

STOCK CODE:1722

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2023 AND 2022

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To the board of directors of TAIWAN FERTILIZER CO., LTD.:

Introduction

We have reviewed the accompanying consolidated balance sheets of TAIWAN FERTILIZER CO., LTD. (the “Company”) and its subsidiaries as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2023 and 2022, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Accounting Standards No.34, Interim Financial Reporting endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in the note 4(b) to consolidated financial report, the financial statements of the insignificant subsidiaries included in the consolidated financial statements were not reviewed by independent accountants. Those statements reflect total assets of NT\$3,309,129 thousand and NT\$3,373,242 thousand, constituting 4.07% and 4.04% of the consolidated total assets, and total liabilities of NT\$399,607 thousand and NT\$538,600 thousand, constituting 1.43% and 1.81% of the consolidated total liabilities as of 31 March 2023 and 2022, respectively; and total comprehensive incomes of NT\$23,246 thousand and NT\$42,096 thousand, constituting 5.48% and 3.95% of the consolidated total comprehensive income for the three-month periods ended March 31 2023 and 2022, respectively.

In addition to the matters mentioned above, as stated in the note 6(g) to consolidated financial report, the investment using equity method of TAIWAN FERTILIZER CO., LTD. and subsidiaries amounted to NT\$9,869,758 thousand and NT\$9,855,276 thousand as of 31 March 2023 and 2022, respectively; and the share of profits and losses of related companies and joint ventures recognized using the equity method amounted to NT\$638,287 thousand and NT\$1,032,182 thousand for the three-month periods ended March 31 2023 and 2022, respectively. The information related to above investee companies was not reviewed by independent accountants.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant investee companies been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2023 and 2022, and their consolidated financial performance and cash flows for the three-month periods ended March 31, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No.34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Kuo-Yang Tseng

Heng-Shen Lin

KPMG, Taiwan

May 3, 2023

Notice to Readers

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

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

Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2023 and 2022

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

March 31, 2023, December 31, 2022 and March 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2023		December 31, 2022		March 31, 2022		Liabilities and Equity		March 31, 2023		December 31, 2022		March 31, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets								Current liabilities							
1100	Cash and cash equivalents (notes 6(a) and (t))	\$3,143,491	4	2,699,760	3	3,862,523	5	2100	Short-term borrowings (note 6(t))	\$6,300	-	-	-	20,000	-
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (t))	80,005	-	80,002	-	700,006	1	2130	Current contract liabilities (note 6(q))	571,496	1	177,008	-	134,235	-
1120	Current financial assets at fair value through other comprehensive income (notes 6(c) and (t))	95,174	-	95,464	-	117,397	-	2150	Notes payable (note 6(t))	-	-	1,119	-	404	-
1150	Notes receivable, net (notes 6(d), (q) and (t))	101,433	-	128,712	-	88,811	-	2170	Accounts payable (note 6 (t) and 7)	528,243	1	889,747	1	2,142,698	3
1170	Accounts receivable, net (notes 6(d), (q), (t) and 7)	1,139,330	2	903,530	1	1,289,814	2	2200	Other payables (note 6(t))	745,420	1	854,291	1	908,034	1
1200	Other receivables (notes 6(e), (t) and 7)	1,028,112	1	1,351,023	2	2,713,628	3	2230	Current tax liabilities	716,425	1	703,390	1	140,595	-
1220	Current tax assets	-	-	-	-	6	-	2280	Current lease liabilities (note 6(t))	39,052	-	38,858	-	38,496	-
130X	Inventories (note 6(f))	3,291,852	4	3,182,415	4	2,747,265	3	2313	Deferred revenue (note 6(j))	440,788	-	440,518	1	440,518	1
1410	Prepayments	299,984	-	869,237	1	774,713	1	2315	Other advance receipts	300,574	-	2,219	-	331,197	-
1476	Other current financial assets (notes 6(a), (t) and 8)	702,761	1	478,069	1	358,580	-	2399	Other current liabilities, others	43,330	-	63,677	-	39,816	-
1479	Other current assets, others	16,766	-	13,061	-	16,641	-			3,391,628	4	3,170,827	4	4,195,993	5
		9,898,908	12	9,801,273	12	12,669,384	15	Non-current liabilities							
Non-current assets								2550	Non-current provisions	455,120	1	455,120	1	455,120	1
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(c) and (t))	2,970,920	4	3,040,760	4	3,413,508	4	2570	Deferred tax liabilities	7,056,502	9	6,968,607	9	7,694,703	10
1550	Investments accounted for using equity method (notes 6(g) and (t))	9,869,758	12	9,485,123	12	9,855,276	12	2580	Non-current lease liabilities (note 6(t))	104,572	-	114,408	-	143,624	-
1600	Property, plant and equipment (note 6(h))	13,348,227	17	13,488,766	17	13,991,318	17	2630	Long-term deferred revenue (note 6(j))	16,386,197	20	16,496,708	20	16,805,222	20
1755	Right-of-use assets (note 6(i))	937,532	1	965,312	1	1,048,653	2	2640	Net defined benefit liability, non-current	112,147	-	112,664	-	131,820	-
1760	Investment property, net (notes 6(j) and (l))	43,298,314	53	43,200,335	54	41,562,183	50	2645	Guarantee deposits received (note 6(t))	366,865	-	373,144	-	313,571	-
1780	Intangible assets (note 6(k))	120,979	-	121,065	-	122,759	-			24,481,403	30	24,520,651	30	25,544,060	31
1840	Deferred tax assets	248,009	-	247,948	-	391,711	-	Total liabilities							
1930	Long-term notes and accounts receivable, net (notes 6(e) and (t))	63,478	-	65,564	-	81,843	-			27,873,031	34	27,691,478	34	29,740,053	36
1980	Other non-current financial assets (notes 6(a), (t) and 8))	569,819	1	305,038	-	256,838	-	Equity attributable to owners of parent (note 6(p)):							
1990	Other non-current assets, others (note 6(t))	32,009	-	31,290	-	39,723	-	3100	Capital stock	9,800,000	12	9,800,000	12	9,800,000	12
		71,459,045	88	70,951,201	88	70,763,812	85	3200	Capital surplus	2,245,156	3	2,245,156	3	2,245,164	3
								Retained earning:							
								3310	Legal reserve	3,982,301	5	3,982,301	5	3,673,475	4
								3320	Special reserve	30,711,185	38	30,711,185	38	30,722,182	37
								3350	Unappropriated retained earnings	4,119,240	5	3,610,220	5	4,750,874	5
								3400	Other equity interest	2,627,040	3	2,712,134	3	2,501,448	3
								Total equity							
										53,484,922	66	53,060,996	66	53,693,143	64
Total assets		\$81,357,953	100	80,752,474	100	83,433,196	100	Total liabilities and equity		\$81,357,953	100	80,752,474	100	83,433,196	100

(The accompanying notes are an integral part of the consolidated financial statements)

Reviewed only, not audited in accordance with generally accepted auditing standards

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended March 31, 2023 and 2022

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

		Three-month periods ended March 31,			
		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(j), (l) and (q))	\$3,433,462	100	4,083,843	100
5000	Operating costs (notes 6(f), (m) and 12)	(3,165,744)	(92)	(3,797,444)	(93)
5900	Gross profit from operations	267,718	8	286,399	7
	Operating expenses (notes (m), (r) and 12)				
6100	Selling expenses	(98,797)	(3)	(170,437)	(4)
6200	Administrative expenses	(204,200)	(6)	(250,578)	(6)
6300	Research and development expenses	(10,996)	-	(9,991)	-
	Total operating expenses	(313,993)	(9)	(431,006)	(10)
6900	Net operating loss	(46,275)	(1)	(144,607)	(3)
	Non-operating income and expenses:				
7100	Interest income (note 6(s))	13,614	-	3,630	-
7010	Other income (note 6(s))	34,711	1	3,100	-
7020	Other gains and losses (notes 6(s) and 12)	(5,905)	-	78,487	2
7050	Finance costs (note 6(s))	(777)	-	(1,109)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	638,287	19	1,032,182	25
	Total non-operating income and expenses	679,930	20	1,116,290	27
	Profit from continuing operations before tax	633,655	19	971,683	24
7950	Less: income tax expense (note 6(n))	(124,635)	(4)	(192,778)	(5)
	Profit	509,020	15	778,905	19
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investment in equity instruments measured at fair value through other comprehensive income	(21,380)	(1)	(22,457)	(1)
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	-	-	328	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(21,380)	(1)	(22,129)	(1)
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	(2,259)	-	1,015	-
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	(76,895)	(2)	384,001	10
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	15,440	-	(77,021)	(2)
	Components of other comprehensive income that will be reclassified to profit or loss	(63,714)	(2)	307,995	8
8300	Total other comprehensive income	(85,094)	(3)	285,866	7
8500	Total comprehensive income	\$423,926	12	1,064,771	26
8610	Profit, attributable to owners of parent	\$509,020	15	778,905	19
8710	Comprehensive income, attributable to owners of parent	\$423,926	12	1,064,771	26
	Earnings per share (note 6(p))				
9750	Basic earnings per share	\$0.52		0.79	
9850	Diluted earnings per share	\$0.52		0.79	

(The accompanying notes are an integral part of the consolidated financial statements)

Reviewed only, not audited in accordance with generally accepted auditing standards

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three-month periods ended March 31, 2023 and 2022
(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, 2022	\$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 for the period	-	-	-	-	778,905	778,905	-	-	-	778,905
Other comprehensive income for the period	-	-	-	-	328	328	307,995	(22,457)	285,538	285,866
Total comprehensive income for the period	-	-	-	-	779,233	779,233	307,995	(22,457)	285,538	1,064,771
Reversal of special reserve due to sale of land	-	-	-	(21,617)	21,617	-	-	-	-	-
Other changes in capital surplus	-	512	-	-	-	-	-	-	-	512
Balance at March 31, 2022	\$9,800,000	2,245,164	3,673,475	30,722,182	4,750,874	39,146,531	(377,599)	2,879,047	2,501,448	53,693,143
Balance at January 1, 2023	\$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
Profit for the period	-	-	-	-	509,020	509,020	-	-	-	509,020
Other comprehensive income for the period	-	-	-	-	-	-	(63,714)	(21,380)	(85,094)	(85,094)
Total comprehensive income for the period	-	-	-	-	509,020	509,020	(63,714)	(21,380)	(85,094)	423,926
Balance at March 31, 2023	\$9,800,000	2,245,156	3,982,301	30,711,185	4,119,240	38,812,726	164,054	2,462,986	2,627,040	53,484,922

(The accompanying notes are an integral part of the consolidated financial statements)

Reviewed only, not audited in accordance with generally accepted auditing standards

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Three-month periods ended March 31,	
	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$633,655	971,683
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	313,750	287,530
Amortization expense	871	1,836
Net gain on financial assets and liabilities at fair value through profit or loss	(228)	(316)
Interest expense	777	1,109
Interest income	(13,614)	(3,630)
Share of profit of associates and joint ventures accounted for using equity method	(638,287)	(1,032,182)
Loss on disposal of property, plant and equipment	-	66
Gain on disposal of investment properties	-	(39,595)
Loss on disposal of investment using the equity method	8,453	-
Unrealized foreign currency exchange gain	(2,775)	(25,999)
Total adjustments to reconcile profit (loss)	(331,053)	(811,181)
Changes in operating assets and liabilities:		
Decrease in notes receivables	27,279	102,302
(Increase) decrease in account receivables	(235,800)	453,776
Increase in other receivables	(196,263)	(317,239)
Increase in inventories	(118,802)	(36,261)
Decrease (increase) in prepayments	568,781	(491,646)
Increase in other current assets	(3,705)	(1,726)
Total changes in operating assets	41,490	(290,794)
(Decrease) increase in contract liabilities	394,488	(10,025)
Decrease in notes payable	(1,119)	(747)
Decrease in account payable	(361,504)	(174,027)
(Decrease) increase in other payables	(16,228)	91,443
Increase in receipts in advance	298,355	311,364
Decrease in other current liabilities	(20,347)	(7,934)
Decrease in net defined benefit liability	(517)	(4,792)
(Decrease) increase in deferred liabilities	(110,241)	2,598,805
Total changes in operating liabilities	182,887	2,804,087
Total changes in operating assets and liabilities	224,377	2,513,293
Total adjustments	(106,676)	1,702,112
Cash inflow generated from operations	526,979	2,673,795
Interest received	13,410	3,626
Dividends received	687,682	-
Interest paid	(777)	(1,109)
Income tax paid	(8,326)	(17,127)
Net cash flows from operating activities	1,218,968	2,659,185

Reviewed only, not audited in accordance with generally accepted auditing standards

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
For the three-month periods ended March 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Three-month periods ended March 31,	
	2023	2022
Cash flows from (used in) investing activities:		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	48,750	13,500
Acquisition of financial assets at fair value through profit or loss	(80,000)	(1,340,000)
Disposal of financial assets at fair value through profit or loss	80,225	700,319
Acquisition of property, plant and equipment	(91,634)	(55,175)
Proceeds from disposal of property, plant and equipment	-	1,128
Decrease in other receivables	2,086	2,282
Acquisition of intangible assets	(785)	-
Acquisition of investment properties	(234,783)	(515,521)
Proceeds from disposal of investment properties	-	62,040
Increase in other financial assets	(489,473)	(193,740)
Increase in other non-current assets	(719)	(1,358)
Net cash flows used in investing activities	(766,333)	(1,326,525)
Cash flows from (used in) financing activities:		
Increase in short-term loans	6,300	-
Decrease in refundable deposits	(6,279)	(22,080)
Repayment of lease liabilities	(9,642)	(9,773)
Net cash flows used in financing activities	(9,621)	(31,853)
Effect of exchange rate changes on cash and cash equivalents	717	27,021
Net increase in cash and cash equivalents	443,731	1,327,828
Cash and cash equivalents at the beginning of period	2,699,760	2,534,695
Cash and cash equivalents at the end of period	\$3,143,491	\$3,862,523

(The accompanying notes are an integral part of the consolidated financial statements)

Reviewed only, not audited in accordance with the Standards on Auditing
TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the three-month period ended March 31, 2023 and 2022

(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 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 May 3, 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. (“FSC”) 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 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”

- (b) The impact of IFRS issued by the International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC.

The following new and amended standards, which may be relevant to the Group, have been issued by IASB, but have yet to be endorsed by the FSC:

- 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”

(Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Summary of significant accounting policies information:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(b) Basis of consolidation

1. List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding			Remark
			March 31, 2023	December 31, 2022	March 31, 2022	
The Company	TAIFER CHEMICALS INTERNATIONAL INC.	International trade, wholesale of fertilizer, real estate rental or leasing and gas station	100%	100%	100%	Note
The Company	TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD.	Investment and holding	100%	100%	100%	Note
The Company	TAIWAN YES DEEP OCEAN WATER CO., LTD.	Wholesale of drinks, food and grocery	100%	100%	100%	Note
The Company	TAIFER (CAMBODIA) CO., LTD.	International trade, wholesale of fertilizer	100%	100%	100%	Note
The Company	PEIFENG TECHNOLOGY & FERTILIZED CO., LTD.	Manufacture and wholesale of fertilizer	100%	100%	100%	Note
TAIFER CHEMICALS INTERNATIONAL INC.	TAIFER INTERNATIONAL (SAMOA) GROUP CO., LTD.	Investment and holding	100%	100%	100%	Note
TAIFER INTERNATIONAL (SAMOA) GROUP CO., LTD	TAIFER CHEMICAL INTERNATIONAL CO., LTD.	Real estate rental and leasing	100%	100%	100%	Note

Note: The Company is a non-significant subsidiary, its financial statements have not been reviewed.

2. List of subsidiaries which are not included in the consolidated financial statements: None.

(Continued)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of IAS 34, “Interim Financial Reporting”.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period (and allocated to current and deferred taxes based on its proportionate size).

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(d) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(5) Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with the Regulations and IFRS (in accordance with IAS 34 “Interim Financial Reporting” and 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 preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to Note 5 of the 2022 annual consolidated financial statements.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6) Contents of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2022 consolidated financial statements. Please refer to Note 6 of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	\$3,118	3,996	3,708
Demand deposits and checking accounts	3,139,190	2,694,581	3,857,649
Time deposits with original maturities less than 3 months	1,183	1,183	1,166
Cash and cash equivalents	<u>\$3,143,491</u>	<u>2,699,760</u>	<u>3,862,523</u>

1. 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:

	March 31, 2023	December 31, 2022	March 31, 2022
Other current financial assets	\$702,761	478,069	358,580
Other non-current financial assets	569,819	305,038	256,838
	<u>\$1,272,580</u>	<u>783,107</u>	<u>615,418</u>

2. 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

	March 31, 2023	December 31, 2022	March 31, 2022
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate	<u>\$80,005</u>	<u>80,002</u>	<u>700,006</u>

Please refer to note 6(s) for more details on the amount of remeasurement of financial assets measured at fair value through profit or loss.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	March 31, 2023	December 31, 2022	March 31, 2022
Equity instrument measured at fair value through other comprehensive income:			
Domestic listed stocks	\$95,174	95,464	117,397
Domestic unlisted stocks	2,970,920	3,040,760	3,413,508
Total	\$3,066,094	3,136,224	3,530,905

1. Equity instrument investments measured 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.

A resolution was approved during the general shareholders' meeting of Eminent Venture Capital Corporation, one of the financial assets measured at fair value through other comprehensive income by the Group, held on February 24, 2023 and February 17, 2022, for capital reduction, wherein the Group will receive the refund of \$6,750 thousand and \$13,500 thousand, respectively.

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 24, 2023, for capital reduction, wherein the Group will receive the refund of \$42,000 thousand.

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

3. 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

	March 31, 2023	December 31, 2022	March 31, 2022
Note receivables – Merchandise	\$101,433	128,712	88,811
Account receivables– Merchandise	1,141,187	905,393	1,290,929
Less: Loss allowance	(1,857)	(1,863)	(1,115)
	\$1,240,763	1,032,242	1,378,625

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Group 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 was determined as follows:

March 31, 2023			
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$1,230,313	0%~0.01%	-
1 to 30 days past due	7,641	0%~1.00%	-
31 to 60 days past due	2,477	0%~1.08%	-
More than 60 days past due	2,189	0%~100%	(1,857)
	\$1,242,620		(1,857)
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)
March 31, 2022			
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$1,365,171	0%~0.02%	-
1 to 30 days past due	8,612	0%~1.15%	-
31 to 60 days past due	5,007	0%~1.98%	(165)
More than 60 days past due	950	0%~100%	(950)
	\$1,379,740		(1,115)

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

For the three months ended March 31		
	2023	2022
Balance on January 1	\$1,863	1,115
Effect of foreign currency exchanges difference	(6)	-
Balance on March 31	\$1,857	1,115

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	March 31, 2023	December 31, 2022	March 31, 2022
Other receivables	\$1,337,045	1,132,477	636,709
Dividend receivables	-	527,479	2,385,064
Property receivables	80,983	83,106	100,481
Unrealized interest income	(9,161)	(9,108)	(9,506)
Less: Loss allowance	(317,277)	(317,277)	(317,277)
	<u>\$1,091,590</u>	<u>1,416,587</u>	<u>2,795,471</u>
Other receivables	\$1,028,112	1,351,023	2,713,628
Long-term receivable	63,478	65,564	81,843
	<u>\$1,091,590</u>	<u>1,416,587</u>	<u>2,795,471</u>

As of March 31, 2023, the total amount of receivables due to the sale of premises of the Group was \$71,822 thousand. The group estimates to collect \$6,258, \$8,344 and \$57,220 thousand over the year 2023, 2024, 2025 and thereafter, respectively.

The above receivables of \$71,822 thousand are all secured by the premises and promissory notes sold, and mortgages are 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 March 31, 2023, December 31 and March 31, 2022 the total amount of subsidy receivables due to no increase in the fertilizer price was \$942,544, \$788,447 and \$244,453 thousand, respectively, which were recognized in the account of other receivables.

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

	For the three months ended March 31	
	2023	2022
Balance on March 31(Same as Balance on January 1)	<u>\$317,277</u>	<u>317,277</u>

For the explanation of individually assessed impairment, please refer to Note 7; for other credit risk information, please refer to Note 6(t).

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Inventories</u>			
Raw materials	\$2,212,466	1,668,331	1,765,694
Finished goods	436,314	862,945	330,173
Merchandise	7,654	6,356	6,615
	<u>\$2,656,434</u>	<u>2,537,632</u>	<u>2,102,482</u>
<u>Construction in progress</u>			
Hsinchu land development project	<u>\$635,418</u>	<u>644,783</u>	<u>644,783</u>

The cost of inventories recognized as cost of goods sold and expense for the three-month periods ended March 31, 2023 and 2022, amounted to \$2,917,050 and \$3,542,071 thousand, respectively.

As of March 31, 2023, December 31, 2022 and March 31, 2022, the aforesaid inventories were not pledged as collateral.

- (g) Investments accounted for using equity method

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

	March 31, 2023	December 31, 2022	March 31, 2022
Material associates			
Al-Jubail Fertilizer Company ("Al-Jubail")	\$9,812,598	9,420,043	9,790,910
Associates that are not individually material			
MITAGRI Co., Ltd.	57,160	31,047	29,385
Taiwan Agricultural Investment and Development Co., Ltd.	-	34,033	34,981
	<u>\$9,869,758</u>	<u>9,485,123</u>	<u>9,855,276</u>

Joint ventures that are not individually material

	March 31, 2023	December 31, 2022	March 31, 2022
TR Electronic Chemical Co., Ltd.	<u>\$-</u>	<u>-</u>	<u>-</u>

1. Associates that had materiality were as follows:

Associate	Nature of relationship	Country of registration	Equity ownership		
			March 31, 2023	December 31, 2022	March 31, 2022
Al-Jubail Fertilizer Company	Equity-method investee	Kingdom of Saudi Arabia	50.00%	50.00%	50.00%

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	March 31, 2023	December 31, 2022	March 31, 2022
Current assets	\$7,948,992	8,740,941	14,961,567
Non-current assets	15,988,758	16,094,641	14,502,314
Current liabilities	(4,101,650)	(5,514,618)	(8,786,103)
Non-current liabilities	(850,429)	(723,560)	(754,902)
Net assets	\$18,985,671	18,597,404	19,922,876
Net assets attributable to non-controlling interests	\$8,943,071	8,810,249	9,401,129
Net assets attributable to investee owners	10,042,600	9,787,155	10,521,747
	\$18,985,671	18,597,404	19,922,876
	For the three months ended March 31		
	2023	2022	
Revenue	\$3,796,699	4,853,234	
Profit for the period	\$1,351,949	2,301,343	
Other comprehensive income	-	822	
Comprehensive income	\$1,351,949	2,302,165	
Comprehensive income attributable to non-controlling interests	\$610,729	1,033,222	
Comprehensive income attributable to investee owners	\$741,220	1,268,943	
Dividends declared by associates	\$404,800	2,861,933	

2. Joint ventures that are not individually material

The associated enterprise of the Group, MITAGRI CO., LTD., acquired a 100% equity interest in Taiwan Agricultural Investment and Development Co., Ltd. through the issuance of new shares, as resolved in the board of directors' special meeting held on November 30, 2022. The conversion date was set as January 1, 2023. On the conversion date, the Group held a book value of \$34,033 thousand and a fair value of \$25,580 thousand for Taiwan Agricultural Investment and Development Co., Ltd. A loss on disposal of investment amounting to \$8,453 thousand was recognized. The Group lost significant influence over Taiwan Agricultural Investment and Development Co., Ltd., and its equity interest in Taiwan Agricultural Investment and Development Co., Ltd. decreased from 33.33% to 32.52%. For details of the loss on disposal of investment, please refer to Note 6(s).

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

3. 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.

4. Pledged

As of March 31, 2023, December 31, 2022 and March 31, 2022, the investments in the aforementioned 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 three months ended March 31, 2023 and 2022 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, 2023	\$3,637,964	4,925,331	11,846,039	84,643	444,014	334,075	21,272,066
Additions	-	1,535	45,602	-	2,047	42,798	91,982
Disposals	-	(132)	(2,750)	-	(34)	-	(2,916)
Effect of foreign currency exchanges difference	-	-	-	(1)	-	-	(1)
Transfer from completion	-	108	37,997	-	-	(38,105)	-
Balance on March 31, 2023	<u>\$3,637,964</u>	<u>4,926,842</u>	<u>11,926,888</u>	<u>84,642</u>	<u>446,027</u>	<u>338,768</u>	<u>21,361,131</u>
Balance on January 1, 2022	\$3,639,106	4,952,664	11,719,347	83,032	450,036	308,092	21,152,277
Additions	-	4,011	21,428	81	8,658	21,530	55,708
Disposals	(1,194)	-	(62,200)	(1,314)	(22,755)	-	(87,463)
Reclassification	-	-	-	-	-	1,256	1,256
Effect of foreign currency exchanges difference	-	-	-	3	1	-	4
Transfer from completion	-	(47,578)	15,998	305	1,380	(9,855)	(39,750)
Balance on March 31, 2022	<u>\$3,637,912</u>	<u>4,909,097</u>	<u>11,694,573</u>	<u>82,107</u>	<u>437,320</u>	<u>321,023</u>	<u>21,082,032</u>

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	Land	Building and Construction	Machinery and equipment	Transportation Equipment	Other Equipment	Construction in progress	Total
Depreciation and impairment loss:							
Balance on January 1, 2023	\$-	1,189,800	6,198,679	64,302	247,699	82,820	7,783,300
Depreciation for the year	-	37,391	185,236	1,741	8,151	-	232,519
Disposals	-	(132)	(2,750)	-	(34)	-	(2,916)
Effect of foreign currency exchanges difference	-	-	-	(1)	2	-	1
Balance on March 31, 2023	<u>\$-</u>	<u>1,227,059</u>	<u>6,381,165</u>	<u>66,042</u>	<u>255,818</u>	<u>82,820</u>	<u>8,012,904</u>
Balance on January 1, 2022	\$-	1,072,188	5,531,609	60,876	236,993	82,820	6,984,486
Depreciation for the year	-	37,779	184,556	1,804	7,969	-	232,108
Disposals	-	-	(62,200)	(1,314)	(22,755)	-	(86,269)
Effect of foreign currency exchanges difference	-	-	-	2	1	-	3
Transfer from completion	-	(32,744)	(7,405)	(471)	1,006	-	(39,614)
Balance on March 31, 2022	<u>\$-</u>	<u>1,077,223</u>	<u>5,646,560</u>	<u>60,897</u>	<u>223,214</u>	<u>82,820</u>	<u>7,090,714</u>
Carrying amounts:							
Balance on January 1, 2023	<u>\$3,637,964</u>	<u>3,735,531</u>	<u>5,647,360</u>	<u>20,341</u>	<u>196,315</u>	<u>251,255</u>	<u>13,488,766</u>
Balance on March 31, 2023	<u>\$3,637,964</u>	<u>3,699,783</u>	<u>5,545,723</u>	<u>18,600</u>	<u>190,209</u>	<u>255,948</u>	<u>13,348,227</u>
Balance on January 1, 2022	<u>\$3,639,106</u>	<u>3,880,476</u>	<u>6,187,738</u>	<u>22,156</u>	<u>213,043</u>	<u>225,272</u>	<u>14,167,791</u>
Balance on March 31, 2022	<u>\$3,637,912</u>	<u>3,831,874</u>	<u>6,048,013</u>	<u>21,210</u>	<u>214,106</u>	<u>238,203</u>	<u>13,991,318</u>

As of March 31, 2023, December 31, 2022 and March 31, 2022, the property, plant and equipment were not pledged as collateral.

(i) Right-of-use assets

The right-of-use assets of the Group for the three months ended March 31, 2023 and 2022 were as follows:

	Land
Carrying amount:	
Balance on January 1, 2023	<u>\$965,312</u>
Balance on March 31, 2023	<u>\$937,532</u>
Balance on January 1, 2022	<u>\$1,076,433</u>
Balance on March 31, 2022	<u>\$1,048,653</u>

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

1. 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.
2. The Group can sublease the land, and it can also develop West 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.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Group used its expenditures of \$1,500,481 thousand for the construction of West 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	Total
	Completed Investment Property	Investment Property under Construction	Undeveloped Investment Property	Other	
Costs:					
Balance on January 1, 2023	\$16,297,635	11,747,585	16,482,731	3,778	44,531,729
Additions	533	141,259	-	-	141,792
Effect of foreign currency exchanges difference	(410)	-	-	-	(410)
Reclassification	(26,122)	(397,723)	433,682	-	9,837
Balance on March 31, 2023	<u>\$16,271,636</u>	<u>11,491,121</u>	<u>16,916,413</u>	<u>3,778</u>	<u>44,682,948</u>
Balance on January 1, 2022	\$11,172,111	14,321,265	16,880,899	3,778	42,378,043
Additions	12,159	503,362	-	-	515,521
Disposals	-	-	(22,445)	-	(22,445)
Effect of foreign currency exchanges difference	(18)	-	-	-	(18)
Reclassification	885,895	-	(961,413)	-	(75,518)
Balance on March 31, 2022	<u>\$12,070,147</u>	<u>14,824,627</u>	<u>15,897,031</u>	<u>3,778</u>	<u>42,795,583</u>
Amortization and Impairment Loss:					
Balance on January 1, 2023	\$589,546	130,424	607,646	3,778	1,331,394
Depreciation	49,484	3,967	-	-	53,451
Effect of foreign currency exchanges difference	(211)	-	-	-	(211)
Balance on March 31, 2023	<u>\$638,819</u>	<u>134,391</u>	<u>607,646</u>	<u>3,778</u>	<u>1,384,634</u>
Balance on January 1, 2022	\$480,739	114,024	607,646	3,358	1,205,767
Depreciation	23,189	4,138	-	315	27,642
Effect of foreign currency exchanges difference	(9)	-	-	-	(9)
Balance on March 31, 2022	<u>\$503,919</u>	<u>118,162</u>	<u>607,646</u>	<u>3,673</u>	<u>1,233,400</u>
Carrying amount:					
Balance on January 1, 2023	<u>\$15,708,089</u>	<u>11,617,161</u>	<u>15,875,085</u>	<u>-</u>	<u>43,200,335</u>
Balance on March 31, 2023	<u>\$15,632,817</u>	<u>11,356,730</u>	<u>16,308,767</u>	<u>-</u>	<u>43,298,314</u>
Balance on January 1, 2022	<u>\$10,691,372</u>	<u>14,207,241</u>	<u>16,273,243</u>	<u>420</u>	<u>41,172,276</u>
Balance on March 31, 2022	<u>\$11,566,228</u>	<u>14,706,465</u>	<u>15,289,385</u>	<u>105</u>	<u>41,562,183</u>

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Completed investment property are located in C3/C6/C7/C8/C9 in the Nangang Economic and Trade Park and D6 in the Hsinchu Science Park, and the Corporation leased land use right to others.

1. 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 March 31, 2023, December 31, 2022 and March 31, 2022, the unamortized balances of the land used rights under above mentioned contract were \$2,125,924, \$2,141,928 and \$2,189,941 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 rents received were \$87,572 thousand for the three months ended March 31, 2023 and 2022.
2. 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 March 31, 2023, December 31, 2022 and March 31, 2022, the unamortized balance of the LURs were \$11,968,995, \$12,048,377 and \$12,286,522 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 rents received were \$12,125 thousand for the three months ended March 31, 2023 and 2022.
 - 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.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- 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 March 31, 2023	\$1,056,823	1,522,776
Balance on December 31, 2022	\$1,043,155	1,538,300
Balance on March 31, 2022	\$1,140,569	1,639,446
Balance on January 1, 2022	\$1,190,636	1,686,989

3. 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 (under operating revenue) amortizable over 70 years from February 10, 2022. As of March 31, 2023, December 31 and March 31, 2022, the unamortized balance of the LURs were \$2,660,619, \$2,670,282 and \$2,699,272 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 rents received for the three months ended March 31, 2023 and for the three months ended March 31, 2022 were \$621 and \$333 thousand, respectively.
 - 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.
4. 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. on October 13, 2018. For the development of the C2 Tourist Hotel, the Group intended to make a termination agreement with Caesar Park Hotel Co., Ltd., and the intention was approved during the board meeting of the Group held on May 28, 2019. The related termination procedures are 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 Group intended to make a termination agreement with Dung Jeng, and the intention was approved during the board meeting of the Group held on May 28, 2019. For the related termination procedures, please refer to note 9.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The construction licenses for C2 Hotel and Commercial Building Projects have been obtained. The Commercial Building of C2-B have been completed and transferred to Completed Investment Property. The main construction projects of the C2 Hotel Building have been completed, with the remaining work involving interior decoration, landscape construction and acceptance, and the procedures for green building certification review. At a total investment amount of \$6,290,148 thousand, of which, the amount of \$114,514 thousand had been currently invested.

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:

	March 31, 2023	December 31, 2022	March 31, 2022
C6/C7/C8/C9	\$27,389,157	26,367,866	26,367,866
C2	\$23,339,307	22,140,611	22,140,611
C3	\$39,704,894	38,699,707	38,699,707
Hsinchu	\$13,033,686	10,051,593	10,051,593
Kaohsiung	\$24,054,860	22,465,466	22,465,466

The fair value was based on the valuation carried out at March 3, 2023 and March 10, 2022 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:

Area	For the three months ended March 31	
	2023	2022
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 March 31, 2023, December 31, 2022 and March 31, 2022, investment properties were not pledged as collateral.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(k) Intangible Assets

The carrying amounts of the intangible assets were as follows:

	<u>Patents</u>	<u>Computer Software</u>	<u>Trademark</u>	<u>Goodwill</u>	<u>Total</u>
Carrying amount:					
Balance on January 1, 2023	<u>\$385</u>	<u>9,765</u>	<u>35,900</u>	<u>75,015</u>	<u>121,065</u>
Balance on March 31, 2023	<u>\$357</u>	<u>9,707</u>	<u>35,900</u>	<u>75,015</u>	<u>120,979</u>
Balance on January 1, 2022	<u>\$498</u>	<u>13,182</u>	<u>35,900</u>	<u>75,015</u>	<u>124,595</u>
Balance on March 31, 2022	<u>\$470</u>	<u>11,374</u>	<u>35,900</u>	<u>75,015</u>	<u>122,759</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2023 and 2022. Information on amortization for the period is discussed in Note 12. Please refer to Note 6(k) of the 2022 annual consolidated financial statements for other related information.

(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:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Less than one year	\$1,252,850	1,207,553	1,084,685
One to two years	1,185,481	1,166,342	1,012,712
Two to three years	1,157,164	1,139,677	951,385
Three to four years	1,146,012	1,135,865	939,157
Four to five years	1,077,336	1,091,902	938,068
More than five years	<u>13,293,257</u>	<u>13,338,932</u>	<u>13,810,857</u>
Total undiscounted lease payments	<u>\$19,112,100</u>	<u>19,080,271</u>	<u>18,736,864</u>

For the three months ended March 31, 2023 and 2022, the property rental income was \$308,992 and \$269,089 thousand, respectively. There were no significant property equipment and maintenance expenses.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(m) Employee benefits

1. Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the interim period was measured and disclosed by using the actuarially determined results as of December 31, 2022 and 2021.

The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended March 31	
	2023	2022
Operating costs	\$2,037	2,171
Operating expenses	898	1,040
	\$2,935	3,211

2. Defined contribution plans

The Group's expenses of defined contribution plans under Labor Pension Act were as follows:

	For the three months ended March 31	
	2023	2022
Operating costs	\$3,371	3,179
Operating expenses	2,807	2,657
	\$6,178	5,836

(n) Income tax

1. The components of income tax were as follows:

	For the three months ended March 31	
	2023	2022
Current income tax expense		
Current period incurred	\$21,361	1,962
Land value increment tax	-	15,500
	21,361	17,462
Deferred tax expense	103,274	175,316
Income tax expense	\$124,635	192,778

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The amount of income tax recognized in other comprehensive income were as follows:

	For the three months ended March 31	
	2023	2022
Items that may be reclassified subsequently to profit and loss:		
Foreign currency translation differences for foreign operations	\$(61)	221
Shares of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income	(15,379)	76,800
	<u>\$(15,440)</u>	<u>77,021</u>

2. The Company's income tax returns through 2020 have been assessed and approved by the tax authority.

(o) Share capital and other interests

1. Share capital

As of March 31, 2023, December 31, 2022 and March 31, 2022, the authorized capital of the Company amounting to \$9,800,000 thousand with par value of \$10 per share. The paid in capital was \$9,800,000 thousand, and the capital that rose from the shares had all been retrieved.

2. Capital surplus

The components of capital surplus were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Donations	\$44,803	44,803	44,803
Treasury share transactions	2,187,988	2,187,988	2,187,988
Others	12,365	12,365	12,373
	<u>\$2,245,156</u>	<u>2,245,156</u>	<u>2,245,164</u>

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

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

3. 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.

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, \$30,297,377 and \$30,308,374 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

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

3) Earnings distribution

On March 8, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. The appropriations of earnings for 2021 had been approved in the shareholders' meeting on June 29, 2022. These earnings were appropriated as follows:

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	2022		2021	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$2.50	<u>2,450,000</u>	2.80	<u>2,744,000</u>
4. 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, 2023	\$227,768	2,484,366	2,712,134	
Exchange differences on translation of foreign financial statements	(2,198)	-	(2,198)	
Exchange differences on subsidiaries accounted for using equity method	(61,516)	-	(61,516)	
Unrealized (losses) gains from financial assets measured at fair value through other comprehensive income	-	(21,380)	(21,380)	
Balance on March 31, 2023	<u>\$164,054</u>	<u>2,462,986</u>	<u>2,627,040</u>	
Balance on January 1, 2022	\$(685,594)	2,901,504	2,215,910	
Exchange differences on translation of foreign financial statements	794	-	794	
Exchange differences on subsidiaries accounted for using equity method	307,201	-	307,201	
Unrealized (losses) gains from financial assets measured at fair value through other comprehensive income	-	(22,457)	(22,457)	
Balance on March 31, 2022	<u>\$(377,599)</u>	<u>2,879,047</u>	<u>2,501,448</u>	

(p) Earnings per share

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

	Unit: 1,000 shares	
	For the three months ended March 31	
	2023	2022
Basic earnings per share		
Net profit attributable to ordinary shareholders	<u>\$509,020</u>	<u>778,905</u>
Weighted average number of ordinary shares	<u>980,000</u>	<u>980,000</u>
	<u>\$0.52</u>	<u>0.79</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	<u>\$509,020</u>	<u>778,905</u>
Weighted average number of ordinary shares	<u>980,000</u>	<u>980,000</u>
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>1,301</u>	<u>1,477</u>
Weighted average number of ordinary shares (diluted)	<u>981,301</u>	<u>981,477</u>
	<u>\$0.52</u>	<u>0.79</u>

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(q) Revenue from contracts with customers

1. Details of revenue

	For the three months ended March 31	
	2023	2022
Revenue from contracts with customers	\$2,805,176	3,506,170
Revenue from investment properties	524,838	514,253
Other operating revenue	103,448	63,420
	<u>\$3,433,462</u>	<u>4,083,843</u>

2. Disaggregation of revenue

	For the three months ended March 31, 2023			
	Fertilizers and other chemical products	Real estate property and investment	Others	Total
Primary geographical markets				
Taiwan	\$2,639,834	523,259	148,461	3,311,554
Others	120,329	1,579	-	121,908
	<u>\$2,760,163</u>	<u>524,838</u>	<u>148,461</u>	<u>3,433,462</u>
Major products/services lines				
Fertilizers and other chemical products	\$2,760,163	-	-	2,760,163
Lease	-	524,838	-	524,838
Others	-	-	148,461	148,461
	<u>\$2,760,163</u>	<u>524,838</u>	<u>148,461</u>	<u>3,433,462</u>
	For the three months ended March 31, 2022			
	Fertilizers and other chemical products	Real estate property and investment	Others	Total
Primary geographical markets				
Taiwan	\$3,123,873	512,613	123,543	3,760,029
Others	322,174	1,640	-	323,814
	<u>\$3,446,047</u>	<u>514,253</u>	<u>123,543</u>	<u>4,083,843</u>
Major products/services lines				
Fertilizers and other chemical products	\$3,446,047	-	-	3,446,047
Lease	-	514,253	-	514,253
Others	-	-	123,543	123,543
	<u>\$3,446,047</u>	<u>514,253</u>	<u>123,543</u>	<u>4,083,843</u>

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

3. Contract balances

	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable	\$1,242,620	1,034,105	1,379,740
Less: allowance for impairment	(1,857)	(1,863)	(1,115)
Total	\$1,240,763	1,032,242	1,378,625
Contract liabilities-Chemical fertilizers product	\$571,496	177,008	134,235

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

The amount of revenue recognized for the three months ended March 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the period were \$168,325 thousand and \$135,827 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 three months ended March 31, 2023 and 2022, the Company estimated its employee remuneration amounting to \$15,678 and \$24,106 thousand, and directors' and supervisors' remuneration amounting to \$10,452 and \$16,071 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 2023 and 2022. The numbers of shares to be distributed for 2023 and 2022 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 are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment shall be accounted for as changes in accounting estimates and will be recognized in profit or loss in the following year.

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 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

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Notes to Consolidated Financial Statements

(s) Non-operating income and expenses

1. Interest income

The details of interest income were as follows:

	For the three months ended March 31	
	2023	2022
Interest income	\$13,194	3,230
Others	420	400
	\$13,614	3,630

2. Other income

The details of other income for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended March 31	
	2023	2022
Others	\$34,711	\$3,100

3. Other gains and losses

The details of other gains and losses for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended March 31	
	2023	2022
Loss on disposal of property, plant and equipment	\$-	\$(66)
Gain on disposal of investment properties	-	39,595
Net foreign exchange gain	6,367	45,396
Loss on disposal of investment	(8,453)	-
Gain on financial assets at fair value through profit or loss	228	316
Others	(4,047)	(6,754)
	\$(5,905)	78,487

4. Finance costs

The details of finance costs for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended March 31	
	2023	2022
Bank interest expense	\$27	166
Lease liabilities expense	750	943
	\$777	1,109

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(t) Financial instruments

1. 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 include 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 March 31, 2023 and 2022, please refer to Note 6(d) and 6(e).

2. 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
March 31, 2023				
Non-derivative financial liabilities				
Variable-rate liabilities	\$6,311	6,311	-	-
Noninterestbearing liabilities	1,640,528	1,273,663	366,865	-
Lease liabilities	148,952	41,568	107,384	-
	\$1,795,791	1,321,542	474,249	-
December 31, 2022				
Non-derivative financial liabilities				
Noninterestbearing liabilities	\$2,118,301	1,745,157	373,144	-
Lease liabilities	159,344	41,568	117,776	-
	\$2,277,645	1,786,725	490,920	-
March 31, 2022				
Non-derivative financial liabilities				
Variable-rate liabilities	\$20,164	20,164	-	-
Noninterestbearing liabilities	3,364,707	3,051,136	313,571	-
Lease liabilities	190,736	41,784	148,952	-
	\$3,575,607	3,113,084	462,523	-

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

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

3. 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.

	March 31, 2023			December 31, 2022			March 31, 2022		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD : NTD	\$60,761	30.45	1,850,415	38,498	30.71	1,182,197	34,342	28.62	982,937
USD : MNT	1,952	30.45	59,446	1,940	30.71	59,574	2,056	28.62	58,853
<u>Non-monetary items</u>									
Investments accounted for using equity									
SAR : NTD	1,208,402	8.12	9,812,598	1,150,464	8.19	9,420,043	1,282,906	7.63	9,790,910
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD : NTD	19,971	30.45	608,197	20,770	30.71	637,805	43,516	28.62	1,245,516

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, amortized 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 March 31, 2023 and 2022 would have increased or decreased the before tax net income by \$104,133 and \$(16,298) 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 three months ended March 31, 2023 and 2022, the foreign exchange losses, including both realized and unrealized, amounted to \$6,367 and \$45,396 thousand dollars, respectively.

4. 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 three months ended March 31, 2023 and 2022 would decrease/increase by \$0 due to the Group's cash and cash equivalents balances which exceeds its loan amount.

5. 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, if all other variables remain constant and any impact to forecasted sales and purchases was ignored):

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

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Equity price at the end of the reporting period	For the three months ended March 31			
	2023		2022	
	Comprehensive Income (Loss)	Net Income (Loss)	Comprehensive Income (Loss)	Net Income (Loss)
	(net of tax)	(net of tax)	(net of tax)	(net of tax)
Increase 5%	\$153,305	3,200	176,545	28,000
Decrease 5%	\$(153,305)	(3,200)	(176,545)	(28,000)

6. 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 is a reasonable approximation of fair value and lease liabilities, disclosure of fair value information is not required:

	March 31, 2023				
	Carrying amount	Fair 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	\$80,005	80,005	-	-	80,005
Financial assets at fair value through other comprehensive income					
Domestic stocks in listed companies	\$95,174	95,174	-	-	95,174
Unquoted equity instruments at fair value	2,970,920	-	-	2,970,920	2,970,920
Subtotal	3,066,094	95,174	-	2,970,920	3,066,094
Financial assets measured at amortized cost					
Cash and cash equivalents	3,143,491	-	-	-	-
Other financial assets (including non-current)	1,272,580	-	-	-	-
Notes receivable and accounts receivables	1,240,763	-	-	-	-
Other receivables (including long-term)	1,091,590	-	-	-	-
Refundable deposit	32,009	-	-	-	-
Subtotal	6,780,433	-	-	-	-
Total	\$9,926,532	175,179	-	2,970,920	3,146,099
Financial liabilities at amortized cost					
Bank loans	\$6,300	-	-	-	-
Notes and accounts payable	528,243	-	-	-	-
Other payables	745,420	-	-	-	-
Lease liabilities (including non-current)	143,624	-	-	-	-
Guarantee deposit	366,865	-	-	-	-
Total	\$1,790,452	-	-	-	-

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022					
	Carrying amount	Fair 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
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	-	-	-	-
Guarantee deposit	373,144	-	-	-	-
Total	\$2,271,567	-	-	-	-
March 31, 2022					
	Carrying Amount	Fair 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	\$700,006	700,006	-	-	700,006
Financial assets at fair value through other comprehensive income					
Domestic stocks in listed companies	\$117,397	117,397	-	-	117,397
Unquoted equity instruments at fair value	3,413,508	-	-	3,413,508	3,413,508
Subtotal	3,530,905	117,397	-	3,413,508	3,530,905

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2022					
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$3,862,523	-	-	-	-
Other financial assets (including non-current)	615,418	-	-	-	-
Notes receivable and accounts receivables	1,378,625	-	-	-	-
Other receivables (including long-term)	2,795,471	-	-	-	-
Refundable deposit	39,723	-	-	-	-
Subtotal	8,691,760	-	-	-	-
Total	\$12,922,671	817,403	-	3,413,508	4,230,911
Financial liabilities at amortized cost					
Bank loans	\$20,000	-	-	-	-
Notes and accounts payable	2,143,102	-	-	-	-
Other payables	908,034	-	-	-	-
Lease liabilities (including non-current)	182,120	-	-	-	-
Guarantee deposit	313,571	-	-	-	-
Total	\$3,566,827	-	-	-	-

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.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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. Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive when: The bid-ask spread is enormous; or the bid-ask spread varies significantly; or there has been a significant decline in trading volume.

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 for the three months ended March 31, 2023 and 2022.

5) Reconciliation of Level 3 fair values

	Measured at fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2023	\$3,040,760
Total gains and losses recognized	
in other comprehensive income:	(21,090)
Capital reduction by capital stock return	(48,750)
Ending Balance, March 31, 2023	\$2,970,920
Opening balance, January 1, 2022	\$3,439,803
Total gains and losses recognized	
in other comprehensive income:	(12,795)
Capital reduction by capital stock return	(13,500)
Ending Balance, March 31, 2022	\$3,413,508

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022, 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 three months ended March 31	
	2023	2022
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”	<u><u>\$(21,090)</u></u>	<u><u>(12,795)</u></u>

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 – 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-sales ratio (As of March 31, 2023, December 31, 2022 and March 31, 2022 were 1.84~4.34, 1.53~4.86 and 2.15~4.57) ·The multiplier of price-to-book ratio (As of March 31, 2023, December 31, 2022 and March 31, 2022, were 1.62, 1.52 and 1.84) ·The multiplier of price-to-earning ratio (As of March 31, 2023, December 31, 2022 and March 31, 2022, were 21.56, 20.58 and 16.94) ·Market illiquidity discount (As of March 31, 2023, December 31, 2022 and March 31, 2022 were 10%~33%, 10%~33% and 10%~33%)	- The estimated fair value would increase (decrease) if: ·The multiplier was higher (lower) ·The market illiquidity discount was 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

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- 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	
			Favorable	Unfavorable	Favorable	Unfavorable
March 31, 2023						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Market illiquidity discount	±1%	-	-	28,784	(28,777)
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)
March 31, 2022						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Market illiquidity discount	±1%	-	-	32,875	(32,870)

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

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(v) of the consolidated financial statements for the year ended December 31, 2022.

- (v) Capital management

Management believes that the objectives, policies, and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2022. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2022. Please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2022 for further details.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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 three months ended March 31, 2023 and 2022, were as follows:

	For the three months ended March 31	
	2023	2022
Purchases of property, plant and equipment	\$91,982	55,708
Add: opening balances of equipment and construction payables	78,250	158,179
Deduction: closing balances of equipment and construction payables	(78,598)	(158,712)
	\$91,634	55,175
Purchases of investment property	\$141,792	515,521
Add: opening balances of equipment and construction payables	92,991	-
	\$234,783	515,521

(7) Related-party transactions:

(a) Names and relationship with related parties

The following are entities that have had transactions with the related parties during the periods covered in the non-consolidated financial statements.

Name of related party	Relationship with the Group
Al-Jubail Fertilizer Company	Affiliate of the consolidated companies
TR Electronic Chemical Co., Ltd.	Joint venture of the consolidated companies
TR Electronic Chemical (Kunshan) Ltd.	Joint venture subsidiary of the consolidated companies (Note)
Council of Agriculture, Executive Court, R.O.C.	Entity with significant influence over the consolidated companies
Taiwan Fertilizer Legal Foundation	Other related party

Note: The bankruptcy of TR Electronic Chemical (Kunshan) Ltd. was declared by the court in China in September 2017 and was reviewed and announced in August 2018. The relevant statutory procedures had been completed in August, 2020.

(b) Significant transactions with related parties

1. Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	March 31, 2023	December 31, 2022	March 31, 2022
Account receivable	Joint venture	\$455	455	455

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Payables from Related Parties

The payables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>March 31, 2023</u>	<u>December 31, 2023</u>	<u>March 31, 2022</u>
Account payable	Al-Jubail Fertilizer Company	<u>\$139,728</u>	<u>587,300</u>	<u>1,218,991</u>

3. Others

- 1) TR Electronic Chemical Co., Ltd. (TR), a joint venture of the Company, obtained a financing of US\$10,000 thousand from a bank. The Company and Jing Chin International Limited Corporation jointly guaranteed the payment obligation. While, upon the expiry of the repayment period TR failed to repay the bank loans, the bank then requested the guarantors to pay off part of the loans in subrogation. Restricted by the "Regulations Governing the Granting of Loans and Endorsements and Guarantees by Public Companies", the company was unable to continue in providing TR with sufficient guarantee. Thus, the board of directors resolved to repay the loan on behalf of TR holding company as follows:

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

Considering the weakening operating and repayment capability of TR, the Company 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 approved the close of the bankruptcy liquidation procedure, the case was approved by the Market Supervision Administrations of Kunshan in August 2020. Also, the Group filed a lawsuit with the Taipei District Court against Jin Qun International Co., Ltd., the investor of TR Holding Company, and its seven shareholders in July 2017 for joint and several liability for repayment. In December 2018, the result of the first-instance verdict was pronounced, and the Group partially won the lawsuit against Jin Qun International Co., Ltd. And Mr. Zhao, the person in charge. However, Zhao filed a second-instance appeal for his dissatisfaction with the part where he lost, and the consolidated company filed an incidental appeal against the part where Mr. Zhao won. The second instance was pronounced in January 2019. However, the stockholder was 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 verdict of the third instance and the second instance was pronounced annulled in August 2021 and the appeal was sent back to the Taiwan High Court for retrial. The Taiwan High Court rendered its first-instance judgment on April 18, 2023, in the case involving Mr. Zhao. The appeals filed by Mr. Zhao and the subsidiary company were both rejected. Following the receipt of the judgment, the Group will consult with its appointed lawyer to discuss the possibility of further appeal.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Remunerations of key management personnel

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

	For the three months ended March 31	
	2023	2022
Short-term employee benefits	\$24,253	29,264
Post-employment benefits	224	203
	\$24,477	29,467

(8) Pledged assets:

The information of the carrying value of pledged assets were as follows:

Asset	Purpose of pledge	March 31, 2023	December 31, 2022	March 31, 2022
Other financial asset-current and non-current	Guarantee of material purchase amount, security in litigation and engineering deposit	<u>\$562,172</u>	<u>296,872</u>	<u>251,418</u>

(9) Significant contingent liabilities and unrecognized contractual commitments:

(a) Significant unrecognized contractual commitments

1. Significant unrecognized contractual commitments were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Acquisition of property, plant, and machinery	<u>\$132,181</u>	<u>137,287</u>	<u>130,962</u>
Acquisition of investment property	<u>\$1,549,619</u>	<u>1,724,201</u>	<u>3,109,373</u>

2. Unused letters of credit:

	March 31, 2023	December 31, 2022	March 31, 2022
USD thousands	<u>\$423</u>	<u>8,294</u>	<u>20,116</u>

3. The Corporation had guarantee notes payable for its debt as follow:

	March 31, 2023	December 31, 2022	March 31, 2022
Guarantee notes payable	<u>\$8,215,540</u>	<u>8,215,540</u>	<u>9,941,560</u>

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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. The High Court, upon further review, revoked the interim injunction that allowed the Group to provide collateral. The Group has already completed the deposit, totaling \$265 million (classified as other financial assets - non-current). Following the revocation of the interim injunction by the local court, the restricted area is now available for external leasing. In the first instance ruling, it was determined that the Group shall deliver the proceeds of another 799 parking lots in the basement to Dung Jeng. The Group will continue to appeal in the second instance. The Taipei District Court ruled that the Group is allowed to revoke the interim injunction after providing collateral. As of the date of the review report, the relevant legal procedures are still ongoing. There are no material impacts on the financial and business operation of the Group.

(10) Significant Losses Due to Major Disasters:

None.

(11) Significant Subsequent Events:

None.

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

(12) Other:

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

By item	For the three months ended March 31					
	2023			2022		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit						
Salary	113,963	107,835	221,798	116,212	134,902	251,114
Health and labor insurance	10,575	7,621	18,196	10,419	7,431	17,850
Pension	5,408	3,705	9,113	5,350	3,697	9,047
Others	4,997	3,225	8,222	5,476	4,077	9,553
Depreciation	297,411	12,299	309,710	270,815	12,505	283,320
Amortization	-	871	871	-	1,836	1,836

The depreciation of which were recorded as non-operating income and expenses of the Group were \$4,040 and \$4,210 thousand for the three months ended March 31, 2023 and 2022, respectively.

(b) Seasonality of operations:

The operations are not affected by seasonality or cyclicity factors.

(13) Other disclosures:

(a) Information on significant transactions:

For the three months ended March 31, 2023, the following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

1. 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 of 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	The Company	Dayun Co., Ltd./City state Co., Ltd./Kuan Chu Construction Co., Ltd.	Long-term receivables	No	9,865	10,064	9,667	1.845%-2.470%	1	79,500	-	-	Commercial paper	15,890	2,674,246	10,696,984
0	The Company	○○ Lin	Long-term receivables	No	10,573	10,786	10,360	1.845%-2.470%	1	85,300	-	-	Commercial paper	17,030	2,674,246	10,696,984
0	The Company	○○ Liao	Long-term receivables	No	10,281	10,488	10,074	1.845%-2.470%	1	83,120	-	-	Commercial paper	16,560	2,674,246	10,696,984
0	The Company	○○ Tan	Long-term receivables	No	35,627	36,312	34,941	1.845%-2.470%	1	78,360	-	-	Commercial paper	54,810	2,674,246	10,696,984
0	The Company	○○ Huang	Long-term receivables	No	3,722	4,107	3,337	1.645%-2.270%	1	77,000	-	-	Commercial paper	15,400	2,674,246	10,696,984
0	The Company	○○ Chang	Long-term receivables	No	3,840	4,237	3,443	1.645%-2.270%	1	79,500	-	-	Commercial paper	15,890	2,674,246	10,696,984

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 the net worth of the Company.

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

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

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

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

2. Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on number 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	The Company	Taifer Chemicals International Inc.	2	48,239	13,500	13,500	13,500	-	0.03%	26,742,461	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 Company to any individual entity should not exceed 20% of the Company'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 Company's net worth.

3. Securities held as of March 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Category and name of security	Marketable Securities Type/Name and Issuer	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Taiwan Fertilizer Co., Ltd.	<u>Mutual funds</u>							
	Mega Diamond Money Market Fund	-	Fair value through profit or loss- current	782	10,000	-%	10,000	Note 1
	Capital Money Market Fund	-	Fair value through profit or loss- current	609	10,001	-%	10,001	Note 1
	Deutsche Far Eastern DWS Taiwan Money Market Fund	-	Fair value through profit or loss- current	839	10,001	-%	10,001	Note 1
	Jih Sun Money Market Fund	-	Fair value through profit or loss- current	662	10,001	-%	10,001	Note 1
	Prudential Financial Money Market Fund	-	Fair value through profit or loss- current	621	10,000	-%	10,000	Note 1
	FSITC Money Market	-	Fair value through profit or loss- current	641	10,000	-%	10,000	Note 1
	Taishin 1699 Money Market Fund	-	Fair value through profit or loss- current	724	10,001	-%	10,001	Note 1
	Hua Nan Phoenix Money Market Fund	-	Fair value through profit or loss- current	604	10,001	-%	10,001	Note 1

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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				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Taiwan Fertilizer Co., Ltd.	<u>Ordinary shares</u>							
	Eminent Venture Capital Corporation	Our Company is legal representative director of the company	FVOCI - noncurrent	675	7,297	10.00%	7,297	Note 3
	Eminent II VC Corp	"	FVOCI - noncurrent	7,800	71,604	18.50%	71,604	Note 3
	Eminent III VC Corp	"	FVOCI - noncurrent	30,000	229,800	16.56%	229,800	Note 3
	Taiwan Stock Exchange Corporation	-	FVOCI - noncurrent	20,500	2,606,555	2.00%	2,606,555	Note 4
	Visgeneer Inc.	Our Company is legal representative director of the company	FVOCI - noncurrent	3,147	25,208	10.43%	25,208	Note 4
	TaiAn Technologies Corporation	"	FVOCI - noncurrent	1,667	24,101	16.67%	24,101	Note 3
	TSCBio Ventures Capital Co.	"	FVOCI - noncurrent	168	6,355	19.75%	6,355	Note 3
	Ding-Tang	-	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 - noncurrent	9,662	95,174	0.26%	95,174	Note 2

Note 1: The market value was calculated on the basis of the net asset value as of 31 March, 2023.

Note 2: The market value was calculated on the basis of the closing price on the Taiwan Stock Exchange as of 31 March, 2023.

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

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

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

None.

5. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

None.

6. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

None.

7. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

None.

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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8. 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.	Joint Venture	Other receivable 317,277	- %	317,277	-	-	317,277

9. Trading in derivative instruments:

None.

10. 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 Fertilizer Co., Ltd.	Taiwan Yes Deep Ocean Water Co., Ltd.	1	Sales	2,227	were not significantly different from others	0.06%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Rental revenue	1,783	were not significantly different from others	0.05%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Other operating revenue	499	were not significantly different from others	0.01%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Cost of goods sold	209	were not significantly different from others	0.01%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Selling expenses	565	were not significantly different from others	0.02%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Administrative expenses	221	were not significantly different from others	0.01%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Research and development expenses	3	were not significantly different from others	-%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Receivables	2,356	were not significantly different from others	-%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Other receivables	9	were not significantly different from others	-%
		Taiwan Yes Deep Ocean Water Co., Ltd.	1	Other payables	101	were not significantly different from others	-%
		Taifer Chemicals International Inc.	1	Rental revenue	1,480	were not significantly different from others	0.04%
		Taifer Chemicals International Inc.	1	Cost of goods sold	222	were not significantly different from others	0.01%
		Taifer Chemicals International Inc.	1	Account payables	115	were not significantly different from others	-%
	PEIFENG TECHNOLOGY & FERTILIZER CO., LTD.	PEIFENG TECHNOLOGY & FERTILIZER CO., LTD.	1	Cost of goods sold	51,152	were not significantly different from others	1.49%
		PEIFENG TECHNOLOGY & FERTILIZER CO., LTD.	1	Sales	5,041	were not significantly different from others	0.15%

(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
0	Taiwan Fertilizer Co., Ltd.	PEIFENG TECHNOLOGY & FERTILIZER CO., LTD.	1	Account receivables	1,577	were not significantly different from others	-%
		PEIFENG TECHNOLOGY & FERTILIZER CO., LTD.	1	Account payables	19,397	were not significantly different from others	0.02%
		PEIFENG TECHNOLOGY & FERTILIZER CO., LTD.	1	Other payables	11,442	were not significantly different from others	0.01%

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 as of March 31, 2023 (excluding information on investees in China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2023			Net income (losses) of investee	Share of profits/ losses of investee	Note
				March 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
Taiwan Fertilizer Co., Ltd.	AL-JUBAIL FERTILIZER COMPANY	Saudi Arabia	Manufacture of urea, 2-EH (2-ethyl hexanol), and DOP (dioctyl phthalate)	3,050,000	3,050,000	7	50.00%	9,812,598	1,351,949	637,752	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%	91,220	2,022	2,022	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%	300,114	(435)	(233)	Subsidiary

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES
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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2023			Net income (losses) of investee	Share of profits/ losses of investee	Note
				March 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
Taiwan Fertilizer Co., Ltd.	PEIFENG TECHNOLOGY & FERTILIZER CO., LTD.	Taiwan	Manufacture and wholesale of fertilizer	2,400,000	2,400,000	240,000	100.00%	2,595,783	24,060	24,060	Subsidiary
"	TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD.	Cayman Islands	Investment and holding	321,900	321,900	-	100.00%	-	-	-	Subsidiary
"	MITAGRI CO., LTD.	Taiwan	Wholesale and retail of products for organic agriculture	105,580	80,000	5,433	32.52%	57,160	1,644	535	Associate
"	TAIFER (CAMBODIA) CO., LTD.	Cambodia	International trade; wholesale of fertilizer	40,052	40,052	-	100.00%	36,252	(142)	(142)	Subsidiary
TAIFER (CAYMAN) INTERNATIONAL GROUP CO., LTD.	TR ELECTRONIC CHEMICAL CO., LTD.	Cayman Islands	Investment and holding	321,962	321,962	-	51.00%	-	-	-	Joint venture
Taifer Chemicals International Inc.	TAIFER INTERNATIONAL (SAMOA) GROUP CO., LTD.	Samoa	Investment and holding	42,618	42,618	-	100.00%	73,627	2,253	-	Subsidiary
TAIFER INTERNATIONAL (SAMOA) GROUP CO., LTD.	TAIFER CHEMICAL INTERNATIONAL CO., LTD.	Mongolia	Real estate lease	41,077	41,077	-	100.00%	67,434	2,253	-	Subsidiary

(c) Information on investment in China:

(i) The names of investees in 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, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
TR Electronic Chemical (Kunshan) Ltd.	Manufacture of nitric acid, hydrofluoric acid, ammonia, phosphoric acid, oxalic acid, ammonia fluoride and LCD and IC Stripper	US\$21,500	(Note 3)	US\$ -	-	-	US\$ -	US\$ -	-%	US\$ -	US\$ -	-
		(NT\$654,761) (Note 4)		(NT\$ -) (Note 4)			(NT\$ -) (Note 1)	(NT\$ -) (Note 1)		(NT\$ -) (Note 5)	(NT\$ -) (Note 5)	

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TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Limitation on investment in China:

(In Thousands of New Taiwan Dollars/ United States Dollars)

Accumulated Investment in China as of March 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NT\$ - (US\$-) (Note 1)	NT\$333,928 (US\$10,965) (Note 4)	NT\$32,090,953 (Note 2)

Note 1: The Group applied for the cessation of its operations to the local court on March 17, 2017, and the cessation was completed in August 2020. The accumulated investment amount of disposed in the current period is NT\$333,928 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\$30.454 as of March 31, 2023.

Note 5: As of June 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.

3. Significant transactions: None.

(d) Information of major shareholders:

Unit: Shares

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

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

(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).

(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 three months ended March 31, 2023	Fertilizer and chemical	Real estate and investment business	Others	Adjustment and eliminations	Total
External customer revenues	\$2,760,163	524,838	148,461	-	3,433,462
Intersegment revenues	51,151	3,264	8,997	(63,412)	-
Total revenue	<u>\$2,811,314</u>	<u>528,102</u>	<u>157,458</u>	<u>(63,412)</u>	<u>3,433,462</u>
Net gains and losses of intersegment	<u>\$(230,786)</u>	<u>203,858</u>	<u>(19,347)</u>	-	(46,275)
Other gains and losses					(5,905)
Finance costs					(777)
Share of profit of associates and joint ventures accounted for using equity method					638,287
Interest income					13,614
Other income					34,711
Reportable segment profit or loss					<u>\$633,655</u>

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For the three months ended March 31, 2022	Fertilizer and chemical	Real estate and investment business	Others	Adjustment and eliminations	Total
External customer revenues	\$3,466,047	514,253	123,543	-	4,083,843
Intersegment revenues	62,258	3,267	16,766	(82,291)	-
Total revenue	<u>\$3,508,305</u>	<u>517,520</u>	<u>140,309</u>	<u>(82,291)</u>	<u>4,083,843</u>
Net gains and losses of intersegment	<u>\$(307,451)</u>	<u>171,174</u>	<u>(8,330)</u>	-	(144,607)
Other gains and losses					78,487
Finance costs					(1,109)
Share of profit of associates and joint ventures accounted for using equity method					1,032,182
Interest income					3,630
Other income					3,100
Reportable segment profit or loss					<u><u>\$971,683</u></u>
Reportable segment assets					
March 31, 2023	<u>\$21,592,160</u>	<u>59,404,570</u>	<u>424,625</u>	<u>(63,402)</u>	<u>81,357,953</u>
December 31, 2022	<u>\$21,901,848</u>	<u>58,498,737</u>	<u>416,724</u>	<u>(64,835)</u>	<u>80,752,474</u>
March 31, 2022	<u>\$23,974,611</u>	<u>59,092,442</u>	<u>435,830</u>	<u>(69,687)</u>	<u>83,433,196</u>
Reportable segment liabilities					
March 31, 2023	<u>\$6,824,808</u>	<u>21,047,154</u>	<u>38,179</u>	<u>(37,110)</u>	<u>27,873,031</u>
December 31, 2022	<u>\$6,924,891</u>	<u>20,775,760</u>	<u>29,166</u>	<u>(38,339)</u>	<u>27,691,478</u>
March 31, 2022	<u>\$7,586,671</u>	<u>22,139,378</u>	<u>56,537</u>	<u>(42,533)</u>	<u>29,740,053</u>