2) To refine the agriculture development in order to promote high-component and high-quality fertilizers.
Chemical industry	(1) Anhydrous Ammonia: the downstream demands for supply source shall be stabilized based on the advantages of storage tank. (2) Industry urea: Packing and delivery shall be finished in Taichung Plant to reduce secondary transportation risks on the way to Miaoli Plant and market share shall be expanded flexibly. (3) Nitric acid: the domestic market is stable. In the past few years, the Company has actively promoted the export of nitric acid, because after Peifeng's new compound fertilizer production line commenced the production, the demand for nitric acid for self-use has increased; however, the export sales are limited, so the production deployment will be arranged flexibly. (4) Melamine: the delivery-to-shop service shall be promoted to solidify the market share with quality and service. (5) Sulfamic Acid: the quality and service shall be improved to stabilize supply and delivery time and increase the market share in Europe and American market. (6) Sulfuric acid and Oleum: the marketing shall be promoted based on competitive price and acid recovery capability in coordination with the remaining capacity of fertilizer.	(1) Anhydrous Ammonia: A complete supply chain has been established at Taichung Factory to satisfy customers' needs. (2) Nitric Acid: Taichung plant has the capacity to stabilize the supply to meet domestic clients' demands. We expect to expand our 68% thickening program in the second half year of 2018 as soon as the thickening plan is completed for expanding our market scale. (3) Sulfa Acid: We adopted the outsourcing mode to reduce the production cost. And, we will continue maintaining the close contacts with clients and progressively explore the southern European markets (Spain/ France/ the UK). (4) Fuming sulfuric acid: Currently outsourced to reduce the production costs. The sales and profits can both be stable when the economic conditions are normal. (5) Melamine and industrial urea: some are imported and supplied to customers in original packaging to ensure quality; others are imported in bulk to increase price competitiveness, while stabilizing the existing customer base and seeking market expansion.
Electronic grade chemical products	With the aim to take full advantage of the maximum synergy of Miaoli Plant, semiconductor industry will be entered proactively to expand sales of electric-grade	With 3 acids and 1 alkali as the development focus, number of self-produced items will be increased and processing quality assurance ability will be improved; R&D technology

Category	Short-term business	Medium and Long-term business
	chemicals in addition to activating existing production equipment, developing solvent product recovery and regeneration and purification business and increasing capacity utilization.	class will be strengthened and after-sales service and customer relation management will be deepened; technical capacity will be improved upwards to serve IC industry customer base and product scope will be spread downwards to solar and LED industries; and competitive niche products will be produced, in order to enhance the overall profitability.
Deep ocean water industry	The reinvestee, TAIWAN YES DEEP OCEAN WATER CO., LTD. continuously researches and develops the application of deep ocean minerals and build the domestic and international marketing channels; and the Hualien D-Park is also developed in phases and by zones. In addition to self-built multi-stage reproducing and farming production systems and development, application and sales of related aquatic products, it is expected that algae food will be launched successively in 2023, seeking to increase profits.	Continue to cooperate with the government to promote the Hualien Deep Ocean Water Industry Corridor Planning, to use the relevant land and industrial resources of the Hualien Deep Ocean Water Park as the extended hinterland of the National Marine Resources Museum; meanwhile, through the Platform of the Co-Prosperity Development Partnership for the Neighborhood of Hualien Port, the Company works with the government and related business continuously, to promote the development of DOW and the regional development.
Land development	(1) The Development Project of TFC ONE in the Hsinchu Science and Commercial Park: the commercial and office building has been 100% leased. (2) The first phase of the rezoning of Hsinchu City: it is expected to be approved in 2023 to dissolve the rezoning committee. (3) The second phase of the rezoning of Hsinchu City: the allocation of rezoned lands and rezoning construction implementation have been completed, and the acceptance of rezoning construction is proceeded now. (4) D7 development Project for Hsinchu Science and Commercial Park: the D7-B, D7-residential I and II development project are promoted to accommodate the overall land planning of the Science and Commercial Park. (5) Nangang Software Park C2 Development Project: the use permit of Building A and C are being obtained actively, and the lessee recruitment for the commercial office building of Building B is handled actively. (6) Nangang Software Park C4 Development Project: passenger bridge is installed to cooperate with the requirements of the City Government pursuant to the urban planning regulations, and the rewarded floor space are given. The first modification of construction permit is completed, work was resumed to initiate the construction of guide ditch and continual walls.	(1) Kaohsiung Special Trade 7C Land Development Project: The Kaohsiung City Government has started the rezoning of the city, and the development can be carried out after the rezoning is completed. (2) Hualien Land: Continue to develop toward the deep sea water park, and plan to introduce related industries as the main development axis to increase the land utilization rate of the park to increase revenue. (3) Nangang Software Park C2 Development Project: all use permits will be obtained in 2023, the title registration was completed, and the official water, electricity and gas pipelines are connected; the opening and activation Hi-Lai Hotel in Building A were assisted, while the public tenant recruitment for the hotel of Building C is conducted, for achieving the sustainable operation. (4) Nangang Software Park C4 Development Project: the construction of one office building will be completed by 2026 at latest, and the full lease of the whole office building will be completed gradually for the sustainable operation.

II. Overview of market and production & sales

(I) Market analysis

1. Sales area

Category	Product name	Sales area
Fertilizer products	Ammonium sulfate, Urea, Potassium chloride Calcium superphosphate, Compound fertilizer, and Organic fertilizer	Taiwan
Chemical product	Industrial urea	Taiwan
	Liquid ammonia	Taiwan
	Nitric acid	Taiwan and Southeast Asia area, Mainland China
	Melamine	Taiwan and India
	Sulfanilic acid	European and the US areas
	Sulfuric Acid and Fuming sulfuric acid	Taiwan
Electronic grade chemical products	Ablution, etchants, organic solution, inorganic acid solution	Taiwan and Southeast Asia area, Mainland China
Land development	Real property development	Taipei, Hsinchu, Kaohsiung, Keelung, Hualien and etc.

2. Market share, future supply and demand and growth

(1) Fertilizer products

Apart from urea and potassium chloride which are totally reliant on imports from abroad as none is produced here at home, the rest of the fertilizers can all be produced here at home by domestic fertilizer manufacturers once raw materials from are imported from abroad. The Company has the rich experience, largest output and most complete production equipment of fertilizer in Taiwan with the quality of all products is better than others, making our products more competitive.

(2) Chemical product

A. Industrial urea: Since the discontinue of the production of urea, the existing key accounts of the Company then started to imported the products for their own use or resale, becoming the main competitors against the Company. In recent years, as the downstream industries are outflowing abroad, the demand in the domestic market has gradually been shrinking where agricultural urea has become a substitute; hence, selling Industrial-grade urea is becoming increasingly difficult and challenging.

B. Liquid ammonia: the three major importers of liquid ammonia in Taiwan are TFC, Sinopec, and Formosa Plastics. However, Sinopec is not equipped with its own storage tank (New storage tanks will start operation in 2023.); Formosa Plastics is unable to sell domestically due to its location at the Mailiao Industrial Harbor. Hence, the Company has become the exclusive supplier of liquid ammonia in Taiwan, and the sales and market has been relatively stable. The electronics industry constituted the largest business dealing in the current downstream pipelines. If the global economy continues to develop stably, there shall be more room for growth. Noticeably, some downstream industries are facing competition against China, it is seen that production is unstable or may tend to be migrated elsewhere.

C. Nitric acid: 61% of the nitric acid produced by the Company is mainly converted into compound fertilizers. Other than the 130,000 tons of nitric acid required for fertilizer production, the remaining nitric acid has about 35,000 tons available for sales. The domestic sales are relatively stable. After the commercial operation of the new plant in Peifeng, the in-house demands have increased, and the export is promoted flexibly.

D. Melamine: After the Company stopped producing melamine, our existing large clients have imported it by themselves as well as sold it, so they've become the Company's main competitors in the perfectly competitive market. Additionally, coupled with the decreased demand as a result of gradual migration of downstream industries and toxic substance control, the Company's domestic sales of melamine have been impacted subsequently.

E. Sulfamic Acid: The major export market is Europe and America with annual sales volume of about 12,000mt. The production of sulfuric acid worldwide is about 190,000 tons, and demand on it is about 150,000 tons. The production is obviously exceeding the demand. The competition has been seen among Taiwanese, Chinese, and Indonesian manufacturers which are not slow on trading at competitive prices and squeezing their profit margins.

F. Sulfuric acid and Oleum: The products supplied by the company face the competitions from other domestic manufacturers and the market competition is fierce.

(3) Electronic grade chemical products

So far, the Company has low market share in electric grade chemicals. With regard to future strategy, products relevant to ammonia and the core industries, acid-alkaline series, will be focused on. In addition to mastering raw material advantages and enhancing competitiveness and serving as an upstream supplier, the Company will also integrate its existing resources, improve its equipment utilization ratio, reduce production cost and strengthen its R&D ability and produce products of niche formulas. At the same time, it will compete with peers in order to supply customers directly and thus achieve higher profits.

3. Expected sales quantity

The estimated sales of fertilizer products in 2023 is 685 thousand tons; 168 thousand tons of chemical products; 75 thousand charge-offs of Al-Jubail Fertilizer Company Urea; 17 thousand tons of electronic grade chemicals.

4. Niche for competition

(1) Fertilizer products

A. As the largest fertilizer manufacturer and supplier, it has a long history and owns the leading brand in market.

B. The quality is reliable, which has passed CNS Mark and ISO 9001 certification, and the products are trusted by farmers.

C. Product differentiation: We have Taiwan’s one production equipment producing nitrophosphate organic compound fertilizer, and we have also successfully developed the technology of adding peat, and its patent has been applied in many countries. The product quality and the effect are superior to the product produced by domestic competitors.

D. With completed, various products, it can meet clients’ demand for one stop shopping by self-producing or importing.

E. The after-sales service network is available through Taiwan, we have business centers, north, central and south. Our service agents are available for every country nationwide and they provide comprehensive and real-time after-sales service. We also have numerous delivery centers.

F. The business conditions are mastered exactly and purchase conditions for raw materials are superior to those in same industry.

G. The teams for R&D, advertising progressively can provide high-tech products creatively, continuously and deal with tests for fertilizer efficiency and explanation session for new products all over this province so that the capacity of product development, advertising is superior to that in same industry.

(2) Chemical product

A. Nitric acid: our 61% nitric acid has large production capacity but low lower cost; the domestic market channel of which is stable.

B. Liquid ammonia: A dedicated storage tank is available through the Company which is the only supplier of this kind in the domestic market.

C. Sulfamic Acid: With certain popularities and stable market share, the Company has operated chancels of European and American markets for a long time.

D. Melamine: With stable supply and good quality, the Company owns basic domestic clients.

E. Industrial urea: As the sole manufacturer previously, the Company has established good brand reputation and keeps favorable interactive relationship with upstream clients and downstream clients. At present, the imported products can supply domestic markets with sufficient supply of goods, which can meet clients’ demand for goods without stock-out.

F. Sulfuric acid and Oleum: The supply of goods in our company is stable and the quality is reliable.

(3) Electronic grade chemical products

A. Based on core of the Company and relevant products in this industry (such as ammonia, 3-acid 1-alkali, etc.), the Company can reinforce competitive force by using, mastering niche of raw materials and reducing costs of production.

B. Equipped with the distillation, blending, and split charging OEM capacity of solvent products, and various technical capability and permits to recover and reuse waste liquids.

5. Favorable, unfavorable factors and countermeasures for development:

Category		Favorable factors	Unfavorable factors	Countermeasures
Fertilizer products		(1) The domestic fertilizer market was freed from January 2003 and all owners compete for competitive conditions. The Company is more excellent that those in same industry at the aspect of quality, costs of production, marketing channels, advertising and after-sales service. (2) With improvement of knowledge, the farmers require creation and change, especially in great demand of new fertilizers with special functions and the advanced R&D teams in our company can promote new products in order to meet farmers' demand appropriately (3) Since the 2nd quarter of 2017, the government has been subsidizing the compound fertilizer added with organic agents and this is beneficial to the quality upgrading of our company's traditional compound fertilizer and the development of completely organic compound fertilizer.	(1) Since the domestic fertilizers are scarce and all raw materials depend on importation, the costs of production are quite high and easily affected by international price and fluctuation of ocean freight so that the costs of fertilizers cannot be reflected without allowance of government. (2) In order to keep the supply and demand of domestic chemical fertilizers, the government noticed that export sales of fertilizers should be approved by Council of Agriculture previously from May 2008 to restrict exportation of fertilizers. (3) To cooperate with the government's policy of taking care of farmers, and achieve the public welfare objective of taking care of farmers, the fertilizer prices have not been adjusted.	(1) Adjust combination of products, improve sales profits, continuously improve quality of products, reduce costs of production and increase competitive power of products. (2) Develop basic, multifunctional and excellent products, such as including beneficial microbial fertilizer, organic compound fertilizer, etc., to keep difference of products, improve added value and meet clients' demand. (3) Promote excellent organic fertilizers to meet strong demand of consumers for organic agricultural products. (4) Improve service for clients, including demonstrational popularization, field trial, result review and emulation, initiation and education for fertilizers, rapid treatment for clients' complaints, explanation session for new products, sample presentation for trial, plant visit, etc. (5) Since the second half of 2021, due to the sharp increase in the raw material prices for the international fertilizer manufacturing, the Company has actively sought subsidies for the increase in raw materials from the Council of Agriculture. The Council of Agriculture agreed that since January 10, 2022, the farmers buy fertilizer through fertilizer purchase information system and in one's real name, the fertilizer producers are all eligible to apply for the subsidies of 50% of the rise of the fertilizer manufacturing materials.
Chemical product	Industrial urea	(1) As the unique domestic manufacturer, the Company has established good brand reputation and leading position. (2) The supply of goods is sufficient, which can meet clients' demand and get rid of	(1) Since the Company stopped producing urea and the government approved free importation, some bigger clients of the Company started to import freely for self-use and sales and competed for urea market.	(1) Master international urea market for cheap, excellent and sufficient goods. (2) Regulate favorable price, compete for clients or provide differentiated service by delivering goods to stores.

		anxiety for stock-out.	Besides, they owns equipment for self-storage and packages to reduce costs, which is quite unfavorable to the Company. (2) Many Taiwan’s manufacturers have relocated to the Mainland China - resulting in the reduced demand on the industrial urea in the domestic market. (3) Since the urea is approved to import freely, the quality and price compete strongly or “agricultural” urea may be used for replacing “industrial” urea, the market order is affected.	(3) Compete for large, medium or small manufacturers which use raw materials.
	Liquid ammonia	(1) Though Liquid Ammonia is allowed to import freely, yet specialized wharf, large capacity storage tank and unloading, storage equipment is needed specially for importing Anhydrous Ammonia. At present, only the Company and Formosa Plastics Sixth Naphtha Cracking Plant own the equipment. Because the Mai-liao Harbor of Formosa Plastics is an industrial port where liquid ammonia cannot be sold, downstream users usually purchase products from the Company. (2) Since Liquid Ammonia belongs to high dangerous chemicals and experienced professionals are required for unloading, storage working, only the Company and Formosa Plastics have relevant technologies at present.	(1) Since the Miaoli Plant of our Company stops production, Liquid Ammonia required domestically largely depends on export and the selling price is affected by international price. The cost structure controlled by the Company is reduced relatively, and its price is unstable. (2) Sinopec will present itself as a competitor once it finishes its construction of storage tanks in 2023, and our domestic sales will be affected.	(1) Master business condition exactly and purchase low price, spot Liquid Ammonia appropriately. (2) Consider the competitive power of downstream clients, make price flexibly and appropriately in order to stimulate demand.
	Nitric acid	(1) The Company can deal with self-importation of Liquid Ammonia which can be used for producing nitric acid as raw materials. Besides, the unloading, storage equipment for importing Liquid Ammonia are set in Taichung Plant and the Company keeps leading position for mastering costs of raw materials, so the cost of production is lower. But the competitive power is high. (2) The equipment for production in Taichung	In the second half of 2018, the Company's Taichung Factory completed the 68% enrichment plan and actively promoted export . However, after the new compound fertilizer plan of Peifeng to initiate the production, the export sales were limited.	The stable domestic sales are none of concerned, while the export is promoted flexibly depending on the in-house demand.

		Plant is new, of which the yield is large and the cost of production is lower.		
	Melamine	(1) As the unique domestic manufacturer previously, the Company owns basic clients and good market reputation. (2) To import products of high quality and stability for high degree of customer satisfaction. (3) Import largely and build safe retail inventory so that clients can pick up goods smoothly, without anxiety for stock-out. Import good-quality, stable products so the acceptability of clients is high.	Additionally, after the control of toxic substances, the Company cannot change the package, which has made the advantage of paper packaging no longer exist and impacted the Company's sales of melamine in the domestic market.	Ensure quality of products, master quotations in international market and import price and adjust selling price flexibly to keep competitive advantages.
	Sulfanilic acid	(1) The quality is stable and the Company can cooperate with ammonium sulfate plants in order to make the best use of recycled and avoid environmental protection problems. (2) With certain popularities and stable market share, the Company has operated chancels of European and American markets for a long time.	(1) Our Sulfamic Acid products are sold totally, the selling price of which is affected by internationally market deeply (2) Since Indonesia and Mainland China have put into production and cause supply is greater than demand, all manufacturers compete for prices in out-sales market in order to keep market shares (3) The isomorphism type of Sulfamic Acid products is quite high and technologies of production are low. Besides, they can be replaced by developing countries with sufficient raw materials easily.	(1) Ensure stable quality and safety, quickness during transportation. (2) Make quotation differently based on different competitive conditions of out-sales market.
	Sulfuric acid	The self-storage and imported smelt sulfuric acid own equipment advantages for sales, which can adjust retail inventory and gain profits.	(1) Since the opponents are of great quantity, the isomorphism type is high and recycled acid can flow easily. (2) The storage tank is located in Taichung which is far away from the sulfuric acid market, mostly likely losing its competitiveness.	(1) Keep the costs of purchased materials stable in order to pursuit appropriate profits. (2) Keep current channels smooth and clients' loyalty and ensure market shares.
	Oleum	On account of producing calcium superphosphate, the Company has capacity to assist clients to recycle byproduct acid and clients' dependency is quite high.	Since the downstream client is only one, sales conditions are affected by industrial environment and starting time greatly. With addition of lacking self-production capacity, the profits are compressed.	Accelerate to demolish or construct calcium superphosphate factory in Taichung Plant and improve capacity of recycling acid.
Electronic grade chemical		(1) Electronics related industry is still the key	(1) As the Company enters into this industry	(1) comprehensive supply and it is quite

products	industry in Taiwan. Despite the impact of the red supply chain in recent years that led to shrinking the industrial growth, these semiconductor industry will still be expanding. Also, the panel, solar energy and LED industry still keepin a certain scale, so the prosperity of the market is still expectable. (2) The production and quality control technologies of our electronic products are from a Japanese company, HPC, which is the brand accepted in domestic TFT-LCD industry. In the future,the technical layer should be improved and the products and service should be provided for relevant industries, such as,semiconductor, solar energy and LED industry positively. (3) For our electric grade chemicals in future, Miaoli Plant will be the center for production and supply, which is the center of Taoyuan County, Hsinchu County, Miaoli County and Taichung County in concentrated area of domestic electronic industries and can provide Just in Time Service needed by this industry urgently. (4) Integrating our company's core industry of three acids and one alkali, we have the competitive advantage in obtaining advantage raw materials to reduce the production cost. And, our self-produced products will get into the niche market. (5) As a large domestic acid user, the Company can recycle electronic spent acid solution from clients to transform them into industrial products and to solve clients' anxieties for treatment of spent solution.	quite late, the market is occupied by favorable brands, the supply chain in market is quite stable and the certification for quality of materials in photo-electricity industries, it is quite hard to develop market. (2) Since the business cycle of electronic industries is quite short,manufacturers reduce costs or raw materials and chemicals and control price of electric grade chemicals, which can affect space of profits. (3) In order to occupy product share rapidly, some new suppliers consider reducing price as the core of strategies and clients used to choosing supply chain by prices.Thus, the prices are slumped. (4) As the variation of self-made products is not diversified enough,it cannot assist customers' comprehensive supply and it isquite difficult for the products to enter current market.	difficult for the products toenter current market. (2) Improve quality assurance capacity of processing, reinforce R&D technology grade, build complete logistics system, improve after-sales service of products and management capacity for customer relationship and manufacture products with good profitability formula in order to improve profitability. (3) Reinforce sales team's technical service capacity and improve brand reputation and customer trust. (4) Reinforce the response capacity of manufacturers for production mode of a few diversified products in order to improve chances to get orders.

Land development	**Commercial Real Estate of Taipei** **Leasing market:** (1) As the key development in Taipei City have been moving from west to east, lands of old plants have been continuously released for commercial development, and industrial clusters have become more mature, transportation and other infrastructure have been put in place one after another, and the surrounding development of Nangang Software Park has taken shape. Under the development vision of "Taipei East District Gateway Program" that contains five centers and eight major concepts, it has transformed into another rising star in the capital life circle. (2) According to the 2022 office leasing market report, the development of Nangang is getting mature. The Nangang Software office-plant building and CTBC headquarter have been completed and opened for many years, becoming a hub for technology, software and biotechnology companies. In the future, upon the successive completion of commercial development projects, it is expected that the rental price is about NT$2,000 to 2,400 per 3.3$m^2$. Comparing to buildings in downtown, the rental cost is reduced by nearly one-third, the companies with needs to set up headquarters, or being cost-oriented, will be attacted to move to the Nangang Software Park. The Company has C2 and C4 commercial property projects in the Nangang Software Park, C2 will be completed in 2023 with competitiveness. (3) In the future, Nangang will continue to introduce large construction projects. In addition to the C3 development project of	**Commercial Real Estate of Taipei** **Leasing market:** (1) According to statistics from Xinyi Global Assets, Nangang will release 1.32 million square meters of office space in the next five to eight years, including the "Pearl of the World" office expected to be completed in 2024 with a scale of approximately 462,812 square meters; Cathay Pacific Construction's "Liberty Commercial Building" expected to be completed in 2023 with a scale of approximately 495,870 square meters; and Ruentex Development's "Nangang Heart" complex development project expected to be completed in 2026, with about 165,290 square meters. Currently, the development projects in Nangang area with a known schedule possess more than 924,000 sqm of office space to be completed in five years. Although the vacancy may still be maintained at a low level within three years, upon the completion of the new buildings one by one, the large-scale office space will be released at the same time. If the companies with demand cannot not digest such supply in time, it will not only result in short-term pressure to recruit merchants and tenants, but also accelerate the reshuffle of the commercial office market in Taipei City, and the rent may show a temporary slow growth. **Commercial Real Estate Hsinchu** **Leasing market:** (1) Tai Yuen Hi-Tech Industrial Park near Hsinchu Science & Commerce Park has formed IC design industrial group, and the eight stages of development should be completed continuously. In addition, the International AI Smart Park was	**Commercial Real Estate of Taipei** **Leasing market:** (1) Taking advantage of the opportunity of providing office floors early, the leasing and tenant recruitment of the offices in Nangang C2 project is accelerated, to close out the C2 offices by the end of 2023. The development of C4 commercial offices will be completed as scheduled. **Commercial Real Estate Hsinchu** **Leasing market:** (1) The market of commercial real estate in Hsinchu is affected by Hsinchu Science Park seriously. According to science industry and demand for industrial updating of industries promoted by the government, the complete office functions should be provided and life convenience or other completed planning, which creates an office park abreast of time. (2) The self-development, lease, and operation model for the Company's TFC ONE Building has a successful investment promotion experience, and actually contacted with companies to obtain the first-hand market response. Such responses have been utilized in the development of D5 and D7 Blocks, and the design is close to the market demand, which will enable the Company to gain the advantage as a pioneer in the local market. (3) This area is located in the technology corridor of Gongdaowu Road planned by the Hsinchu City Government. This area is also planned as "Hsinchu Science Park X." The policy will actively shape the technology image of this area and the Hsinchu Science Park Bureau will invest in the development of the D6 Block; the

	Taiwan Life Insurance, and Mitsui Lalaport Mall introduced, various development projects including North Pop Music Center, and Nangang Exhibition Hall No. 2 for the East District Gateway Program are continuously developed, and it is expected more inflows of population and industries will be attracted to here. **Hsinchu Commercial Real Estate Leasing market:** (1) Hsinchu is a hub for Taiwan's high-tech industries, with Hsinchu Science Park as the development core. The city is rich in academic resources. The main industries are integrated circuits, computers and peripherals, communications, optoelectronics, precision machinery and biotechnology. (2) The Hsinchu City Government introduced the Hsinchu Science Park X Plan along the Gongdaowu Road route. It is expected that the area will become an emerging software park. A total of 36 hectares of land from us, CPC and other public facilities nearby will make the area a technology industry cluster. (3) The “Hsinchu Science Park X” at D6 Block set up by the Ministry of Science and Technology, Executive Yuan set up at D6 Block of the Company in Hsinchu, has commenced the first software technology office building in December 2021, to introduce industries related to the software design, information software and services, integration of soft- and hardware, and smart applications. The first phase is expected to complete in 2024, which likely drives the industry clusters and development of real	completed in March 2021, availing the companies in the AI related industries to apply for plant and office construction, plus many office buildings near Gongdaowu Road; therefore, and the development of the previous CPC oil storage base within the extent of the Hsinchu Science Park X Program, will be powerful potential competitors in Hsinchu Science and Commercial Park, resulting in regional competition and cooperation. (2) Restricted by the urban planning of the science and commercial parks, land lots along Gongdaowu Road can only be used for office buildings. This approach does not reflect the needs of investors, and does not match with the trends in which large-scale land lots have complex commercial development. (3) Gongdaowu Road can be congested during rush hour. The station and route of Hsinchu light rail in the area are uncertained for the completion time, causing traffic concerns now in the area.	development, planning and design shall be adapted, while companies qualified for the science and commercial parks will be actively recruited, to form an industrial clustering effect, shaping the image of the high-tech software industry in the area. (4) Continue striving for the relaxation of the provisions of the land use control for urban planning to facilitate the introduction of the complex commercial development areas that are suitable for regional development. (5) By requesting for lifting restrictions on land use, the area may become a place which meets the needs of talents working locally in the technology field. The reduction in number of trips can reduce the traffic problems. Propose to the government of Hsinchu for the bus routes, and diverse the traffic from buses within the area.

	properties in D4 to D7 Blocks of the Company. (4) Hsinchu has a rich talent pool and high concentration of industries. The supply of A-level office buildings is still scarce, so there is market demand for office buildings. (5) Many offices at the downtown Hsinchu City are old and statuary, with the full use of lands in Hsinchu Science Park, there is a urgent demand for lands from the companies in Hsinchu Science Park for their own uses. In 2021 and 2022, the life insurers and real-estate companies significantly increase the investment in commercial properties in Hsinchu. This park meets the expansion needs for the technological plants.		

(II) Important use and manufacture process of main products

1. Usage of main products

(1) Fertilizer products

Name of fertilizers	Nitrogen- phosphoric anhydride-potassium oxide	Usage
Ammonium sulfate	21-0-0	Base fertilizers and top dressing of all plants
Urea	46-0-0	Base fertilizers and top dressing of all plants
Potassium chloride	0-0-60	Base fertilizers and top dressing of all plants
Superphosphate	0-18-0	Base fertilizers
Compound fertilizers	Multiple formula	Base fertilizers and top dressing of all plants
Organic Fertilizer series	Multiple formula	Base fertilizers

(2) Chemical product

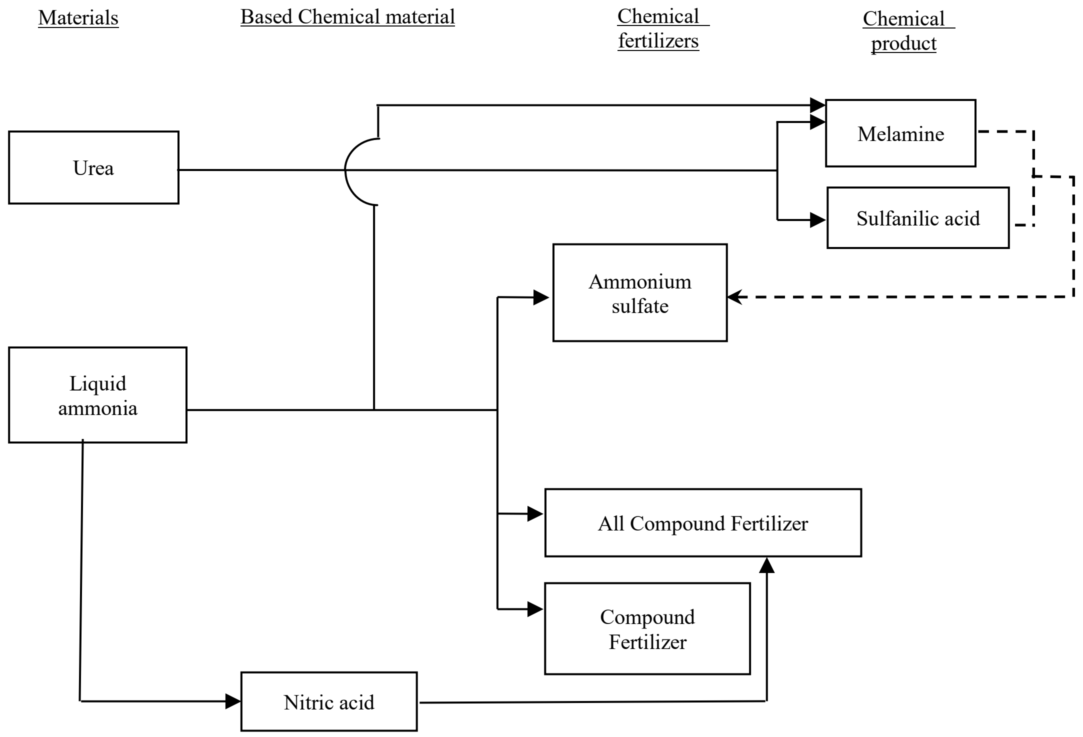
Product Name	Specification	Usage
Industrial urea	Including 46% of nitrogen	Resin, melamine, dyeing and finishing, composites plate, dyeing and finishing, green algae, chemicals, environmental protection.
Liquid ammonia	99.50% purity	Monosodium glutamate, refrigeration, electronics, steel, chemicals, etc.
Nitric acid	61~68% concentration	Mental treatment, electroplate, pigment, chemicals, common industrial usage, etc.
Melamine	99.8% purity	Resign, molding powder, composites plate, dyeing, finishing, etc.
Sulfanilic acid	99.8% purity	Flame retardant, softener, metal detergent, pigment, saccharin, food additives, analytical reagent, etc.
Sulfuric acid	98% purity	Mental treatment, electroplate, chemicals, reagent, detergent and common industrial usage.
Oleum	Including 25% SO_3	Common industrial usage

(3) Electronic grade chemical products

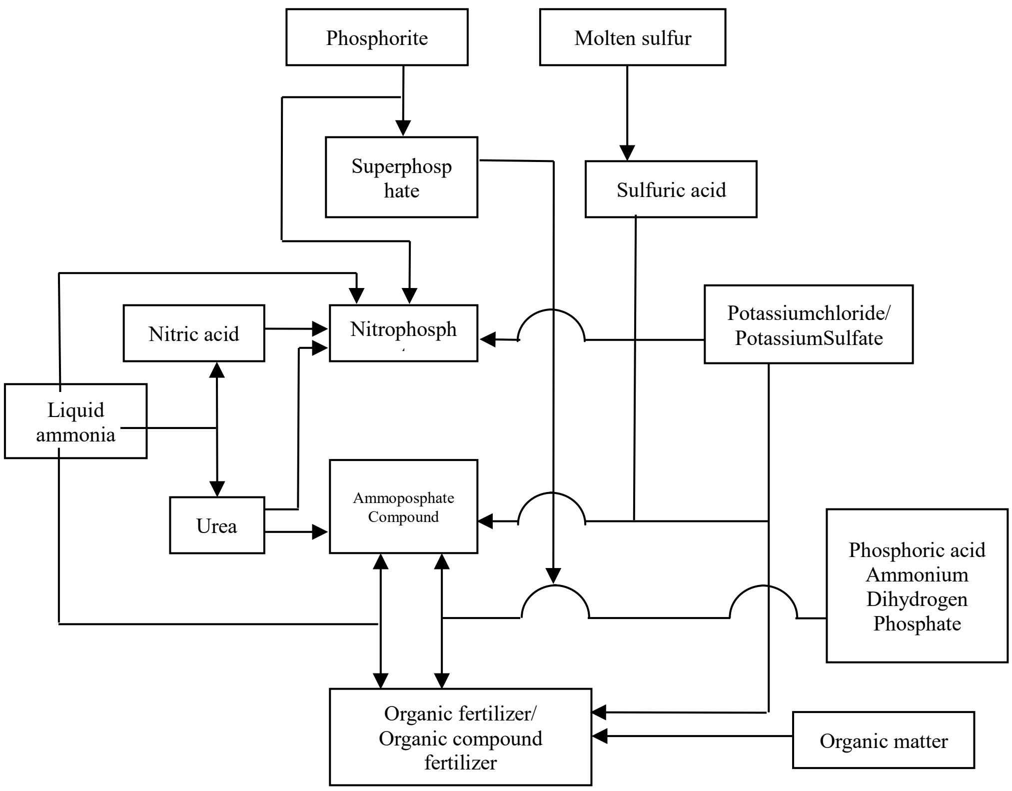
Product Name	Specification	Usage
Ablution	Electronic grade	Wafer, Clean the faceplate after photoresist is stripped.
Etchants	Electronic grade	Wires of faceplate are etched.
Organic Solution	Electronic grade	Clean and re-clean all sections of processing substrates.
Inorganic acids and alkali	Electronic grade	Etched developing of semiconductor, panel, solar energy and LED etching, development, and cleaning.

2. Manufacturing process of main products

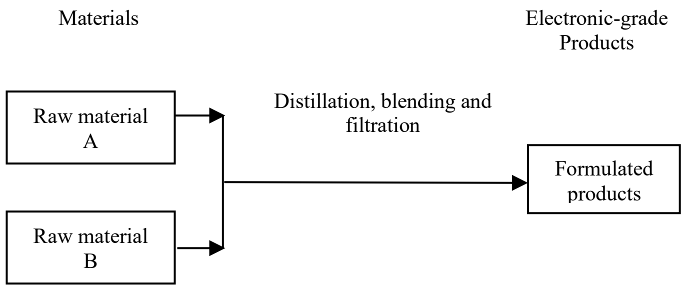
(1) Association graph of Liquid Ammonia and downstream products



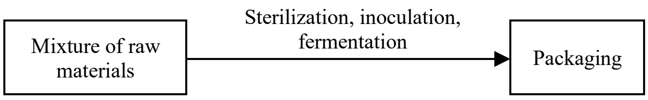
(2) Compound Fertilizer Raw Material Association Diagram



(3) Manufacturing process of electronic grade chemicals



(4) Process of manufacturing of Microbial fertilizer



(III) Supply conditions of main raw materials

Materials	Supply Condition
Urea	It is mainly purchased outside, most of which is from Mainland China. Besides, the Company gains urea from transferred-investment company-Al-Jubail Fertilizer Company by buy-back.
Liquid ammonia	It is mainly purchased from Sabic Asia Pacific Pte. Ltd and purchased from Ma'aden
Sulfuric acid	It is mainly purchased from Japan through long term agreement, the supply of which is stable.
Phosphorite	The main sources of supply are Jordan and Morocco.
Potassium chloride	Most of it is imported from Canada, Israel and Russia.
Molten sulfur	It is purchased by ordering contracts with CPC Corporation.

(IV) In the following table, the names of clients whose purchase (selling) amount is 10% or more than 10% of total amount in either year of last two years, list of main purchase or selling clients and purchase (selling) amount, proportion are listed. Besides, the reason for increase or decrease is illustrated.

1. List of main suppliers:

	2021				2022				Up to Q1, 2023			
Item	Name	Amount (NT$ thousand)	Proportion of net purchases for the whole year (%)	Relationship with the issuer	Name	Amount (NT$ thousand)	Proportion of net purchases for the whole year (%)	Relationship with the issuer	Name	Amount (NT$ thousand)	Proportion of net purchases for 2023 up to Q1 (%)	Relationship with the issuer
1	Sabic Asia Co. Ltd.	1,217,659	15%	Supplier of Liquid Ammonia	Sabic Asia Co. Ltd.	3,204,556	30%	Supplier of Liquid Ammonia	Sabic Asia Co. Ltd.	503,339	16%	Supplier of Liquid Ammonia
2	Al-Jubail Fertilizer Company	1,830,706	22%	The Company's re-invested enterprises with 50% of stake, and delivers urea according to agreements.	Ma'aden	2,493,423	23%	Supplier of Liquid Ammonia	Ma'aden	607,031	19%	Supplier of Liquid Ammonia
3	Mitsubishi	976,012	12%	Supplier of potassium chloride and liquid ammonia	K+S	1,062,776	10%	Supplier of potassium chloride	Golden Barley	314,559	10%	Supplier of urea and liquid ammonia
4	ICL	208,905	3%	Supplier of potassium chloride								
5	K+S	0	0%	Supplier of potassium chloride								
6	Others	3,989,363	48%	-	Others	4,001,530	37%	-	Others	1,711,471	55%	-
	Net purchases	8,222,645	100%	-	Net purchases	10,762,285	100%	-	Net purchases	3,136,400	100%	-

2. List of main customers:

(1) Fertilizer products

2021	Name of customer:	Amount	Proportion for this year (%)
January 2021 to December 2021	Tai Feng Hsing Industrial Limited	NT$480,472 thousand	15.65

2022	Name of customer:	Amount	Proportion for this year (%)
January 2022 to December 2022	Tai Feng Hsing Industrial Limited	NT$432,306 thousand	13.46

(V) Production volume and value in the last two years

Unit: Ton/NT$ thousand

Year / Production volume and value / Main product	2022			2021		
	Capacity	Production volume	Production value	Capacity	Production volume	Production value
Ammonium sulfate	150,000	103,100	666,338	150,000	107,350	624,422
Superphosphate	120,000	36,250	114,202	120,000	33,450	104,605
Compound fertilizers	443,500	567,386	5,125,993	443,500	484,315	4,334,654
Nitric acid	165,000	176,025	4,092,964	165,000	168,853	2,951,934
Bio-Organic Fertilizer	6,000	4,299	48,803	6,000	2,793	27,854
Recycled Phosphoric Acid	5,500	4,534	122,415	5,500	5,697	139,249
NMP	3,600	1,201	142,560	3,600	2,836	212,409
CPN	600	480	52,928	600	282	31,406
Ammonium Hydroxide Electronic Grade	7,200	3,146	60,829	7,200	3,495	57,750
Nitric Acid Electronic Grade	7,200	5,998	114,871	7,200	4,960	71,125
Total	908,600	902,419	10,541,903	908,600	814,031	8,555,407

(VI) Sales volume and value in the last two years

Unit: Ton/NT$ thousand

Year / Sales volume and value / Main product	2022				2021			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Ammonium sulfate	48,862	276,432	27,637	239,409	53,332	302,152	24,908	157,346
Superphosphate	1,840	5,798	0	0	3,074	9,613	0	0
Compound fertilizers	530,481	4,687,291	10,016	204,246	471,021	4,118,652	21,557	264,563
Agricultural urea	31,165	284,059	0	0	30,746	302,754	0	0
Potassium chloride	11,466	118,210	0	0	14,447	130,390	0	0
Resell Urea from Al-Jubail	0	0	53,750	838,297	0	0	113,528	1,581,375
Melamine	692	44,516	0	0	1,090	65,460	0	0
Sulfanilic acid	213	8,326	12,404	531,895	389	9,566	13,421	364,752
Nitric acid	14,448	340,060	6,235	96,662	18,688	351,369	22,074	192,216
Industrial urea	3,006	88,293	0	0	4,255	80,279	0	0
Liquid ammonia	79,760	3,373,503	0	0	89,253	2,626,462	0	0
Recycled Phosphoric Acid	4,532	122,350	0	0	5,648	138,062	0	0
Sulfuric acid	37,881	73,300	0	0	11,808	14,754	0	0
Oleum	7,844	31,336	0	0	8,887	26,627	0	0
Other products	11,450	830,832	0	0	7,724	394,654	0	0
Electronic grade chemical products	11,846	383,600	0	0	12,984	393,921	0	0
Leasing revenue	0	2,020,325	0	0	0	1,704,818	0	0
Other operating income	124,115	453,511	0	0	140,487	429,621	0	0
Total		13,141,742		1,910,509	-	11,099,154	-	2,560,252

III. Employees

(I) Data of employees for last two years till latest annual press

March 31, 2023

Year		2021	2022~	2023 up to March 31
Number of employees		644	633	627
Average age		42.99	43.47	43.61
Average years of service		12.60	12.88	12.92
Education distribution	PhD	0.62%	0.63%	0.64%
	Master	25.93%	26.70%	26.31%
	College	52.33%	52.76%	53.11%
	Senior high school	20.96%	19.75%	19.78%
	Under senior high school	0.16%	0.16%	0.16%

Note: The number of TFC's employees here refers to the sum of permanent staff and contractors.

(II) Productivity of employees

Unit: NT$ thousand
March 31, 2023

Year	2021	2022~	2023 up to March 31
Annual revenue	13,074,793	14,264,756	3,320,432
Revenue per person	20,303	22,535	5,296
Annual operating profit	381,832	(668,995)	(72,562)
Annual operating profit per person	593	(1,057)	(116)

IV. Distributed information of environmental protection

(I) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents

Disposition dates/disposition reference numbers	Articles of law violated/content of the violated article	Content of the dispositions
2022-08-16/Reference No.: 40-111-080004	The Environmental Protection Bureau of Miaoli County visited the Company's Miaoli Factory on July 14, 2022, to inspect the of waste with recycled waste liquid with pH value lower than (equal to) 2.1 (C-0301) during September 2021 to January 2022. Because the accepted quantity received and stored in the previous month plus the quantity of raw materials deducted from the recipient, subparagraph 2, paragraph 1, Article 31, of Waste Disposal Act.	Penalty: fined NT$60,000

(II) Countermeasures and potential expenditure in the future

1. Expected environmental capital expenditure in the next two years:

Item \ Year	2023	2024
Description of the equipment intended to purchase for preventing pollution or the expenditure	(1) Air pollution prevention facility (2) Improve equipment of wastewater treatment. (3) Clean, treat and recycle wastes (4) Improve the manufacturing process to prevent pollution in main production plants.	(1) Air pollution prevention facility (2) Improve equipment of wastewater treatment. (3) Clean, treat and recycle wastes (4) Improve the manufacturing process to prevent pollution in main production plants.
Expected improvement	(1) Improve and reduce pollutant discharge to ensure air pollutants, water discharge, the treatment of air pollutants, and waste disposal comply with environmental protection laws so as to avoid pollution incidents. (2) The plants fulfill the commitments set for in the environmental impact assessments.	(1) Improve and reduce pollutant discharge to ensure air pollutants, water discharge, the treatment of air pollutants, and waste disposal comply with environmental protection laws so as to avoid pollution incidents. (2) The plants fulfill the commitments set for in the environmental impact assessments.
Amount	NT$54,000 thousand	NT$25,000 thousand

2. Influence after improvement:

(1) Improve and reduce discharge of pollutants, make sure that treatment for discharged water, air pollutants and wastes can meet regulations relevant to environmental protection in order to reduce influence on ecological environment.

(2) The operation of plants should meet the requirements in environmental impact assessments and prevent from polluting environment effectively.

(3) Reduce environmental impact on the public living in the communities near the plants and improve enterprise image.

V. V. Labor Relations

(I) Key employee-employer agreements.

1. Condition of employee-employer agreements

The Company has formulated “Key Points of Implementing Labor Relation Symposium,” and holds labor relation symposium regularly each year. The symposium is hosted by the General Manager or the Deputy General Manager specified by General Manager, who leads HR and first-level staffs to discuss with labor representatives and representatives of all labor unions of TFC o unblock communication channels, publicize business principles of the Company and enhance the interaction between labor and management. In addition, suggestions and advices of workers can happen by means of the Membership Representative Conference, Meetings of Board of Directors and Supervisors and Joint Meeting of Team Leaders regularly held by the Enterprise Union of TFC. The Company will reply employees’ suggestions and advices in writing officially and improve accordingly.

Communication method	Frequency
Labor Relations Symposium	Once/year
Employee-employer meeting	Once/quarter
Trade Union Congress	Once/year
Meeting of governors and supervisors of the union	Once/quarter
Joint meeting of team leaders of union	Once/quarter

2. Collective agreement executed

   Each corporate union of TFC enters a collective agreement with TFC. By institutionalizing employees' rights and interests, the labor-management relationship is deepened, exceeds the domestic labor laws and regulations and the requirements of international human-right covenants, to implement the safeguard of employees' rights and interests.

   The collective agreement was entered by TFC Union and TFC on March 19, 2015, and expired on March 18, 2018. Pursuant to the agreement and Article 21 of the Collective Agreement Act, there is a residual effect, and the labor and the management has activated the negotiation process for the new collective agreements in 2022. The corporate union of TFC Miaoli Factory and TFC Miaoli Factory entered the agreement on October 18, 2021; the corporate union of TFC Hualien Factory and TFC Hualien Factory has activated the collective agreement negotiation and currently in progress; the corporate union of TFC Taichung Factory and TFC Taichung Factory entered the agreement on November 7, 2016, and the agreement expired on November 6, 2019. Pursuant to the agreement and Article 21 of the Collective Agreement Act, there is a residual effect.

3. Measures for employees welfares

   (1) The welfare funds are appropriated as required; the "Employee Welfare Committee" was established to manage all the matters regarding employee's welfare, such as tours and a variety of contests.

   (2) Setting up a breastfeeding room provides female employees a place for breastfeeding.

   (3) Setting up a medical office to manage all employee's medical matters and regularly holding the health examinations.

   (4) There are nine clubs in the company with diverse type and operated vigorously. The clubs are set for cultivate employee's interest and self-cultivation.

   (5) Our retired employee will be gifted a commemorative present and get a retirement certificate.

   (6) Marriage and funeral subsidies are available for employees.

   (7) If an employee dies, depending on the cause of death and subject to our company's guidelines of pension fund, the descendants will be given death benefit, compensation for death and funeral expenses.

   (8) We insure employees against Labor Insurance, National Health Insurance, group life accident insurance and hospitalization insurance.

   (9) We issue annual bonus to our employees. Also, depending our company's annual operating interests and the rate of surplus, we will give our employees year-end bonuses and employee remuneration.

   (10) Maternity allowance is available for employees.

   (11) Travel subsidy is available for employees.

   (12) Conduct the trust of employees' shareholding, with the incentives for purchasing the Company's share.

4. Retirementsystem

   The Company has a "Taiwan Fertilizer Company's Employees Retirement, Pension and Severance Regulations", which is in accordance with the Labor Standard Act and the Labor Pension Act, for new employees and the selection of senior employees who are applicable to the newly-established pension ordinance, the company should pay monthly 6% of their insured salary to the personal account of Labor Insurance Bureau and the 0~6% of his or her insured salary. Selected senior employees who are applicable as the former labor standards, the company should pay monthly 9% to the retirement reserve account, and at the end of March, in accordance of the 56th law of Labor Standard Act providing for the actuarial replenishment of the difference and periodically convenes the Labor Pension Supervision Committee on a quarterly basis. Employees may apply for retirement per Article 5 of the Company's retirement, pension and severance regulations, and those aged 65 should be eligible for compulsory retirement. The said retired employees shall be given pension under the Labor Standards Act and the Labor Pension Act.

(II) Employees' conducts or moral principles

In accordance with the provisions of the Labor Standard Act, the Company has made the "Taiwan Fertilizer Co., Ltd. Code of Practice for Employees," and the amendment thereof was approved in the 5th board meeting of the 35th term on March 22, 2022. In addition to sending a notification letter to the employees, it should be announced on the Company's internal website for employees to look up and follow. There is also the "Taiwan Fertilizer Co., Ltd. Code of Ethical Conduct for Directors, and Level I

Managerial Officers," which was submitted to the Company's 2009 Annual Shareholders General Meeting, its revision was approved in the 21st Meeting of the 34th Committee of the Board of Directors held on June 30, 2020, and will be reported in the Company's 2021 Annual Shareholders General Meeting. The guidelines were also announced in conjunction on the Company's internal website, to enable the Company's directors as well as the Level I managerial supervisors (including the general manager, deputy general Manager, and Level I managerial supervisors of each unit) to follow as their code of conduct and moral principles whenever engaging in the Company's business activities. In addition, the Company's stakeholders can understand the Company's ethical norms.

(III) Employees' further education and training

Year	2021	2022	2023 up to March 31
Number of classes for training	330	388	62
Person-time for training	2,552	2,912	183
Man-hour for training	11,675	13,205	1,266
Per capita training hours	18.13	20.86	2.02
Costs for training (NT$)	3,111,236	3,082,100	664,760
Per capita costs for training (NT$)	4,831	4,869	1,060

(IV) Losses suffered due to labor disputes (including any violations of the Labor Standards Act found in labor inspection): None

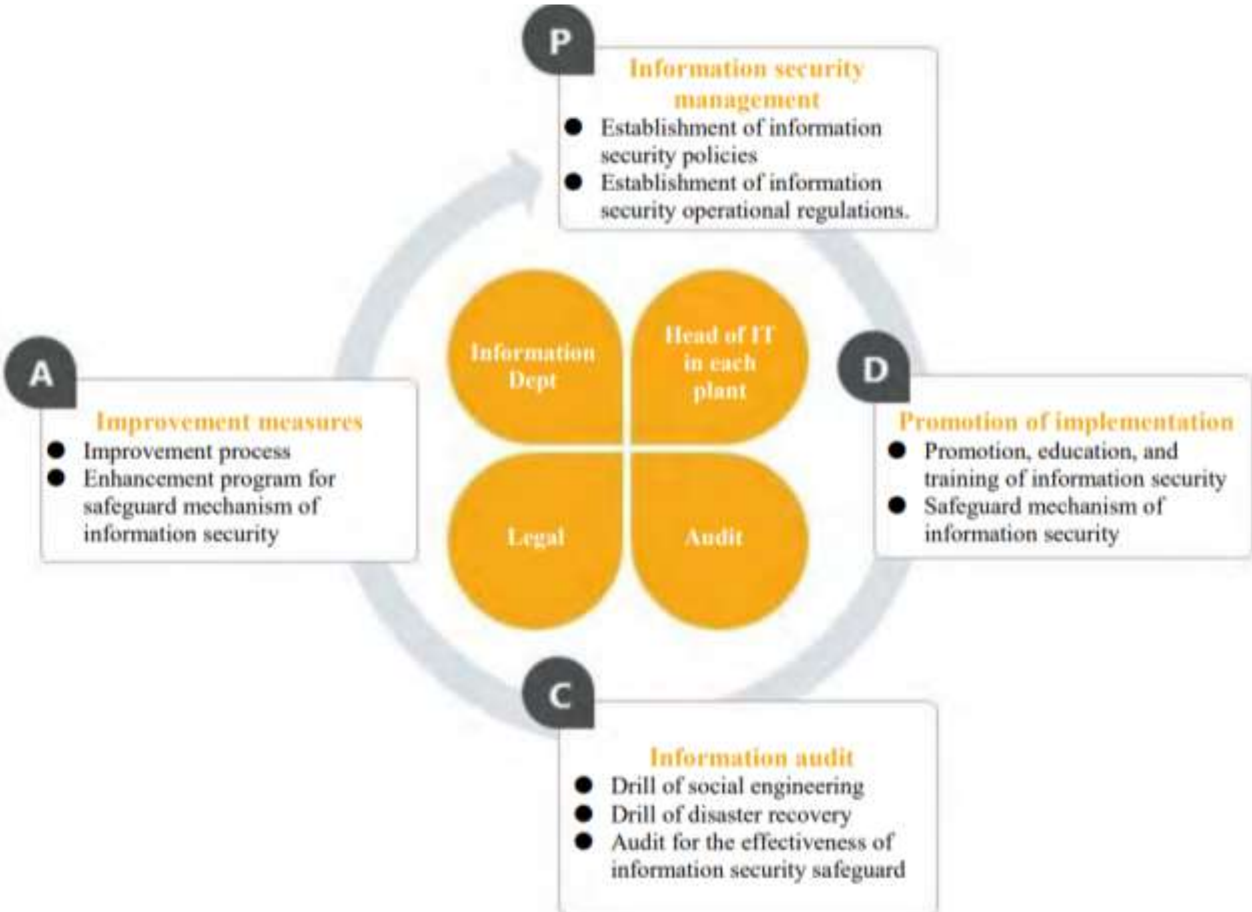
VI. Cyber security management

(I) Cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

1. Cyber security risk management framework

In 2019, the Company established the Information Security Management Committee, chaired by the deputy general manager serving as Head of IT. The Committee members are the Head of Information Dept and heads of IT in each factory, legal affairs personnel and auditors.

The Information Security Committee is mainly responsible for formulating information security management policies and systems, formulating the promotion and training plans for the Company's internal information security awareness, deliberating and assessing the legality and suitability of the information security management system, and verifying effectiveness of the Company's information security management operations.



2. Cyber security policy

Cyber security policy target

In order to maintain the confidentiality, integrity and availability of the Company's information assets, all employees will work together to achieve the following goals:

(1) To protect the information of the Company's business-related activities, safeguard the Company's confidential and personal information from unauthorized access or alteration, and ensure their accuracy and integrity.

(2) Respect intellectual property rights and protect the company information.

(3) Comply with the requirements of relevant laws or regulations, and maintain the business continuity of the Company.

Responsibility:

(1) All employees should actively participate in and support various information security management measures, and implement the policy through appropriate key points and operational procedures.

(2) All personnel, organizations, service providers, outsourced vendors and visitors related to business operations must abide by this policy.

(3) All employees and outsourced service providers are responsible for reporting information security incidents or vulnerabilities through appropriate reporting mechanisms.

(4) Any conduct that endangers information security will be held civil and criminal liability depending on materiality of the circumstances, and the disciplinary actions will be taken pursuant to the relevant regulations of the Company.

3. Concrete management programs

(1) The Company has established numerous information security key points internally, to regulate the operation and conducts of the employees. Every year, the information security policies and key points are reviewed, to check whether they align with the changes in the external environment, and adjustments may be made according to legality and expediency.

(2) Information security is the common responsibility of all employees. All employees of the Company should observe laws and regulations and information security objectives. Managers at each level should supervise the implementation of information security and reinforce the employees' awareness of information security and the concept of compliance.

(3) In daily operations, the “Personal Data Protection Act” and Copyright Act” and other laws and regulations related to information security shall be fully complied with, to protect the Company's business activity information, prevent unauthorized access and alterations, and ensure its accuracy and integrity.

(4) The software with legal copyright bought by the Company shall be used, and avoid downloading software from unknown sources online.

(5) After receiving the user account, the personal password shall be setup immediately. The passwords for the personal computer, mainframe or network device must be changed regularly. Any user shall not provide his/her user account and password for others’ uses.

(6) The endpoint protection software should be installed on all personal computers. If it is found that the endpoint protection software has been removed, the virus cannot be deleted, or information security risks are found, the Information Dept or the IT personnel of each Plant should be notified so that personnel can be dispatched to assist the treatment.

(7) The sent and received e-mails in the email system are all monitored and analyzed by anti-virus and anti-hack software. However, there is still the risk of misjudgment or overlooking. Where any employee finds irregular mails when sending and receiving emails, he/she should take the initiative to notify the Information Dept.

(8) To respond to various internal and external information security threats, the Company has deployed various information security protection equipment at all aspects, to build a multi-layer information security protection mechanism for enhancing the security of the overall information environment.

(9) The Company's information assets should be installed with the endpoint protection software and asset management software; the relevant usage and operation tracks will be recorded.

(10) The Company regularly conducts social engineering drills and information security trainings every year to enhance the information security awareness of internal personnel.

(11) The Company joined the alliance of “Taiwan CERT/CSIRT” in January 2022.

The concrete management programs are as following:

Type	Remarks	Relevant operation
Access management	Management measures for personnel accounts and accesses.	1. Modification operations for the information requesting process, and employee's account and e-mail applications. 2. Modification operations for the employee's account and e-mail applications.
Access controls	Controlling measures for employees' accesses to the internal and external system, and data transmission channels.	1. Management operations for network accesses. 2. Management operations for internet bandwidth. 3. Management operations for software assets.
Internal and external threats	1. External network attacks. 2. Internal vulnerability safeguard. 3. Antivirus and safeguard measures.	1. Information security incident operation. 2. Antivirus system administration tasks.
Availability	Handling measures when the system availability and services are interrupted.	1. Troubleshooting workflow for information equipment. 2. Operational process for handling irregularities of information equipment in data centers. 3. Regular disaster recovery drills.

4. Investments of resources for cyber security management

The corporate information security measures promotion and implementation results for 2022:

(1) During the year, one Information Security Committee meeting was held to review the implementation of the information security policies of each unit.

(2) Two educational trainings of information security were conducted during the year, for total of 297 attendants, and the total of six hours trained.

(3) The officers and personnel dedicated to information security received three sessions of information security professional courses.

(4) Two social engineering drills were conducted during the year with the coverage of the employees tested of 100%, to enhance the response to the information security risks and information security awareness of employees, and implement the information security control.

(5) Two disaster recovery drills were conducted during the year, to shorten the period being affected by the disrupted information service system.

5. Information technology security risks and management measures

Taiwan Fertilizer has established the comprehensive network and computer-related information security protection measures, but no guarantee may be given that the computer system controlling or maintaining important company functions such as the manufacturing, operations and accounting, may be completely free from network attacks from any third-party paralyzing system. These network attacks illegally invaded the internal network system of Taiwan Fertilizer Company, and carried out activities such as sabotaging the company's operations and damaging the company's goodwill. Where a serious cyber attack is suffered, the system of the Taiwan Fertilizer may lose key company data, and the production lines may be shut down as a result. Taiwan Fertilizer continuously reviews and evaluates its information security regulations and procedures, to ensure their appropriateness and effectiveness, but no guarantee is given that the Company will be free from the impacts of emerging risks and attacks amid the evolving information security threats. Cyber attacks may also attempt to steal the Company's trade secrets and other confidential information, such as proprietary information of customers or other stakeholders, and personal information of Taiwan Fertilizer employees.

Malicious hackers may introduce computer virus, destructive software or ransomware into the Company's network system, to interrupt the Company's operation, blackmail or request ransom from the Taiwan Fertilizer, obtain the control over the Company's system, or peep the confidential information. These attacks may result in the Company's compensation to customers due to delayed or interrupted orders, or sustain huge amount of expenses for remedies or improvements to enhance the Company's cyber security system, or may cause the Company to sustain significant legal liability due to involvement in legal cases or supervisory investigation resulted from leaking of employees, customers, or third parities' information to which the Company is held liable for the confidentiality.

Although Taiwan Fertilizer has not been attacked in the past due to purchasing and installing equipment containing malware, it may face similar attacks in the future. In order to prevent and reduce the damage caused by such attacks, Taiwan Fertilizer has implemented relevant improvement measures and continued to update them, for instance, building endpoint defense mechanisms to prevent malicious software from entering the Company; strengthening network information security gateways and network control to prevent computer viruses from spreading; building endpoint anti-virus measures by computer type; introduce advanced solutions to detect and handle malware; introducing new technologies to enhance data protection; enhancing phishing email detection and conducting regular employee vigilance tests. Although Taiwan Fertilizer continues to strengthen its information security protection measures, no guarantee may be given that the Company will be free from malicious software and hacker attacks.

In addition, although Taiwan Fertilizer requires thir-party service providers to comply with confidentiality and network security regulations in the service contracts entered with them, no guarantee may be given that every third-party service provider will strictly comply with these obligations. The internal network systems and external cloud computing networks (such as servers) maintained by the aforesaid service providers and their contractors are also at risk of cyber attacks. If Taiwan Fertilizer or its service providers are unable to solve technical problems resulted from these cyber attacks in a timely manner, or to ensure the integrity and availability of Taiwan Fertilizer (and its customers or other third parties) data, or to control the computer systems of the Company or its service providers, Taiwan Fertilizer's commitment to customers and other stakeholders may be seriously harmed, and the Company's operating results, financial positions, outook and reputation may also be materially and adversely affected.

(II) **Losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken:** none

VII. Important Contracts

(I) Supply and sales contracts

Counterpart	Beginning and end of contract	Main contents	Restrictive terms
Sabic Asia Pacific Pte.Ltd.	2023.01.01~2023.12.31	Supply contract for liquid ammonia	None
Taiwan Sugar Corp.	2022.01.01~2022.12.31	Procurement contracts	None
Sinon Corporation	2022.01.01~2022.12.31	Procurement contract for fertilizers	None
Tai Feng Hsing Industrial Limited	2022.01.01~2022.12.31	Service contract	None
Xiyuan Agriculture Resources and Material Company	2022.01.01~2022.12.31	Service contract	None
Advanced Green Biotechnology Inc.	2021.08.01~2022.12.31	Procurement contract for fertilizers	None
Hongcheng Biotechnology Co., Ltd.	2022.07.01~2023.06.30	Procurement contract for fertilizers	None

(II) Cooperative contract

Counterpart	Beginning and end of contract	Main contents
Saudi Basic Industries Corp.	1980.02.08~2031.07.12	Cooperate to invest in Al-Jubail Fertilizer Company, and each party holds 50% equities.
Agricultural Medicine and Toxicological Laboratory of the Council of Agriculture, Executive Yuan	2021.05.02~2026.05.01	License Renewal of "Mass production and application of Bacillus amyloliquefaciens strain Ba-BPD1 for microbial fertilizer and biopesticide”.
Taichung District Agricultural Research and Extension Station, Council of Agriculture, Executive Yuan	2017.07.01~2028.06.30	Technical license of “Production and application technology of rice straw decomposing germ complex preparation”
Miaoli District Agricultural Research and Extension Station, Council of Agriculture, Executive Yuan	2018.06.08~2026.06.07	Non-exclusive license of to the mass production techniques of Bio-Phosphorus Solubilization Fertilizer of the Miaoli Living Bacteria No. 1
Yufeng Produce and Specialty Company	2018.07.24~2023.07.23	Strategic alliance between TFC and Yufeng Produce and Specialty Company
Green View Garden	2021.03.16~2023.03.15	Renewal of Agreement for Taiwan Fertilizer Organic Demo Cooperative Farm
Kaohsiung District Agricultural Research and Extension Station,	2019.03.27~2024.03.26	Non-exclusive license of "New minerals secondary trace element fertilizer formula"

Counterpart	Beginning and end of contract	Main contents
Council of Agriculture, Executive Yuan		
Fisheries Research Institute, Council of Agriculture, Executive Yuan	2019.05.01~2022.04.30	Non-exclusive license of "Establishment of SPF white shrimp breeding technology and selection of excellent species"
Tottori Prefecture Tourism Business Group	2020.01.01~2023.12.31	Renewal of MOU signed by TFC and Tottori Prefecture Tourism Business Group
Agricultural Medicine and Toxicological Laboratory of the Council of Agriculture, Executive Yuan	2020.01.01~2025.01.01	Non-exclusive license of the “new liquefied bacillus thermoamylovorans strain Ba-BPD1 and application for microbial fertilizer” (including a patent of R.O.C, certificate No. I373523)
Agricultural Medicine and Toxicological Laboratory of the Council of Agriculture, Executive Yuan	2020.01.01~2028.01.01	Non-exclusive license of the “new liquefied bacillus thermoamylovorans strain Ba-BPD1 and application for biological pesticides” (including a patent of R.O.C, certificate No. I373523)
Institute for Biotechnology and Medicine Industry	2022.01.01~2023.12.31	License to use national quality label for the materials of “fish scale collagen peptides”
National Taiwan Ocean University	2020.01.13~2025.01.13	Non-exclusive license of “production technology of Ulva polysaccharides”
Industrial Technology Research Institute	2020.01.01~2022.04.30	Development of technology to purify industrial-grade hydrochloric acid to electronic-grade.
Industrial Technology Research Institute	2020.05.01~2023.10.31	Working contract for research of EBR (PGMEA) phase splitting and esterification technologies
Industrial Technology Research Institute	2020.11.01~2022.12.31	Technical service working contract for “development of the technology to distill and purify crude MDI to pure MDI”
Kaohsiung District Agricultural Research and Extension Station, Council of Agriculture, Executive Yuan	2021.01.01~2022.12.31	Industry-academic cooperation project of agricultural technology “Developing microbial fertilizer products applying biochar as carrier”
Far East University	2021.01.01~2022.12.31	Industry-academic cooperation project “Study on rapid transformation of organic residual materials to organic fertilizer and filler”
Jun Zhan Agricultural Science Consultants Limited	2021.10.01~2023.09.30	“Field trial of efficacy and phytotoxicity of liquified starch bacillus thermoamylovorans strain Ba-BPD1 1×10^9 cfu/ml suspension concentrate for countering tomato southern bacterial wilt
Taichung District Agricultural Research and Extension Station, Council of Agriculture, Executive Yuan	2022.07.20~2027.07.19	Renewal of technical license of “Production technology and the application method of Complex farm livestock manure composting fermentation”
Plastics Industry Development Center	2023.01.01~2023.11.30	Development of the wrapping materials for slow-releasing fertilizer and the mass production technologies thereof
Industrial Technology Research Institute	2022.07.12~2024.01.12	Development of process technology to concentrate the diluted acid into concentrated sulfuric acid
Industrial Technology Research Institute	2022.06.23~2024.09.30	Technology service for recycling the CPC LNG cold energy in TFC Taichung Factory

(III) Construction and other contracts

Counterpart	Beginning and end of contract	Main contents	Restrictive terms
Unikem Chemteche Inc.	2021.12.22~2022.11.08	Procurement of glass lining for esterification system of T plant in Miaoli Factory	None
Bing Ron Construction Co., Ltd.	2022.07.19~2023.01.16	Construction of steel structure for the esterification system in T Factory	None
Yuan Kuan Technology Ltd.	2022.11.17 to now	Works of manufacturing and installing electric instruments for the esterification system in T Factory, Miaoli Factory	None
Foxconn Global Network Corp.	2022.12.27~2023.06.25	Installation of 755kwp solar power generation system in Taichung Factory	None
Pro. Vision Environmental Engineering Corp.	2022.12.21 to now	Soil improvement in Hualien Factory	None
Sung-Chu Construction Co., Ltd.	2022.07.05~2022.12.30	Work of discharging wastewater from farming through dedicated pipes in Hualien Factory	None
HCCH & Associates Architects Planners & Engineers	Effective from the date of contract (2013.02.01) until the completion of final acceptance in conjunction with no matters required to be resolved.	Hsinchu Science and Commercial Park D7 Architectural Design and Supervision Technical Service Work	None
HCCH & Associates Architects Planners & Engineers	Effective from the day of contract (2011.10.31) until one year after the use permit is acquired.	Technical service work of “Construction design and supervising of the 1st stage C2 and the overall regulation of C2C3C4 Nangang Software Park”	None
HCCH & Associates Architects Planners & Engineers	Effective from the date of contract (2018.04.20) until the use permit is acquired in conjunction with the completion of final acceptance.	Increase the grouping of supervisors, and supervision and technical service work for Taiwan Fertilizer's new construction project of Nangang C2 hotel and office building	None
FAR EASTERN GENERAL CONTRACTOR INC.	Effective from the date of contract (2018.02.05) until the completion of final acceptance in conjunction with no matters required to be resolved.	Taiwan Fertilizer's new Nangang C2 hotel and office building construction project.	None
HCCH & Associates Architects Planners & Engineers	Effective from the day of contract (2018.06.01) until one year after the use permit is acquired.	Technical service work of “Construction design and supervising of the C4 Nangang Software Park”	None
FAR EASTERN GENERAL CONTRACTOR INC.	Effective from the date of contract (2020.09.30) until the completion of final acceptance in conjunction with no matters required to be resolved.	Taiwan Fertilizer's new Nangang C4 office building construction project.	None

(IV) Contract for Land Development

Counterpart	Beginning and end of contract	Main contents	Restrictive terms
Shinera Construction Co., Ltd.	On June 10, 2015, a urban revitalization collaboration contract was signed. The first supplementary clause was signed on November 5, 2019. This project should be commenced before September 30, 2023, and the entire project will have the property rights registered and delivered before April 30, 2028.	Urban renewal business of 4 lands of Plot 607, Section 1, Taipei City owned by TFC should be included in the urban renewal business of 25 lands in the same section. The co-construction agreement signed is on the sales of superior residential buildings to be constructed.	The implementer contained in “Urban Renewal Rules” of the agreement is Shinera, who should handle urban renewal procedures. TFC should provide co-construction land as the building land, and Shinera is responsible for integrating the adjacent lands with the co-constructing land, providing all capital needed to execute this project and implementing construction.

Six. Financial Profile

I. Condensed Balance Sheet, Consolidated Income Statement and Audit Opinion of CPAs in the Past Five Years

(I) Condensed Balance Sheet and Comprehensive Income Statement

1. Condensed Balance Sheet (Consolidated)

Unit: NTD thousand

Item \ Year		Financial Information in the Past Five Years					Financial Information of the Current Year up to March 31, 2023 (Note 1)
		2022	2021	2020	2019	2018	
Current asset		9,801,273	7,835,686	9,526,919	11,954,934	13,749,184	9,898,908
Property, Plant and Equipment		13,488,767	14,167,791	14,758,989	14,280,801	13,823,376	13,348,227
Intangible asset		121,065	124,595	122,639	126,933	146,486	120,979
Other assets		57,341,369	57,215,127	51,937,580	49,294,128	48,680,671	57,989,839
Total assets		80,752,474	79,343,199	76,346,127	75,656,796	76,399,717	81,357,953
Current liabilities	Before distribution	3,170,827	3,927,560	2,232,969	2,042,946	1,980,296	3,391,628
	After distribution	Not yet distributed	6,671,560	4,486,969	4,198,946	4,136,296	Not yet distributed
non-current liabilities		24,520,651	22,787,779	22,804,447	22,888,797	23,636,475	24,481,403
Total liability	Before distribution	27,691,478	26,715,339	25,037,416	24,931,743	25,616,771	27,873,031
	After distribution	Not yet distributed	29,459,339	27,291,416	27,087,743	27,772,771	Not yet distributed
Equity attributable to owners of the parent company		53,060,996	52,627,860	51,308,711	50,725,053	50,782,946	53,484,922
Share capital		9,800,000	9,800,000	9,800,000	9,800,000	9,800,000	9,800,000
Additional paid-in capital		2,245,156	2,244,652	2,244,652	2,244,073	2,243,635	2,245,156
Retained earnings	Before distribution	38,303,706	38,367,298	37,612,891	37,333,830	37,426,654	38,812,726
	After distribution	Not yet distributed	35,623,298	35,358,891	35,177,830	35,270,654	Not yet distributed
Other equities		2,712,134	2,215,910	1,651,168	1,347,150	1,312,657	2,627,040
Treasury shares		—	—	—	—	—	—
Non-controlling interests		—	—	—	—	—	—
Total Equity	Before distribution	53,060,996	52,627,860	51,308,711	50,725,053	50,782,946	53,484,922
	After distribution	Not yet distributed	49,883,860	49,054,711	48,569,053	48,626,946	Not yet distributed

Note 1: The consolidated financial information of 2023 up to March 31 has been reviewed by the CPAs.

Note 2: The financial statements of 2018 to 2019 corrected or supplemented including:

1. For the Company's previous corrected or supplemented the information of the re-investment, Al-Jubail Fertilizer, the IFRS effect was adopted first-time in 2017.

2. Pursuant to the Letter Jin-Guan-Zheng-Shen-Zhi No.1090330422, issued by Financial Supervisory Commission on March 11, 2020, and by referring to the common practice in the construction industry that the clients may pay considerations in installments for one to five years, the Company corrected (supplemented) the presentation and disclosure of the receivables generated from the sales in the manner of ten-year and 20-year installments.

Note 3: The aforesaid figures after distribution, are filled in with the figures resolved by the AGM in the next year; but the figures in 2022 and 2023 are not yet resolved.

2. Condense Statement of Comprehensive Income (Consolidated)

Unit: NTD thousand

Item \ Year	Financial Information in the Past Five Years					Financial Information of the Current Year up to March 31, 2023 (Note 1)
	2022	2021	2020	2019	2018	
Operating revenue	15,052,251	13,659,406	10,169,742	12,890,565	12,215,092	3,433,462
Gross profit from operations	1,292,039	2,138,975	2,589,109	3,031,311	2,752,349	267,718
Non-operating income and expenses	(488,523)	507,324	1,247,689	1,626,011	1,286,502	(46,275)
Non-operating income and expense	3,784,988	3,284,350	1,717,686	838,256	1,663,118	679,930
Net income before tax	3,296,465	3,791,674	2,965,375	2,464,267	2,949,620	633,655
Net income	2,669,649	3,034,616	2,452,881	2,063,955	2,281,319	509,020
Other comprehensive income of the current year (net amount after-tax)	506,983	538,533	286,198	33,714	517,626	(85,094)
Total comprehensive income in the current period	3,176,632	3,573,149	2,739,079	2,097,669	2,798,945	423,926
Net income attributable to owners of the parent company	2,669,649	3,034,616	2,452,881	2,063,955	2,281,319	509,020
Net income attributable to non-controlling interest	—	—	—	—	—	—
Total comprehensive income attributable to owners of the parent company	3,176,632	3,573,149	2,739,079	2,097,669	2,798,945	423,926
Total comprehensive income attributable to non-controlling interest	—	—	—	—	—	—
Earnings (losses) per share	2.72	3.10	2.50	2.11	2.33	0.52

Note 1: The consolidated financial information of 2023 up to March 31 has been reviewed by the CPAs.

Note 2: The financial statements of 2018 to 2019 corrected or supplemented including:

1. For the Company's previous corrected or supplemented the information of the re-investment, Al-Jubail Fertilizer, the IFRS effect was adopted first-time in 2017.
2. Pursuant to the Letter Jin-Guan-Zheng-Shen-Zhi No.1090330422, issued by Financial Supervisory Commission on March 11, 2020, and by referring to the common practice in the construction industry that the clients may pay considerations in installments for one to five years, the Company corrected (supplemented) the presentation and disclosure of the receivables generated from the sales in the manner of ten-year and 20-year installments.

3. Condensed Balance Sheet (Parent Company-Only)

Unit: NTD thousand

Item \ Year		Financial Information in the Past Five Years					Financial Information of the Current Year up to March 31, 2023 (Note 1)
		2022	2021	2020	2019	2018	
Current asset		8,845,391	6,928,306	8,676,018	10,948,211	11,977,268	—
Property, Plant and Equipment		11,349,730	11,928,382	12,421,858	13,013,485	13,419,677	—
Intangible asset		10,150	13,680	11,724	16,018	22,679	—
Other assets		60,215,763	59,986,427	54,658,771	51,464,749	50,909,738	—
Total assets		80,421,034	78,856,795	75,768,371	75,442,463	76,329,362	—
Current liabilities	Before distribution	3,112,558	3,725,718	1,955,626	1,864,243	1,915,349	—
	After distribution	Not yet distributed	6,469,718	4,209,626	1,864,243	4,071,349	—
non-current liabilities		24,247,480	22,503,217	22,504,034	22,853,167	23,631,067	—
Total liability	Before distribution	27,360,038	26,228,935	24,459,660	24,717,410	25,546,416	—
	After distribution	Not yet distributed	28,972,935	26,713,660	26,873,410	27,702,416	—
Equity attributable to owners of the parent company		—	—	—	—	—	—
Share capital		9,800,000	9,800,000	9,800,000	9,800,000	9,800,000	—
Additional paid-in capital		2,245,156	2,244,652	2,244,652	2,244,073	2,243,635	—
Retained earnings	Before distribution	38,303,706	38,367,298	37,612,891	37,333,830	37,426,654	—
	After distribution	Not yet distributed	41,111,298	35,358,891	35,177,830	35,270,654	—
Other equities		2,712,134	2,215,910	1,651,168	1,347,150	1,312,657	—
Treasury shares		—	—	—	—	—	—
Non-controlling interests		—	—	—	—	—	—
Total Equity	Before distribution	53,060,996	52,627,860	51,308,711	50,725,053	50,782,946	—
	After distribution	Not yet distributed	49,883,860	49,054,711	48,569,053	48,626,946	—

Note 1: No parent company-only financial information of 2023 up to March 31 has been reviewed by the CPAs.

Note 2: The financial statements of 2018 to 2019 corrected or supplemented including:

1. For the Company's previous corrected or supplemented the information of the re-investment, Al-Jubail Fertilizer, the IFRS effect was adopted first-time in 2017.
2. Pursuant to the Letter Jin-Guan-Zheng-Shen-Zhi No.1090330422, issued by Financial Supervisory Commission on March 11, 2020, and by referring to the common practice in the construction industry that the clients may pay considerations in installments for one to five years, the Company corrected (supplemented) the presentation and disclosure of the receivables generated from the sales in the manner of ten-year and 20-year installments.

Note 3: The aforesaid figures after distribution, are filled in with the figures resolved by the AGM in the next year; but the figures in 2022 are not yet resolved.

4. Condense Statement of Comprehensive Income (Parent Company-Only)

Unit: NTD thousand

Item \ Year	Financial Information in the Past Five Years					Financial Information of the Current Year up to March 31, 2023 (Note 1)
	2022	2021	2020	2019	2018	
Operating revenue	14,264,756	13,074,793	9,931,129	12,624,716	11,928,000	—
Gross profit from operations	824,617	1,853,188	2,472,640	2,984,206	2,701,844	—
Non-operating income and expenses	(668,995)	381,832	1,188,302	1,628,666	1,292,341	—
Non-operating income and expense	3,926,075	3,374,275	1,775,881	834,541	1,656,253	—
Net income before tax	3,257,080	3,756,107	2,964,183	2,463,207	2,948,594	—
Net income	2,669,649	3,034,616	2,452,881	2,063,955	2,281,319	—
Other comprehensive income of the current year (net amount after-tax)	506,983	538,533	286,198	33,714	517,626	—
Total comprehensive income in the current period	3,176,632	3,573,149	2,739,079	2,097,669	2,798,945	—
Earnings (losses) per share	2.72	3.10	2.50	2.11	2.33	—

Note 1: No parent company-only financial information of 2023 up to March 31 has been reviewed by the CPAs.

Note 2: The financial statements of 2017 to 2019 corrected or supplemented including:

1. For the Company's previous corrected or supplemented the information of the re-investment, Al-Jubail Fertilizer, the IFRS effect was adopted first-time in 2017.
2. Pursuant to the Letter Jin-Guan-Zheng-Shen-Zhi No.1090330422, issued by Financial Supervisory Commission on March 11, 2020, and by referring to the common practice in the construction industry that the clients may pay considerations in installments for one to five years, the Company corrected (supplemented) the presentation and disclosure of the receivables generated from the sales in the manner of ten-year and 20-year installments.

(II) Auditing CPAs and audit opinions

Year	Name of the accounting firm	Names of CPAs	Audit Opninion
2018	KPMG Taiwan	Tseng, Kuo Yang; Lin, Heng Sheng	Unqualified opinion
2019	KPMG Taiwan	Tseng, Kuo Yang; Lin, Heng Sheng	Unqualified opinion
2020	KPMG Taiwan	Tseng, Kuo Yang; Lin, Heng Sheng	Unqualified opinion
2021	KPMG Taiwan	Tseng, Kuo Yang; Lin, Heng Sheng	Unqualified opinion
2022	KPMG Taiwan	Tseng, Kuo Yang; Lin, Heng Sheng	Unqualified opinion

II. Financial Analysis in the Past Five Years

(I) Financial Analysis (Consolidated)

Analysis Item (Note 3) \ Year		Financial Analysis in the Past Five Years					Current year up to March 31, 2023 (Note 1)
		2022	2021	2020	2019	2018	
Financial structure (%)	Debt to asset ratio	34.29	33.67	32.79	32.95	33.52	34.25
	Long term capital to property, plant and equipment ratio	575.15	532.30	502.15	515.47	538.35	584.09
Solvency (%)	Current ratio (%)	309.10	199.51	426.64	585.18	694.29	291.86
	Quick ratio (%)	181.32	125.20	283.94	457.49	524.9	188.01
	Interest protection multiples	79,475.51	89,758.88	65,115.89	47,344.38	707,442.92	57,237.51
Operating capacity	Receivable turnover rate (times)	10.14	10.07	11.87	11.94	8.56	5.69
	Average cash recovery day	36	36	31	31	43	15
	Inventory turnover rate (times)	4.66	4.16	2.87	3.74	4.06	1.06
	Payable turnover rate (times)	8.58	8.25	13.56	13.87	9.47	4.17
	Days sales outstanding	78	88	127	97	90	84
	Property, plant and equipment turnover rate (times)	1.08	0.94	0.70	0.91	0.88	0.25
	Total asset turnover rate (times)	0.18	0.18	0.13	0.16	0.16	0.04
Profitability	Return on Assets (%)	3.33	3.90	3.23	2.72	3.01	0.62
	Return on Equity (%)	5.05	5.84	4.80	4.06	4.56	0.94
	Pre-tax net profit to paid-in capital ratio (%)	33.63	38.69	30.25	25.14	30.09	6.46
	Net profit margin (%)	17.73	22.22	24.11	16.01	18.67	14.82
	EPS (dollar)	2.72	3.10	2.50	2.11	2.33	0.51
Cash flows	Cash flow ratio (%)	175.94	79.23	59.29	181.99	94.89	78.40
	Cash flow adequacy ratio (%)	57.94	50.59	46.58	134.68	122.01	157.69
	Cash reinvestment ratio (%)	3.32	1.04	-1.05	1.98	-0.22	3.07
Leverage	Operating leverage	(Note)	8.66	3.76	3.56	3.52	(Note)
	Financial leverage	1	1	1	1	1	1

Please explain the reasons of the financial ratio changes in the past two years.
1. Current ratio increased, mainly because the current assets of 2022 increased.
2. Quick ratio increased, mainly because the quick assets of 2022 increased.
3. Net profit margin decreased, mainly because the net profit after tax of 2022 decreased.
4. The cash flow ratio increased, mainly because the cash inflow from operating activities increased in 2022.
5. The cash reinvestment ratio increased, mainly because the cash inflow from operating activities increased in 2022.
Note: The operating leverage in 2022 and Q1 2023 are negative, so no calculation is made.

(II) Financial Analysis (Parent Company-Only)

Analysis Item (Note 3) \ Year		Financial Analysis in the Past Five Years: 2022	2021	2020	2019	2018	Current year up to March 31, 2023 (Note 1)
Financial structure (%)	Debt to asset ratio	34.02	33.26	32.28	32.76	33.46	–
	Long term capital to property, plant and equipment ratio	681.15	629.85	594.21	565.39	554.51	–
Solvency (%)	Current ratio (%)	284.18	185.95	443.64	587.27	625.33	–
	Quick ratio (%)	156.24	110.68	287.22	452.71	453.39	–
	Interest protection multiples	107,558.92	124,063.92	82,875.28	60,339.83	No interest expense	–
Operating capacity	Receivable turnover rate (times)	9.68	9.72	11.72	11.79	8.43	–
	Average cash recovery day	38	37	31	31	43	–
	Inventory turnover rate (times)	4.62	4.12	2.88	3.73	4.05	–
	Payable turnover rate (times)	8.45	8.16	13.67	13.84	9.36	–
	Days sales outstanding	79	88	126.45	98	90	–
	Property, plant and equipment turnover rate (times)	1.23	1.07	0.78	0.95	0.88	–
	Total asset turnover rate (times)	0.18	0.16	0.13	0.16	0.15	–
Profitability	Return on Assets (%)	3.36	3.92	3.24	2.72	3.01	–
	Return on Equity (%)	5.05	5.83	4.80	4.06	4.56	–
	Pre-tax net profit to paid-in capital ratio (%)	33.24	38.32	30.24	25.13	30.08	–
	Net profit margin (%)	18.71	23.20	24.69	16.34	19.12	–
	EPS (dollar)	2.72	3.10	2.50	2.11	2.33	–
Cash flows	Cash flow ratio (%)	175.12	75.11	66.67	198.78	100.46	–
	Cash flow adequacy ratio (%)	61.11	53.38	52.39	141.96	124.9	–
	Cash reinvestment ratio (%)	3.22	0.66	-0.01	1.98	-0.17	–
Leverage	Operating leverage	(Note)	9.97	3.75	3.39	3.28	–
	Financial leverage	1	1	1	1	1	–

Please explain the reasons of the financial ratio changes in the past two years.
1. Current ratio increased, mainly because the current assets of 2022 increased.
2. Quick ratio increased, mainly because the quick assets of 2022 increased.
3. Net profit margin decreased, mainly because the net profit after tax of 2022 decreased.
4. The cash flow ratio increased, mainly because the cash inflow from operating activities increased in 2022.
5. The cash reinvestment ratio increased, mainly because the cash inflow from operating activities increased in 2022.
Note: The operating leverage in 2022 is negative, so no calculation is made.

Note 1: The consolidated financial information of 2023 up to March 31 has been reviewed by the CPAs, but no parent company-only financial information has been reviewed by the CPAs.

Note 2: The financial information from 2018 to 2022 has been reviewed by the CPAs.

Note 3: Formula of financial analysis calculation

1. Financial structure
   (1) Debt to asset ratio =total liabilities / total assets
   (2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment
2. Solvency
   (1) Current ratio = current assets / current liabilities
   (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities (Inventories include the inventories and real properties in progress)
   (3) Interest protection multiples = net profit before income tax and interest expense / interest expense in the current period
3. Operating capacity
   (1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business)
   (2) Average cash recovery date = 365 / receivables turnover rate
   (3) Inventory turnover rate = sales cost / average inventory
   (4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)
   (5) Days sales outstanding = 365 / inventory turnover rate
   (6) Property, plant and equipment turnover rate = net sales/net average property, plant and equipment value
   (7) Total asset turnover rate = net sales / average total assets
4. Profitability
   (1) Return on assets = [after tax profit and loss + interest expense × (1 - tax rate)] / average total assets
   (2) Return on equity = after tax profit and loss / average equity
   (3) Net profit margin = after tax profit and loss / net sales
   (4) Earnings per share = (profit or loss attributable to parent company owner - special dividend) / weighted average number of issued shares
5. Cash flows
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividend) in the last five years
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital)
6. Leverage
   (1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit
   (2) Financial leverage = operating profit / (operating profit - interest expense)

III. Audit Report of the Audit Committee

Audit Committee's Report of Taiwan Fertilizer Co., Ltd.

The Company's 2022 business report, financial statements and statement of earnings distribution were submitted by the Company's Board of Directors. The financial statements were already audited by Kuo-Yang Tseng, CPA and Heng-Sheng Lin of KPMG, who also issued the auditor report accordingly.

The Audit Committee, after completing the audit of said business report, financial statements and statement of earnings distribution, believes that they are free of material misstatement, and thus produces this report according to Article 219 of the Company Act.

Please review accordingly.

To:

2023 General Shareholders' Meeting of the Company

TAIWAN FERTILIZER CO., LTD.

Convener of Audit Committee: Lin, Su Ming

林世銘

March 8, 2023

IV. Consolidated financial statements

Stock Code:1722

TAIWAN FERTILIZER CO., LTD.
AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

Address: 6F, No.88, Nanjing E. Rd., Sec 2, Taipei City 10457, Taiwan
Telephone: (02)2542-2231

The independent auditors' report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of TAIWAN FERTILIZER CO., LTD. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TAIWAN FERTILIZER CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: TAIWAN FERTILIZER CO., LTD.
Chairman: Huang-Yao Hsing
Date: March 8, 2023

安侯建業聯合會計師事務所
KPMG
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Independent Auditors' Report

To the Board of Directors of TAIWAN FERTILIZER CO., LTD.:

Opinion

We have audited the consolidated financial statements of TAIWAN FERTILIZER CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated Balance Sheets as of December 31, 2022 and 2021, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated 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 Accountants 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 consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters that, in our professional judgment, should be communicated are as follows:

1. Impairment assessment of intangible assets

   For the accounting policy of impairment assessment of intangible assets, please refer to note 4(m) "Intangible assets" of the consolidated financial statements. For the accounting estimate and uncertainty assumption of impairment assessment of intangible assets, please refer to note 5(a) of the consolidated financial statements. For the impairment assessment of intangible assets, please refer to 6(k) of the consolidated financial statements.

Key audit matters:

As described in Note 6(k) of the consolidated financial statements, the Group 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 has properly assessed the recoverability of goodwill based on the forecasted cash flows within the following 5 years, wherein the assessment has 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(h) 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 consolidated financial statements. For descriptions on inventory valuation, please refer to Note 6(f) of the consolidated financial statements:

Key audit matter:

The price of material is subject to market volatility

The inventory amount of the Group is presented at the lower of costs and net realizable amount.As The price of material is subject to market volatility, the Group 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 consolidated financial statements.

How the matter was addressed in our audit:

Our audit procedures for the above key audit matters included assessing the Group's inventory allowance amount based on the nature of the inventories; performing audit to check the correctness of the inventory age report; reviewing the Group'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.

KPMG

Other Matter

We did not audit the consolidated financial statements as of and for the years ended December 31, 2022 and 2021 of the certain investees in equity method. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in the corporation's financial statements for these investees, is based solely on the report of other auditors. As of December 31, 2022 and 2021, the investments in the aforementioned investees are 11.67% (NT$9,420,043 thousand) and 13.56% (NT$10,758,806 thousand) of consolidated total assets. For the years ended December 31, 2022 and 2021, the investment income on the above said investees are 105.92% (NT$3,491,558 thousand) and 81.07% (NT$3,074,009 thousand) of the Company's income before income tax.

TAIWAN FERTILIZER CO., LTD. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (notes 6(a) and (t))	$ 2,699,760	3	2,534,695	3
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (t))	80,002	-	60,009	-
1120	Current financial assets at fair value through other comprehensive income (notes 6(c) and (t))	95,464	-	127,059	-
1150	Notes receivable, net (notes 6(d), (q) and (t))	128,712	-	191,113	-
1170	Accounts receivable, net (notes 6(d), (q), (t) and 7)	903,530	1	1,743,590	2
1200	Other receivables, net (notes 6(e), (t) and 7)	1,351,023	2	11,322	-
1220	Current tax assets	-	-	6	-
130X	Inventories (note 6(f))	3,182,415	4	2,711,004	4
1410	Prepayments	869,237	1	207,548	-
1476	Other current financial assets (notes (a), (t) and 8)	478,069	1	233,305	-
1479	Other current assets, others	13,061	-	16,035	-
		9,801,273	12	7,835,686	9
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(c) and (t))	3,040,760	4	3,439,803	5
1550	Investments accounted for using equity method, net (notes 6(g) and (t))	9,485,123	12	10,823,828	14
1600	Property, plant and equipment (note 6(h))	13,488,766	17	14,167,791	18
1755	Right-of-use assets (note 6(i))	965,312	1	1,076,433	2
1760	Investment property, net (notes 6(j) and (l))	43,200,335	54	41,172,276	52
1780	Intangible assets (note 6(k))	121,065	-	124,595	-
1840	Deferred tax assets (note 6(n))	247,948	-	391,924	-
1930	Long-term notes and accounts receivable, net (notes 6(e) and (t))	65,564	-	84,125	-
1980	Other non-current financial assets (notes 6(a), (t) and 8)	305,038	-	188,373	-
1990	Other non-current assets, others (note 6(t))	31,290	-	38,365	-
		70,951,201	88	71,507,513	91
	Total assets	**$ 80,752,474**	**100**	**79,343,199**	**100**

		December 31, 2022		December 31, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(t))	$ -	-	20,000	-
2130	Current contract liabilities (note 6(q))	177,008	-	144,260	-
2150	Notes payable (note 6(t))	1,119	-	1,151	-
2170	Accounts payable (notes 6(t) and 7)	889,747	1	2,316,725	3
2200	Other payables (note 6(t))	854,291	1	816,570	1
2230	Current tax liabilities	703,390	1	133,119	-
2280	Current lease liabilities (note 6(t))	38,858	-	38,627	-
2313	Unearned revenue (note 6(j))	440,518	1	389,525	1
2315	Other advance receipts	2,219	-	19,833	-
2399	Other current liabilities, others	63,677	-	47,750	-
		3,170,827	4	3,927,560	5
	Non-Current liabilities:				
2550	Non-current provisions	455,120	1	455,120	1
2570	Deferred tax liabilities (note 6(n))	6,968,607	9	7,449,720	9
2580	Non-current lease liabilities (note 6(t))	114,408	-	153,266	-
2630	Long-term deferred revenue (note 6(j))	16,496,708	20	14,257,410	18
2640	Net defined benefit liability, non-current	112,664	-	136,612	-
2645	Guarantee deposits received (note 6(t))	373,144	-	335,651	-
		24,520,651	30	22,787,779	28
	Total liabilities	27,691,478	34	26,715,339	33
	Equity attributable to owners of parent (note 6(o)):				
3100	Capital stock	9,800,000	12	9,800,000	12
3200	Capital surplus	2,245,156	3	2,244,652	3
	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	**$ 80,752,474**	**100**	**79,343,199**	**100**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Consolidated 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 Amount	2022 %	2021 Amount	2021 %
4000	**Operating revenue (notes 6(j), (l) and (q))**	$ 15,052,251	100	13,659,406	100
5000	**Operating costs (notes 6(f), (m), 7 and 12)**	(13,760,212)	(91)	(11,520,431)	(84)
5900	**Gross profit from operations**	1,292,039	9	2,138,975	16
	Operating expenses (notes 6(d), (m), (r) and 12):				
6100	Selling expenses	(667,786)	(5)	(545,061)	(4)
6200	Administrative expenses	(1,069,479)	(7)	(1,025,326)	(8)
6300	Research and development expenses	(42,570)	-	(58,695)	-
6450	Expected credit loss	(727)	-	(2,569)	-
	Total operating expenses	(1,780,562)	(12)	(1,631,651)	(12)
6900	**Net operating (loss) income**	(488,523)	(3)	507,324	4
	Non-operating income and expenses:				
7100	Interest income (note 6(s))	37,450	-	18,156	-
7010	Other income (note 6(s))	118,532	1	106,710	1
7020	Other gains and losses (notes 6(s) and 12)	141,543	1	104,591	1
7050	Finance costs (note 6(s))	(4,153)	-	(4,229)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	3,491,616	23	3,059,122	22
	Total non-operating income and expenses	3,784,988	25	3,284,350	24
	Profit from continuing operations before tax	3,296,465	22	3,791,674	28
7950	Less: Income tax expenses (note 6(n))	(626,816)	(4)	(757,058)	(6)
	Profit	2,669,649	18	3,034,616	22
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
8320	Share of other comprehensive income of 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	(4,287)	-	770	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(406,379)	(3)	761,487	6
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(2,561)	-	(2,760)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	1,145,798	8	(275,477)	(2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(229,875)	(2)	55,283	-
	Components of other comprehensive income that will be reclassified to profit or loss	913,362	6	(222,954)	(2)
8300	**Other comprehensive income**	506,983	3	538,533	4
	Total comprehensive income	$ 3,176,632	21	3,573,149	26
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	$ 2,669,649	18	3,034,616	22
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 3,176,632	21	3,573,149	26
	Basic earnings per share (note 6(p))				
9750	**Basic earnings per share**	$	2.72		3.10
9850	**Diluted earnings per share**	$	2.72		3.09

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	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 consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Consolidated 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	$ 3,296,465	3,791,674
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,166,995	1,158,798
Amortization expense	4,974	7,078
Expected credit gain for bad debt expense	727	2,569
Net gain on financial assets or liabilities at fair value through profit or loss	(1,317)	(2,365)
Interest expense	4,153	4,229
Interest income	(37,450)	(18,156)
Dividend income	(99,567)	(54,585)
Share of profit of associates and joint ventures accounted for using equity method	(3,491,615)	(3,059,122)
(Gain) loss on disposal of property, plant and equipment	(136)	11,205
Gain on disposal of investment properties	(62,997)	(216,741)
Impairment loss on non-financial assets	-	29,913
Unrealized foreign current exchange gain (loss)	(113,789)	17,969
Comprensation	17,708	18,556
Total adjustments to reconcile loss	(2,612,314)	(2,100,652)
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	62,401	(72,228)
Decrease (increase) in accounts receivable	839,333	(1,060,199)
(Increase) decrease in other receivable	(531,961)	10,397
(Increase) decrease in inventories	(471,411)	111,350
(Increase) decrease in prepayments	(576,270)	126,747
Increase in other current assets	(1,037)	(7,291)
Total changes in operating assets	(678,945)	(891,224)
Increase in contract liabilities	32,748	55,840
(Decrease) increase in notes payable	(32)	80
(Decrease) increase in accounts payable	(1,426,978)	1,841,638
Increase in other payable	7,455	240,134
(Decrease) in receipts in advance	(17,614)	(312,983)
Increase (decrease) in other current liabilities	15,927	(7,754)
(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	899,285	1,448,090
Total changes in operating assets and liabilities	220,340	556,866
Total adjustments	(2,391,974)	(1,543,786)
Cash inflow generated from operations	904,491	2,247,888
Interest received	37,427	18,619
Dividends received	5,268,969	1,209,910
Interest paid	(4,153)	(4,229)
Income taxes paid	(627,838)	(360,565)
Net cash flows from operating activities	5,578,896	3,111,623

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Consolidated 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	(327,189)	(519,631)
Proceeds from disposal of property, plant and equipment	1,371	2,065
Decrease in other receivables	11,170	23,751
Acquisition of intangible assets	(1,444)	(9,034)
Acquisition of investment properties	(2,181,971)	(3,266,337)
Proceeds from disposal of investment properties	97,041	301,000
(Increase) decrease in other financial assets	(361,429)	838,161
Decrease (increase) in other non-current assets	7,075	(10,965)
Net cash flows used in investing activities	(2,760,552)	(1,339,038)
Cash flows from (used in) financing activities:		
Decrease in short-term loans	(20,000)	-
Decrease in guarantee deposits received	37,493	10,526
Payment of lease liabilities	(38,627)	(36,791)
Cash dividends paid	(2,744,000)	(2,254,000)
Net cash flows used in financing activities	(2,765,134)	(2,280,265)
Effect of exchange rate changes on cash and cash equivalents	111,855	(19,652)
Net increase (decrease) in cash and cash equivalents	165,065	(527,332)
Cash and cash equivalents at beginning of period	2,534,695	3,062,027
Cash and cash equivalents at end of period	$ 2,699,760	2,534,695

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated 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 and its subsidiaries (together referred to as the "Group") is mainly engaged in manufactures and sells inorganic and organic fertilizers and other chemical products, constructs and leases real estate services. The Group's shares were listed on the TSEC since March 24, 1998.

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

The accompanying consolidated 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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated 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 Group 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 consolidated 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"

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group 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 consolidated financial statements:

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

(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated 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") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets：

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 of each Group entities is determined based on the primary economic environment in which the entities operate. The consolidated 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. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries included in the consolidated financial statements:

			Shareholding ratio		
Investor	**Subsidiary**	**Nature of business**	**December 31, 2022**	**December 31, 2021**	**Notes**
The Company	Taifer Chemicals International Inc.	International trade, wholesale of fertilizer, real estate rental or leasing and gas station	100%	100%	
The Company	TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD.	Investment and holding	100%	100%	
The Company	Taiwan Yes Deep Ocean Water Co., Ltd.	Wholesale of drinks, food and grocery	100%	100%	
The Company	TAIFER (CAMBODIA) CO., LTD.	International trade and wholesale of fertilizer	100%	100%	

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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Investor	Subsidiary	Nature of business	Shareholding ratio December 31, 2022	Shareholding ratio December 31, 2021	Notes
The Company	PEIFENG Technology & Fertilized Co., Ltd.	Manufacture and wholesale of fertilizer	100%	100%	
Taifer Chemicals International Inc.	TAIFER INTERNATIONAL (SAMOA) GROUP CO., LTD.	Investment and holding	100%	100%	
TAIFER INTERNATIONAL (SAMOA) GROUP CO., LTD	TAIFER CHEMICAL INTERNATIONAL CO., LTD.	Real estate rental and leasing	100%	100%	

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group 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 presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate.Exchange differences are recognized in other comprehensive income.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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 Group 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 Group 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.

(e) 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) If is due to be settled within twelve months after the reporting period; or

(iv) The Group 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.

(f) Cash and cash equivalents

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

(Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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(g) 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.

(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.

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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On initial recognition of an equity investment that is not held for trading, the Group 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.

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 Group'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 Group 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 Group 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 Group 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.

 (Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group 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 Group's historical experience and informed credit assessment as well as forward-looking information.

The Group 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'.

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 Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group 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.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group 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 Group 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 Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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 Group 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.

(Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group 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 Group 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.

(h) 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. AND SUBSIDIARIES
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(i) Investment in associates

Associates are those entities in which the Group 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 consolidated financial statements include the Group'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 Group, 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 Group's ownership percentage of the associate, the Group recognizes the Group'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 Group and an associate are recognized only to the extent of unreleated Group's interests in the associate.

When the Group'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 Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(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.

(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 Group's date of transition to the Standards, was determined with reference to its fair value at that date.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

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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 Group.

(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:

(1)Buildings	3~60 years
(2)Machine	3~40 years
(3)Instrument equipment	3~15 years
(4)Miscellaneous equipment	3~15 years

Item	Useful lives	Item	Useful lives
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 it appropriate.

(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.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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(l) Leases

(i) Identifying a lease

At inception of a contract, the Group 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

On the day after the lease is completed or when the contract is re-evaluated to include a lease, the Group allocates the consideration in the contract to individual lease components on the basis of a relatively separate price. However, when leasing land and buildings, the Group chooses not to distinguish between non-lease components but treat lease components and non-lease components as a single lease component.

(ii) As a lessee

The Group 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.

(Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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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 Group's incremental borrowing rate. Generally, the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of the valuation of the underlying asset purchase option; or
- 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 Group 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 Group 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.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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The Group 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 Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group 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 Group 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 Group applies IFRS15 to allocate the consideration in the contract.

For operating leases, the Group recognizes the lease payments received as lease revenue during the lease period on a straight-line basis.

(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 Group 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.

 (Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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(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
Patent	7~8 years

The residual value, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually at each financial year-end. Any change thereof is accounted for as a change in accounting estimate.

(n) Impairment of non financial assets

At each reporting date, the Group 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.

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 Group 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.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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(p) Revenue Recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group 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 Group's main types of revenue are explained below.

1) Sale of goods

The Group manufactures and sells fertilizer products to market. The Group 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 Group has objective evidence that all criteria for acceptance have been satisfied.

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

2) Land development and sale of real estate

The Group 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 Group 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.

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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3) The Group'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 Group 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 Group 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.

(ii) Defined benefit plans

The Group'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 Group, 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 Group 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 Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other long-term employee benefits

The Group'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.

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(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group 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 Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) 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 reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off currenttax 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.

(s) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Group. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Group 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 Group, 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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated 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:

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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(a) Impairment of goodwill

The assessment of impairment of goodwill is based on the valuation method, material assumptions, share value, etc. The assumptions of forecast annual revenue growth rate, forecast margin, revenue on cash basis, etc. require the subjective judgments of the management, which contains estimation of uncertainty. Please refer to 6(k) for further description of the impairment of goodwill.

(b) Valuation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group 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.

The process of measurement

The Group’s accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Group’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 Group strives to use 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 (i.e. as prices) or indirectly (i.e. derived from prices).

(c) Level 3: inputs for the assets or liability that are not based on observable market data.

Please refer to notes listed below for assumptions used in measuring fair value.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(t), 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	$ 3,996	4,960
Demand deposits and checking accounts	2,694,581	2,528,569
Time deposits with original maturities less than 3 months	1,183	1,166
Cash and cash equivalents	$ 2,699,760	2,534,695

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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(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	$ 478,069	233,305
Other non-current financial assets	305,038	188,373
	$ 783,107	421,678

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

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

	December 31, 2022	December 31, 2021
Financial assets and liabilities at fair value through profit or loss.		
Non-derivative financial assets		
Beneficiary Certificate	$ 80,002	60,009

Please refer to note 6(s) 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	3,040,760	3,439,803
Total	$ 3,136,224	3,566,862

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

The Group 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 Group 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.

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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 Group, held on August 9, 2021, for capital reduction, wherein the Group 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 Group, held on September 22, 2021, for capital reduction, wherein the cumulative loss of the other equity were $11,793 thousand and transfered 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 Group will receive the refund of $13,500 thousand.

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

(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	$ 128,712	191,113
Account receivables– Merchandise	905,393	1,744,705
Less : Loss allowance	(1,863)	(1,115)
	$ 1,032,242	1,934,703

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivable. 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 was determined as follows:

	December 31, 2022		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	$ 1,006,206	0%~0.01%	-
1 to 30 days past due	26,831	0%~3.08%	(827)
31 to 60 days past due	195	0%~83.6%	(163)
More than 60 days past due	873	0%~100%	(873)
	$ 1,034,105		(1,863)

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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	December 31, 2021		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	$ 1,926,578	0%~0.02%	-
1 to 30 days past due	7,736	0%~1.17%	-
31 to 60 days past due	218	0%~2.02%	-
More than 60 days past due	1,286	0%~100%	(1,115)
	$ 1,935,818		**(1,115)**

The movement in the allowance for account receivables was as follows:

	For the years ended December 31	
	2022	2021
Balance on January 1	$ 1,115	906
Impairment losses recognized	727	2,569
Amounts written off	-	(2,360)
Foreign exchange losses	21	-
Balance on December 31	**$ 1,863**	**1,115**

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

	December 31, 2022	December 31, 2021
Other receivables	$ 1,132,477	319,467
Dividends receivables	527,479	-
Property receivables	83,016	103,136
Unrealized interest income	(9,108)	(9,879)
Less : Loss allowance	(317,277)	(317,277)
	$ 1,416,587	**95,447**
Other receivables	$ 1,351,023	11,322
Long-term receivable	65,564	84,125
	$ 1,416,587	**95,447**

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

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

The Group 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.

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)	$ 317,277	317,277

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(t).

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

	December 31, 2022	**December 31, 2021**
Inventories		
Raw materials	$ 1,668,331	1,637,744
Finished goods	862,945	422,957
Merchandise	6,356	5,520
	$ 2,537,632	2,066,221
Construction in progress		
Hsinchu land development project	$ 644,783	644,783

The cost of inventories recognized as cost of goods sold and expense for the years ended December 31, 2022 and 2021, amounted to $12,726,488 and $10,629,975 thousand, respectively.

The Group reclassified $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.

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(g) Investments accounted for using equity method

The Group'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
	$	9,485,123	10,823,828

Joint ventures that are not individually material

		December 31, 2022	December 31, 2021
TR Electronic Chemical Co., Ltd.	$	-	-

(i) Associates that had materiality were as follows:

Associate	Nature of relationship	Country of registration	Equity ownership December 31, 2022	Equity ownership 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 Group'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	$	18,597,404	22,537,232
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
	$	18,597,404	22,537,232

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	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

(ii) Joint ventures

On March 31, 2011, under the authorization of the Investment Commission of the Ministry of Economic Affairs of the Republic of China, the Group established TR Electronic Chemical Co., Ltd. ("TREC") in the Cayman Islands through its subsidiary, Taifer (Cayman) International Group Co., Ltd. TREC then invested in TR Electronic Chemical (Kunshan) Co., Ltd. ("TREC-K"), which enabled the Group to have a 100% indirect interest in TREC-K. TREC-K manufactures and sells electronic chemicals. Later, under a joint venture agreement between the Group and Shiung-Shing Chemical International Trade Group. ("Shiung-Shing"), another TREC shareholder, Shiung- Shing assigned a manager to handle TREC's daily business and management. Thus, the Group had no control over TREC and TREC-K. In June 2015, the carrying amount of the Group's investment in TREC was zero. TREC-K declared bankruptcy, for the relevant explanation of bankruptcy and litigation, please refer to note 7.

(iii) Pledged

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	$ 3,639,106	4,952,664	11,719,347	83,032	450,036	308,092	21,152,277
Additions	-	19,226	101,942	4,614	15,035	106,443	247,260
Disposals	(1,142)	-	(64,372)	(3,317)	(23,071)	-	(91,902)
Reclassification	-	-	-	-	-	4,053	4,053
Effect of foreign currency exchanges difference	-	-	-	9	5	-	14
Transfer from completion	-	(46,559)	89,122	305	2,009	(84,513)	(39,636)
Balance on December 31, 2022	$ 3,637,964	4,925,331	11,846,039	84,643	444,014	334,075	21,272,066

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	Land	Building and construction	Machinery and equipment	Transportation Equipment	Other Equipment	Construction in progress	Total
Balance on January 1, 2021	$ 3,638,943	4,898,161	11,555,023	83,283	443,342	220,015	20,838,767
Additions	-	21,097	84,309	1,952	6,338	248,674	362,370
Disposals	-	(1,401)	(33,912)	(6,667)	(4,072)	-	(46,052)
Effect of foreign currency exchanges difference	-	-	-	(2)	(4)	-	(6)
Transfer from completion	163	34,807	113,927	4,466	4,432	(160,597)	(2,802)
Balance on December 31, 2021	**$ 3,639,106**	**4,952,664**	**11,719,347**	**83,032**	**450,036**	**308,092**	**21,152,277**
Depreciation and impairment loss:							
Balance on January 1, 2022	$ -	1,072,188	5,531,609	60,876	236,993	82,820	6,984,486
Depreciation for the year	-	150,356	738,753	7,188	32,766	-	929,063
Disposals	-	-	(64,298)	(3,298)	(23,071)	-	(90,667)
Effect of foreign currency exchanges difference	-	-	-	7	5	-	12
Transfer from completion	-	(32,744)	(7,385)	(471)	1,006	-	(39,594)
Balance on December 31, 2022	**$ -**	**1,189,800**	**6,198,679**	**64,302**	**247,699**	**82,820**	**7,783,300**
Balance on January 1, 2021	$ -	923,318	4,808,161	59,601	205,878	82,820	6,079,778
Depreciation for the year	-	150,271	744,398	7,635	35,190	-	937,494
Disposals	-	(1,401)	(20,950)	(6,359)	(4,072)	-	(32,782)
Effect of foreign currency exchanges difference	-	-	-	(1)	(3)	-	(4)
Balance on December 31, 2021	**$ -**	**1,072,188**	**5,531,609**	**60,876**	**236,993**	**82,820**	**6,984,486**
Carrying amounts:							
Balance on December 31, 2022	**$ 3,637,964**	**3,735,531**	**5,647,360**	**20,341**	**196,315**	**251,255**	**13,488,766**
Balance on January 1, 2021	**$ 3,638,943**	**3,974,843**	**6,746,862**	**23,682**	**237,464**	**137,195**	**14,758,989**
Balance on December 31, 2021	**$ 3,639,106**	**3,880,476**	**6,187,738**	**22,156**	**213,043**	**225,272**	**14,167,791**

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

(i) Right-of-use assets

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

	Land
Cost:	
Balance on January 1, 2022	$ 1,395,439
Balance on December 31, 2022	**$ 1,395,439**
Balance on January 1, 2021	$ 1,359,667
Additions	35,772
Balance on December 31, 2021	**$ 1,395,439**
Accumulated depreciation and impairment losses:	
Balance on January 1, 2022	$ 319,006
Depreciation for the year	111,121
Balance on December 31, 2022	**$ 430,127**

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Balance on January 1, 2021	$	209,486
Depreciation for the year		109,520
Balance on December 31, 2021	$	319,006
Carrying amount:		
Balance on December 31, 2022	$	965,312
Balance on January 1, 2021	$	1,150,181
Balance on December 31, 2021	$	1,076,433

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 Group 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 Group 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.

The Group 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 Group. The leases of investment properties contain an initial non-cancellable lease term of 1 to 50 years.

The Group for the movement in Investment property were as follows:

	Own asset			Right-of-use assets	
	Completed Investment Property	**Investment Property under Construction**	**Undeveloped Investment Property**	**Other**	**Total**
Costs:					
Balance on January 1, 2022	$ 11,172,111	14,321,265	16,880,889	3,778	42,378,043
Additions	25,702	2,249,260	-	-	2,274,962
Disposals	(529)	-	(34,044)	-	(34,573)
Effect of foreign currency exchanges difference	(1,284)	-	-	-	(1,284)
Reclassification	5,101,635	(4,822,940)	(364,114)	-	(85,419)
Balance on December 31, 2022	$ 16,297,635	11,747,585	16,482,731	3,778	44,531,729

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	Own asset			Right-of-use assets	
	Completed Investment Property	Investment Property under Construction	Undeveloped Investment Property	Other	Total
Balance on January 1, 2021	$ 11,001,413	11,226,090	16,965,148	3,778	39,196,429
Additions	171,162	3,095,175	-	-	3,266,337
Disposals	(8)	-	(84,259)	-	(84,267)
Effect of foreign currency exchanges difference	(456)	-	-	-	(456)
Balance on December 31, 2021	$ 11,172,111	14,321,265	16,880,889	3,778	42,378,043
Amortization and Impairment Loss:					
Balance on January 1, 2022	$ 480,739	114,024	607,646	3,358	1,205,767
Depreciation	109,991	16,400	-	420	126,811
Disposals	(529)	-	-	-	(529)
Effect of foreign currency exchanges difference	(655)	-	-	-	(655)
Balance on December 31, 2022	$ 589,546	130,424	607,646	3,778	1,331,394
Balance on January 1, 2021	$ 388,128	96,344	607,646	2,098	1,094,216
Depreciation	92,844	17,680	-	1,260	111,784
Disposals	(8)	-	-	-	(8)
Effect of foreign currency exchanges difference	(225)	-	-	-	(225)
Balance on December 31, 2021	$ 480,739	114,024	607,646	3,358	1,205,767
Carrying amount:					
Balance on January 1, 2022	$ 10,691,372	14,207,241	16,273,243	420	41,172,276
Balance on December 31, 2021	$ 15,708,089	11,617,161	15,875,085	-	43,200,335
Balance on January 1, 2020	$ 10,613,285	11,129,746	16,357,502	1,680	38,102,213
Balance on December 31, 2021	$ 10,691,372	14,207,241	16,273,243	420	41,172,276
Fair value:					
Balance on December 31, 2022					$ 119,725,243
Balance on December 31, 2021					$ 111,112,061

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.

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.

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(ii) The main provisions of the C3 contract on the pledging of land use rights were 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 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 $48,498 and $46,754 thousand, respectively.

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	$ 1,043,155	1,538,300
Balance on December 31, 2021	$ 1,190,636	1,686,989
Balance on January 1, 2021	$ 1,211,269	1,760,699

(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.

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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, and the termination agreement signed with Caesar Park Hotel Co., Ltd. based on the resolution approved during the board meeting of the Company held on March 28, 2019. The related termination procedures were still in progress.

The bid for the C2 Commercial Building Project was won by Dung Jeng Investment Counsel Co., Ltd. (“Dung Jeng”), in which the Group 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 termination agreement with the Dung Jeng Investment Co., Ltd. had been approved during the board meeting of the Company held on March 28, 2019. The related termination procedures were still in progress. 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.

The fair values of investment properties were assessed as follows:

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

The fair value were based on the valuation carried out at March 30, 2022 and March 31, 2021 by independent qualified professional valuer.

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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:

	For the years ended December 31	
Area	**2022**	**2021**
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) Intangible Assets

The components of the costs of intangible assets, amortization, and impairment loss thereon for the years ended December 31, 2022 and 2021, were as follows:

	Patents	Computer Software	Trademark	Goodwill	Total
Cost:					
Balance on January 1, 2022	$ 29,910	156,993	84,900	358,487	630,290
Additions	-	1,444	-	-	1,444
Balance on December 31, 2022	**$ 29,910**	**158,437**	**84,900**	**358,487**	**631,734**
Balance on January 1, 2021	$ 29,910	147,959	84,900	358,487	621,256
Additions	-	9,034	-	-	9,034
Balance at December 31, 2021	**$ 29,910**	**156,993**	**84,900**	**358,487**	**630,290**
Accumulated amortization and impairment:					
Balance on January 1, 2022	$ 29,412	143,811	49,000	283,472	505,695
Amortization expense	113	4,861	-	-	4,974
Balance at December 31, 2022	**$ 29,525**	**148,672**	**49,000**	**283,472**	**510,669**
Balance on January 1, 2021	$ 29,300	136,845	49,000	283,472	498,617
Amortization expense	112	6,966	-	-	7,078
Balance at December 31, 2021	**$ 29,412**	**143,811**	**49,000**	**283,472**	**505,695**
Fair value:					
Balance on December 31, 2022	**$ 385**	**9,765**	**35,900**	**75,015**	**121,065**
Balance on January 1, 2021	**$ 610**	**11,114**	**35,900**	**75,015**	**122,639**
Balance on December 31, 2021	**$ 498**	**13,182**	**35,900**	**75,015**	**124,595**

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The Group acquired trademark and goodwill through the acquisition of an additional 50% equity in Taiwan Yes Deep Ocean Water Co., Ltd. ("Taiwan Yes") on January 7, 2013. For the years ended December 31, 2022 and 2021, the Group evaluated the recoverable amount of trademark and goodwill. The recoverable amount of Taiwan Yes were determined based on the value in use calculation with a discount rate of 9.10% and 8.94%, respectively.

(l) Operating leases

The Group leases out its investment property and some machinery. The Group 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.

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	$ 1,207,553	1,004,697
One to two years	1,166,342	929,564
Two to three years	1,139,677	870,898
Three to four years	1,135,865	858,074
Four to five years	1,091,902	853,401
More than five years	13,338,932	13,406,776
Total undiscounted lease payments	$ 19,080,271	17,923,410

For the years ended December 31, 2022 and 2021, the property rental income was $1,145,019 and $809,469 thousand, respectively. There were no significant property equipment and maintenance expenses.

(m) 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	(302,656)	(327,807)
	112,664	136,612
The effect of the asset ceiling	-	-
Net defined benefit liabilities	$ 112,664	136,612

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The Group 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 one months prior to retirement.

1) Composition of plan assets

The Group 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.

The Group'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	**$ 415,320**	**464,419**

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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 made	15,243	12,570
Benefits paid	(69,531)	(67,753)
Fair value of plan assets, December 31	**$ 302,656**	**327,807**

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

5) Expenses recognized in profit or loss

The Group'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 Group'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**

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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 Group 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.

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 Group contributes an amount at the rate of 6.00% 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 Group’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.

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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	$ 13,141	11,900
Operating expenses	10,666	10,396
	$ 23,807	22,296

The cost of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2022 and 2021 amounted to $23,598 and $22,309 thousand, respectively.

(iii) Short-term employee benefits

	December 31, 2022	December 31, 2021
short term employee benefit liabilities	$ 10,897	11,444

(n) 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	$ 1,175,537	363,527
Land value increment tax	24,605	52,892
Prior years income tax adjustment	(2,027)	5,631
	1,198,115	422,050
Deferred tax expense	(571,299)	335,008
Income tax expense	$ 626,816	757,058

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 profit tax for 2022 and 2021 is as follows:

	For the years ended December 31	
	2022	2021
Profit excluding income tax	$ 3,296,465	3,791,674
Income tax using the Compnay's domestic tax rate	659,293	758,335
Effect of tax rates in foreign jurisdiction	(4,417)	(1,449)
Non-deductible income tax	519	429
Tax-exempt income	(32,764)	(54,739)
Changes in unrecognized deductible temporary differences	(1,176)	-
Land value increment tax	16,897	33,217
Prior years income tax adjustment	(2,027)	5,631
Others	(9,509)	15,634
Income tax expense	$ 626,816	757,058

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2022	December 31, 2021
Tax effect of deductible Temporary Differences	$ 547	2,213
The carryforward of unused tax losses	41,062	54,280
	$ 41,609	56,493

The R.O.C Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporeing purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2022, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of assessment	Unused balance	Expiry year
2014	$ 2,787	2024
2015	2,172	2025
2020	199,924	2030
2022	428	2032
	$ 205,311	

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2) 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)	-	41,155	(554,189)
Recognized in other comprehensive income	-	-	73,076	-	73,076
Balance on December 31, 2022	**$ 6,267,000**	**485,966**	**145,668**	**69,973**	**6,968,607**
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	**$ 6,274,708**	**1,073,602**	**72,592**	**28,818**	**7,449,720**

Deferred tax assets:

	Unamortized manufacturing costs	Tax losses	Defined benefit obligation	Impairment loss on assets	Exchange difference on the translation of foreign operations	Others	Total
Balance on January 1, 2022	$ 66,386	36,001	32,170	73,150	156,950	27,267	391,924
Recognized in profit or loss	(4,811)	-	-	(3,711)	-	25,632	17,110
Recognized in other comprehensive income	-	-	(4,287)	-	(156,799)	-	(161,086)
Balance on December 31, 2022	**$ 61,575**	**36,001**	**27,883**	**69,439**	**151**	**52,899**	**247,948**
Balance on January 1, 2021	$ 66,159	40,312	31,400	63,456	101,667	22,889	325,883
Recognized in profit or loss	227	(4,311)	-	9,694	-	4,378	9,988
Recognized in other comprehensive income	-	-	770	-	55,283	-	56,053
Balance on December 31, 2021	**$ 66,386**	**36,001**	**32,170**	**73,150**	**156,950**	**27,267**	**391,924**

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

(o) 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.

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(ii) Capital surplus

The components of capital surplus were as follows:

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

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.

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.

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2) Special reserve

The Group 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 the regulation. issued by the FSC, 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 quality 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:

	For the year ended December 31			
	2021		2020	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	$ 2.80	2,744,000	2.30	2,254,000

On March 8, 2023, the Company’s Board of Directors resolved to appropriate the 2021 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	$ 2.50	2,450,000

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(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 translation of foreign financial statements	(3,276)	-	(3,276)
Exchange differences on subsidiaries accounted for using equity method	916,638	-	916,638
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	(417,138)	(417,138)
Balance on December 31, 2022	$ 227,768	2,484,366	2,712,134
Balance on January 1, 2021	$ (462,640)	2,113,808	1,651,168
Exchange differences on translation of foreign financial statements	(2,572)	-	(2,572)
Exchange differences on subsidiaries accounted for using equity method	(220,382)	-	(220,382)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	775,903	775,903
Disposal of investments in equity instruments designed at fair value through other comprehensive income	-	11,793	11,793
Balance on December 31, 2021	$ (685,594)	2,901,504	2,215,910

(p) 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	$ 2,669,649	3,034,616
Weighted average number of ordinary shares	980,000	980,000
	$ 2.72	3.10
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	$ 2,669,649	3,034,616
Weighted average number of ordinary shares	980,000	980,000
Effect of potentially dilutive ordinary shares		
Employees’ compensation	1,803	1,651
Weighted average number of ordinary shares (diluted)	981,803	981,651
	$ 2.72	3.09

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(q) Revenue from contracts with customers

(i) Details of revenue

	For the year ended December 31	
	2022	2021
Revenue from contracts with customers	$ 12,762,214	11,774,848
Revenue from investment properties	2,020,325	1,704,818
Other operating revenue	269,712	179,740
	$ 15,052,251	13,659,406

(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	$ 10,667,906	2,013,701	453,511	13,135,118
Middle East	838,297	-	-	838,297
Others	1,072,212	6,624	-	1,078,836
	$ 12,578,415	2,020,325	453,511	15,052,251
Major products/services lines				
Fertilizers and other chemical products	$ 12,578,415	-	-	12,578,415
Lease	-	2,020,325	-	2,020,325
Others	-	-	453,511	453,511
	$ 12,578,415	2,020,325	453,511	15,052,251

	For the year ended December 31, 2021			
	Fertilizers and other chemical products	Real estate property and investment	Others	Total
Primary geographical markets				
Taiwan	$ 8,964,715	1,699,036	429,621	11,093,372
Middle East	1,581,375	-	-	1,581,375
Others	978,877	5,782	-	984,659
	$ 11,524,967	1,704,818	429,621	13,659,406

 (Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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Major products/services lines				
Fertilizers and other chemical products	$ 11,524,967	-	-	11,524,967
Lease	-	1,704,818	-	1,704,818
Others	-	-	429,621	429,621
	$ 11,524,967	1,704,818	429,621	13,659,406

(iii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable	$ 1,034,105	1,935,818	778,903
Less: allowance for impairment	(1,863)	(1,115)	(906)
Total	$ 1,032,242	1,934,703	777,997
Contract liabilities-Chemical fertilizers product	$ 177,008	144,260	88,420

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 $136,744 thousand and $80,546 thousand.

(r) Remuneration to employees, directors and supervisors

In accordance with the articles of incorporation the Company should contribute no less than 2.4% of the current year 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.

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' and supervisors' 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 impact of those changes will be based on accounting estimatesm and recognize in the following period.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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There was no difference of Employee compensation and directors' remuneration between the amounts recognized on consolidated 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.

(s) 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	$ 35,720	13,457
Others	1,730	4,699
	$ 37,450	18,156

(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	18,965	52,125
	$ 118,532	106,710

(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	$ 136	(11,205)
Gain on disposal of investments	62,997	216,741
Net foreign exchange gain (loss)	113,861	(30,999)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	1,317	2,365
Impairment loss	-	(29,913)
Compensation	(17,708)	(18,556)
Others	(19,060)	(23,842)
	$ 141,543	104,591

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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(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	$ 672	218
Lease liabilities expense	3,481	4,011
	$ 4,153	4,229

(t) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Credit risk concentrations

The clients of the Group 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.

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 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.

	Carrying amount	Within 1 year	1-5 years	More than 5 years
December 31, 2022				
Non-derivative financial liabilities				
Noninterestbearing liabilities	$ 2,118,301	1,745,157	373,144	-
Liabilities lease	159,344	41,568	117,776	-
	$ 2,277,645	1,786,725	490,920	-

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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		Carrying amount	Within 1 year	1-5 years	More than 5 years
December 31, 2021					
Non-derivative financial liabilities					
Variable-rate liabilities	$	20,091	20,091	-	-
Noninterestbearing liabilities		3,470,098	3,134,446	335,652	-
Liabilities lease		201,453	42,109	159,344	-
	$	3,691,642	3,196,646	494,996	-

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

		December 31, 2022			December 31, 2021		
		Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets							
Monetary items							
USD：NTD	$	38,498	30.71	1,182,197	44,060	27.69	1,220,021
USD：MNT		1,940	30.71	59,574	2,004	27.69	55,484
Financial liabilities							
Investments accounted for using equity							
SAR：NTD		1,150,464	8.19	9,420,043	1,457,179	7.38	10,758,806
Financial liabilities							
Monetary items							
USD：NTD		20,770	30.71	637,805	56,981	27.69	1,577,812

2) Sensitivity analysis

The Group'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, amortised cost of financial assets, accounts payable and other payables that are denominated in foreign currency. A 10% of appreciation of each major foreign currency against the Group's functional currency as of December 31, 2022 and 2021 would have increased or decreased the before tax net income by $48,317 and $(24,185) thousand, respectively. The analysis is performed on the same basis for both periods.

As the Group 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 $113,861 and $(30,999) thousand dollars, respectively.

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(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 Group' 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)

(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 Group'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				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
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

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	December 31, 2022				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
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
Subtotal	3,136,224	95,464	-	3,040,760	3,136,224
Financial assets measured at amortized cost					
Cash and cash equivalents	2,699,760	-	-	-	-
Other financial assets (including non-current)	783,107	-	-	-	-
Notes receivable and accounts receivables	1,032,242	-	-	-	-
Other receivables (including long-term)	1,416,587	-	-	-	-
Refundable deposit	30,755	-	-	-	-
Subtotal	5,962,451	-	-	-	-
Total	$ 9,178,677	175,466	-	3,040,760	3,216,226
Financial liabilities at amortized cost					
Notes and accounts payable	$ 890,866	-	-	-	-
Other payables	854,291	-	-	-	-
Lease liabilities (including non-current)	153,266	-	-	-	-
Refundable deposit	373,144	-	-	-	-
Total	$ 2,271,567	-	-	-	-

	December 31, 2021				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
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
Subtotal	3,566,862	127,059	-	3,439,803	3,566,862
Financial assets measured at amortized cost					
Cash and cash equivalents	2,534,695	-	-	-	-
Other financial assets (including non-current)	421,678	-	-	-	-
Notes receivable and accounts receivables	1,934,703	-	-	-	-
Other receivables (including long-term)	95,447	-	-	-	-
Refundable deposit	38,365	-	-	-	-
Subtotal	5,024,888	-	-	-	-
Total	$ 8,651,759	187,068	-	3,439,803	3,626,871

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	December 31, 2022				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Bank loans	$ 20,000	-	-	-	-
Notes and accounts payable	2,317,876	-	-	-	-
Other payables	816,570	-	-	-	-
Lease liabilities (including non-current)	191,893	-	-	-	-
Refundable deposit	335,651	-	-	-	-
Total	$ 3,681,990	-	-	-	-

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

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

a) Financial assets measured at amortized cost

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.

b) Financial assets 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.

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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 Group 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.

5) Reconciliation of Level 3 fair values

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

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

	For the years ended December 31	
	2022	2021
Total gains and losses recognized:		
In other comprehensive income, and presented in "unrealized gains and losses from financial assets at fair value through other comprehensive income"	$ (385,543)	773,203

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

The Group's main financial instruments that use Level 3 inputs to measure fair value are"fair value through other comprehensive income (available-for-sale financial assets) – equity investments".

The Group 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.

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-book 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).

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Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income-equity investments without an active market	Net Asset Value Method	‧Net Asset Value	Not applicable

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

The Group'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:

	Inputs	Fluctuation in inputs	Profit or loss		Other comprehensive income	
			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	Market illiquidity discount	±1%	-	-	33,164	(33,160)

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.

(u) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

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(ii) Risk management framework

The Group'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 Group's activities.

(iii) Credit risk

Credit risk means the potential loss of the Group 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 Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group'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 Group has established a credit granting policy. According to the policy, the Group must analyze its credit rating individually for each new customer before granting standard payment and shipping conditions and terms.

The Group 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.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. As the Group 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 Group 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 Group to individual entities of joint ventures, please refer to Note 7.

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(iv) Liquidity risk

Liquidity risk is a risk that the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group'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 Group'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 Group 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 Group.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group 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 Group are not for hedging.

2) Interest rate risk

The Group'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 Group 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.

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(v) Capital management

The Group's objectives in managing capital are to safeguard the Group'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 Group may adjust the dividend payment to the shareholders, return capital to shareholders, and issue new shares or sell assets to reduce debts.

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

	December 31, 2022	December 31, 2021
Total liabilities	$ 27,691,478	26,715,339
Less: cash and cash equivalents	(2,699,760)	(2,534,695)
Net debt	24,991,718	24,180,644
Total capital	53,060,996	52,627,860
Adjusted capital	**$ 78,052,714**	**76,808,504**
Debt to equity ratio	**32.02%**	**31.48%**

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

The Group'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	$ 247,260	362,370
Add: opening balances of equipment and construction payables	158,179	315,440
Deduction: closing balances of equipment and construction payables	(78,250)	(158,179)
	$ 327,189	**519,631**
Purchases of investment property	$ 2,274,962	3,266,337
Add: opening balances of equipment and construction payables	-	-
Deduction: closing balances of equipment payables	(92,991)	-
	$ 2,181,971	**3,266,337**

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(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 Group
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 subsidary (Note)
Council of Agriculture, Executive Court, R.O.C.	Individuals are those entities in which the Group has significant influence
TAIWAN FERTILIZER Legal Foundation	Other related parties

Note: 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.

(b) Significant transactions with related parties

(i) Purchase of Goods from Related Parties

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

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

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

(ii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Account receivable	Jointly controlled entity	$ 455	455

(Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(iii) 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

(iv) 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.

Due Date	Date of Repayment	Amount in USD	Amount in NTD
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. AND SUBSIDIARIES
Notes to Consolidated 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	$ 88,371	95,235
Post-employment benefits	812	640
	$ 89,183	95,875

(8) Pledged assets:

Asset	Purpose of pledge	December 31, 2022	December 31, 2021
Other financial asset current and non-current	Guarantee for provisional attachment	$ 296,872	183,725

(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	$ 137,287	106,579
Purchase investment property	$ 1,724,201	2,323,906

(ii) Unused standby letters of credit

	December 31, 2022	December 31, 2021
USD thousands	$ 8,294	41,130

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

	December 31, 2022	December 31, 2021
Guarantee notes payable	$ 8,215,540	11,306,840

(Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
Notes to Consolidated 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 Group should deliver 50 parking lots, and dismissed the rest of the litigation of Dung Jeng. The Group 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 Group 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 Group 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 Group. If the Group 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:

	For the years ended December 31					
	2022			2021		
By item	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	$ 451,796	589,436	1,041,232	437,941	581,870	1,019,811
Health and labor insurance	38,789	27,162	65,951	37,420	27,163	64,583
Pension	21,828	14,824	36,652	21,239	15,072	36,311
Others	31,380	15,504	46,884	21,456	14,069	35,525
Depreciation	1,100,557	49,748	1,150,305	1,080,606	60,222	1,140,828
Amortization	-	4,974	4,974	-	7,078	7,078

The depreciation of non-operating income and expenses of the Group in 2022 and 2021 were $16,690 and $17,970 thousand, respectively.

(Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(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/Kuam 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 Liao	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")	○○ 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.

Note3: The second order of mortgage right mentioned above is used as collateral.

Note4: 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.

 (Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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 (Note 2)	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 1)										
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 Group 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 Group.

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

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

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

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

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				Highest	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Percentage of ownership (%)	
Taiwan Fertilizer Co., Ltd. (the Company)	Mutual funds								
	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	—	Available-for-sale financial assets - 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
	Ordinary shares								
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	10.00%	Note 3
	Eminent II VC Corp	〃	FVOCI - noncurrent	12,000	112,560	18.50%	112,560	18.50%	Note 3
	Eminent III VC Corp	〃	FVOCI - noncurrent	30,000	228,600	16.56%	228,600	16.56%	Note 3
	Taiwan Stock Exchange Corporation	—	FVOCI - noncurrent	20,500	2,627,464	2.00%	2,627,464	2.00%	Note 4
	Visgeneer Inc.	Our Company is legal representative director of the company	FVOCI - noncurrent	3,147	25,303	10.43%	25,303	10.43%	Note 4
	TaiAn Technologies Corporation	〃	FVOCI - noncurrent	1,667	23,600	16.67%	23,600	16.67%	Note 3

(Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Category and name of security	Marketable Securities Type/Name and Issuer	Relationship with company	Account title	Ending balance Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Highest Percentage of ownership (%)	Note
	TSCBio Ventures Capital Co.	〃	FVOCI - noncurrent	168	9,193	19.75%	9,193	19.75%	Note 3
	Green Cellulosity Corporation	—	FVOCI - noncurrent	1,500	-	6.71%	-	6.71%	
	Phalanx Biotech Co., Ltd.	—	FVOCI - noncurrent	125	-	0.17%	-	0.17%	
	Bion tech Inc.	Our Company is legal representative director of the company	FVOCI - noncurrent	4,167	-	15.16%	-	15.16%	
	China Petrochemical Development Corporation	—	FVOCI - current	9,662	95,464	0.26%	95,464	0.26%	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: Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Transactions with terms different from others: Unit price	Payment terms	Notes/Accounts receivable (payable): Ending balance	Percentage of total notes/accounts receivable (payable)	Note
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)%	

(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: Amount	Overdue: Action taken	Amounts received in subsequent period	Allowance for bad debts
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

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions: Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Taiwan	Taiwan Yes Deep Ocean Water Co., Ltd.	1	Sales	1,646	were not significantly different from others	0.01%

(Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions: Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
	Fertilizer Co., Ltd.	Taiwan Yes Deep Ocean Water Co., Ltd.	1	Rental revenue	7,147	were not significantly different from others	0.05%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Other operating revenue	1,751	were not significantly different from others	0.01%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Cost of goods sold	304	were not significantly different from others	-%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Selling expenses	1,582	were not significantly different from others	0.01%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Administrative expenses	8,663	were not significantly different from others	0.06%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Research and development expenses	57	were not significantly different from others	-%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Other income	88	were not significantly different from others	-%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Account receivables	443	were not significantly different from others	-%
		Taiwan Yes Deep Ocean Water Co., Ltd	1	Other receivables	4	were not significantly different from others	-%
0	Taiwan Fertilizer Co., Ltd.	Taiwan Yes Deep Ocean Water Co., Ltd.	1	Other payables	584	were not significantly different from others	-%
		Taifer Chemicals International Inc.	1	Rental revenue	5,935	were not significantly different from others	0.04%
		Taifer Chemicals International Inc.	1	Cost of goods sold	1,251	were not significantly different from others	0.01%
		Taifer Chemicals International Inc.	1	Account payables	60	were not significantly different from others	-%
		TAIFER (CAMBODIA) CO., LTD	1	Sales	1,220	were not significantly different from others	0.01%
		TAIFER (CAMBODIA) CO., LTD	1	Selling expenses	2,149	were not significantly different from others	0.01%
		PEIFENG TECHNOLOGY & FERTILIZER CO., LTD.	1	Cost of goods sold	244,150	were not significantly different from others	1.62%
		PEIFENG TECHNOLOGY & FERTILIZER CO., LTD.	1	Sales	94,865	were not significantly different from others	0.63%
		PEIFENG TECHNOLOGY & FERTILIZER CO., LTD.	1	Account receivables	1,048	were not significantly different from others	-%
		PEIFENG TECHNOLOGY & FERTILIZER CO., LTD.	1	Account payables	18,675	were not significantly different from others	0.02%
		PEIFENG TECHNOLOGY & FERTILIZER CO., LTD.	1	Other payables	15,694	were not significantly different from others	0.02%

Note 1): The numbering is as follows:
1."0" represents the parent company.
2.Subsidiaries are sequentially numbered from 1 by company.

Note 2): The types of transaction between the parent company and subsidiaries are as follows:
1.Transactions from parent company to subsidiary.
2.Transactions from subsidiary to parent company.
3.Transactions between subsidiaries.

Note 3): The report only disclosed the data of sales and accounts receivable of the significant trade between parent and subsidiary. The relative purchase and accounts payable will not be disclosed redundantly.

Note 4): It is the amount of consolidated operating revenue or consolidated total assets divided by trading amount.

Note 5): The transaction listed on the consolidated financial statements has been eliminated through consolidation.

(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: December 31, 2022	December 31, 2021	Balance as of December 31, 2022: Shares (thousands)	Percentage of wnership	Carrying value	Highest Percentage of Ownership	Net income (losses) of investee	Share of profits/ losses of investee	Note
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	50.00%	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	100.00%	13,941	13,993	Subsidiary
Taiwan Fertilizer Co., Ltd.	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	100.00%	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	100.00%	161,590	161,590	Subsidiary
〃	TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD.	Cayman Islands	Investment and holding	321,900	321,900	-	100.00%	-	100.00%	-	-	Subsidiary

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest Percentage of Ownership	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of wnership	Carrying value				
〃	MITAGRI CO., LTD.	Taiwan	Wholesale and retail of products for organic agriculture	80,000	80,000	2,974	33.33%	31,047	33.33%	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	31.58%	(3,957)	(1,249)	Associate
〃	TAIFER (CAMBODIA) CO., LTD	Cambodia	International trade; wholesale of fertilizer	40,052	40,052	-	100.00%	36,698	100.00%	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%	-	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	100.00%	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	100.00%	15,552	-	Subsidiary

(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	Highest 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	USD$ 21,500 (NT$660,222) (note 4)	(note 3)	USD$ - (NT$ -) (note 4)	-	-	USD$ - (NT$ -) (note 1)	USD$ - (NT$ -) (note 1)	-%	-%	USD$ - (NT$ -) (note 5)	USD$ - (NT$ -) (note 5)	-

(Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

Note 1: The Group applied for the cessation of it 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 Company did not recognize income (loss) of the investment.

(iii) Significant transactions: None

(d) Major shareholders:

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

(14) Segment information:

(a) General information

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were fertilizer and chemical and construction (rental is included).

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, excluding any extraordinary activity and foreign exchange gain or losses, because taxation, extraordinary activity and foreign exchange gains or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to the ones described in Note 4 “Significant accounting policies” except for the recognition and measurement of pension cost, which is on a cash basis. The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

The Group’s operating segment information and reconciliation were as follows:

For the year ended December 31, 2022	Fertilizer and chemical	Construction	Others	Adjustment and eliminations	Total
External customer revenues	$ 12,578,415	2,020,325	453,511	-	15,052,251
Intersegment revenues	245,370	13,082	112,257	(370,709)	-
Total revenue	$ 12,823,785	2,033,407	565,768	(370,709)	15,052,251
Net gains and losses of intersegment	$ (1,068,753)	626,171	(45,941)	-	(488,523)
Other gains and losses					141,543
Finance costs					(4,153)
Share of profit of associates and joint ventures accounted for using equity method					3,491,616
Interest income					37,450
Other income					118,532
Reportable segment profit or loss					$ 3,296,465

(Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For the year ended December 31, 2021	Fertilizer and chemical	Construction	Others	Adjustment and eliminations	Total
External customer revenues	$ 11,524,967	1,704,818	429,621	-	13,659,406
Intersegment revenues	228,885	13,082	46,516	(288,483)	-
Total revenue	$ 11,753,852	1,717,900	476,137	(288,483)	13,659,406
Net gains and losses of intersegment	$ 197,401	377,458	(67,535)	-	507,324
Other gains and losses					104,591
Finance costs					(4,229)
Share of profit of associates and joint ventures accounted for using equity method					3,059,122
Interest income					18,156
Other income					106,710
Reportable segment profit or loss					$ 3,791,674
Reportable segment assets					
December 31, 2022	$ 21,901,848	58,498,737	416,724	(64,835)	80,752,474
December 31, 2021	$ 21,031,061	57,949,422	429,545	(66,829)	79,343,199
Reportable segment liabilities					
December 31, 2022	$ 6,924,891	20,775,760	29,166	(38,339)	27,691,478
December 31, 2021	$ 7,717,319	18,982,175	55,319	(39,474)	26,715,339

(c) Geographic information

The revenue-generating units of the Group were mainly in Republic of China. Thus, the disclosure of geographical information was not required.

(d) Major customer

	For the years ended December 31	
	2022	2021
Customer A from fercilizer and chenical department	$ 2,119,672	1,509,889

(Continued)

V. Parent-only financial statements

Stock Code:1722

TAIWAN FERTILIZER CO., LTD.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

Address: **6F, No.88, Nanjing E. Rd., Sec 2, Taipei City 10457, Taiwan**
Telephone: **(02)2542-2231**

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.

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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.

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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.

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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 Amount	%	December 31, 2021 Amount	%
	Current assets:				
1100	Cash and cash equivalents (notes 6(a) and (s))	$ 2,303,245	3	1,917,886	3
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (s))	80,002	-	60,009	-
1120	Current financial assets at fair value through other comprehensive income (notes 6(c) and (s))	95,464	-	127,059	-
1150	Notes receivable, net (notes 6(d), (p), (s) and 7)	127,872	-	188,453	-
1170	Accounts receivable, net (notes 6(d), (p), (s) and 7)	893,651	1	1,736,204	2
1200	Other receivables, net (notes 6(e), (s) and 7)	1,350,201	2	10,672	-
130X	Inventories (note 6(f))	3,154,881	4	2,667,289	4
1410	Prepayments (note 7)	827,321	1	137,316	-
1476	Other current financial assets (notes 6(a) and (s))	792	-	68,203	-
1470	Other current assets	11,962	-	15,215	-
		8,845,391	11	6,928,306	9
	Non-current assets:				
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
1550	Investments accounted for using equity method, net (notes 6(g) and (s))	12,485,044	16	13,729,226	17
1600	Property, plant and equipment (note 6(h))	11,349,730	14	11,928,382	15
1755	Right-of-use assets (note 6(i))	922,286	1	1,022,183	2
1760	Investment property, net (notes 6(j)and (k))	43,193,489	54	41,164,306	52
1780	Intangible assets	10,150	-	13,680	-
1840	Deferred tax assets (note 6(m))	211,948	-	355,923	-
1930	Long-term notes and accounts receivable, net (notes 6(e)and (s))	65,564	-	84,125	-
1980	Other non-current financial assets (notes 6(a), (s)and 8)	272,572	-	159,425	-
1990	Other non-current assets, others (note 6(s))	24,100	-	31,436	-
		71,575,643	89	71,928,489	91
	Total assets	$ 80,421,034	100	78,856,795	100

	Liabilities and Equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities:				
2130	Current contract liabilities (note 6(p))	$ 173,110	-	139,704	-
2150	Notes payable (note 6(s))	1,119	-	1,090	-
2170	Accounts payable (notes 6(s)and 7)	896,264	1	2,281,757	3
2200	Other payables (notes 6(s)and 7)	829,842	1	708,388	1
2230	Current tax liabilities	679,127	1	111,968	-
2280	Current lease liabilities (note 6(s))	27,601	-	27,594	-
2313	Unearned revenue (note 6(j))	440,518	1	389,525	1
2310	Other advance receipts	2,218	-	19,820	-
2399	Other current liabilities, others	62,759	-	45,872	-
		3,112,558	4	3,725,718	5
	Non-Current liabilities:				
2550	Non-current provisions	223,648	-	223,648	-
2570	Deferred tax liabilities (note 6(m))	6,965,340	9	7,449,720	10
2580	Non-current lease liabilities (note 6(s))	81,267	-	108,868	-
2630	Long-term deferred revenue (note 6(j))	16,496,708	21	14,257,410	18
2640	Net defined benefit liability, non-current (note 6(l))	112,664	-	136,612	-
2645	Guarantee deposits received (note 6(s))	367,853	-	326,959	-
		24,247,480	30	22,503,217	28
	Total liabilities	27,360,038	34	26,228,935	33
	Equity (note 6(n)):				
3100	Capital stock	9,800,000	12	9,800,000	12
3200	Capital surplus	2,245,156	3	2,244,652	3
	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

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 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)	(13,440,139)	(94)	(11,221,605)	(86)
5900	**Gross profit from operations**	824,617	6	1,853,188	14
	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	-	-	(2,569)	-
		(1,493,612)	(11)	(1,471,356)	(11)
6900	**Net Operating (loss) income**	(668,995)	(5)	381,832	3
	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	3,678,627	26	3,153,849	24
	Total non-operating income and expenses	3,926,075	28	3,374,275	26
	Profit from continuing operations before tax	3,257,080	23	3,756,107	29
7950	Less: Income tax expenses (note 6(m))	(587,431)	(4)	(721,491)	(6)
	Profit	2,669,649	19	3,034,616	23
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	4,287	-	(770)	-
		(406,379)	(3)	761,487	6
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	(229,875)	(2)	55,283	-
	Components of other comprehensive income that will be reclassified to profit or loss	913,362	6	(222,954)	(2)
8300	**Other comprehensive income**	506,983	3	538,533	4
8500	**Total comprehensive income**	**$ 3,176,632**	**22**	**3,573,149**	**27**
	Basic earnings per share(note 6(o))				
9750	**Basic earnings per share**	**$**	**2.72**		**3.10**
9850	**Diluted earnings per share**	**$**	**2.72**		**3.09**

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"

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.

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) If 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'.

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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.

(Continued)

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 loses 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 resule 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.

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

Item	Useful lives	Item	Useful lives
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
Patent	7~8 years

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.

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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.

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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.

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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 reserve, 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 currenttax 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.

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(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.

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TAIWAN FERTILIZER CO., LTD.
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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	**$ 2,303,245**	**1,917,886**

(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
	$ 273,364	**227,628**

(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	$	80,002	60,009

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		3,040,760	3,439,803
Total	$	3,136,224	3,566,862

(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 transfered 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).

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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	(209)	(209)
	$ 1,021,523	1,924,657

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)
	$ 1,021,732		(209)

	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)
	$ 1,924,866		(209)

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	$ 209	209

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TAIWAN FERTILIZER CO., LTD.
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(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		(317,277)	(317,277)
	$	1,415,765	94,797
Other receivables	$	1,350,201	10,672
Long-term receivables		65,564	84,125
	$	1,415,765	94,797

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)	$	317,277	317,277

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.

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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
Inventories			
Raw materials	$	1,665,359	1,623,556
Finished goods		844,724	398,867
Merchandise		15	83
	$	2,510,098	2,022,506
Construction in progress			
Hsinchu land development project	$	644,783	644,783

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		9,485,123	10,823,828
	$	12,485,044	13,729,226

(i) Subsidiaries

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

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(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
	$	9,485,123	10,823,828

Associates that had materiality were as follows:

Associate	Nature of relationship	Country of registration	Equity ownership December 31, 2022	Equity ownership 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	$	18,597,404	22,537,232
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
	$	18,597,404	22,537,232

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TAIWAN FERTILIZER CO., LTD.
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	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

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

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.

(Continued)

TAIWAN FERTILIZER CO., LTD.
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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	$ 16,283,522	11,747,585	16,482,731	3,778	44,517,616
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	$ 11,156,185	14,321,265	16,880,889	3,778	42,362,117
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	$ 582,279	130,424	607,646	3,778	1,324,127
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	$ 472,783	114,024	607,646	3,358	1,197,811
Balance on December 31, 2022	$ 15,701,243	11,617,161	15,875,085	-	43,193,489
Balance on January 1, 2021	$ 10,605,227	11,129,746	16,357,502	1,680	38,094,155
Balance on December 31, 2021	$ 10,683,402	14,207,241	16,273,243	420	41,164,306
Fair value:					
Balance on December 31, 2022					$ 119,725,243
Balance on December 31, 2021					$ 111,112,061

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.

(Continued)

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	$ 1,043,155	1,538,300
Balance on December 31, 2021	$ 1,190,636	1,686,989
Balance on January 1, 2021	$ 1,211,269	1,760,699

(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:

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

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:

	For the years ended December 31	
Area	**2022**	**2021**
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	13,375,256	13,449,154
Total undiscounted lease payments	$ 19,147,655	17,997,790

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	(302,656)	(327,807)
	112,664	136,612
The effect of the asset ceiling	-	-
Net defined benefit liabilities	$ 112,664	136,612

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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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	**$ 415,320**	**464,419**

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	**$ 302,656**	**327,807**

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

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Notes to Financial Statements

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
		1,161,998	390,795
Deferred tax expense			
Origination and reversal of temporary differences		(566,859)	350,372
Land value increment tax		(7,708)	(19,676)
		(574,567)	330,696
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	$ 587,431	721,491

(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	$ 6,267,000	485,966	145,668	66,706	6,965,340
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	$ 6,274,708	1,073,602	72,592	28,818	7,449,720

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	$ 61,575	27,883	69,439	151	52,900	211,948
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	$ 66,386	32,170	73,150	156,950	27,267	355,923

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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
	$	2,245,156	2,244,652

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 quality for additional distributions.

3) Earnings distribution

The appropriations of earnings for 2021 and 2020 had been approved in the shareholders' meeting on Jnue 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	2,744,000	2.30	2,254,000

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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	2,450,000

(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	$ 227,768	2,484,366	2,712,134
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	$ (685,594)	2,901,504	2,215,910

(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	$ 2,669,649	3,034,616
Weightedaverage number of ordinary shares	980,000	980,000
	$ 2.72	3.10

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	For the years ended December 31	
	2022	2021
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	$ 2,669,649	3,034,616
Weightedaverage number of ordinary shares	980,000	980,000
Effect of potentially dilutive ordinary shares		
Employees' compensation	1,803	1,651
Weightedaverage number of ordinary shares (diluted)	981,803	981,651
	$ 2.72	3.09

(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	241,951	163,356
	$ 14,264,756	13,074,793

(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	1,072,212	-	-	1,072,212
	$ 12,002,254	2,020,551	241,951	14,264,756
Major products/services lines				
Fertilizers and other chemical products	$ 12,002,254	-	-	12,002,254
Lease	-	2,020,551	-	2,020,551
Others	-	-	241,951	241,951
	$ 12,002,254	2,020,551	241,951	14,264,756

(Continued)

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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
	$	11,205,406	1,706,031	163,356	13,074,793
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
	$	11,205,406	1,706,031	163,356	13,074,793

(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	$	1,021,523	1,924,657	764,351
Contract liabilities-Chemical fertilizers product	$	173,110	139,704	83,449

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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TAIWAN FERTILIZER CO., LTD.
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(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

 (Continued)

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.

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

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.

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD：NTD	$ 32,208	30.71	989,043	38,169	27.69	1,056,900
Non-monetary items						
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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	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial liabilities						
Monetary items						
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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(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				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
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	$ 8,254,223	175,466	-	3,040,760	3,216,226
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	$ 2,203,946	-	-	-	-

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Notes to Financial Statements

	December 31, 2021				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
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	**$ 7,823,275**	**187,068**	**-**	**3,439,803**	**3,626,871**
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	**$ 3,454,656**	**-**	**-**	**-**	**-**

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 Unquoted equity instruments
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	$ 3,040,760
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	$ 3,439,803

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:

	For the years ended December 31	
	2022	2021
Total gains and losses recognized:		
In other comprehensive income, and presented in "unrealized gains and losses from financial assets at fair value through other comprehensive income"	$ (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:

	Inputs	Fluctuation in inputs	Profit or loss		Other comprehensive income	
			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	(2,303,245)	(1,917,886)
Net debt	25,056,793	24,311,049
Total capital	53,060,996	52,627,860
Adjusted capital	**$ 78,117,789**	**76,938,909**
Debt to equity ratio	**32.08%**	**31.60%**

(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	(76,163)	(71,652)
	$ 217,285	**340,967**

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	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 subsidary (Note 1)
TAIFER (CAMBODIA) Co., Ltd.	The Company's subsidary
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.

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(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	$ 99,482	34,202

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	$ 950,977	1,830,706

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
		$ 1,946	7,067

(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
		$ 624,145	1,625,358

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(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 $226,901thousand, 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.

Due Date	Date of Repayment	Amount in USD	Amount in NTD
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
	$ 79,283	87,216

(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	$ 272,572	159,425

(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	$ 137,287	106,579
Purchase investment property	$ 1,724,201	2,323,906

(ii) Unused standby letters of credit

	December 31, 2022	December 31, 2021
USD thousands	$ 8,294	41,130

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

	December 31, 2022	December 31, 2021
Guarantee notes payable	$ 8,215,540	11,306,840

(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:

	For the years ended December 31					
	2022			2021		
By item	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	644	654
Number of directors who were not employees	8	8
The average employee benefit	$ 1,664	1,577
The average salaries and wages	$ 1,442	1,381
Percentage of average employee salary expense	4.42%	

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/Kuam 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 constuction 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.

(Continued)

TAIWAN FERTILIZER CO., LTD.
Notes to Financial Statements

(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 tojoint venture relationship.

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

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.	Mutual funds							
	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
Taiwan Fertilizer Co., Ltd.	Ordinary shares							
	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 totalpurchases /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 wnership	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: Outflow	Investment flows: Inflow	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
TR Electronic Chemical (Kunshan) Ltd.	Manufacture of nitric acid, hydrofluoric acid, ammonia, phosphoric acid, oxalic acid, ammonia fluoride and LCD and IC Stripper	USD$ 21,500 (NT$660,222) (note 4)	(note 3)	USD$ - (NT$ -) (note 4)	-	-	USD$ - (NT$ -) (note 1)	USD$ - (NT$ - (note 1)	-%	USD$ - (NT$ -) (note 5)	USD$ - (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 it 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:

Shareholding / Shareholder’s Name	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.

(Continued)

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)		633,478
		$ 893,651

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	$ 792	Current
Time deposits	Time deposits with original maturities more than 1 year	$ 272,572	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)

	Beginning Balance		Addition		Decrease			Adjustment of	Ending Balance			Market Value or Net Assets Value		
Name of investee	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand) (Note 2)	Amount	Tax prepayment for shareholders	measured by using the equity method (Note 1)	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	〃
		$ 13,729,226		-		-	1,396,791	(2,640,973)			12,485,044			

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	(6,390)
	$ (2,640,973)

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

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

TAIWAN FERTILIZER CO., LTD.

Statement of operating costs

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

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

TAIWAN FERTILIZER CO., LTD.

Statement of selling expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Sales	Administration	Research and development	Total
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**

VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial position: none

Seven. Review and Analysis of Financial Status and Business Results and Risk Issue

I. Financial Status

Unit: NT$ thousand

Item \ Year	2022	2021	Difference	
			Amount	%
Current asset	9,801,273	7,835,686	1,965,587	25.09
Property, Plant and Equipment	13,488,767	14,167,791	(679,024)	(4.79)
Intangible asset	121,065	124,595	(3,530)	(2.83)
Investment property	43,200,335	41,172,276	2,028,059	4.93
Other assets	14,141,034	16,042,851	(1,901,817)	(11.85)
Total assets	80,752,474	79,343,199	1,409,275	1.78
Current liabilities	3,170,827	3,927,560	(756,733)	(19.27)
non-current liabilities	24,520,651	22,787,779	1,732,872	7.60
Total liability	27,691,478	26,715,339	976,139	3.65
Share capital	9,800,000	9,800,000	0	0.00
Additional paid-in capital	2,245,156	2,244,652	504	0.02
Retained earnings	38,303,706	38,367,298	(63,592)	(0.17)
Other equities	2,712,134	2,215,910	496,224	22.39
Equity attributable to owners of the parent company	53,060,996	52,627,860	433,136	0.82

Note : The financial information of 2021 and 2022 has been reviewed by the CPAs.
Analysis of the reason causing changes of 20% or more:
1. Current assets: current assets increased mainly because the inventories and advanced payment increased.
2. Other equities: Other equities increased, mainly because the other comprehensive income increased.

II. Financial Performance

(I) Comparative analysis table of financial performance

Unit: NTD thousand

Item \ Year	2022	2021	Increased (decreased) amount	Percentage of change (%)
Operating revenue	15,052,251	13,659,406	1,392,845	10.20
Operating cost	13,760,212	11,520,431	2,239,781	19.44
Gross profit from operations	1,292,039	2,138,975	(846,936)	(39.60)
Operating expenses	1,780,562	1,631,651	148,911	9.13
Operating profit	(488,523)	507,324	(995,847)	(196.29)
Non-operating income and expense	3,784,988	3,284,350	500,638	15.24
Net income (loss) before tax	3,296,465	3,791,674	(495,209)	(13.06)
Tax expense (income)	626,816	757,058	(130,242)	(17.20)
Net income (loss) of the period	2,669,649	3,034,616	(364,967)	(12.03)

Note : The financial information of 2021 and 2022 has been reviewed by the CPAs.
Analysis of the reason causing changes of 20% or more:
1. Gross operating profit: operating incomes decreased, mainly because the material costs increased during the period.
2. Operating incomes: operating incomes decreased, mainly because the material costs increased during the period.

(II) Analysis table of gross profit from operations

Unit: NTD thousand

	Changes between two consecutive period	Reason of difference			
		Selling price difference	Cost difference	Quantity difference	Others
Gross profit from operations	(846,936)	1,952,645	(3,109,161)	(272,051)	581,631
Remarks	Gross profit decreased year on year, mainly because the material costs increased during the period.				

III. Cash flows

Describe and analyze any cash flow changes during the most recent fiscal year, describe corrective measures to be taken in response to illiquidity, and provide a liquidity analysis for the coming year.

1. Analysis of cash flow changes for the year

Unit: NT$ thousand

Beginning cash balance	Net cash flow from operating activities throughout the year	Estimated yearly net cash inflow (outflow)	Cash surplus (deficit) amount	Remedies for cash deficits	
				Investment plans	Financing plans
2,534,695	5,578,896	(5,413,831)	2,699,760	—	—

(1) Net inflow from operating activities: mainly because the net cash inflow generated from operating activities, and the investees distributed the cash dividends.
(2) Net outflow from investing activities: mainly because of the acquisition of property, plant, and equipment, and investment properties.
(3) Net outflow from the financing activities: mainly due to distribution of cash dividends.

2. Corrective measures to be taken in response to illiquidity of the year:
   (1) There was no insufficient cash during the year.
   (2) Analysis of the liquidity in the recent two years:

Item \ Year	2022~	2021	Increased (decreased) percentage (%)
Cash flow ratio (%)	175.94	79.23	122.06%
Cash flow adequacy ratio (%)	57.94	50.59	14.53%
Cash reinvestment ratio (%)	3.32	1.04	219.23%

Description:
A. The cash flow ratio increased, mainly because the cash inflow from operating activities increased in 2022.
B. The cash flow adequacy ratio increased, mainly because the cash inflow from operating activities increased in 2022.
C. The cash reinvestment ratio increased, mainly because the cash inflow from operating activities increased in 2022.

3. Analysis of cash flow in the coming year

Unit: NT$ thousand

Beginning cash balance	Net cash flow from operating activities throughout the year	Estimated yearly net cash inflow (outflow)	Cash surplus (deficit) amount	Remedies for cash deficits	
				Investment plans	Financing plans
2,699,760	867,543	(1,255,726)	2,311,577	—	—

IV. Impact to the Financial Business by the Significant Capital Expenditures in the Previous Year

(I) Utilization Status and Source of Funds for Significant Capital Expenditures in the Previous Year

Project	Actual or Expected Source of Funds	Actual or Expected Finish Date	Total Funds Needed	Actual Accumulated Disbursements as of December 31, 2022	Expected Utilization Amount in 2023
Nangang Software Park C2 Development Project	Self-owned funds	Completion is expected in March 2023	NT$12.385 billion	Approximately NT$10.698 billion	Approximately NT$1.687 billion
Nangang Software Park C4 Development Project	Self-owned funds	Completion is expected by December, 2026	NT$3.156 billion	Approximately NT$108 million	Approximately NT$531 million

(II) Expected Potential Benefit: Expected Sales Quantity, Value and Gross Margin Increase

Year	Item	Total floor area	Leasing revenue	Gross Margin
2023~	Nangang Software Park C2 Development Project	around 198.3 thousand m^2	Annual rent NT$1 billion	Gross margin NT$600 million
2027~	Nangang Software Park C4 Development Project	around 56.2 thousand m^2	Annual rent NT$300 million	Gross margin NT$200 million

V. Re-investment Overview

(I) Main Reasons, Improvement Plan for Re-investment Policy, Profit or Loss for Previous Years:

1. Re-investment Policy

The pandemic in Taiwan peaked in 2022. While various countries around the world have gradually lifted the lockdown, the Ukraine-Russia War and the deteriorating trade competition between the US and China resulted in irregular global supply and demand, the elevated inflation crisis, and the prices of raw materials fluctuates greatly. Therefore, the Company's reinvestment policy is still focused on improving the efficiency of existing investments, while assessing investment opportunities to cope with the economic changes in the post-pandemic era; in addition, to cope with the enforcement of laws responding to the climate change, the Company will also conduct research on industries regarding net zero emission, aiming to combine production with environmental protection, for fulfilling the corporate social responsibilities.

2. Main reason of profits made by the major reinvestees

Re-invested Company	Main reason for profits in 2022
Al-Jubail Fertilizer Company	Thanks to the surging bulk raw material prices in the first half of the year, the major products of Al-Jubail Fertilizer, urea and 2-EH’s quotation in the international market soared as well. In the later half of the year, while the prices of the major products in the international market declined, the profit for the whole year maintained the same level as the previous year.
TAIWAN YES DEEP OCEAN WATER CO., LTD.	By integrating the related sources and emphasizing the core product marketing, along with the effectively reduced production costs of niche products and optimization of sales channels, the profit for 2022 has been growing.

3. Main reasons of loss made by the major reinvestees and improvement plan: none.

(II) Investment Plan for Next Year:

ESG is one of the Company’s important goals for the development this year, seeking to inventory ESG-related items from previous investments, to find investment targets strengthening ESG, integrate the short-, mid-, and long-term keys to sustainable development of the Group, and establish the operational regulations for the climate change, to achieve the development goal of corporate sustainable transformation.

VI. Risk management organization

Risk Management Organization Chart:

According to the latest internal audit development and requirements of standards, the Company has strengthened the management of corporate risks, including risk detection, assessment, reporting and following up, both cautious and strict Three levels (mechanisms) are responsible for the risk control of the Company: The organizer or the person in charge is the “first mechanism” and must take responsibility for the mechanical design and prevention of the detection of initial risk, assessment, and control. The second mechanism is the general manager (or deputy general manager), especially the approval document or its review or appraisal committee. The third mechanism constitutes reviews by Legal Affairs and Auditing Office, plus Board of Directors’ (including functional committees) deliberations. The Company has not set up the Chief Risk Officer at this time. The purpose of this is to ask all employees to perform risk control. It is the most practical approach for risk management that involves multi-level prevention rather than one-man control. See the following table:

Significant Risk Assessment Items	Direct Unit for Risk Control (Business In-charge Unit) (First Mechanism)	Risk Deliberation and Control (General Manager/ Deputy GM) (Second Mechanism)	Legal, Audit Office and the Board of Directors (Third Mechanism)
I. Interest Rate, Exchange Rate and Financial Risks	Financial Department	General Manager, Deputy GM, Financial Department	Board of Directors, Audit Office, Remuneration Committee: Decision making and ultimate control of risk assessment and control Audit Office: Examination, assessment, monitoring, improvement, following up and reporting of risks.
II. Risks Such as High Risk and High Leverage Investment, Capital Lending to Others, Derivative Products Trading, Financial Wealth Management Investment, etc.	Financial Department		
III. R&D Plan	R&D Department	General Manager, Deputy GM, Planning Department, Financial Department, In-Charge and Relevant Unit	
IV. Policy and Legal Change	Planning Department, Legal		
V. Technology and Industry Change	R&D Department, Planning Department, Business Development Department		
VI. Corporate Image Change	Administration Department, Board of Directors Office		
VII. Investment, Re-investment and Merger Benefits	Sales Department, Planning Department, Business Development Department, Property Development and Management Department		
VIII. Expansion of Plant or Production Capacity	Production Department, Trading Department	Business Meeting Report, Performance Review Meeting, Manufacturing and Sales Meeting.	
IX. Centralized Procurement or Sales	Sales Department, Trading Department		
X. Shareholdings Transfer for Directors, Supervisors and Main Shareholders	Board of Directors Office	General Manager, Deputy GM, Board of Director Office, Legal, Planning	

Significant Risk Assessment Items	Direct Unit for Risk Control (Business In-charge Unit) (First Mechanism)	Risk Deliberation and Control (General Manager/ Deputy GM) (Second Mechanism)	Legal, Audit Office and the Board of Directors (Third Mechanism)
XI. Management Power Change	Board of Directors Office	Department	
XII. Litigation or Non-litigation Items	Legal		
XIII. Other Operating Issues	Planning Department, Administration Department		
XIV. Personnel Behavior, Ethics and Integrity	Various Supervisor and Administration Departments	Personnel Appraisal Committee	
XV. Compliance of SOP, Legal and Regulations	Various Supervisors and Legal	Planning Department	
XVI. Management of the Board of Directors	Board of Directors Office	Legal	
XVII. Material Information Management and Insider Trading Prevention	Director, managerial officers, and people who are aware of the information	Spokesman System, Confidentiality System	
XVIII. Information Security	Information Department	General Manager, Deputy GM	
XIX. Environment Health and Safety	Safety and Health Center	President	

VII. Assessment of risks

(I) Effects of interest rate change, exchange rate change, and inflation on the Company's profit and loss and the countermeasures in the future

1. Interest rate change

The net interest income of the Company for the year ending December 31, 2022 and the quarter ending March 31, 2023, was NT$ 33,297thousand and NT$ 12,837thousand respectively, which accounted for 0.2% and 0.4% of the net operating revenue. Therefore, there was no significant impact on the Company's operations and profit. In the future, in response to the change of interest rate trends, we will actively look for higher returns and lower cost targets to reduce interest rate risk.

2. Foreign exchange rate change

For the year ending December 31, 2022 and the quarter ending March 31, 2023, the Company's net exchange gain (loss) amounted to NT$ 113,861thousand and NT$ 6,367thousand, respectively, which accounted for 0.76% and 0.19% of net operating revenue. Therefore, there was no significant impact on the Company's operations and profit. In the future, to reduce exchange risks, we will actively develop foreign exchange hedge strategies in response to the changes in exchange rate trends.

(II) Policy on high risk, high leverage investment, loaning of funds to others, endorsement and guarantee, and derivative trading, and main reasons for profit or loss and countermeasures in the future

1. High-risk and highly leveraged investments, loans to others, and derivative trading: not applicable. The Company does not conduct such business.
2. Endorsement/guarantee: As of March 31, 2023, the balance of endorsement/guarantee is NT$ 13,500thousand.

(III) Future R&D Plan and Estimate of R&D Expenses

R&D for the next two years will concentrate on:

1. Microbiological material R&D and establishment of application technology.
2. Development of the functional amino acid calcium fertilizer.
3. Algae polysaccharide extraction technology research and development.
4. Deep seawater for aquaculture application development.
5. Development of purification technology for electrochemical products.
6. Development of the coating technology of slow release fertilizer.

To enable sustainable growth, Taiwan Fertilizer Co., Ltd. will continue to strengthen research and development. The estimated total R&D budget will be about NT$50 million each year. The R&D plan for the next two years is summarized as follows:

1. Microbiological Material R&D and Establishment of Application Technology

With industry-academia cooperation and the transfer of technology with Taichung District Agricultural Research and Extension Station, Miaoli District Agricultural Research and Extension Station, Kaohsiung District Agricultural Research and Extension Station, National Chung Hsing University, and Far East University, the Company, along with its internal microbial fermentation core technology, will establish a fermentation mass production technology for beneficial crop antagonistic bacteria. To cope with the governmental policy guidance to achieve the agricultural net-zero by 2040, TFC will continuously assess the integration model of the product up and downstream, raw material supply chain, and operational planning and channel positioning. Adding the combination of the residual agricultural resources and the beneficial antagonistic bacteria to fertilizers for product development, while verifying the fertilizing effect in the field of products, the Company develops biotech fertilizers and biopesticide products with the market competitiveness, and expands sales actively by incorporating activities of the Sales Department. The Company continuously collaborates and exchanges with the external organic model farms via the crop growing technologies, to expand and promote organic and eco-friendly agriculture. Total R&D disbursement for the next two years will be NT$15 million.

2. Development of the functional amino acid calcium fertilizer:

During 2017 and 2018, we have conducted an industry-academia collaboration project, "Trial plantation of Japanese style safe strawberry cultivation management method", with Yuanpei University of Medical Technology, to develop liquid-type products including certain amino acids, sub-rarer essential element (mainly calcium), to strawberries and melons. In the next two years, the applications from vegetables to fruit trees will be expanded, e.g. lettuce, mango, and pear, for preventing the physiological diseases, improving the quality of vegetables and fruits, and enhancing the resistance of crops to diseases. In addition, NT$3 million has been budgeted for R&D, to produce a batch of 500 liters as a trial. It is expected to conduct the technology transfer and launch the new product in 2023. Total R&D disbursement for the next two years will be NT$5 million

3. Algae Polysaccharide Extraction Technology Research and Development:

By collecting the analyzed values of each content from the cultivated ulva lactuca every month of a year, the Company establishes the Company's certificate of analysis (COA) of the ulva lactuca polysaccharides. The project is expected to be completed in 2023. In the future, the production process will be improved and optimized, and the ulva lactuca polysaccharides raw materials and the healthy functional derivatives will be developed; meanwhile, proper agencies will also be contacted to plan the sales model, and increase the popularity of ulva lactuca polysaccharides. The R&D disbursement for the next two years is expected to be NT$5 million

4. Deep Seawater for Aquaculture Application Development:

The Company has also applied the three major DOW features, low temperature, cleanliness, and rich in nutrient salts for the farming of enteromorpha prolifera, ulva lactuca, and sarcodiaceae, as well as for shrimp farming. For algae farming, the enteromorpha germplasm preservation, seedling, and process improvement programs will be continued, including the establishment of enteromorpha gene bank and optimization of technologies and the process of breeding, to ensure the industrialized production of genes and stable seedling; meanwhile, to cope with the demands of extracting materials of algal polysaccharides from ulva lactuca, the optimization of ulva lactuca farming technologies and equipment will be continued, and the quality materials of dry ulva lactuca will be produced stably, to respond to the development needs for the future algae health sector. For the processing technologies and equipment, the quality management and processing capacities of algae process will be improved, and the production will be systemized by adapting to ISO 22000 and HACCP management standards. In regard to shrimp farming, the Company will continue to optimize the farming conditions for white shrimps, including observations of microalgae in the farming pools, automatic feeders, and systemization of farming scheduling. R&D investment in the next two years are projected amount to NT$20 million.

5. Development of purification technology for electrochemical products:

The Company has also applied the three major DOW features, low temperature, cleanliness, and rich in nutrient salts for the farming of enteromorpha prolifera, ulva lactuca, and sarcodiaceae, as well as shrimp farm. For the algae farming, the germplasm preservation, seedling, and process improvement programs will be continued, to ensure the industrialized production of genes and stable seedling; the quality management and processing capacities will be improved, to meet ISO 22000 and HACCP management standards. Additionally, the optimization of the technologies and equipment for algae farming will be continued to stabilize the production of the quality dry algae raw materials, for responding the demands of algae in the health industry in the future. In regard to shrimp farming, the multi-section farming water conditions have been tested continuously to maximize the application of the valuable DOW resource. R&D investment in the next two years are projected amount to NT$10 million.

6. Development of the coating technology of slow release fertilizer:

Agriculture nowadays tends to use fertilizer with a high nutrient utilization rate with reduced effort. To elevate fertilizer utilization, while being eco-friendly, the Company intends to develop a degradable slow-release fertilizer, expecting the fertilizer to release the nutrient at a time as close as possible to when crops need fertilizer for growth, to save the time of fertilizing, and ensure the high production volume and quality of crops for the sustainable development of the agricultural environment. The Company will establish the core coating technologies for the slow release fertilizers, and plans the partnership with “Plastics Industry Development Center,” which has the expertise of related analysis and application of coating materials, to develop the eco-friendly degradable coating materials, seeking to apply the optimal materials and coating technologies, to produce the slow release fertilizers with multiple formula, for farmers to choose and use. Total R&D disbursement for the next three years will be NT$10 million for this development project.

7. The main factors affecting the success of R&D are

(1) The leading edge of technology.

(2) Integration of internal and external resources.

(3) Product marketing ability and market feedback mechanism.

(IV) Effects of important policies and legal changes at home and abroad on the Company's finance and business and countermeasures

1. The Company has coped with the COA’s fertilizer purchase with real name 2.0 policy, which include the subsidies for shipping freights of organic matter-containing compound fertilizers, shipping freights of chemical fertilizers to Hualien, Taitung, and islands, as well as the carbon-reduction of coated compound fertilizers. Since January 10, 2022, whenever a farmer buys the fertilizers under the domestic major fertilizers through the real name system of the fertilizers purchasing information system, the fertilizer maker is eligible to apply the subsidy of 50% of the price increase in the fertilizer materials.

2. The Executive Yuan promoted the "Actual Price Registration 2.0" policy. On December 30, 2020, the Legislative Yuan passed the amendments to the "The Equalization of Land Rights Act," the "Land Administration Agent Act," and the "Real Estate Broking Management Act." These amendments have a total of five key points, including 1."Complete disclosure of transaction information including door number and land number," that is to remove the current requirement that transaction information is disclosed in a sectional and de-identified manner, but fully disclose the door number and land number information, and retroactively applied the cases that have been disclosed; 2. "Pre-sale houses are fully managed and declared immediately." Those who add pre-sale houses should report the construction information in writing to the local government for reference before selling, and self-sellers are included in the scope of the actual-price registration system. The report time is advanced to report within 30 days after the signing of the pre-sale house transaction contract; 3. "Addition of the competent authority's inspection authority and increased penalties for repetitive failure of correction." The local competent authorities may check the documents of counterparts of transactions; for any one dubious of reporting fake registered price, the central competent authority may consult relevant agencies or financial institutions for price information related documents; 4. “Managing the Red Slip," which clearly stipulates that when the pre-sale house seller receives the deposit, a written agreement shall be used to specify the underlying object and considerations; The seller shall not agree anything unfavored to the buyers, including the seller reserving the right to sell and sign a contract, and the buyer must not resell the pre-sale house red slip to a third party; 5. "Pre-sale house sale standard form contract for reference", specifying that before the presale house is sold, the seller shall report the standard form contract of pre-sale house transaction to the local government for reference. The penalty

rules are specified for the aforesaid five measures. The Company shall complete various required reporting before the deadline when conducting real property transactions to avoid penalty.

(V) Effects on the Company's finance and operations of developments in science and technology (including cyber security risks) as well as industrial change, and countermeasures

1. With the change of Taiwan’s agricultural structure and the increasing emphasis on environmental protection and health preservation awareness of the citizens, the Company has started to build an organic fertilizer plant for the production of organic fertilizers; with the superior material supply system and fermentation technology and taking advantage of the Company’s excellent brand image it will reshape the image of the “Known-You” brand of organic fertilizer and to enter the domestic and foreign organic fertilizer market. Continue to improve the formula and introduce a variety of beneficial microorganisms; also, introduce a post-fermentation process to improve the quality of organic fertilizer products.
2. Due to the severe impact of international raw material and energy price fluctuations on the production of fertilizers and chemical products of the Company, for the purpose of grasping the sources of raw materials and reducing the impact of price fluctuations, the Company has strengthened supply contracts with manufacturers and continued the investment contract with SABIC in Saudi Arabia; also, it has actively implemented a downstream related product integration investment plan and energy transfer investment plan in order to improve the overall operating synergy of the Company.
3. Please refer to Chapter 5, the information related to the cyber security management for the cyber security risks.

(VI) Effects on the Company's crisis management of changes in the Company's corporate image, and countermeasures

The Company was originally a state-owned enterprise and has been transformed into a private Company since September 1, 1999. The Company has continued to reform its business with a diversified operation implemented to improve operating performance; also, it has changed people’s stereotyped images of a company with a state-owned business operation. The Company’s corporate image has been positively promoted; however, while pursuing reasonable profits, the Company still fully cooperates with the government to take care of the farmers and uphold the downstream chemical industry policies, to stably supply domestically-needed fertilizers and chemical products at a reasonable price, and to execute various industrial pollution prevention tasks and care for the benefit of employees. The Company established the Taiwan Fertilizer Foundation in 2007 to take care of farmers and underprivileged individuals; also, it aims to exercise corporate social responsibility in order to fulfill the three operating objectives, including “promoting stable development of the Company’s operations,” “protecting the interest of the Shareholders of the Company,” and “performing the social responsibility of the Company.”

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken

The Company has no project or plan for M&A.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken

The plans for the relocation of the Company’s factories to Taichung Harbor were completed in 2015 and the development will be carried out in three phases. The first phase will be for land filling and geology improvement, harbor loading and storage facilities, raw material storage systems, public systems, other infrastructure constructions, and new construction projects for nitric acid and nitrate-phosphorus plants. The second phase will be for the construction of phosphonium and ammonium sulfate plants and the relocation of an old nitrate-phosphorus plant. The third phase will be for the construction of a new phosphate fertilizer plant. The production in each old plant will be ceased gradually and the relevant production machinery and equipment will be relocated to the new plants in accordance with the principle of “build new plants, relocate old plants” to continue the overall operation of the Company and ensure that the fertilizer supply business will not be interrupted due to the development of this plan.

The Company has been producing fertilizers for more than 76 years and is quite skilled in various fertilizer production processes. The business product items in this plan are all current business items on the production line:

1. Chemical Products: liquid ammonia, urea, phosphoric acid, nitric acid, sulfamic acid, and other chemicals.
2. Fertilizer products: single nutrient fertilizers, potassium sulfate “King Won” fertilizer series, “Hey Won” nitrophosphate organic compound fertilizer series, Biotec organic compound fertilizer series, "SuShiauBau" organic compound fertilizer series, organic fertilizer series, instant water soluble fertilizer series, biopower stimulants series, microbial fertilizer, micronutrient fertilizer, and acidic soil conditioner, among other things.
3. Warehoused Products: In line with the increase in the utilization rate of the harbor unloading business, the Company will actively strive to apply to the Port of Taichung to become a qualified statutory unloading and storage company to undertake the customs declaration and tally business of the import and export goods of the fertilizer industry or other businesses.

In line with the implementation of this plan, in addition to screening the world’s excellent manufacturing processes, the Company will strictly request these international manufacturers to provide patent technology guarantee in compliance with production specifications; also, combine each plant’s many years of operating experience in the design improvement to refine the production process in order to lay a foundation for future successful business operation. Moving the production of each plant to Taichung Harbor, will help increase productivity, efficiency, product portfolio, unloading management efficiency, and complementary use of raw materials in order to reduce costs. In particular, the production site is close to major fertilizer markets, such as, Taichung, Nantou, Yunlin, Chiayi, and Tainan, which are highly beneficial to the management of sales channels, reduction of transportation costs, and market integration and competition.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken

1. The major suppliers of the Company in 2022 are Sabic Asia Pacific, Ma'aden, and K+S. Among them, Sabic Asia Pacific and Ma'aden are the top two liquid ammonia manufacturers in Saudi Arabia, as well the major suppliers in Asia. K+S is one of the key potassium chloride manufacturer in the world. All of them have good business relationships with the Company. Apart from paying attention to the supply quality and goodwill of each raw material supplier, the Company also judges business conditions, prepares safety stocks, and follows-up on shipping lead time; therefore, the risk of facing purchase concentration is insignificant.
2. The Company’s major customers for fertilizer products are farmers’ associations in all counties and cities of the country, with dispersion of sales, and there is no risk of concentration of sales.

(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: not applicable

(XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: not applicable

(XII) Litigation and non-litigation

1. The Company established TR Electric Chemical Co., Ltd. (hereinafter referred to as "TR Electric") as a joint venture with Samoa Jinqun International Co., Ltd. (hereinafter referred to as "Jinqun") On February 29, 2012. TR Electric took out a loan of US$ 10 million from the Hsinchu Branch of Shanghai Commercial and Savings Bank in early 2012 with this Company and Jinqun serving as joint guarantors. Due to the fact that TR Electric was unable to repay the loan, this Company paid back a total of US$ 10,017, 062 (4.57 million, 3.3 million, and 2,147,065 on June 26, 2014, April 23, 2015, and March 31, 2016, respectively) to avoid the generation of overdue records at the Joint Credit Information Center. Pursuant to the regulations set forth in Article 281 of the Civil Code, this Company is entitled, as one of the joint debtors, to "demand from the other debtors the reimbursement of their respective shares in the prestation (US$ 5,008,532 each), plus interest from the date of release, due to release from the obligation by virtue of its performance." Since Jinqun was a Samoa-based foreign company not recognized in Taiwan, and Chien-Liang Chao being its credit and joint guarantee agreement signatory with power of attorney was listed as co-defendants along with Jinqun, in this case, pursuant to Article 15 of the Enforcement Act of the Part of General Principles of the Civil Code stipulates that "the actor shall be jointly liable for this legal action with the foreign legal person," and thus shall pay the Company NT$ 5,008,532. The Company thus commissioned an attorney to file repayment litigation with the Taipei District Court on July 18, 2017. The Court's verdict (Chong-Su-Zi No.1012/2017) on December 17, 2018, stated that the defendants Jinqun and Chao, Chien-Liang shall pay the plaintiff, US$ 2,666,032, with an interest rate at 5% per annum counted from June 27, 2014, to July 5, 2015 Chien-Liang Chao as the responsible person for Jinqun then filed a second instance appeal on January 7, 2019, of which the Supreme Court has accepted (Chong-Shang-Zi No.395/2019) and initiated preliminary court hearings on July 25, 2019. In response, the Company's attorney submitted an answer and filed an incidental appeal on July 17 2019, claimed that Jinqun and Chien-Liang Chao should pay additional US$2,342,500 to the Company with an interest rate at 5% per annum, to the date of complete repayment. The Company's commissioned attorney had presented in the preliminary court of the 2nd instance on July 25, 2019; the case was ruled on December 31 in the same year, according to a written order of appeal on January 3, 2020. The appeal against Chien-Liang Chao was upheld by the court, but the incidental appeal against Jinqun filed by the Company was overruled by the court. In other words, debt litigation, TFC as the prevailing party of the first and second court instances could demand the full amount of repayment from Chien-Liang Chao. Chien-Liang Chao, the responsible person of Jinqun thus filed a third court instance appeal on January 30, 2020, the Company, therefore, commissioned the same attorney as in the second appeal. On August 19, 2021, the Supreme Court decided to return the case to Taiwan High Court; Taiwan High Court judged on April 18, 2023, and the appeal and incidental appeal are both rejected. The Company will discuss with the lawyers to see if any appeal will be filed.
2. On February 24, 2011, the plaintiffs, Chi-Nien Tsao and Tung-Chou Chao signed the transaction contracts of houses during the presale of "Sun & Moon" with the Company for NT$80,600,000 and NT$81,400,000, respectively. The two paid the considerations of NT$21,261,071 and NT$21,669,962, respectively. The Company sent the reminder letter on January 14, 2016, to urge the two plaintiffs to complete closing procedures and ownership transfer. Still, the two plaintiffs did not execute the closing obligation within the prescribed time limit. The Company, therefore, notified them through a letter on

March 9, 2016, its move to rescind the two purchase contracts for their failure to complete closing payments, and charged them a breach penalty equivalent to 15% of the total amount paid. The two plaintiffs thus filed civil appeal around June 20, 2017, to claim a refund of purchase payment. According to the opinion of the Taipei District Court: "checked through dossier, found no evidence of reminder material that showed 'defendant has notified plaintiffs to close payment with written notice after the defendant has considered two plaintiffs failed to complete the closing procedure within a prescribe time limit', but defendant executed the right of rescission with the aforementioned legal attest letter on March 9, 2016, which violated the provisions of the contract, and was illegitimate. But as investigated, the defendant has sold the contentious unit on the 14th floor to the third party on October 28, 2016, and completed the closing procedures… and resulted in the impossibility of performance; therefore, Chi-Nien Tsao, the plaintiff, claimed for rescission of the purchase agreement and demanded the return of the payment for the unit on the 14th floor amounting to NT$ 21,669,962 pursuant to the regulation set forth in Article 256 of the Civil Code, and did so legally." (referred to Taipei District Court case number Cong Su Zi No. 1017/2017, Item 4, Chapter 2 of Civil Verdict) On November 23, 2018, the first judgment was given in favor of the plaintiff (whereas the Company shall return Chi-Nien Tsao the payment of NT$ 21,669,962), but Tung-Chou Chao lost the suit against the Company. Mr. Chao objected to the verdict and has filed appeal again. The Company also filed an appeal with Taipei District Court on December 21, 2018. The second instance trial of the case number is Chong Sun Zi No.124/2019. In the second trial, the court judged that "the claim of Tung-Chou Chao for TFC to refund the consideration of NT$21,261,071, pay liquidated damages, or compensate NT$12,090,000 is groundless," on December 29, 2020. In other words, the appeal filed by Mr. Chao was without reason. For the judgement regarding Chi-Nien Tsao, the court found "Chi-Nien Tsao may request TFC to refund the consideration of NT$12,210,000 with interest." Both the Company and Chi-Nien Tsao appealed for the third instance. On September 14, 2021, the Judgement 110-Tai-Shang No. 2214 of the Supreme Court threw out Chi-Nien Tsao's appeal, and the appeal of TungChou Chao was sent to the High Court. The Company is ruled lost the case in the re-first instance on February 7, 2023; the Company filed the appeal to the court of the third instance on March 8.

3. On July 31, 2011, Fulien International Property Co., Ltd. purchased 3 units (including 6 parking spaces) of the Building "Sun & Moon" from the Company, including A2/A3 on the 17th floor, A2 on the 14th floor, and A5 on the 11th floor, with more than NT$ 80 million of partial payment made (total a cost of NT$ 240 million). Still, the mortgages and building ownership transfer registration was not completed before April 4, 2015. The Company had Fulien International Property Co., Ltd. reminded repeatedly, but Fulien International Property Co., Ltd refused to complete the contract. The Company thus sent a legal attest letter on December 1, 2015, to cancel the contract for the purchase of the three properties, and to charge a penalty for a breach of contract for an amount equivalent to 15% of the total purchase amount of NT$ 47,157,000. Fulien International Property Co., Ltd. thought that the penalty for an amount equivalent to 15% of the total purchase amount was too high. It filed a "penalty reduction" litigation with the Taipei District Court on December 29, 2015, claiming that the Company should have the penalty for a breach of contract reduced to an amount not more than 7% of the total purchase and demanding the Company refund the confiscated liquidated damages of NT$ 37,939,406 based on unjust enrichment. The Company commissioned attorney filed an answer (Chong Su-Zi No. 148/2016) for the case before February 2016 to detail the total amount of derivative expenses and damages incurred due to the cancellation of the contract for more than NT$ 100 Million. The Taipei District Court dismissed the plaintiff's lawsuit and the plea for provisional injunction with the civil judgment issued on July 1 2016. Fulien International Property Co., Ltd. objected to the court judgment of the first instance and filed an appeal on July 22, 2016. The Company commissioned an attorney to serve as the appellee's action agent

for the second court instance. The High Court had the second instance appeal assigned with the case number of Chong Sun Zi No. 778 dated 2016 and dismissed the appeal in the final verdict on August 7, 2018, for the same reason as stated in the first ruling. Fulien International Property Co., Ltd. has therefore filed a third appeal around September 3, 2018. (Case No. Tai-Shan-Zhi No.611/2020). The Supreme Court abolished the original verdict on April 30, 2020 and remanded the case to the High Court for rehearing. The reason was that the arguments regarding the “cancellation of transaction contract” and “reduced penalty” were worth hearing. On May 18, 2021, the Taiwan High Court decided the result of the retrial for the first instance in favor of the Company; however, for the part of “reduced penalty,” the Court decided that the Company shall refund Fulien International Property Co., Ltd. for NT$15.719 million and the interest. Both parties appealed for the amount to be refunded. On June 18, 2022, the Supreme Court rejected appeals of both parties, and the decision was final. The Company had confiscated 15% of the total amount as the penalty for a breach of contract (NT$47,157,000), and from which, 5% (NT$15,719,000) shall be refunded.

4. In 2011, Mr. Kuo-Chi Liao purchased two presold units (B1-11 and B5-11) of the Building “Sun & Moon” and has completed ownership transfer. In March 2016, four of the joint purchasers of the unit A3-09F, the City Bon Company, Kwong Tsuen Construction Co., Ltd., and Da Shon Company, together filed joint litigation with the Taipei District Court in August 2016 stating the detection of countless black cracks on the structural pillars and suspecting the presence of slag components. They requested a purchase price reduction to NT$ 24.2 million (Mr. Liao requested a reduction to NT$ 7,950,000 and the three other plaintiffs requested a total reduction to NT$ 16,250,000) due to illegal construction, unsafe building structure (public facility flaws), and false advertising pursuant to Article 359 of the Civil Code. The Taipei District Court was scheduled to hear the first oral argument (Chong Su-Zi No. 1090/2016) for the case on November 22, 2016. Taipei District Court commissioned the Taipei Professional Civil Engineers Association with an official letter issued on July 26, 2017, to conduct an appraisal to clarify whether slag components are present in the concrete used for structural pillars or diaphragm walls of the B1, B2, and B3 parking lot area. The Association notified the court on October 18, 2017, that the total appraisal fees cost NT$ 1.08 million, of which the Company bore part of the appraisal expenses up to NT$ 600,000. In October 2020, the first instance trial found against the Company, and determined the plaintiffs claiming price reduction pursuant to the provisions of the Civil Code, and the refund the consideration pursuant to the improper gains defined in the Civil Code was justified. The Company has appointed a lawyer to file a second instance appeal on November 16, 2020 (Case No. Chong Sun Zi No.943/2020), the second instance of this case is currently underway
5. Plaintiff Fang-Chou Lai owned the land of Land lot 934 of Beishan section in Xizhi District, New Taipei City, as there are no roads for passage around, Lai then requested for the right of pass through surrounding lands of Land lot 1332 and 1318 of Beishan Section, owned by the Company and National Property Administration totaling 125 m2. But as what requested was too high than regulations stated in current law, the claim of Lai was denied by the Company and National Property Administration. In order to declare the right of passage and necessity to install cables, and pipelines of water and gas on land lot 1332 in Beishan Section that was owned by the Company, Lai, therefore, filed a lawsuit ensuring the right of passage with Shilin District Court Neihu Summary Court on November 26, 2018. The National Property Administration was also the defendant of the case, which is now being tried in Taiwan Shilin District Court (referred to case number Chong Su Zi No. 18/2019). The plaintiff demanded an amount of NT$ 10,100,000 from the Company and the National Property Administration. On August 31, 2020, the court ruled in favor of the Company, on the grounds that the current land use status of the Beishan Section of Xizhi District, New Taipei City, owned by the plaintiff, did not meet the key land requirements specified

in Article 787 of the Civil Code, and his plan to go through the Company's land should was neither the least harmful method. The plaintiff, Mr. Lai, has filed an appeal for the case. On November 13, 2020, the court of first instance transferred the file to the court of second instance (Taiwan High Court) (Case No. Chung-Shang Zi No .851/2020). The High Court called the proceeding court on December 21, 2020, and issued an letter to New Taipei City Architects Association (NTCAA) to entrust an appraisal on December 24, 2020. NTCAA conducted the joint inspection on March 30, 2021 and September 16, 2021. The case is now on trial in the High Court.

6. Ms. Li-Ren Wang, the plaintiff, has purchased one presold unit (B2-4F, including two parking spaces) of the Building "Sun & Moon" from this Company on March 3, 2011. The total value of this unit priced NT$ 81.32 million, and the plaintiff has paid in advance a total of NT$ 37.5 million. When the Company acquired the usage permit for the aforementioned residential building project on December 4, 2014, and notified the owner to conduct the handover procedure, Ms. Wang refused to complete her follow-up payments, mortgage application, and closing payments. She also failed to provide the Registration of Ownership transfer and did not execute her closing obligations. The Company thus invited Ms. Wang to settle the dispute on October 12, 2015. Ms. Wang showed up and expressed her will to terminate the contract and sent a lawyer's letter on the 30th of the same month in the same year to rescind the purchase contract. Ms. Wang further sent a complaint to the Consumer Protection Officer about the Company for false advertising and that the external wall grilles were installed illegally. Pursuant to the provisions set forth in Article 26, Paragraph 1 of the purchase agreement (failure to execute obligations within a prescribed time limit upon written notice), the Company thus sent official correspondence on December 1, 2015, to conduct the right of rescission and charge a breach penalty equivalent to 15% of the total purchase amount (NT$ 12,198,000). Ms. Wang commissioned an attorney to file litigation with the Taipei District Court in September 13, 2016 and complained about the detection of significant flaws during the public facility handover in July 2016. These included ready-mixed concrete adulterated with slag, and false advertising constituting fraudulent behavior such as an incomplete wooded area covering 5,000 m2. The attorney of the plaintiff requested to cancel the purchase and claimed rescission of the purchase agreement and return of all payments by this Company pursuant to the regulation set forth in Article 92 and 359 of the Civil Code. (case number Xiao Sun Zi No. 36/2016) The Company appointed an attorney as its litigation representative. On November 28, 2017, Taipei District Court dismissed the plaintiff's lawsuit, and determined that the Company has notified the plaintiff to rescind the contract according to the regulation on Article 26 of the contract on December 1, 2015, thus with the provision of legal rescission. The plaintiff has filed a second instance appeal (case number Xiao Sun Zi No. 1/2018). The Company again Commissioned the attorney of the first instance to be its litigation agent of the appeal trial. On April 27, 2021, the High Court decided to reject Ms. Wang's appeal, and for the additional suit (reduced penalty), the Court ordered the Company to pay Ms. Wang NT$2.058 million with interest. For the amount that the second trial court ordered the Company to pay, the Company has commissioned an attorney of law to file an appeal. Both parties have appealed the third instance for the amount to be refunded. The Supreme Court announced the judgement on January 11, 2023, to maintain the judgement of the second trial. The Company won the case; however, the amount of the penalty for contract breaching was reduced, and the Company shall refund NT$2,058,000 to Ms. Wang.

7. The Company had lent Hualian City Office part of its land at Land lot 121, Meigang Section, Hualian City for use as an access road of a landfill, with leasehold till April 30, 2019. Whereas resolved at the Board meeting in April 2019, there would be no renewal and the Company would take back the land on May 1, 2019. The Hualian City Office, therefore, notified the Company through an official letter issued on May 2, 2019 that stated "the laneway borrowed by Hualian City Government had already been assigned as

existing laneway in the official letter issued on March 5, 2014, numbering Chian Ji Zi 1030017212", "through examining judicial practices, if there is an objection to the determination of designated "existing laneway" as a public easement, the Company may file an appeal with Taipei High Court for declaratory relief to determine if the public easement is applicable." Since the Company was denied the right to take back the land with the access road by the Hualian City Office, and its sanitation worker has interfered with the Company to install the access control system on May 9, 2019. The Company, therefore, commissioned the attorney to submit a complaint to administrative judgment on June 24, 2019, to determine the loaned land was not the "existing laneway." The case was decided on March 25, 2021, and the Court found that the public easement of Land lot 121, Meigang Section, Hualian City did not exist, i.e. in favor of the Company. The defendant, Hualien County Government filed an appeal. Upon receiving the indictment, the Company commissioned an attorney of law to issue a letter to Hualian City Office on May 17, 2021, to request them to obtain the source of legitimacy for their access, and commissioned the attorney of law on May 18, 2021, to file the administrative plea and power of attorney. The Supreme Administrative Court rejected the appeal filed by Hualien County Government on October 27, 2022, and the Company won the case.

8. The Company and Guangxi Mingli Chemicals Co., Ltd ("Mingli" hereinafter) entered a procurement contract No. PA-0445CH for the electronic-grade phosphoric acid procurement on September 2, 2015 (hereinafter "procurement contract") with a term of September 2015 to August 2016. The payment term is full pre-payment for yellow phosphorous, a material of electronic-grade acid. However, Mingli had the problem of quality and delayed delivery since May 2016, and thus the delivered volume was less than 60% of the agreed contractual volume till the expiry of the contract. The Company and "Mingli" reached an agreement in November 2016 to extend the procurement contract to April 2017. In January of 2017, "Mingli" announced that it had reached a strategic cooperation agreement with Jiangsu Kaiyuan Pharmaceutical and Chemical Co., Ltd., but "Mingli" was unable to resume the production line of electronic-grade acid still, so the Company appointed a lawyer to send a letter to "Mingli" in November 2017, requesting "Mingli" to buy back the unused yellow phosphorus pursuant to the procurement contract. Later, the Company signed a supplementary agreement with "Mingli" in December 2017 to extend the procurement contract to December 31, 2019. However, when the procurement contract expired on December 31, 2019, "Mingli" was still unable to resume supply. On May 19, 2020, the Company commissioned a lawyer to file a complaint and claim damages from "Mingli" for US$1,027,817.62. The case number established by the court was "(2020) Gui-07 Min-Chu-No. 38," and the cause of the litigation was "disputes over transaction contracts." The first trial session of the first instance was conducted on July 17, 2020 at "Qinzhou Intermediate People's Court, Guangxi Zhuang Autonomous Region." "Mingli" agreed to apply the Chinese law for the trial, and demonstrated the willingness to settle. On July 20, 2020, the Company filed a written explanation in response to the other party's objection. On December 11, 2020, the court found the fact that "Mingli" had breached the contract, and ordered "Mingli" to compensate the Company's consideration plus interest losses (based on US$1,012,533.41 with the interest rate as the six months London Interbank Offered Rate (LIBOR) on January 2, 2020, which was 1.9095%, from January 1, 2020 until the date of full repayment). The case acceptance fee of RMB61,923 was borne by Mingli. December 31, 2020 was the effective date of the judgement, and the deadline for "Mingli" to perform the liability was January 10. 2021. As of the deadline, "Mingli" has not contacted the Company for their repayment. On February 4, 2021, the Company commissioned a lawyer to file the enforcement application to Qinzhou Intermediate People's Court. The Court informed that other creditors of the bankruptcy application of "Mingli" on October 15, 2017, and Qinzhou Intermediate People's Court has ruled to accept the bankruptcy and liquidation of "Mingli." On January 11, 2022, Qinzhou Intermediate

People's Court issued the (2021) Guilin 07 Po No. 4 “Civil Ruling,” and confirmed all the claim amounts filed by the Company. Currently, 51 creditors have been confirmed, and the total claim amount is NT$1.54 billion; there are still claim amounts not confirmed. On January 21, 2022, the second meeting of the creditors was convened. In the meeting, the proposals to cash out the properties and the distributions were voted on. And both the proposals were approved.

9. Regarding the enforcement of the provisional disposition between Dong-Cheng Investment Consulting Co., Ltd. and the Company, pursuant to the enforcement order Shi-Yuan-Qing-110-Si-Chi-Quan-Zhuang-Zhi No. 231 by Shilin District Court, the Company shall comply with the main text of the provisional injunction ruling of Taipei District Court 2021 Quan-Zhi No. 162, not to be used by itself or delivered to others for using, or rented, or leased six levels above the ground and 50 parking spaces at Building B indicated on 2017 Jian-Zhi No. 56 Construction Permit on Land Lot No. 12 at Jing-Mao Section, Nangang District, Taipei. For this provisional injunction, the Company filed an appeal to the ruling. The 2021 Kang-Zhi No. 1232 Civil Ruing by Taiwan High Court rejected the Company’s appeal, and the Company commissioned a lawyer to re-appeal on December 6, 2021. On April 11, 2022, the Supreme Court rejected the re-appeal with the Civil Ruling 2022 Tai-Kang-Zhi No. 126. The Company also filed the request to withdraw the provisional disposition. Taiwan High Court ruled that the provisional disposition upon the Company’s collateral of NT$262,553,849, shall be withdrawn. The Company has lodged the collateral, and Shilin District Court has withdrawn the execution order Shi-Yuan-Ching-110-Si-Zi-Quan-Zhuang Zhi No.231 dated September 17, 2021.
10. For the same case, after Dong-Cheng Investment Consulting Co., Ltd. filed a provisional injunction, it also filed a lawsuit to the Taipei District Court, to claim that the Company shall deliver six levels above the ground and 50 parking spaces at Building B indicated on 2017 Jian-Zhi No. 56 Construction Permit on Land Lot No. 12 at Jing-Mao Section, Nangang District, Taipei for their use and benefits. The Company has commissioned a lawyer to appear. The case was tried at the court of the first instance. The Company received the complaint in November 2021. The court of the first instance ruled on August 31, 2022 that the Company shall deliver 50 parking space to Dong-Cheng for their use and benefits. Other complaints of Dong-Cheng were rejected. The Company has appealed for these parking spaces.
11. Regarding the enforcement of the provisional disposition between Dong-Cheng Investment Consulting Co., Ltd. and the Company, pursuant to the enforcement order Shi-Yuan-Qing-111-Si-Chi-Quan-Zhuang-Zhi No. 25 by Shilin District Court, the Company shall comply with the main text of the provisional injunction ruling of Taipei District Court 2021 Kang-Zhi No. 1365, not to deliver to others for using, or rent, or lease 799 parking spaces at Land Lot No. 12 at Jing-Mao Section, Nangang District, Taipei. For this ruling, the Company commissioned a lawyer to re-appeal on February 14, 2022 On May 19, 2022, the Supreme Court rejected the re-appeal with the Civil Ruling 2022 Tai-Kang-Zhi No. 346. The Company also filed the request to withdraw the provisional disposition. Taipei District Court ruled that the provisional disposition upon the Company’s collateral of NT$65,840,000 shall be withdrawn. The Company has lodged the collateral, and request to withdraw the enforcement.
12. For the same case, after Dong-Cheng Investment Consulting Co., Ltd. filed the provisional injunction, it also filed a lawsuit to Taipei District Court, to request the Company to deliver 799 parking spaces indicated on 2021 Shi-Zhi No. 0122 Use Permit on Land Lot No. 12 at Jing-Mao Section, Nangang District, Taipei for their use and benefits. The Company received the complaint in May 2022, and has commissioned lawyers to respond the complaints. On March 23, 2023, the judgement is that the Company shall deliver 799 car parks at the basement to Dongzheng Company for their income. The Company has filed the appeal.

13. Taiwan Life Insurance Co., Ltd. claimed a damage of NT$114,458,478 from the Company during July and August 2022 for the treatment of soil containing ammonia in C3 land of Nangang. The Company has commissioned lawyers to respond the claim. The case is on trial in the court of the first instance.
14. Taifer (Cayman) International Group Co., Ltd., a subsidiary of the Company, established TR Electric Chemical Co., Ltd. (hereinafter referred to as "TR Electric") as a joint venture with Samoa Jinqun International Co., Ltd. (hereinafter referred to as "Jinqun"). TR Electric took out a loan of US$ 10 million from the Hsinchu Branch of Shanghai Commercial and Savings Bank on February 29, 2012 with the Company and Jinqun serving as joint guarantors. Later, the loaning bank collected the loan from the joint guarantors (including the Company), and thus the Company sustained damages. For this case, after the investigation of the Taiwan Taipei District Prosecutors Office, it was recognized that Chung, Rong-Ji, Chou, Wei-Hsin, and Liu, Yi-Chung violated the Securities and Exchange Act, as they proposed the Company and Jinqun serve as the joint guarantors for TR Electric Chemical Co., Ltd. to finance US$ 10 million from a bank, and claimed that such a guarantee conformed to the related laws and regulations to have the Company to approve the proposal and become a joint guarantor. The three people were prosecuted on September 30, 2022. In the first instance of the court, the Company has commissioned lawyers to represent the Company in the litigation.

(XIII) Other important risks, and mitigation measures being or to be taken:

Evaluation and Analysis of Information Security

1. **Risk evaluation and analysis of cyber-attacks:** In spite of the constantly changing cyber-attacks and invasion types, the Company has established a multi-level information security protection system through various gateway security equipment and end point security system in order to protect or maintain the Company's manufacturing operation, accounting, and other critical operating functions. Data backup and standby system are in place according to the operating procedure. But there is no guarantee that the Company's intranet will be completely free from any illegal invasion and cyber-attack, or any activity that will destruct the Company's operation and damage the goodwill. Malicious attack may also try to implant a computer virus, ransomware, or other malicious program into the Company's network and information system, interrupting with the Company's operating, acquiring the control over the Company system, extort the Company or intruding the confidential information. These attacks may cause a temporary paralyze of the Company's network and information system for a period of time, or require additional expense to implement remedial and improvement measures, or may leave the Company to some legal disputes or supervisory investigations associated with significant liability due to the divulge of the information belonged to a customer or a third party to which the Company owes the obligation of confidentiality.
2. **Risk evaluation and analysis of social engineering attack:** The Company constructs the defense mechanism of social engineering attacks with various algorithms and information and intelligence sources but cannot guarantee that the social engineering attacks or BEC from a third party will be completely prevented.
3. **Risk evaluation and analysis of denial-of-service attack:** The Company has established the multi-line load redundancy system for important internet services but cannot guarantee that the all third-party internet attacks paralyzing the system will be completely prevented.
4. **Risk evaluation and analysis of information divulge:** External attacks or internal employees may attempt to steal the Company's trade secrets, other intellectual property and confidential information, such as the proprietary information of customers, or other **stakeholders, and employees' personal data.**
5. The Company retains the third party to perform the audit of the information environment and internal control, and to inspect and evaluate the information operating procedure every year to ensure the adequacy and effectiveness. However, this does not guarantee that the Company will be free from any unknown risk and

attack from the constantly changing security threat. During 2022, and up to the publication date of the annual report, the Company has not found any material cyber attack or incidents have had or may have materially negative impact on the Company's business or operation.

VIII. Other Important Matters: none

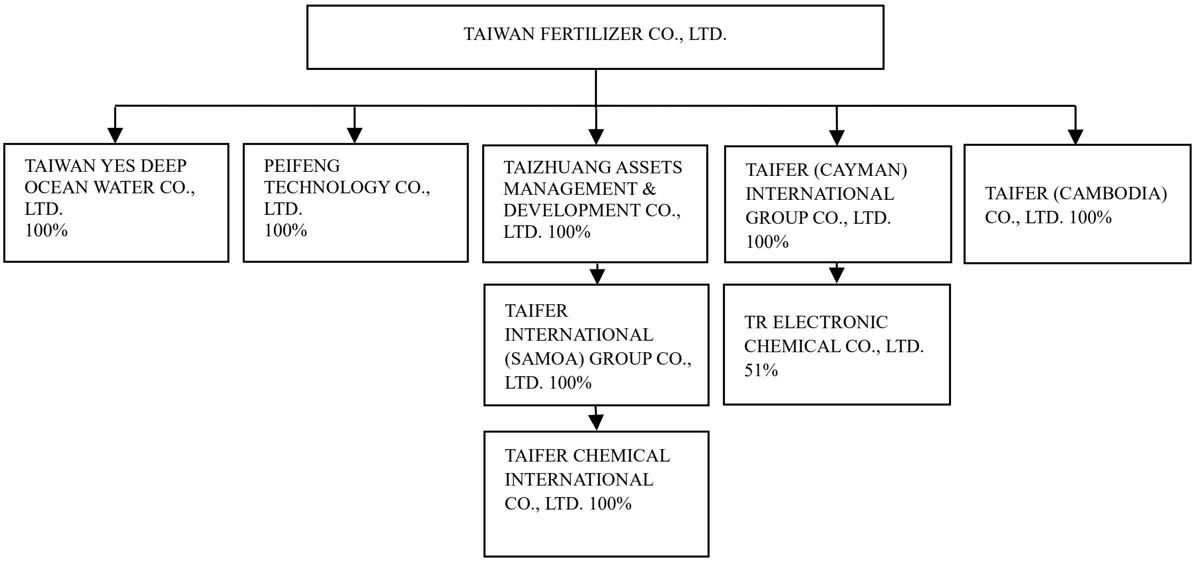
Eight. Special Records

I. Affiliate Information

(I) Consolidated revenue report of affiliates

1. Organizational chart of affiliates

February 28, 2023



2. Basic information of affiliates

February 28, 2023

Company	Establishment date	Address	Paid-in capital	Business/production item
TAIWAN YES DEEP OCEAN WATER CO., LTD.	September 25, 2006	No.15, Huadong, Hualien City, Hualien County, Taiwan (R.O.C.)	NT$ 257,632,000	Production, manufacture, and sale of bottled water, concentrated solution, cosmetics, and heath care products related to deep ocean water
PEIFENG TECHNOLOGY CO., LTD.	June 06, 2017	8F., No.88, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	NT$2,400,000 thousand	Manufacture and sales of fertilizer
TAIZHUANG ASSETS MANAGEMENT & DEVELOPMENT CO., LTD.	September 9, 1999	8F., No.88, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	NT$ 55,000,000	Development, rent, and sale of land, houses and buildings; gas station
TAIFER INTERNATIONAL (SAMOA) GROUP CO., LTD.	February 25, 2013	TMF Chambers, P.O. Box3269, Apia, Samoa	US$1,415 thousand	Investment and share holding
TAIFER CHEMICAL INTERNATIONAL CO., LTD.	October 19, 2001	No. 38, Tourist Street, 3rd Sub-District, Qingertai District, Ulaanbaatar, Mongolia	US$1,333 thousand	Leasing of buildings and real estate
TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD.	February 01, 2011	P.O. Box 32052, Grand Cayman Ky1-1208, Cayman Island, British West Indies	US$1,000	Investment and share holding
TR ELECTRONIC CHEMICAL CO., LTD.	November 03, 2010	P.O. Box 2804, George Town, Grand Cayman, Cayman Island, British West Indies	US$21,500 thousand	Investment and share holding
TAIFER (CAMBODIA) CO., LTD.	December 22, 2014	No.11 Street 3, Sangkat Teuk Loak 3,Khan Tuol Kork, Phnom Penh. Cambodia	US$ 1,255,000	Sale and production of fertilizer

3. Information of the same shareholders presumed having a control or affiliating relationship: none
4. Industries generally covered by the business of the affiliates:

   Major industries covered: Manufacture, sale, import, and export of fertilizer of all kinds, chemical products, care products, health care products, deep ocean water and derivatives as well as development and leasing of land, houses, and buildings

5. Information of the directors, supervisors and presidents of the affiliates

February 28, 2023

Unit: NTD thousand; share; %

Company	Title	Name or representative	No. of shared held	
			Shares (contribution)	Shareholding ratio
TAIWAN YES DEEP OCEAN WATER CO., LTD.	Chairman	TAIWAN FERTILIZER CO., LTD. Representative: Cheng, Kuo Chung	25,763,200 shares	100.00
	Director	TAIWAN FERTILIZER CO., LTD. Representative: Liu, Kuo Ying		
	Director	TAIWAN FERTILIZER CO., LTD. Representative: Huang, Yeong Dar		
	Supervisor	TAIWAN FERTILIZER CO., LTD. Representative: Liu, Wei		
	President	Chung, Chun Ming		
PEIFENG TECHNOLOGY CO., LTD.	Chairman	TAIWAN FERTILIZER CO., LTD. Representative: Lin, Chin Sheng	240,000,000 shares	100.00
	Director	TAIWAN FERTILIZER CO., LTD. Representative: Wang, Chun Wen		
	Director	TAIWAN FERTILIZER CO., LTD. Representative: Zhuang, Zhi Ying		
	Supervisor	TAIWAN FERTILIZER CO., LTD. Representative: Huang, Mei Ling		
	President	Lin, Chin Sheng		
TAIZHUANG ASSETS MANAGEMENT & DEVELOPMENT CO., LTD.	Chairman	TAIWAN FERTILIZER CO., LTD. Representative: Chang, Chang Lang	5,500,000 shares	100.00
	Director	TAIWAN FERTILIZER CO., LTD. Representative: Huang, Rui Zhen		
	Director	TAIWAN FERTILIZER CO., LTD. Representative: Ho, Shang Tang		
	Supervisor	TAIWAN FERTILIZER CO., LTD. Representative: Liu, Wei		
	President	Chang, Chang Lang		
TAIFER INTERNATIONAL (SAMOA) GROUP CO., LTD.	Corporate representative of director	TAIZHUANG ASSETS MANAGEMENT & DEVELOPMENT CO., LTD. Representative: Chang, Chang Lang	1,414,989 shares	100.00
TAIFER CHEMICAL INTERNATIONAL CO. , LTD.	President	Chang, Chang Lang	US$1,333 thousand	100.00
TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD.	Corporate representative of director	TAIWAN FERTILIZER CO., LTD. Representative: Liu, Kuo Ying	1 share	100.00
TR ELECTRONIC CHEMICAL CO., LTD.	Chairman	TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD Representative: Liu, Kuo Ying	10,965,000 shares	51.00
	Director	TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD Representative: Liu, Wei		
	Director	Jinqun International Corp. Representative: Zhao, Jian Liang		
	Director	TAIFER (CAYMAN)		

Company	Title	Name or representative	No. of shared held	
			Shares (contribution)	Shareholding ratio
		INTERNATIONAL GROUP CO., LTD Representative: Xu, Shi Chang		
	Supervisor	TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD Representative: Jian, Zhao Ren		
	President	Zhao, Jian Liang		
TAIFER (CAMBODIA) CO., LTD.	Chairman	TAIWAN FERTILIZER CO., LTD. Representative: Wang, Chun Wen	US$ 1,255,000	100.00
	Director	TAIWAN FERTILIZER CO., LTD. Representative: Zhuang, Zhi Ying		
	Director	TAIWAN FERTILIZER CO., LTD. Representative: Liu, Wei		
	President	Wang, Chun Wen		

6. Operating status of affiliates

December 31, 2022
Unit: NT$ thousand

Company	Capital	Total property	Total liability	Net value	Operating revenue	Operating profit	Current pofit/loss	EPS (dollar)
TAIWAN YES DEEP OCEAN WATER CO., LTD.	257,632	231,774	21,104	210,670	111,959	8,481	10,148	0.39
PEIFENG TECHNOLOGY CO., LTD.	2,400,000	2,867,490	294,396	2,573,094	827,764	169,712	161,781	0.67
TAIZHUANG ASSETS MANAGEMENT & DEVELOPMENT CO., LTD.	55,000	104,225	7,814	96,410	205,514	(787)	13,941	2.53
TAIFER INTERNATIONAL (SAMOA) GROUP CO., LTD.	42,797	73,329	0	73,329	0	0	14,369	-
TAIFER CHEMICAL INTERNATIONAL CO., LTD.	45,630	68,956	1,820	67,135	6,624	2,749	15,552	-
TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD.	321, 900	0	0	0	0	0	0	-
TR ELECTRONIC CHEMICAL CO., LTD.	321, 962	0	0	0	0	0	0	-
TAIFER (CAMBODIA) CO., LTD.	40,052	36,946	248	36,698	4,184	(223)	472	-

7. The endorsement/guarantee, loaning of funds to others, and derivative transactions of each affiliates: in the 9th meeting of the Board of Directors of 34th Term, on April 30, 2019, it was approved to continue the provision of a total NT$13.5 million guarantee to the subsidiary, Taizhuang Assets Management and Development Co., Ltd. ("Taizhuang"), for its procurement of petroleum products. As of March 31, 2023, the Company actually continues to provide the guarantee of NT$13.5 million by pledging a certificate of deposit for Taizhuang's procurement of petroleum products.

(II) **Consolidated financial statements of affiliates**: For the year of 2022 (from January 1, 2022 to December 31, 2022), the companies to be included in the preparation of the affiliate consolidated financial statements pursuant to the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Reports and Consolidated Financial Statements of Affiliated Enterprises," are the same as those included in the consolidated financial statements of the parent company and subsidiaries prepared in conformity under the International Accounting Standards (IAS) No. 10, which standards certified by the Financial Supervisory Commission. In addition, the information required to be disclosed in the consolidated financial statements is included in the aforesaid consolidated financial statements. Consequently, the Company and its subsidiaries do not prepare a separate set of consolidated financial statements.

(III) Relationship Report: none

II. Private placements of securities in the most recent year and as of the printing date of the annual report: none

III. Shares of the Company that are held or disposed by a subsidiary in the most recent year and as of the printing date of the annual report: none

IV. Other necessary descriptions: none

Nine. Any event which has had a material impact on shareholders' equity or securities prices, as specified in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, in the most recent year and as of the printing date of the annual report: None

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TAIWAN FERTILIZER CO., LTD

Huang Yao-Hsing, Chairman