

【 Stock Code: 1315】

Tahsin Industrial Corporation and Subsidiaries
Consolidated Financial Statements and Independent
Auditor's Report
For the Years Ended December 31, 2021 and 2020

Address: No. 51, 35th Road, Taichung Industrial Park, Xitun District,
Taichung City

Phone: (04) 2359-5511

Table of Contents

Items	Page
I. Cover Page	1
II. Table of Contents	2
III. Statement of Declaration	3
IV. Independent Auditors' Report	4
V. Consolidated Balance Sheets	9
VI. Consolidated Statements of Comprehensive Income	11
VII. Consolidated Statements of Changes in Equity	12
VIII. Consolidated Statements of Cash Flows	13
IX. Notes to Consolidated Financial Statements	15
(I) Company History	15
(II) Date and Procedures of Authorization for Issuance of the Financial Statements	15
(III) Application of Newly Issued, Revised, and Amended Standards and Interpretations	15
(IV) Summary of Significant Accounting Policies	18
(V) Major Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions	33
(VI) Explanation of Important Accounting items	35
(VII) Related Party Transactions	71
(VIII) Pledged Assets	73
(IX) Significant Contingent Liabilities and Unrecognized Contractual Commitments	74
(X) Significant Disaster Losses	74
(XI) Significant Events after the Balance Sheet Date	74
(XII) Others	74
(XIII) Additional Disclosures	82
1. Information on significant transactions	82
2. Information on investee companies	82
3. Information on investments in mainland China	82
(XIV) Department Information	97

Tahsin Industrial Corporation

Statement of Declaration

The entities that are required to be included in the combined financial statements of Tahsin Industrial Corporation as of and for the year ended December 31, 2021, under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Financial Reporting Standards (IFRS) 10, and relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Tahsin Industrial Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Special Declaration

Name: Tahsin Industrial Corporation

Person-in-charge: Wu, Zi-Cong

March 25, 2022

Independent Auditors' Report

To Tahsin Industrial Corporation:

Audit Opinion

Tahsin Industrial Corporation and its subsidiaries' Consolidated Balance Sheets as of December 31, 2021 and 2020, in addition to the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements (including the Summary of Significant Accounting Policies) for the years then ended, have been audited by the CPAs.

In our opinion, the Consolidated Financial Statements mentioned above have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" in all material aspects, and are considered to have reasonably expressed the Tahsin Industrial Corporation's and its subsidiaries' financial conditions as of December 31, 2021 and 2020, as well as the consolidated financial performance and cash flows from January 1 to December 31, 2021 and 2020.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the section titled "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements." We are independent from Tahsin Group pursuant to the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other responsibilities in accordance with these requirements. We believe we have obtained sufficient and appropriate audit evidence to serve as a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of Tahsin Industrial Corporation and its subsidiaries for the year ended December 31, 2021. Such matters have been dealt with in the course of auditing the consolidated financial statements and in the preparation of our audit opinion. As such, we do not respond to each key matter individually. The key audit matters for the consolidated financial statements of Tahsin Industrial Corporation and its subsidiaries for the year ended December 31, 2021 are as follows:

Revenue recognition

Please refer to Note 4 (18) of the Consolidated Financial Statements for accounting policies regarding revenue recognition; please see Note 5 (1) 3 of the Consolidated Financial Statements for critical accounting judgments, estimates, and assumptions regarding revenue recognition; please see Note 6 (22) of the Consolidated Financial Statement for disclosure of information related to income.

Key Audit Matters:

The operating revenue of Tahsin Industrial Corporation and its subsidiaries comes mainly from sale of products. Recognition of sales revenue is mainly to verify whether the control over goods is transferred to buyers and whether there are no non-performance obligations that may affect the acceptance of products, and also is the main indicator for investors and the management to assess the financial or business performance of Tahsin Industrial Corporation and its subsidiaries. As the accuracy of the amount and timing of revenue recognition has a great influence on the financial statements, we have thus included it as one of the key audit matters.

Audit procedures adopted:

Our audit procedures include (i) understanding and testing the effectiveness of internal control mechanisms adopted by the management on revenue recognition; (ii) sampling and reviewing records of sales revenue recognition (including shipping documents) over a certain period of time before the balance sheet date, and determining the appropriateness of recognition timing thereof; (iii) testing selected underlying transactions before and after the end of the reporting date to verify if they were recognized in the correct period; (iv) assessing whether the risks and rewards of goods, of which the revenue had been recognized, have been transferred; and (v) performing a trend analysis on major buyers and revenues by product to determine if material irregularities exist.

Cash and cash equivalents

Please refer to Note 4 (6) of the consolidated financial statements for details of the accounting policies for cash and cash equivalents. Please refer to note 6 (1) of the consolidated financial statements for details of the accounting items of cash, equivalent cash and time deposits with an original maturity of more than three months.

Key Audit Matters:

As of December 31, 2021, the cash and cash equivalents held by Tahsin Industrial Corporation and its subsidiaries and time deposits with original maturities of more than three months and more than one year carrying value (listed in other financial of assets-current and other financial assets-non-current) is NTD3,258,981 thousand, accounting for approximately 25.55% of total assets, and the amount is significant to the consolidated financial statements. Due to the inherent risk of cash and cash equivalents and time deposits with an original maturity of more than three months and more than one year, we list these items as one of the key audit items.

Audit procedures adopted:

1. Evaluate and test the effectiveness of the design and implementation of the internal control system for cash and cash equivalents and term deposits with initial terms of over three months and over one year.
2. Conduct significant transactions test and verification procedures for frequent bank accounts, including understanding the purpose of the bank account and reviewing relevant transaction vouchers to confirm the reasonableness of the receipt and payment of huge bank deposits.
3. Conduct an inventory verification process on cash and term deposits, including checking whether term deposits have provided guarantees or pledged to confirm consistency with the disclosures in the financial statements.
4. To obtain a breakdown of the balances of cash and cash equivalents and term deposits with initial terms of over three months and over one year and to check the balance on bank statements and the relevant transaction evidence to confirm the existence. In addition, check the amount on the correspondence response letter for all financial institutions and examine whether there are any restricted incidents, which have been properly disclosed.

Other Matters

We have also audited the Parent Company Only Financial Statements of Tahsin Industrial Corporation for 2021 and 2020, on which we have issued an unqualified opinion.

Responsibilities of the Management and the Governance Unit for the Consolidated Financial Statements

To ensure that the Consolidated Financial Statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent Consolidated Financial Statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as the IFRS, IAS, law and regulation reviews and their announcements recognized and announced by the Financial Supervisory Commission, and for preparing and maintaining necessary internal control procedures pertaining to the Consolidated Financial Statements.

In preparing the Consolidated Financial Statements, the responsibility of management includes assessing the ability of Tahsin Industrial Corporation and its subsidiaries to continue as going concerns, disclosing related matters, as well as adopting the going-concern basis of accounting, unless the management intends to liquidate Tahsin Industrial Corporation and its subsidiaries or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. There may still be material misstatements due to fraud or errors. If it could be reasonably anticipated that misstated amounts, individually or in aggregate, could have influenced the economic decisions made by the users of the consolidated financial statements, it will be deemed as material.

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit opinion. As fraud may involve collusion, forgery, deliberate omissions, false statements, or violations of internal controls, the risk of an undetected material misstatement due to fraud is greater than that due to errors.
2. Acquired necessary understanding of internal controls pertaining to the audit in order to develop audit procedures appropriate under the circumstances. Nevertheless, the purpose of such understanding is not to provide any opinion on the effectiveness of the internal controls of Tahsin Industrial Corporation and subsidiaries.
3. Assess the appropriateness of the accounting policies adopted by the management and the reasonableness of the accounting estimates and related disclosures has made.
4. Based on the audit evidence acquired, on the appropriateness of the management's use of the going-concern basis of accounting, and determined whether a material uncertainty exists where events or conditions that might cast significant doubt on the ability of Tahsin Industrial Corporation and its subsidiaries to continue to operate as going concerns. If we believe there may be factors causing significant uncertainties, we are required to remind the users of the consolidated financial statements in our audit report of the relevant disclosures therein, or to amend our report if inappropriate disclosure was made. Our conclusions are based on information available at the date of the auditor's report. However, future events or circumstances may cause Tahsin Industrial Corporation and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall expression, structure and contents of the Consolidated Financial Statements (including relevant Notes), and whether the Consolidated Financial Statements fairly present relevant transactions and events.
6. To obtain sufficient and appropriate audit evidence on the financial information from Tahsin Group members to express opinions on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit, and responsible for forming our opinions on the Group.

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

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

We determined the key audit matters of the consolidated financial statements of Tahsin Industrial Corporation and its subsidiaries of 2021 from the matters communicated with the governance authorities. Such matters have been explicitly stated in our audit report, unless laws or regulations prevent their disclosures, or, in extremely rare cases, we decide not to communicate such matters in our audit report in consideration that the reasonably anticipated adverse impacts of such communication would be greater than the public interest it would promote.

Crowe Horwath (TW) CPAs

CPA: Chang, Fu-Lang

CPA: Chiu, Kuei-Ling

No. of the official approval: FSC No. 10200032833

March 25, 2022

Tahsin Industrial Corporation and its subsidiaries

Consolidated Balance Sheets

December 31, 2021 and 2020

Unit: Thousand NTD

Code	Assets	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Notes 4 and 6 (1))	\$1,509,695	12	\$3,987,427	31
1120	Financial assets at fair value through other comprehensive income - current (Notes 6 (3))	4,564,082	36	3,079,853	24
1150	(Net) Notes receivables (Note 6 (4))	88,641	1	90,597	-
1170	(Net) Accounts receivable (Note 6 (5))	317,236	3	310,098	2
1180	(Net) Accounts receivable – related parties (Note 6 (5))	16,499	-	15,263	-
1200	Other receivables	18,701	-	13,225	-
1210	Other receivables - related parties	1,834	-	969	-
1220	Current income tax assets	4,957	-	5,332	-
130x	Inventories (Notes 4 and 6 (6))	756,419	6	606,977	5
1410	Prepayments	40,376	-	58,371	-
1476	Other financial assets - current (Note 6 (1))	1,712,362	13	1,532,322	12
1479	Other current assets - Others	1,153	-	1,649	-
11xx	Total current assets	9,031,955	71	9,702,083	74
	Non-current Assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 6 (7))	768,053	6	705,348	5
1550	Investments accounted for using the equity method (Notes 4 and 6 (8))	574,360	5	646,294	5
1600	Property, plant and equipment (Notes 4 and 6 (9))	1,757,705	14	1,496,595	12
1755	Right-of-use asset (Notes 4 and 6 (10))	74,133	-	80,609	1
1760	Investment properties - net (Notes 4 and 6 (11))	401,177	3	271,896	2
1840	Deferred tax assets (Note 6 (28))	104,239	1	106,332	1
1920	Refundable deposits	3,883	-	2,789	-
1970	Other long-term investment (net)	810	-	810	-
1980	Other financial assets - non-current (Note 6 (1))	36,924	-	50,335	-
1995	Other non-current assets, others	1,485	-	3,329	-
15xx	Total non-current assets	3,722,769	29	3,364,337	26
1xxx	Total Assets	\$12,754,724	100	\$13,066,420	100

(Continued on next page)

(Continued from previous page)

Tahsin Industrial Corporation and its subsidiaries

Consolidated Balance Sheets

December 31, 2021 and 2020

Unit: Thousand NTD

Code	Liabilities and equity	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	Current liabilities				
2100	Short-term loans (Note 6 (12))	\$255,760	2	\$214,130	2
2120	Financial assets at fair value through profit or loss - current (Note 6 (2))	12	-	39	-
2130	Contract liabilities - current (Note 6 (22))	11,457	-	7,889	-
2150	Notes payable	146,175	1	92,939	1
2170	Accounts payable	79,939	1	68,653	-
2200	Other payables	196,696	2	240,539	2
2220	Other payables- related parties	1,211	-	4,792	-
2230	Current income tax liabilities	266,975	2	6,545	-
2250	Provisions - current (Notes 4 and 6 (13))	8,458	-	9,467	-
2280	Lease liabilities - current (Note 6 (10))	2,655	-	3,035	-
2320	Long-term liabilities - current portion (Note 6 (14))	-	-	2,266	-
2399	Other current liabilities	2,112	-	2,369	-
21xx	Total current liabilities	971,450	8	652,663	5
	Non-current liabilities				
2570	Deferred tax liabilities (Note 6 (28))	180,746	1	180,755	2
2580	Lease liabilities - non-current (Notes 6 (10))	9,877	-	12,948	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 6 (15))	13,326	-	7,920	-
2645	Guarantee deposits received	9,043	-	8,040	-
25xx	Total non-current liabilities	212,992	1	209,663	2
2xxx	Total liabilities	1,184,442	9	862,326	7
	Equity				
	Equity Attributable to the Shareholders of the Parent Company				
3100	Share capital (Note 4 and 6 (16))	990,990	8	1,386,000	11
3200	Capital surplus (Note 6 (17))	182,030	2	151,782	1
3300	Retained earnings (Note 6 (18))	7,538,998	59	8,350,263	64
3400	Other equity (Note 6 (19))	2,915,781	23	2,388,550	18
3500	Treasury shares (Note 6 (20))	(83,230)	(1)	(97,469)	(1)
31xx	Total equity attributable to owners of the parent company	11,544,569	91	12,179,126	93
36xx	Non-controlling interest (Note 6 (21))	25,713	-	24,968	-
3xxx	Total equity	11,570,282	91	12,204,094	93
	Total liabilities and equity	\$12,754,724	100	\$13,066,420	100

(The accompanying notes are an integral part of the Consolidated Financial Statements.)

Chairman: Wu, Zi-Cong

Manager: Wu, Zi-Cong

Chief Accountant: Lai Ken-Min

Tahsin Industrial Corporation and its subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2021 and 2020

Unit: Thousand NTD

Code	Items	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
4000	Operating revenue (Notes 4 and 6 (22))	\$2,378,900	100	\$2,233,540	100
5000	Operating Costs (Note 6 (6) (23))	(2,012,513)	(85)	(1,851,340)	(83)
5900	Gross Profit (loss)	366,387	15	382,200	17
	Operating expenses (Note 6 (23))				
6100	Marketing expenses	(113,369)	(5)	(108,251)	(5)
6200	Administrative expenses	(244,044)	(10)	(233,697)	(10)
6450	Expected credit losses (benefits)	(1,724)	-	(2,219)	-
6000	Total operating expenses	(359,137)	(15)	(344,167)	(15)
6900	Operating profit (loss)	7,250	-	38,033	2
	Non-operating income and expenses				
7100	Interest income (Note 6 (24))	20,592	1	21,469	1
7010	Other income (Note 6 (25))	223,676	9	168,378	7
7020	Other gains and losses (Note 6 (26))	(15,798)	-	5,654,794	253
7050	Finance costs (Notes 4 and 6 (27))	(1,907)	-	(3,604)	-
7055	Expected credit losses (benefits)	5,024	-	(5,455)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	41,877	2	59,559	3
7000	Total non-operating income and expenses	273,464	12	5,895,141	264
7900	Net profit (loss) before tax	280,714	12	5,933,174	266
7950	Benefit of income tax (expense) (Note 6 (28))	(274,282)	(12)	(502,963)	(23)
8000	Profit (loss) from continuing operations	6,432	-	5,430,211	243
8200	Profit (loss)	6,432	-	5,430,211	243
	Other comprehensive income (Note 6 (29))				
	Items that will not be reclassified to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 6 (15))	(12,178)	-	(3,113)	-
8316	Unrealized valuation profit or loss on investments in equity instruments at fair value through other comprehensive income	637,831	27	128,805	6
8326	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income of affiliated enterprises and joint ventures	(61,096)	(3)	69,905	3
8310	Components of other comprehensive income that will not be reclassified to profit or loss:	564,557	24	195,597	9
	Items that may be reclassified to profit or loss				
8361	Exchange differences on translating the financial statements of foreign operations	(28,266)	(1)	(17,298)	(1)
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	5,588	-	3,424	-
8360	Items that may be reclassified subsequently to profit or loss:	(22,678)	(1)	(13,874)	(1)
8300	Other comprehensive income - net after tax	\$541,879	23	\$181,723	8
8500	Total Comprehensive Income for the Year	\$548,311	23	\$5,611,934	251
8600	Profit (loss), attributable to:				
8610	Shareholders of the parent company (net income/loss)	\$5,361	-	\$5,429,260	243
8620	Non-controlling interests (profit or loss)	1,071	-	951	-
		\$6,432	-	\$5,430,211	243
8700	Total comprehensive income attributable to:				
8710	Owners of the parent company (consolidated profit and loss)	\$547,566	23	\$5,611,163	251
8720	Non-controlling interests (consolidated profit and loss)	745	-	771	-
		\$548,311	23	\$5,611,934	251
	Earnings Per Share				
9750	Basic earnings per share (Note 6 (30))	\$0.04		\$31.97	
9850	Diluted earnings per share	\$0.04		\$31.89	

(The accompanying notes are an integral part of the Consolidated Financial Statements.)

Chairman: Wu, Zi-Cong

Manager: Wu, Zi-Cong

Chief Accountant: Lai Ken-Min

Tahsin Industrial Corporation and its subsidiaries

Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2021 and 2020
Unit: Thousand NTD

	Equity Attributable to the Shareholders of the Parent Company										Non-controlling interests	Total Equity
	Retained earnings					Other Equity						
	Share capital of common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings (or loss to be compensated)	Exchange differences on translating the financial statements of foreign operations	Unrealized valuation (losses) gains from financial assets measured at fair value through other comprehensive income	Treasury stock	Total equity to owners of the parent company			
Balance as of January 1, 2020	\$1,980,000	\$105,429	\$759,713	\$2,515,291	\$921,818	(\$70,282)	\$2,278,210	(\$118,879)	\$8,371,300	\$21,927	\$8,393,227	
Appropriation and distribution of earnings												
Provision for legal reserve	-	-	73,817	-	(73,817)	-	-	-	-	-	-	
Ordinary cash dividends	-	-	-	-	(1,277,100)	-	-	-	(1,277,100)	-	(1,277,100)	
Reversal of special reserve	-	-	-	(1,941,491)	1,941,491	-	-	-	-	-	-	
Other changes in capital surplus	-	319	-	-	-	-	-	-	319	-	319	
Profit (loss) after tax of 2020	-	-	-	-	5,429,260	-	-	-	5,429,260	951	5,430,211	
Other comprehensive income after tax in 2020	-	-	-	-	(3,113)	(13,694)	198,710	-	181,903	(180)	181,723	
Total Comprehensive Income for the Year	-	-	-	-	5,426,147	(13,694)	198,710	-	5,611,163	771	5,611,934	
Capital reduction	(594,000)	-	-	-	-	-	-	-	(594,000)	-	(594,000)	
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	46,034	-	-	-	-	-	-	46,034	-	46,034	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	2,270	2,270	
Disposals of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	4,394	-	(4,394)	-	-	-	-	
Others	-	-	-	-	-	-	-	21,410	21,410	-	21,410	
Balance as of December 31, 2020	\$1,386,000	\$151,782	\$833,530	\$573,800	\$6,942,933	(\$83,976)	\$2,472,526	(\$97,469)	\$12,179,126	\$24,968	\$12,204,094	
Balance as of January 1, 2021	1,386,000	151,782	833,530	573,800	6,942,933	(83,976)	2,472,526	(97,469)	12,179,126	24,968	12,204,094	
Appropriation and distribution of earnings												
Provision for legal reserve	-	-	737,203	-	(737,203)	-	-	-	-	-	-	
Ordinary cash dividends	-	-	-	-	(831,600)	-	-	-	(831,600)	-	(831,600)	
Other changes in capital surplus	-	273	-	-	-	-	-	-	273	-	273	
Profit (loss) after tax of 2021	-	-	-	-	5,361	-	-	-	5,361	1,071	6,432	
Other comprehensive income after tax in 2021	-	-	-	-	(12,178)	(22,352)	576,735	-	542,205	(326)	541,879	
Total Comprehensive Income for the Year	-	-	-	-	(6,817)	(22,352)	576,735	-	547,566	745	548,311	
Capital reduction	(395,010)	-	-	-	-	-	-	-	(395,010)	-	(395,010)	
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	29,975	-	-	-	-	-	-	29,975	-	29,975	
Disposals of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	27,152	-	(27,152)	-	-	-	-	
Others	-	-	-	-	-	-	-	14,239	14,239	-	14,239	
Balance as of December 31, 2021	\$990,990	\$182,030	\$1,570,733	\$573,800	\$5,394,465	(\$106,328)	\$3,022,109	(\$83,230)	\$11,544,569	\$25,713	\$11,570,282	

(The accompanying notes are an integral part of the Consolidated Financial Statements.)

Chairman: Wu, Zi-Cong

Manager: Wu, Zi-Cong

Chief Accountant: Lai Ken-Min

Tahsin Industrial Corporation and its subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

Unit: Thousand NTD

Items	December 31, 2021	December 31, 2020
Cash flows from (used in) operating activities, indirect method		
Net profit (loss) before tax	\$280,714	\$5,933,174
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expensesD	58,010	56,820
Expected credit losses (benefits)	(3,300)	7,674
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(24)	50
Interest expenses	1,907	3,604
Interest revenue	(20,592)	(21,469)
Dividend revenue	(181,571)	(109,477)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(41,877)	(59,559)
Loss (gain) on disposal and disposition of property, plant and equipment	(457)	(2,441)
Loss (gain) on disposal of non-current assets classified as held for sale	-	(5,754,207)
Unrealized exchange loss (gain)	683	1,573
Other adjustments to reconcile profit (loss)	(54)	319
Total adjustments to reconcile profit (loss)	(187,275)	(5,877,113)
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in notes receivable	1,181	(15,006)
Decrease (increase) in accounts receivable	(8,582)	(47,454)
Decrease (increase) in accounts receivable - related parties	(1,317)	4,594
Decrease (increase) in other receivables	(4,026)	(4,538)
Decrease (increase) in other receivables - related parties	(865)	(965)
Decrease (increase) in inventories	(149,442)	21,838
Decrease (increase) in prepayments	17,995	(4,079)
Decrease (increase) in other non-current assets	496	1,430
Decrease (increase) in other financial assets	19,960	43,136
Total changes in operating assets	(124,600)	(1,044)
Changes in operating liabilities		
Increase (decrease) in contract liabilities	3,568	(127)
Increase (decrease) in notes payable	53,236	(24,339)
Increase (decrease) in accounts payable	11,286	25,050
Increase (decrease) in accounts payable to related parties	-	(3)
Increase (decrease) in other payables	(53,460)	38,811
Increases (decreases) in other payables to related parties	(3,581)	(1,415)
Increase (decrease) in provisions	(1,009)	-
Increase (decrease) in other current liabilities	(257)	242
Increase (decrease) in net defined benefit liabilities	(6,772)	(45,438)
Total changes in operating liabilities	3,011	(7,219)
Total changes in operating assets and liabilities	(121,589)	(8,263)
Total adjustments	(308,864)	(5,885,376)
Cash inflow (outflow) generated from operations	(28,150)	47,798

(Continued on next page)

(Continued from previous page)

Tahsin Industrial Corporation and its subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

Unit: Thousand NTD

Items	December 31, 2021	December 31, 2020
Interest received	\$21,549	\$19,192
Dividends received	231,665	127,705
Interest paid	(1,880)	(3,617)
Income tax refunded (paid)	(8,811)	(2,276)
Net cash provided by (used in) operating activities	214,373	188,802
Cash flows from (used in) investing activities		
Acquisition of financial assets at fair value through other comprehensive income	(1,215,535)	(665,267)
Disposal of financial assets at fair value through other comprehensive income	306,407	46,834
Disposal of non-current assets held for sale	-	8,351,965
Acquisition of property, plant and equipment	(401,151)	(81,468)
Disposal of property, plant, and equipment	603	2,892
Increase in refundable deposits	(1,250)	-
Decrease in refundable deposits	156	11,225
Acquisition of investment properties	(55,730)	-
Increase in other financial assets	(200,000)	(1,540,335)
Decrease in other financial assets	13,411	-
Increase in other non-current assets	-	(4,518)
Decrease in other non-current assets	7,287	-
Income tax refunded (paid)	-	(1,029,158)
Net cash flows from (used in) investing activities	(1,545,802)	5,092,170
Cash flows from financing activities		
Increase in short-term loans	100,000	-
Decrease in short-term loans	(32,472)	(90,496)
Decrease in short-term bills payable	-	(40,000)
Repayments of long-term loans	(2,092)	(3,875)
Increase in guarantee deposits received	1,106	940
Decrease in guarantee deposits received	(80)	(2,440)
Repayments of principal portion of the lease	(3,254)	(3,128)
Cash dividends paid	(801,625)	(1,231,066)
Capital reduction	(380,771)	(572,590)
Changes in non-controlling interests	-	2,270
Net cash provided by (used in) financing activities	(1,119,188)	(1,940,385)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(27,115)	(3,413)
Net increase (decrease) in cash and cash equivalents	(2,477,732)	3,337,174
Cash and cash equivalents at beginning of the period	3,987,427	650,253
Cash and cash equivalents at end of period	\$1,509,695	\$3,987,427

(The accompanying notes are an integral part of the Consolidated Financial Statements.)

Chairman: Wu, Zi-Cong

Manager: Wu, Zi-Cong

Chief Accountant: Lai Ken-Min

Tahsin Industrial Corporation and Subsidiaries

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

(I.) Company History

Tahsin Industrial Corporation ("The Company") was incorporated under the Company Act of Taiwan, Republic of China (R.O.C.) in 1958. The Company and its subsidiaries are primarily engaged in manufacturing and trading of a variety of plastic raincoats, nylon raincoats, overalls, wardrobes, nylon jackets, PP corrugated boards, TC garments, leather goods, handbags, file folders, plastic film, carrier bags and laminating machines, etc. The Company was approved by the Securities and Futures Bureau under the Financial Supervisory Commission (formerly the Securities and Futures Commission) for listing in 1992. For the main business activities of the Company and its subsidiaries (collectively, "Tahsin Group"), please refer to Note 4 (3)2. In addition, the Company has no ultimate parent company.

The Consolidated Financial Statements are presented in the NTD, the Company's functional currency.

(II.) Date and Procedures of Authorization for Issuance of the Financial Statements

The consolidated financial statements were published upon approval by the Board of Directors on March 25, 2022.

(III.) Application of Newly Issued, Revised, and Amended Standards and Interpretations

- a. The impact of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (hereinafter referred to as "IFRSs") endorsed and effected by the Financial Supervisory Commission (hereinafter referred to as the "FSC"):

The following table summarizes the new, revised, amended standards and interpretations of IFRSs endorsed by the FSC and are applicable in:

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	June 25, 2020 (Effective from release date)
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)	January 1, 2021
Rent Concessions Related to COVID-19 After June 30, 2021 (Amendments to IFRS 16)	April 1, 2021

Note: The FSC allows enterprises to elect to an earlier adoption of this amendment on January 1, 2021.

The above standards and interpretations have no significant impact to the Group's financial status and financial performance based on the Group's reasonable assessment.

- b. Effects of not yet applying the newly-announced and revised IFRSs endorsed by FSC:

The following table summarizes the new, revised, amended standards and interpretations of IFRSs endorsed by the FSC and are applicable in 2022.

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the IASB (Note 1)
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022 (Note 2)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 3)
Amendments to IFRS 3 "Conceptual Framework"	January 1, 2022 (Note 4)
Annual Improvements to IFRSs 2018-2020	January 1, 2022 (Note 5)
<p>Note 1. Unless otherwise specified, the aforementioned New/Amended/Revised Standards or Interpretations shall be effective for the annual reporting period beginning on or after the specified dates.</p> <p>Note 2. A company applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period (January 1, 2021) presented in the financial statements.</p> <p>Note 3. Note 3: This amendment applies to contracts that have not fulfilled all their obligations on January 1, 2022.</p> <p>Note 4. Note 4: The amendments are to be applied prospectively to business mergers whose acquisition date starts in the annual reporting periods beginning on or after January 1, 2022.</p> <p>Note 5. Note 5: The amendments to IFRS 9 apply to the exchanges of financial liabilities or the alterations in its terms that occur during the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 apply to the measurement of fair value for annual reporting periods beginning on or after January 1, 2022; the amendments to IFRS 1 apply retroactively to annual reporting periods beginning on or after January 1, 2022.</p>	
<p>1) Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"</p> <p>The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management. The cost of these items is measured in accordance with IAS 2 "Inventories," while any proceeds from selling these items and the cost of these items are recognized in profit or loss in accordance with applicable standards. Besides, the amendment clarifies that the cost of testing whether the asset is functioning properly is the expense of assessing whether the technical and physical performance of the asset are sufficient to held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.</p> <p>The amendment is applicable to plant, property and equipment that reached the required locations and conditions of the management's expected operation mode after January 1, 2021 (the beginning of the earliest expression period). The effect of initially applying the amendments, Tahsin Group will be recognized as an adjustment to the opening balance of retained earnings (or other components of equity, as appropriate, if necessary) at the beginning of that earliest period presented.</p>	

- 2) "Onerous Contracts—Cost of Fulfilling a Contract," which made amendments to IAS 37

The amendments specify that when assessing whether a contract is onerous, the "cost of fulfilling a contract" includes both the incremental costs of fulfilling that contract (e.g., direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g., an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

- 3) Amendments to IFRS 3 "Conceptual Framework"

The amendment is to update the index of the conceptual framework and add the provision that the purchaser should apply IFRIC 21 "Levies" to determine whether there is any obligation for the public course to pay liabilities on the acquisition date.

- 4) Annual Improvements to IFRS Standards 2018-2020

The annual improvement of IFRS in 2018-2020 includes the amendment of several standards. The amendment of IFRS 9 is to assess whether there is a significant difference in the exchange of financial liabilities or the modification of terms and to compare whether there is a 10% difference in the discounted value of cash flow (including the net amount of fees received and paid for signing new or modified contracts) between the new and old terms. The fees and charges mentioned above shall only include the fees and charges between the borrower and the lender.

The above standards and interpretations have no significant impact to the Group's financial status and financial performance based on the Group's reasonable assessment.

- c. Effects of IFRSs issued by IASB but not yet endorsed by FSC:

The following table summarizes the new, amended and revised standards in the IFRSs that have already been issued by the IASB but are yet to be endorsed by the FSC and related interpretations:

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	Yet to be decided
IFRS 17 - "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS1 "Classify Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 in "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Income Tax related to Assets and Liabilities Derived from Single Transaction"	January 1, 2023

As of the date of issuance of the consolidated financial statements, the Group has continued to assess the impact of the above standards and explanations on the financial position and financial performance. The relevant impacts will be disclosed when the evaluation is completed.

(IV.) Summary of Significant Accounting Policies

The main accounting policies used in preparing the financial statements are described as follows. Unless otherwise stated, these policies are consistently applicable throughout all reporting periods.

a. Compliance declaration

This Consolidated Financial Statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the IFRSs endorsed and effected by the FSC.

b. Preparation basis

- 1) In addition to the following important items, this consolidated financial statement has been prepared on the historical cost basis:
 - a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - b) Financial assets measured at fair value through other comprehensive income are measured at fair value.
 - c) Liability based on cash-settled share-based payment arrangement measured at fair value.
 - d) Defined benefit liability is derived from retirement plan assets less the present value of net defined benefit obligation.
- 2) The preparation of consolidated financial statements that complies with the IFRSs recognized by the FSC requires the use of some important accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

c. Basis of consolidation

- 1) Principles for the preparation of consolidated financial statements.
 - a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries refer to entities (including structured entities) under the control of Tahsin Group. Control is achieved when Tahsin Group is exposed, or has rights, to variable returns from its involvement with the entity or has the right over such changes in returns, and affects such returns through its ability over the power of the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements starting from the date when Tahsin Group obtains control over them, and such consolidation shall be terminated on the day when Tahsin Group loses control over them.
 - b) Inter-company transactions, balances, and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of its subsidiaries have been adjusted where necessary, and are consistent with the policies adopted by Tahsin Group.
 - c) The profit or loss and each component of other comprehensive income are attributed to the owners of the parent company and to the non-controlling interest. Total comprehensive income is also attributed to the owners of the parent company and non-controlling interest even if this results in the non-controlling interests having a deficit balance.

- d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, namely transactions with owners in their capacity as owners. The difference between the adjusted amount of non-controlling interest and the fair value of the consideration paid or received is directly recognized in equity.
- e) When the Group loses control of a subsidiary, the Group re-measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts recognized in other comprehensive income in relation to that subsidiary should be accounted for on the same basis as would be required if Tahsin Group had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, Tahsin Group reclassifies the gain or loss from equity to profit or loss when it loses control on that subsidiary.

2) The subsidiaries listed in the consolidated financial statements are as follows:

Name of investors		Subsidiary Name	Principal Business Activities	Percentage of ownership or capital contributed	
				2021.12.31	2020.12.31
Tahsin Corporation Ltd	Industrial	Tahsin Shoji Co., Ltd. (Tahsin Shoji. Japan)	1. Domestic trading of artificial leather, other synthetic resins and various fiber products. 2. Import and export business of handbags, packaging bags, clothing and other supplies and merchandises.	100.00%	100.00%
Tahsin Corporation Ltd	Industrial	Tahsin Industrial Corporation CORP. (T. H. USA)	Sale of Tahsin products, ready-to-wear, raincoats, PVC products, etc.	100.00%	100.00%
Tahsin Corporation Ltd	Industrial	Tai Ho Co., Ltd. (Tai Ho Co.,)	Trading	100.00%	100.00%
Tahsin Corporation Ltd	Industrial	Fujian Putian DAFU Plastic Industry Co., Ltd. (Dafu Company)	Production of plastic raincoats, folders, file folders, other plastic products, ancillary products, and plastic machinery	91.26%	91.26%
Tahsin Corporation Ltd	Industrial	Tah Viet Co., Ltd. (Tah Viet)	Processing of raincoats, ready-to-wear garments, leather goods, wardrobes, etc.	100.00%	100.00%
Tahsin Corporation Ltd	Industrial	Myanmar Tah Hsin Industrial Co., Ltd. (Myanmar Tahsin)	Processing of raincoats, ready-to-wear garments, leather goods, wardrobes, etc.	100.00%	100.00%
Tahsin Corporation Ltd	Industrial	Tah Fa Investment Co., Ltd. (Tah Fa)	Generic investments	100.00%	100.00%
Tah Fa Investment Co., Ltd.		Tah Chi Enterprise Co., Ltd. (Tah Chi Co.)	Wholesaling and retailing of fabrics, clothing, shoes, caps, umbrellas, and apparel	100.00%	100.00%

Name of investors	Subsidiary Name	Principal Business Activities	Percentage of ownership or capital contributed	
			2021.12.31	2020.12.31
Tah Viet Co., Ltd.	TAHHSIN PHU MY JOINT STOCK COMPANY (TAHHSIN PHU MY CO)	Manufacturing and processing of ready-to-wear garments for export and domestic sales	65.00%	65.00%

Increase or decrease in the number of consolidated subsidiaries: None.

- 3) Subsidiaries not included in the consolidated financial statements: None.
- 4) Adjustment for subsidiaries with different balance sheet: None.
- 5) Major restrictions:

Regions / Items	December 31, 2021	December 31, 2020
China:		
Cash and bank deposits	\$22,934	\$22,207
Other financial assets – current (time deposits with original maturity of more than three months)	8,688	-
Other financial assets - non-current (time deposits with original maturity of more than one year)	36,924	50,335
Vietnam:		
Cash and bank deposits	20,977	20,972
Time deposits	8,739	-
Myanmar:		
Cash and bank deposits	47,534	29,794
Total	<u>\$145,796</u>	<u>\$123,308</u>

The above cash and bank deposits are deposited in China, Vietnam, and Myanmar, and are subject to local foreign exchange control. Such foreign exchange control restricts the remittance of funds out of these countries (except for the remittance of regular dividends).

- 6) The contents of securities issued by the parent company and held by subsidiaries: Refer to Note 6 (20).
 - 7) Details on subsidiaries that have non-controlling interests that are material to the Group: Assessed that the Group has no subsidiaries with significant non-controlling interests.
- d. Foreign currency conversion

Foreign currency transactions and balances

- 1) Items listed in each of Tahsin Group's financial statements are denominated in the currency of the primary economic environment in which the entity operates (i.e., functional currency). The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollar.

- 2) In the preparation of each parent company only financial statements, transactions denominated in a currency other than the entity's functional currency (i.e., foreign currency) are translated into the entity's functional currency by using the exchange rate at the date of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing that date. Exchange differences on monetary items arising from settlement or translation are recognized as profit or loss in the period in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the year, except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.
 - 3) For the preparation of consolidated financial statements, the assets and liabilities of foreign operating entities are translated into New Taiwan dollars at the spot exchange rates at the end of the reporting period. Revenue and expense items are converted at the average exchange rates for the current period. any exchange differences arising therefrom are accumulated in other comprehensive income, and accumulated in exchange differences on translation of foreign financial statements under equity (and appropriately allocated to non-controlling interests).
- e. The standards for assets and liabilities classified as current and non-current
- 1) Assets that meet one of the following criteria are classified as current assets:
 - a) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
 - b) The holder primarily for trading purposes.
 - c) Assets expected to be realized within 12 months after the balance sheet date.
 - d) Cash or equivalent cash, except for those used to exchange or settle liabilities or subject to other restrictions more than 12 months after the balance sheet date.

Tahsin Group classifies all the assets that do not meet the above-mentioned criteria as non-current.
 - 2) Liabilities that meet one of the following criteria are classified as current liabilities:
 - a) Liabilities that are expected to be settled within the normal operating cycle.
 - b) The holder primarily for trading purposes.
 - c) Those who are restricted by the exchange or liquidation of debts within 12 months after the end of each reporting period (after the end of each reporting period and the completion of the long-term refinancing or rescheduling payment agreement before the release of the financial statements, it is also considered as a current liability).
 - d) Where the repayment period cannot be extended unconditionally to at least 12 months after the balance sheet date. Terms of a liability that could, at the option of the counter-party, result in its settlement by the issue of equity instruments do not affect its classification.

Tahsin Group classifies all the liabilities that do not meet the above-mentioned criteria as non-current.

f. Cash and cash equivalents

The cash and cash equivalents include cash in treasury, bank discount and short-term investments that can be converted into fixed cash at any time with little change in value at risk and high liquidity (including fixed deposit with an original date due within three months).

g. Financial instruments

Financial assets and financial liabilities are recognized when Tahsin Group becomes a party to the contractual provisions of the financial instrument.

Initially, financial assets and liabilities should be recognized at fair value. Upon initial recognition, transaction costs that are directly attributable to the acquisition or issuance of the financial assets and financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss) should be added to, or subtracted from the fair value of such financial assets and financial liabilities. Transaction costs that are directly attributable to financial assets and financial liabilities measured at FVTPL are immediately recognized in profit or loss.

1) Financial assets

a) Types of measurement

Financial assets purchased or sold in a regular way are recognized using transaction date accounting.

Financial assets held by the Group comprise financial assets measured at fair value through profit or loss (FVTPL), financial assets at amortized cost, investments in debt instruments measured at fair value through other comprehensive income (FVTOCI), and investments in equity instruments measured at FVTOCI.

i. Financial assets at fair value through profit or loss

Financial assets measured at FVTPL include financial assets measured at FVTPL and financial assets designated as measured at FVTPL. Financial assets measured at FVTPL include investments in equity instruments not designated by Tahsin Group as measured at FVTOCI and investments in debt instruments not classified as measured at amortized cost or FVTOCI.

When a financial asset meets one of the following criteria, Tahsin Group shall, at initial recognition, designate the financial asset as a financial asset measured at FVTPL.

- i) It is a hybrid (combined) contract; or
- ii) It is able to eliminate or significantly reduce a measurement or recognition inconsistency; or
- iii) It is managed on a fair value basis and its performance is evaluated in based on a documented risk management or investment strategy.

Such assets are measured at fair value, of which any dividends accrued are recognized as other revenue, interest revenue and the benefits or losses arising from the re-measurement are recognized in other profits and losses. Please refer to Note 12 (3) for the methods of determination of fair value

ii. Financial assets at amortized cost

A financial asset of Tahsin Group is measured at amortized cost if both of the following conditions are met:

- i) Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and
- ii) The terms of the contract generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

After initial recognition, financial assets measured at amortized cost are measured at the gross carrying amount determined based on the effective interest method less any impairment losses, and any gains or losses on foreign exchange are recognized in profit or loss.

Except for the following two situations, interest revenue is calculated by the effective interest rate multiplied by the gross carrying amount of financial assets:

- i) For purchased or initial credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
- ii) For financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired, interest income is calculated by applying the effective interest rate to the amortized cost balance of such financial assets.

iii. Investments in debt instrument at fair value through other comprehensive income

Investments in debt instruments of Tahsin Group are classified as financial assets at FVTOCI if both of the following conditions are met:

- i) It is held under a certain business model whose purpose is achieved by collecting contractual cash flows and selling financial assets; and
- ii) The terms of the contract generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

Investments in debt instruments at FVTOCI are measured at fair value. Among changes in the carrying amount, interest revenue calculated using the effective interest method, gain or loss on foreign exchange, and impairment loss of foreign exchange or gain on reversal of impairment loss of foreign exchange are recognized in profit or loss; other changes are recognized in other comprehensive income and reclassified as profit or loss upon disposal of investments.

iv. Investments in equity instruments at fair value through other comprehensive income

The Group at the time of initial recognition may make an irrevocable decision to designate an equity instrument that is neither held for trading nor contingent consideration arising from a business combination to be measured at fair value through other comprehensive income.

Investments in equity instruments at FVTOCI are measured at fair value, and subsequent changes in the fair value are recognized in other comprehensive income and accumulated in other equity. Upon disposal of investments, the cumulative profit or loss is directly transferred to retained earnings and is not reclassified as profit or loss.

Dividends on investments in equity instruments at FVTOCI are recognized in profit or loss when Tahsin Group's right to receive payments is established, unless such dividends clearly represent the recovery of the investment cost in part.

b) Impairment of financial assets

- i. The Group evaluates credit losses based on expected credit loss at each balance sheet date for financial assets (including accounts receivable), investments in debt instruments at fair value through other comprehensive income, and impairment losses on contract assets.
- ii. Accounts receivable, contract assets and operating lease receivables are all recognized as allowance for losses based on the expected credit losses during the term of duration. For other financial assets, whether there is a significant increase in credit risk after initial recognition shall be determined first. If there is no significant increase in credit risk, the allowance for loss is recognized based on the 12-month expected credit losses. If there is a significant increase in credit risk, the allowance for loss is recognized based on the lifetime expected credit losses.
- iii. The expected credit loss is based on the weighted average credit loss determined by the risk of default. The 12-month expected credit losses refer to expected credit losses arising from possible default of financial instruments within 12 months after the reporting date. The lifetime expected credit losses refer to expected credit losses arising from all possible default of financial instruments in the expected duration.
- iv. The impairment loss of all financial assets is reduced by the allowance account to reduce its carrying amount, but the loss allowance of debt instrument investment measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce its carrying amount.

c) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following criteria is met:

- i. The right to a contract from the financial asset cash flow is void.
- ii. When transfer the contractual right to receive the cash flow of financial assets and almost all the risks and rewards of the ownership of the financial assets have been transferred.
- iii. It neither transfers nor retains almost all the risks and rewards of the ownership of the financial assets, but does not retain the control over the financial assets.

On de-recognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received is recognized in profit or loss. On derecognizing an investment in a debt instrument in its entirety at FVTOCI, the difference between the carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognizing an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, rather than reclassified as profit or loss.

2) Equity instruments

Tahsin Group classifies its issuance of debts and equity instruments as financial liabilities or equity instruments in accordance with the definition of financial liabilities and equity instruments and the contractual substance.

Equity instruments refer to any contracts containing an enterprise's residual interest after subtracting liabilities from assets. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method.

i. Financial liabilities measured at fair value through profit or loss refer to financial liabilities held for trading or designated as financial liabilities measured at fair value through profit or loss at the time of original recognition. A financial liability is classified as held for trading if has been acquired principally for the purpose of repurchasing it in the near term and is a derivative that is not designated and effective as a hedging instrument. When financial liabilities meet one of the following conditions, the Group designates them as measured at fair value through profit or loss in initial recognition:

- i) It is a hybrid (combined) contract; or
- ii) It is able to eliminate or significantly reduce a measurement or recognition inconsistency; or
- iii) It is a tool to manage and evaluate its performance on a fair value basis in accordance with a documented risk management or investment strategy.

ii. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are recognized in profits or losses. For subsequent fair value measurements, changes in fair value are recognized in current profit or loss.

iii. Designated as a financial liability measured at fair value through profit or loss, the amount of changes in fair value due to changes in credit risk is recognized in other comprehensive income, and will not be reclassified to profits or losses in the future. The remaining fair value changes in the liability are reported in profit or loss. However, if the above accounting treatment causes or exacerbates the improper accounting ratio, the profit or loss of the liability will be fully listed in profit or loss.

b) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. When financial liabilities are derecognized, the difference between their carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

h. Inventories

Inventories are measured at the lower of cost and net realizable value. The perpetual inventory system is adopted and the cost is determined using the weighted average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item-by-item approach is used in applying lower of cost

and net realizable value. Net realizable value refers to the balance of the estimated selling price in the ordinary course of business less the estimated costs to be incurred till completion and related variable selling expenses.

i. Investments accounted for using the equity method - associates

- 1) Associates are all entities over which Tahsin Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in related enterprises by Tahsin Group are treated using the equity method and recognized at cost when acquired.
- 2) Tahsin Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. If Tahsin Group's share of loss in any of its related enterprises equals or exceeds its interest in the related enterprise (including other unsecured receivables), it does not recognize further losses, unless it has legal obligations and constructive obligations in the related enterprise, or makes payments on behalf of the related enterprise.
- 3) Unrealized gains on transactions between Tahsin Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of related enterprises have been adjusted as necessary, and are consistent with the policies adopted by Tahsin Group.
- 4) In the case that an associate issues new shares and Tahsin Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then "capital surplus" and "investments accounted for under the equity method" shall be adjusted for the increase or decrease of its share of equity interest. Where its investment proportion decreases, in addition to the above adjustments, the profit or loss previously recognized in other comprehensive income due to decrease in its ownership interest and the profit or loss to be reclassified to profit or loss during the disposal of assets or liabilities shall be reclassified to profit or loss based on the proportion of decrease.
- 5) Upon loss of significant influence over an associate, Tahsin Group shall remeasure the remaining investment retained in the former associate at its fair value. Any difference between the fair value and the carrying amount is recognized in current profits or losses.
- 6) When Tahsin Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If the Company still has a significant influence on the related enterprise, only the amount of previously recognized in other comprehensive income is transferred according to the above-mentioned method.
- 7) When Tahsin Group disposes its investment in an associate and loses significant influence over this associate. The amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, it shall be transferred to profit and loss according to the proportion of disposal.

j. Property, plant, and equipment

- 1) Property, plant, and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

- 2) Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Tahsin Group and the cost of the item can be measured reliably. The replaced part of the carrying amount shall be derecognized. All other repair and maintenance costs incurred are recognized in current profit or loss during the period in which they are incurred.
- 3) Depreciation is not mentioned for land The cost model is adopted for other property, plant and equipment, which is depreciated on a straight-line basis based on the estimated useful life. Tahsin Group reviews each assets' residual values, useful lives and depreciation methods at the end of each financial year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change. The useful life of each asset is as follows:

Buildings	5 - 55 years
Machinery and equipment	5 - 18 years
Transportation equipment	5 - 12 years
Miscellaneous equipment	5 - 20 years
- 4) Property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The amount of gain or loss arising from the derecognition of property, plant and equipment is the difference between the net disposal value and the carrying amount of the asset, and is recognized in current profit or loss.

k. Leases

Tahsin Group assesses whether the contract is (or includes) a lease on the date of its establishment. Where a contract includes a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to the lease component on the basis of the relative separate price of each lease component and the aggregate separate price of non-lease components.

1) Where Tahsin Group is a lessee:

Except for the lease of low value assets and short-term lease, which are recognized as expenses on a straight-line basis, Tahsin Group recognizes the right to use assets and lease liabilities for other leases on the lease commencement date.

Right-of-use assets

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the lease payment paid before the lease commencement date minus the lease incentive received, the original direct cost and the estimated cost of the recovery target asset), and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability.

Except for right-of-use assets that meet the definition of investment property, right-of-use assets are presented as a line item in the consolidated balance sheets.

The right-of-use assets shall be depreciated on a straight-line basis from the beginning of the lease to the expiration of the term of the useful life or the expiration of the lease period, whichever is earlier. However, if the ownership of the underlying assets will be

acquired at the end of the lease term, or if the cost of the right-of-use assets reflects the exercise of the purchase option, the depreciation shall be accrued from the beginning of the lease to the expiration of the term of the useful life of the underlying assets.

Lease liabilities

Lease liabilities are initially measured at the present value of lease payments (including fixed payments; substantive fixed payments; variable lease payments that are determined by an index or a rate; amounts expected to be paid by the lessee under residual value guarantee; the exercise price of a purchase option when it is reasonably certain to exercise the option; the term of the lease reflects the termination penalty that the lessee will exercise the option to terminate the lease, deducting the present value measurement of the lease incentives received. If the implied interest rate on the lease is easy to defined, the lease payment is discounted with the interest rate. If the interest rate is not easy to determine, the lessee's incremental borrowing rate shall be used.

Subsequently, the lease liability is measured on the basis of amortized cost using the effective interest method, and the interest expense is apportioned during the lease period. During lease term, if the evaluation of the option to purchase the underlying asset, the amount expected to be paid under the residual value guarantee, or the index or rate used to determine the lease payment changes in the future lease payment, the Group re-measures the lease liability and adjusts the right to use asset relatively. However, if the carrying amount of the right-to-use asset has been reduced to zero, the remaining re-measured amount is recognized in profit and loss. For lease modifications that are not treated as a separate lease, remeasurement of the lease liabilities due to the reduction in the scope of the lease is to reduce the right-of-use assets, and to recognize the profit or loss on the partial or full termination of the lease; the remeasurement of the lease due to other modifications is to adjust the right-of-use assets. Lease liabilities are presented as a single line item in the consolidated balance sheets.

Changes in the lease agreement that do not depend on index or rate are recognized as expenses in the period in which they are incurred.

2) Where Tahsin Group is a lessor

If a lease transfers almost all the risks and rewards attached to the ownership of the underlying asset, it is classified as a financial lease; otherwise, it is classified as an operating lease.

When a lease includes both land and building elements, Tahsin Group assesses the classification of each element separately as a finance lease or an operating lease. The lease payments (including one-time front-end payment) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

When Tahsin Group subleases the right-of-use asset, the classification of the sublease is determined by the right-of-use asset (instead of the underlying asset). However, if the main lease is a short-term lease where the recognition exemption is applicable to Tahsin Group, the sublease is classified as an operating lease.

Finance lease liabilities are initially measured at the present value of lease payments (including fixed payments; in-substance fixed payments; variable lease payments that are determined by an index or a rate; amounts expected to be paid by the lessee under

residual value guarantees; the exercise price of a purchase option when it is reasonably certain to exercise the option; and penalties for terminating the lease reflected in the lease term; less any lease incentives receivable). Net carrying amount of lease investment is measured as the sum of the present value of lease receivables and unguaranteed residual value plus the original direct cost and expressed as finance lease receivable. On the basis of systematic portfolio, the Group allocates the financing income to the lease period to reflect the fixed rate of return of the group's unexpired net lease investment in each period.

In the case of operating leases, the lease payment after deducting the lease incentives is recognized as the lease income on a straight-line basis over the lease term. The initial direct costs arising from acquisition of operating leases is added to the carrying amount of the underlying assets; and an expense is recognized for the lease on a straight-line basis over the lease term.

Changes in leases that do not depend on an index or a rate in lease agreements are recognized as expenses in the period in which they take place.

l. Investment properties

Investment real estate refers to real estate held for rent or capital appreciation or both (including real estate in the process of construction for these purposes) Investment property also includes land whose future use is yet to be decided. Investment property also includes right-of-use assets that meet the definition of investment property.

Investment property is initially measured at cost (including transaction costs), and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Tahsin Group adopts straight-line basis for depreciation.

Investment property under construction is recognized at cost less accumulated impairment loss. Cost includes professional service fees and borrowing costs that are eligible for capitalization. Depreciation of such assets begins when they reach the expected state of use.

In the event of derecognition of an investment property, it is the difference between the net disposal price and the carrying amount of the asset, and is recognized in the current profits and losses.

m. Impairment of financial assets

Tahsin Group estimates the recoverable amount of assets that have signs of impairment on the balance sheet date. When the recoverable amount is lower than its carrying amount, impairment loss is recognized. Recoverable amount refers to the fair value of an asset less costs to sell or its value in use, whichever is higher. When the recognition of asset impairment in the previous year no longer exists, the impairment loss is reversed to the extent of the amount of losses recognized in the previous year.

n. Provisions

Provision is a present legal or constructive obligation arising from a past event, where an inflow of economic benefits is probably required to pay off the obligation. The obligation can also be recognized when its amount can be estimated reliably. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

o. Employee Benefits

1) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognized as expenses in the period when the employees render service.

2) Pension

a) Defined contribution plans

Under a defined contribution plan, the amount of pension funds that should be contributed on an accrual basis is recognized as current pension expense. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

b) Defined benefit plans

- i. The determination of the net obligation under the defined benefit plan is based on the discounted amount of future benefits earned by employees during the current or past periods when services are (were) rendered. Such obligation is recognized at the amount of the net of the present value of the net defined obligation less the fair value of the plan asset. The defined benefit obligations are calculated each year by the actuary through the projected unit credit method. The discount rate employed is the market yields on high quality corporate bonds (on the balance sheet date) of which the currency and term are consistent with the currency and term of the defined benefit plan. The discount rate employed can also be the market yields on corporate bonds if there is no deep market for such bonds in the country.
- ii. Determine the re-measurement amount caused by the benefit plan and recognize it as other comprehensive profits or losses during the occurrence period, and express it as retained earnings.
- iii. Expenses related to past service costs are immediately recognized as gains or losses.

3) Compensation to directors and employees

Employees' compensation and directors' and supervisors' compensation are recognized in expenses and liabilities when they are subject to legal or constructive obligations, and when the amounts can be reasonably estimated. Any difference between the actual amount allocated after the resolution and the estimated amount is treated as changes in accounting estimates.

4) Termination benefits

Termination benefits are benefits that are provided when an employee is dismissed before the normal retirement date or when an employee decides to accept the Company's offer of benefits in exchange for earlier termination of employment. Tahsin Group recognizes expenses at the earlier of when it can no longer withdraw the termination contracts or when it recognizes relevant restructuring costs. Benefits that are not expected to be fully settled within 12 months after the balance sheet date shall be discounted.

p. Share capital and treasury shares

1) Share capital

Common stock is listed as equity. An incremental cost directly attributable to the issuance of new shares or warrants stated in equity is presented under equity as a deduction to proceeds.

2) Treasury stock

Issued shares repurchased by Tahsin Group are recognized in "treasury stock" as a deduction to equity based on the amount of consideration paid during share buyback (including directly attributable costs). When the disposal price for a treasury stock is higher than its carrying amount, the difference between its disposal price and its carrying amount is listed as capital reserve - treasury stock transactions. When its disposal price is lower than its carrying amount, the difference between the above shall offset against capital reserve arising from the trading of the same type of treasury stock. If deficiency arises, it is debited into retained earnings. The carrying amount of a treasury stock is determined using weighted average and calculated separately based on reasons for repurchase.

During retirement, treasury stock is debited into capital reserve - premium on issued shares and share capital according to the proportion of shares. If its carrying amount is higher than the sum of its face value and premium on issued shares, the difference between both of the above shall be offset against capital reserve arising from the trading of the same type of treasury shares. If deficiency arises, it is then offset against retained earnings. If its carrying amount is lower than the sum of its face value and premium on issued shares, the difference between the aforementioned shall be debited into capital reserve arising from the trading of the same type of treasury share.

q. Income tax

- 1) The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- 2) The current income tax is calculated based on the country where the Group operates and generates taxable income, using the tax rate that has been legislated or substantively legislated on the balance sheet date. Senior management regularly assesses the status of income tax returns in accordance with applicable income tax-related regulations, and shall estimate income tax liabilities based on taxes that are expected to be paid to the tax authority when necessary. An additional income tax is levied on undistributed earnings in accordance with the Income Tax Act. After the distribution plan for the earnings generated in the current year is approved at the shareholders' meeting in the following year, undistributed earnings shall be recognized as income tax expense based on the actual distribution of earnings.
- 3) Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. The deferred income tax liabilities arising from the originally recognized goodwill are not recognized. If the deferred income tax originates from the initial recognition of assets or liabilities in transactions (excluding merger) and does not affect accounting profits or taxable incomes (taxable losses) at the time of transactions, it is not recognized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by Tahsin Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- 4) Deferred income tax assets are recognized to the extent that temporary differences, unused tax losses and unused tax credits are likely to be available for future tax income. The unrecognized and recognized deferred income tax assets are reassessed on each balance sheet date.

- 5) Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis, or realize the asset and settle the liability, simultaneously.
 - 6) Tax incentives from acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments are recognized in the form of tax credits.
- r. Revenue recognition
- Tahsin Group recognizes revenue from contracts with customers by the following steps:
- 1) Identify the customer contracts;
 - 2) Identify the performance obligations in the contract;
 - 3) Determine the transaction price;
 - 4) Allocate the transaction price to the performance obligations in contracts; and
 - 5) Recognize revenue upon satisfaction of performance obligations.
- a) Sales revenue
- Tahsin Group recognizes revenue when control over products is transferred to customers. The transfer of control over products means that products are delivered to customers with no unfulfilled obligations that may affect customers' acceptance of the products. Deliver refers to the time when customers accept products based on the terms of transactions, the risk of obsolescence and loss is transferred to customers, and Tahsin Group has objective evidence that all acceptance conditions are met.
- Tahsin Group recognizes accounts receivable when goods are delivered, as it has the right to receive the payment unconditionally at that time.
- When material is supplied for processing, control over the ownership of processed goods is not transferred. Thus, supply of material is not recognized as revenue.
- b) Service revenue
- Tahsin Group provides service as an OEM and recognizes revenue when service is transferred to customers (that is, control over assets is obtained by customers) without subsequent obligations.
- s. Borrowing costs
- Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.
- Investment income earned on the temporary investment of specific borrowings pending their capital expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.
- Other than those stated above, all other borrowing costs are recognized as profit or loss in the period in which they are incurred.

(V.) Major Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When Tahsin Group prepares the consolidated financial statements, the significant judgments, estimates, and assumptions used in the accounting policies adopted by Tahsin Group are as follows:

a. Significant judgments for applying the accounting policies

1) Judgments on the business model of classification of financial assets

Tahsin Group assesses the business model of financial assets based on the class of financial assets managed to achieve the specific business purpose. This assessment requires all relevant evidence, including the measurement method for asset performance, risk of impact on performance, and compensation for the management, and also requires judgment. Tahsin Group continues to assess whether the business model is judged appropriately and monitor the financial assets measured at amortized cost and investments in debt instruments at FVTOCI derecognized before maturity to determine whether such disposal is consistent with the purpose of the Group's business model. If a change in the business model is identified, Tahsin Group will reclassify financial assets as required by IFRS 9 and will apply prospectively from the date of reclassification.

2) Investment properties

The Group holds a portion of its properties for the purposes of earning rentals or capital appreciation, whereas the rest portion is for own use. When each part of a property cannot be sold separately and the part held for own use is less than 20 percent of the individual property, the property is classified as investment property.

3) Revenue recognition

According to IFRS 15, the Group judges whether control over specific goods or service is obtained prior to the transfer of such products or service to customers and whether it is the principal or agent in the transaction. If the Group is the agent in the transaction, the net amount of the transaction is recognized as revenue.

The Group is the principal if any of the following conditions applies:

- a) (1) Tahsin Group acquires control of the good or asset in advance from another party before they are transferred to customers; or
- b) (2) By controlling the right of provision of service by another party, the Group has discretion to have another party to provide service to customers on behalf of the Group; or
- c) (3) The goods or services provided to customers are a combination of other goods or services and the goods and services of which the control is obtained by Tahsin Group from another party.

Indicators used to help judge whether Tahsin Group controls specific products or service before the transfer of such products or service to customers include (but are not limited to):

- a) The Group has primary responsibility for fulfilling the commitment to provide specific goods or services.
- b) Inventory risk borne by Tahsin Group before and after the specific merchandise or service is transferred to the customer.
- c) Tahsin Group has discretion to establish pricing.

4) Lease term

In determining the lease term, Tahsin Group considers all relevant facts and circumstances that give rise to an economic incentive to exercise (or not to exercise) the option, including all expected changes in facts and circumstances from the commencement date to the exercise date of the option. Factors to be considered include the contractual terms and conditions for the period covered by the option, significant leasehold improvements made (or anticipated) during the contract period, the significance of the underlying assets to Tahsin Group's operations, etc. The lease term is reassessed whenever there are significant events or changes in circumstances within the control of Tahsin Group.

b. Significant accounting related estimates and assumptions

1) Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on Tahsin Group's assumed default rate and expected loss rate. Tahsin Group considers the historical experience, current market conditions, and forward-looking information to make assumptions and select the inputs for impairment assessment. Where the future cash flows are less than expected, a material impairment loss may arise.

2) Fair value measurement and valuation process

When assets and liabilities measured at fair value have no quoted prices in an active market, Tahsin Group determines based on relevant laws and regulations or its judgment whether assets and liabilities are valued externally and determines the appropriate fair value valuation techniques. If it is impossible to obtain the Level 1 input value: the Group determines the input value by referring to the analysis of the financial situation and operation results of the investee, the most recent transaction price, the quotation of the same equity instrument in the non-active market, the quotation of similar instrument in the active market and the evaluation multiplier of comparable companies. If the actual change of the input value is different from the expected one, the fair value may change. The Group regularly updates various inputs based on market conditions to monitor whether fair value measurements are appropriate. For descriptions of fair value evaluation techniques and input values, please refer to Note 12 (3) for details.

3) Impairment assessment of tangible assets and intangible assets

Tahsin Group assesses the impairment of assets based on its subjective judgment and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and their industrial characteristics. Any changes in these estimates arising from changes in economic conditions or business strategies could lead to significant impairment losses in the future.

4) Investment loss assessment using the equity method

When there is an indication that an investment accounted for using the equity method may be impaired, Tahsin Group will immediately assess the impairment of the investment. Tahsin Group assesses the recoverable amount based on the discounted value of the expected future cash flows from the investee or the discounted value of future cash flows arising from expected cash dividends and disposal of the investment, and assesses the reasonableness of underlying assumptions.

5) Realizability of deferred income tax assets

Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilized in the future. When the realizability of deferred tax assets is assessed, it is necessary to involve significant accounting judgments and estimates of the senior management,

including assumptions on future growth in sales revenue and profit margins, tax exemption periods, available tax credits, and tax planning. Any changes in the global economic environment and industrial environment, as well as changes in laws and regulations may result in major adjustments to deferred tax assets.

6) Evaluation of inventories

Because inventories must be valued at the lower of cost and net realizable value, Tahsin Group must use judgments and estimates to determine the net realizable value of inventories on the balance sheet date.

Tahsin Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on the balance sheet date, and writes down the cost of inventories to the net realizable value.

7) The calculation of a net defined benefit liability

When calculating the present value of the defined benefit obligations, Tahsin Group must use judgments and estimates to determine the relevant actuarial assumptions on the balance sheet date, including the discount rate and the future growth rate of salaries. Any changes in actuarial assumptions may lead to significant effects on the amount of Tahsin Group's defined benefit obligations.

8) Lessee's incremental borrowing rate of interest

When determining the lessee's incremental borrowing rate of interest used for lease payment discounting, the reference interest rate is the risk-free interest rate of the same currency and the relevant period, and the estimated lessee credit risk discount and lease specific adjustment (such as asset specific and secured factors) are taken into account.

(VI.) Explanation of Important Accounting items

a. Cash and cash equivalents

Items	December 31, 2021	December 31, 2020
Cash and bank deposits	\$486,542	\$351,550
Time deposits	690,993	2,494,586
Cash equivalents (short-term commercial papers due within three months)	332,160	1,141,291
Total	<u>\$1,509,695</u>	<u>3,987,427</u>

- 1) Tahsin Group deals with financial institutions having high credit quality. The Group also deals with various financial institutions in order that credit risks can be diversified. Therefore, the expected risk of default is rather low.
- 2) Tahsin Group's pledge and fixed deposits with original maturity of more than three months and more than one year are transferred to other financial assets - current and other financial assets - non-current, as follows:

Items	December 31, 2021	December 31, 2020
Pledged time deposits	\$5,662	\$6,505
Time deposit (the original maturities of more than three months)	<u>1,706,700</u>	<u>1,525,817</u>

Other financial assets - total current	\$1,712,362	\$1,532,322
Time deposit (Original maturities of more than one year)	\$36,924	\$50,335
Other financial assets-total non-current	\$36,924	\$50,335

b. Financial assets and liabilities at fair value through profit and loss

Items	December 31, 2021	December 31, 2020
<u>Financial liabilities - current</u>		
Measured at FVTPL		
Derivatives (not designated as hedging)		
Forward Exchange Contract	\$12	\$39

- 1) Tahsin Group's forward exchange contracts that have not applied hedging accounting at the balance sheet date and yet to have expired are as follows:

December 31, 2021	Currency	Maturity	Contractual Amount (in Thousand)
Pre-purchase forward exchange	US Dollar/Japanese Yen	111.4	USD100/JPY11,535

December 31, 2020	Currency	Maturity	Contractual Amount (in Thousand)
Pre-purchase forward exchange	US Dollar/Japanese Yen	110.5	USD800/JPY82,988

The main purpose of Tahsin Group's engagement in derivatives trading is to avoid risks associated with foreign currency assets and liabilities due to exchange rate fluctuations.

- 2) Tahsin Group has not pledged financial assets at fair value through profit or loss
3) Please refer to Note 12 (2) for credit risk management and evaluation method.

c. Financial assets at fair value through other comprehensive income - current

Items	December 31, 2021	December 31, 2020
Equity instruments		
Stocks listed in TWSE or TPEX	\$2,525,195	\$1,588,940
Fund beneficiary certificates	10,061	10,061

Subtotal	\$2,535,256	\$1,599,001
Valuation adjustments	2,028,826	1,480,852
Total	<u>\$4,564,082</u>	<u>\$3,079,853</u>

- 1) Tahsin Group has chosen to classify the equity investments of domestic listed companies with stable dividends as financial assets measured at FVTOCI, which were valued at NTD4,564,082 thousand and NTD3,079,853 thousand respectively for December 31, 2021 and 2020.
- 2) In 2021 and 2020, Tahsin Group adjusted its investment position to diversify its risk. As for the sale of some common stocks and beneficiary certificates of the listed companies at fair value of NTD306,406 thousand and NTD46,834 thousand, respectively, and the related other equity - unrealized gain (loss) on financial assets at fair value through other comprehensive income amounted to NTD27,152 thousand and NTD4,394 thousand, respectively, were transferred to retained earnings.
- 3) Please refer to Note 8 for details of the Group's pledge financial assets (current) at fair value through other comprehensive income as of December 31, 2021 and 2020.
- 4) Please refer to Note 12 for details of relevant credit risk management and assessment methods.

Items	December 31, 2021	December 31, 2020
Notes receivable		
Occurs due to business	\$90,470	\$91,651
Less: provision for losses	<u>(1,829)</u>	<u>(1,054)</u>
(Net) Notes receivable	<u>\$88,641</u>	<u>\$90,597</u>

d. (Net) Notes receivable and notes receivable - (Net) related parties

- 1) As of December 31, 2021 and 2020 Tahsin Group has pledged notes receivables of NTD1,359 thousand and NTD29,372 thousand respectively to others. Please refer to Note 8 for details.
- 2) Disclosure of allowance for losses on notes receivable, please refer to the description of accounts receivable below.

e. (Net) Accounts receivable and accounts receivable - (Net) related parties

Items	December 31, 2021	December 31, 2020
<u>Account receivables</u>		
Measured at amortized cost		
Total Carrying Amount	\$327,032	\$319,635
Less: provision for losses	<u>(9,796)</u>	<u>(9,537)</u>
(Net) Accounts receivable	<u>\$317,236</u>	<u>\$310,098</u>

Trade receivables - related party

Measured at amortized cost		
Total Carrying Amount	\$17,009	\$15,735

Less: provision for losses	(510)	(472)
(Net) Accounts receivable - related parties	<u>\$16,499</u>	<u>\$15,263</u>

- 1) Tahsin Group's accounts receivable from the sale of goods met the credit standards based on the industry characteristics, business scale, and profitability of its counterparties, where the average credit period was between 60 and 120 days.
- 2) As of December 31, 2021 and 2020, no accounts receivable were pledged by Tahsin Group.
- 3) In particular, on December 31, 2021 and 2020, the Group has discounted notes receivable of NTD1,359 thousand and NTD29,372 thousand respectively. If payment is dishonored when due, Tahsin Group shall have settlement obligation, but under general conditions, the Group does not expect the debtor to dishonor. The liabilities arising from the discounted notes receivable of Tahsin Group were recognized as short-term borrowings.
- 4) Tahsin Group adopts the simplified approach as stipulated in IFRS 9 and recognizes loss allowances for accounts receivables based on the lifetime expected credit losses. The lifetime expected credit losses took into account the past history of default and the current financial and operating conditions of customers. Due to the historical experience of credit losses of Tahsin Group, there is no significant difference in the loss patterns of different customer groups. Therefore, the provision matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of accounts receivable.

Tahsin Group measures the loss of allowance of notes receivable and receivables (including related persons) according to the preparation matrix as follows:

December 31, 2021	Total Carrying Amount	Loss allowance (lifetime ECLs)	Amortized Cost
Not past due	\$414,424	\$11,040	\$403,384
0 to 30 days overdue	18,939	923	18,016
31 to 180 days overdue	1,148	172	976
181 to 365 days overdue	-	-	-
More than one year overdue	-	-	-
Total	<u>\$434,511</u>	<u>\$12,135</u>	<u>\$422,376</u>

December 31, 2020	Total Carrying Amount	Loss allowance (lifetime ECLs)	Amortized Cost
Not past due	\$409,700	\$10,161	\$399,539
0 to 30 days overdue	16,442	767	15,675
31 to 180 days overdue	871	131	740
181 to 365 days overdue	8	4	4
More than one year overdue	-	-	-
Total	<u>\$427,021</u>	<u>\$11,063</u>	<u>\$415,958</u>

Tahsin Group's expected credit loss rate for each of the above aging ranges (excluding abnormal accounts, 100% of which shall be presented), not overdue as 0%-3%, 2% - 10% for within 30 days overdue, 10%-15% for within 180 days overdue, and for 100% overdue for more than one year.

- 5) The changes in the allowance loss of notes receivables and accounts receivable (including notes receivables, accounts receivables and other long-term accounts receivables) are as follows:

Items	December 31, 2021	December 31, 2020
Beginning balance	\$11,063	\$9,635
Add: Provision of impairment loss	1,724	2,219
Less: Reversal of impairment loss	-	-
Less: Write-off of unrecoverable accounts	(545)	(776)
Effect of foreign currency exchange differences	(107)	(15)
Ending balance	<u>\$12,135</u>	<u>\$11,063</u>

The amounts shown above did not include other credit enhancements.

- 6) Please refer to Note 12 for details of relevant credit risk management and assessment methods.

f. Inventories and operating cost

Items	December 31, 2021	December 31, 2020
Raw materials	\$122,527	\$106,758
Materials	57,965	38,058
Work in process	317,184	185,728
Finished goods	<u>258,743</u>	<u>276,433</u>
Total	<u>\$756,419</u>	<u>\$606,977</u>

- 1) The inventory gains (losses) recognized as operating costs in the current period are as follows:

Items	December 31, 2021	December 31, 2020
Cost of goods sold	\$2,017,745	\$1,855,790
Unallocated manufacturing costs	3,347	2,387
Write-downs of inventories and obsolescence loss (gain from price recovery)	(5,544)	(1,128)
Loss on discarding of inventory	-	-
Loss (gain) on physical inventory	(5)	37

Items	December 31, 2021	December 31, 2020
Income from sale of scraps	(3,030)	(5,746)
Total operating costs	<u>\$2,012,513</u>	<u>\$1,851,340</u>

- 2) Unallocated manufacturing overhead includes related expenses during the shutdown period due to the impact of the COVID 19 pandemic.
 - 3) In 2021 and 2020, Tahsin Group recognized a loss of write-downs of inventories (gain on recovery) of (NTD5,544 thousand) and (NTD1,128 thousand), respectively, owing to the Group writing down its inventories or depletion of part of the inventories led to a rise in net realizable value of its inventories.
 - 4) Tahsin Group did not pledge any inventories as of December 31, 2021 and 2020.
- g. Financial assets at fair value through other comprehensive income - non-current

Items	December 31, 2021	December 31, 2020
Investments in equity instruments		
Domestically unlisted stocks	\$143,599	\$143,599
Valuation adjustments	<u>624,454</u>	<u>561,749</u>
Total	<u>\$768,053</u>	<u>\$705,348</u>

- 1) Tahsin Group invests in the stocks of the aforementioned domestic OTC companies for medium and long-term strategic purposes and expects to make profits through long-term investment. The management chose to designate these investments to be measured at fair value through other comprehensive income as they believed that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with Tahsin Group's strategy of holding these investments for long-term purposes.
 - 2) As of December 31, 2021 and 2020, Tahsin Group did not pledge any financial assets measured at fair value through other comprehensive income.
 - 3) Please refer to Note 12 for details of relevant credit risk management and assessment methods.
- h. Investments Accounted for Using the Equity Method

Investee	December 31, 2021	December 31, 2020
Affiliates:		
Individually insignificant affiliates	\$574,360	\$646,294

- 1) The share of the group's individual significant affiliates is summarized as follows:

	December 31, 2021	December 31, 2020
The Group's share of:		
Profit	\$41,877	\$59,559

Other comprehensive income (net income)	(61,096)	69,905
Total comprehensive income in 2021	<u>(\$19,219)</u>	<u>\$129,464</u>

- 2) The profit or loss and other comprehensive income of investments accounted for using the equity method of Tahsin Group's were calculated based on the financial statements audited by the CPAs, except for Truong Giang Garment Joint-Stock Company. However, the Group's management believed that the unaudited financial statements of the above-mentioned investee company would not lead to significant adjustments.
- 3) The investment of Tahsin Group under equity method in December 31, 2021 and 2020 is not provided for pledge.

i. Property, plant, and equipment

Items	December 31, 2021	December 31, 2020
Owner-occupied	\$1,672,871	\$1,412,802
Operating lease	84,834	83,793
Total	<u>\$1,757,705</u>	<u>\$1,496,595</u>

1) Owner-occupied

Items	December 31, 2021	December 31, 2020
Land	\$1,174,986	\$996,765
Buildings	928,938	948,458
Machinery and equipment	453,354	443,503
Transportation equipment	34,254	34,508
Other equipment	130,133	117,025
Construction in progress and equipment to be inspected	77,210	0,654
Total cost	\$2,798,875	\$2,550,913
less: accumulated depreciation	(1,080,944)	(1,086,343)
Accumulated impairment	(45,060)	(51,768)
Total	<u>\$1,672,871</u>	<u>\$1,412,802</u>

	Land	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Construction in progress and equipment to be inspected	Total
Cost							
Balance at January 1, 2021	\$996,765	\$948,458	\$443,503	\$34,508	\$117,025	\$10,654	\$2,550,913
Purchase	273,260	5,138	8,633	1,785	12,986	108,756	410,558
Disposal	-	-	(6,926)	(4,333)	(5,206)	-	(16,465)

Reclassification	(73,612)	(2,442)	12,149	3,160	8,309	(41,974)	(94,410)
Effect of foreign currency exchange differences	(21,427)	(22,216)	(4,005)	(866)	(2,981)	(226)	(51,721)
Balance at December 31, 2021	<u>\$1,174,986</u>	<u>\$928,938</u>	<u>\$453,354</u>	<u>\$34,254</u>	<u>\$130,133</u>	<u>\$77,210</u>	<u>\$2,798,875</u>

Accumulated depreciation and impairment

Balance at January 1, 2021	\$51,768	\$650,330	\$316,740	\$30,622	\$88,651	-	\$1,138,111
Depreciation expenses	-	20,257	23,058	1,381	7,537	-	52,233
Disposal	-	-	(6,912)	(4,333)	(5,079)	-	(16,324)
Reclassification	-	(19,733)	-	-	-	-	(19,733)
Effect of foreign currency exchange differences	(6,708)	(15,863)	(2,459)	(731)	(2,522)	-	(28,283)
Balance at December 31, 2021	<u>\$45,060</u>	<u>\$634,991</u>	<u>\$330,427</u>	<u>\$26,939</u>	<u>\$88,587</u>	<u>-</u>	<u>\$1,126,004</u>

	Land	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Construction in progress and equipment to be inspected	Total
<u>Cost</u>							
Balance at January 1, 2020	\$996,586	\$948,919	\$653,597	\$35,461	\$110,248	\$25,413	\$2,770,224
Purchase	-	2,790	42,934	1,636	14,872	14,678	76,910
Disposal	-	-	(263,448)	(2,354)	(7,310)	-	(273,112)
Reclassification	-	9,981	16,755	-	2,517	(29,253)	-
Effect of foreign currency exchange differences	179	(13,232)	(6,335)	(235)	(3,302)	(184)	(23,109)
Balance at December 31, 2020	<u>\$996,765</u>	<u>\$948,458</u>	<u>\$443,503</u>	<u>\$34,508</u>	<u>\$117,025</u>	<u>\$10,654</u>	<u>\$2,550,913</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$51,712	\$630,316	\$567,205	\$32,285	\$90,519	-	\$1,372,037
Depreciation expenses	-	22,185	20,156	926	7,748	-	51,015
Disposal	-	-	(263,108)	(2,347)	(7,219)	-	(272,674)
Reclassification	-	3,597	(3,816)	-	219	-	-
Effect of foreign currency exchange differences	56	(5,768)	(3,697)	(242)	(2,616)	-	(12,267)
Balance at December 31, 2020	<u>\$51,768</u>	<u>\$650,330</u>	<u>\$316,740</u>	<u>\$30,622</u>	<u>\$88,651</u>	<u>-</u>	<u>\$1,138,111</u>

- a) Capitalization amount and interest rate range of borrowing costs for properties, plants and equipment:

	December 31, 2021	December 31, 2020
Amount capitalized	-	-
Interest rate collars	-	-

- b) For information on guarantees provided by owner-occupied property, plant and equipment, please refer to Note 8.

2) Operating lease

Items	December 31, 2021	December 31, 2020
Land	\$80,936	\$80,936
Buildings	62,760	52,268
Machinery and equipment	1,182	1,233
Other equipment	341	341
Total cost	\$145,219	\$134,778
less: accumulated depreciation	(60,385)	(50,985)
Accumulated impairment	-	-
Total	\$84,834	\$83,793

	Land	Buildings	Machinery and equipment	Other equipment	Total
<u>Cost</u>					
Balance at January 1, 2021	\$80,936	\$52,268	\$1,233	\$341	\$134,778
Purchase	-	-	183	-	183
Disposal	-	-	(234)	-	(234)
Reclassification	-	10,647	-	-	10,647
Effect of foreign currency exchange differences	-	(155)	-	-	(155)
Balance at December 31, 2021	\$80,936	\$62,760	\$1,182	\$341	\$145,219
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	-	\$50,027	\$919	\$39	\$50,985
Depreciation expenses	-	29	90	68	187
Disposal	-	-	(230)	-	(230)
Reclassification	-	9,582	-	-	9,582
Effect of foreign currency exchange differences	-	(139)	-	-	(139)

Balance at December 31, 2021	-	\$59,499	\$779	\$107	\$60,385
------------------------------	---	----------	-------	-------	----------

	Land	Buildings	Machinery and equipment	Other equipment	Total
Cost					
Balance at January 1, 2020	\$80,936	\$51,909	\$1,940	\$78	\$134,863
Purchase	-	-	211	341	552
Disposal	-	-	(918)	(78)	(996)
Effect of foreign currency exchange differences	-	359	-	-	359
Balance at December 31, 2020	<u>\$80,936</u>	<u>\$52,268</u>	<u>\$1,233</u>	<u>\$341</u>	<u>\$134,778</u>
Accumulated depreciation and impairment					
Balance at January 1, 2020	-	\$49,668	\$1,651	\$65	\$51,384
Depreciation expenses	-	37	173	51	261
Disposal	-	-	(905)	(77)	(982)
Effect of foreign currency exchange differences	-	322	-	-	322
Balance at December 31, 2020	<u>-</u>	<u>\$50,027</u>	<u>\$919</u>	<u>\$39</u>	<u>\$50,985</u>

- a) Tahsin Group leases part of lands, plants and offices, and other assets under operating lease with lease terms of 1-10 years. The lessee does not have a bargain purchase option to acquire the asset at the expiration of the lease periods.
- b) The total amount of lease payments that will be collected in the future for operating leases of owner-occupied property, plant and equipment is as follows:

	December 31, 2021	December 31, 2020
Year 1	\$14,830	\$10,827
Year 2	9,012	9,774
Year 3	9,012	3,959
Year 4	9,012	3,960
Year 5	9,637	3,960
More than 5 years	<u>27,944</u>	<u>6,286</u>
Total	<u>\$79,447</u>	<u>\$38,766</u>

- c) Tahsin Group did not pledge real estate, plant and equipment leased under operating leases for others on December 31, 2021 and 2020.

- 3) As of December 31, 2021 and 2020, property, plant and equipment showed no signs of impairment with assessment.
- 4) The adjustments to the acquisition of properties, plants and equipment listed in the statements of cash flows are as follows:

Items	December 31, 2021	December 31, 2020
Increased amount of property, plant and equipment	\$410,741	\$77,462
Increase or decrease in equipment payment	(9,590)	4,006
Cash paid for acquisition of property, plant, and equipment	\$401,151	\$81,468

j. Tenancy agreement

1) Right-of-use assets

Items	December 31, 2021	December 31, 2020
Land	\$73,662	\$78,272
Buildings	7,471	12,466
Transportation equipment	4,004	-
Total cost	\$85,137	\$90,738
less: accumulated depreciation	(11,004)	(10,129)
Accumulated impairment	-	-
Net amount	\$74,133	\$80,609

Cost	Land	Buildings	Transportation equipment	Total
Balance at January 1, 2021	\$78,272	\$12,466	-	\$90,738
Increase in this period	-	-	\$4,004	4,004
Decrease in this period	(3,205)	(1,188)	-	(4,393)
Effect of foreign currency exchange differences	(1,405)	(3,807)	-	(5,212)
Balance at December 31, 2021	\$73,662	\$7,471	\$4,004	\$85,137
Accumulated depreciation and impairment				
Balance at January 1, 2021	\$4,917	\$5,212	-	\$10,129
Depreciation expenses	2,316	2,768	\$445	5,529
Decrease in this period	(220)	(1,188)	-	(1,408)
Effect of foreign currency exchange differences	(111)	(3,135)	-	(3,246)

Balance at December 31, 2021	<u>\$6,902</u>	<u>\$3,657</u>	<u>\$445</u>	<u>\$11,004</u>
------------------------------	----------------	----------------	--------------	-----------------

<u>Cost</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2020	\$79,888	\$12,891	\$92,779
Increase in this period	-	404	404
Decrease in this period	(43)	(692)	(735)
Effect of foreign currency exchange differences	(1,573)	(137)	(1,710)
Balance at December 31, 2020	<u>\$78,272</u>	<u>\$12,466</u>	<u>\$90,738</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$2,521	\$2,971	\$5,492
Depreciation expenses	2,493	3,017	5,510
Disposal	-	(692)	(692)
Effect of foreign currency exchange differences	(97)	(84)	(181)
Balance at December 31, 2020	<u>\$4,917</u>	<u>\$5,212</u>	<u>\$10,129</u>

2) Lease liabilities

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of lease liabilities		
Current	<u>\$2,655</u>	<u>\$3,035</u>
Non-current	<u>\$9,877</u>	<u>\$12,948</u>

The discount rate ranges for lease liabilities are as follows:

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	1%	1%
Buildings	1%~5%	1%~5%
Transportation equipment	1%	-

Information on lease liability maturity analysis is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Less than one year	\$2,833	\$3,271
1-5 year(s)	6,273	5,702
5-10 years	1,110	1,589

10-15 years	1,110	1,828
15-20 years	1,110	2,102
20 years or more	1,294	3,122
Total undiscounted lease payments	<u>\$13,730</u>	<u>\$17,614</u>

3) Important lease activities and terms

Tahsin Group leases a number of land and buildings as plant and sites of business operations for a lease period of 2-50 years, with some contracts attached with the right to renew the lease at the end of the lease period. In accordance with the contracts, the Group may not sublet the leased asset to others without the consent of the lessor.

As of December 31, 2021 and 2020, the right-of-use assets showed no signs of impairment with assessment.

4) Sublease:

Tahsin Group subleases the right to use the land in Putian of Fujian Province to other companies in the form of an operating lease, and the above-mentioned right-of-use assets do not meet the definition of investment properties. The income from the sublease of the right-of-use assets in 2021 and 2020 were NTD1,547 thousand and NTD1,489 thousand, respectively.

The total amount of lease payments that Tahsin Group will receive in the future for sublease of right-of-use assets under operating leases is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Year 1	\$1,580	\$1,563
Year 2	1,487	1,592
Year 3	1,456	1,499
Year 4	1,456	1,467
Year 5	1,499	1,467
More than 5 years	6,753	8,314
Total	<u>\$14,231</u>	<u>\$15,902</u>

5) Other lease information

- Please refer to Note 6 (9) "Property, plant and equipment" and Note 6 (11) "Investment properties" for the agreement on the lease of Tahsin Group's own property, plant and equipment and investment property under operating leases.
- In 2021 and 2020, Tahsin Group decided to apply recognition exemption to short-term lease and low value asset lease, and not recognize related right-of-use assets and lease liabilities for the said leases.
- The information on lease-related expenses of Tahsin Group in 2021 and 2020 is as follows:

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Expenses relating to short-term leases	\$673	\$646

Expenses relating to low-value asset lease	\$131	\$124
Variable lease payments not included in lease liability measurement	-	-
Total cash flows on lease	\$4,103	\$3,926

k. Investment properties

Items	December 31, 2021	December 31, 2020
Land	\$392,039	\$271,832
Buildings	41,634	22,348
Total cost	\$433,673	\$294,180
less: accumulated depreciation	(32,496)	(22,284)
Accumulated impairment	-	-
Total	\$401,177	\$271,896

- 1) The changes in the costs, accumulated depreciation and impairments of investment property are as follows:

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2021	\$271,832	\$22,348	\$294,180
Purchase	46,595	9,135	55,730
From property, plant and equipment	73,612	10,151	83,763
Balance at December 31, 2021	\$392,039	\$41,634	\$433,673
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2021	-	\$22,284	\$22,284
Depreciation expenses	-	61	61
From property, plant and equipment	-	10,151	10,151
Balance at December 31, 2021	-	\$32,496	\$32,496

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2020	\$271,832	\$22,348	\$294,180

Balance at December 31, 2020	<u>\$271,832</u>	<u>\$22,348</u>	<u>\$294,180</u>
Accumulated depreciation and impairment			
Balance at January 1, 2020	-	\$22,250	\$22,250
Depreciation expenses	-	34	34
Balance at December 31, 2020	<u>-</u>	<u>\$22,284</u>	<u>\$22,284</u>

2) Rental revenue and direct operating expenses of investment property:

Items	December 31, 2021	December 31, 2020
Rental income from investment property	<u>\$13,336</u>	<u>\$12,719</u>
Direct operating expenses incurred from investment properties that generate current rental income (Note)	\$536	\$1,119
that generates rental income in the current period		
Direct operating expense from investment property	\$686	-
that do not generate rental income in the current period		

- 3) The lease term of investment property is 1-3 years. The lessee does not have a bargain purchase option to acquire the asset at the expiration of the lease periods.
- 4) The total amount of lease payments that to be collected in the future for investment property by operating leases is as follows:

	December 31, 2021	December 31, 2020
Year 1	\$13,948	\$8,082
Year 2	8,384	5,433
Year 3	2,345	-
Year 4	-	-
Year 5	-	-
More than 5 years	-	-
Total	<u>\$24,677</u>	<u>\$13,515</u>

- 5) Depreciation of investment property-housing and construction on a straight-line basis in 10 to 50 years.
- 6) The fair value of the investment property held by Tahsin Group as at December 31, 2021 and 2020 was NTD1,578,171 and NTD1,168,913 thousand, respectively, as estimated from the transaction prices of land or buildings located in the adjacent areas inquired by

the "Registering the Actual Selling Price of Real Estate" of Department of Land Administration, Ministry of the Interior.

7) For information on guarantees provided by investment property, please refer to Note 8.

l. Short-term loans

Nature of borrowing	December 31, 2021	
	Amount	Interest Rate
Credit loan	\$60,125	0.70%
Mortgage loan	195,635	0.43%~2.2%
Total	<u>\$255,760</u>	

Nature of borrowing	December 31, 2020	
	Amount	Interest Rate
Credit loan	\$69,075	0.95%
Mortgage loan	145,055	0.48%~2.5%
Total	<u>\$214,130</u>	

For short-term borrowings, the Tahsin Group pledged part of properties and plants as collateral. Please refer to Note 8 for details.

m. Provisions - Current

Items	December 31, 2021	December 31, 2020
Beginning balance	\$9,467	\$9,467
Current additional provisions recognized	6,237	6,572
Current reductions arising from payments	(7,246)	(6,572)
Ending balance	<u>\$8,458</u>	<u>\$9,467</u>

Provisions were calculated by estimating compensation for employees' accumulated leaves that could occur based on the historical experience, judgments of the senior management, and other known reasons.

n. Long-term loans and long-term liabilities due within one year or one business cycle

Items	Maturity date	December 31, 2021	December 31, 2020	Repayment term
Subsidiaries:				
Osaka Higashi Shinkin Bank, Japan	110.7	-	\$2,266	2
Total		-	\$2,266	
Less: Due within one year		-	(2,266)	

Long-term loans	-	-
Range of interest rates	-	1.50%

1) Tahsin Group pledged some of its property, plant, and bank deposits as collateral. For more details, refer to Note 8.

2) Repayment methods are as follows:

The total amount of original loan amount was JPY70,000 thousand with a monthly principal payment of JPY1,166 thousand.

o. Pension

1) Defined contribution plans

a) Tahsin Group and its subsidiaries adopt a pension plan under the "Labor Pension Act," which is a state-managed defined contribution plan. According to the Labor Pension Act, the Company makes monthly contributions 6% of their monthly salaries to employees' individual pension accounts in the Bureau of Labor Insurance. The overseas subsidiaries have participated in the defined allocation scheme handled by the local government, and the pension is allocated to the local government on a monthly basis.

b) Contributions based on the percentage stipulated in the defined contribution pension plans of the Group and recognized as expenses in the consolidated statements of comprehensive income were NTD6,836 thousand and NTD6,027 thousand for the years ended December 31, 2021 and 2020, respectively.

2) Defined benefit plans

a) The pension system adopted by Tahsin Group under the "Labor Standards Act" is a state-managed defined pension plan. The payment of the employee's pension is based on the period of service and the average salary of 6 months before the approved retirement date. These companies allocate 9% of their total monthly salary to employee retirement funds to a retirement fund that is deposited in Bank of Taiwan under the name of The Supervisory Committee of Workers' Retirement Fund. Before the end of year, if the balance at the retirement fund is not sufficient to pay employees who will meet the retirement criteria next year, a lump-sum deposit for the shortfall should be made once before the end of March of the following year. However, as the Company considers using its working capital for its operations, the Company plans to make up the difference totaling NTD300 million in two installments every year over five years (between 2016 and 2020). The Company has submitted the full-installment contribution plan to the Labor Affairs Bureau which has acknowledged receipt of the plan in May 2016. The Bureau of Labor Funds, Ministry of Labor administers the account. The Company has no right over its investment and administration strategies.

b) The amounts recognized in the Tahsin Group's balance sheet for obligations from defined benefit plans are as follows:

Items	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	(\$270,816)	(\$281,040)
Fair value of plan assets	257,490	273,120

Net Defined Benefit (Liabilities)		
Assets	(\$13,326)	(\$7,920)

c) Changes in net defined benefit liabilities are as follows:

Items	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance as of January 1, 2021	(\$281,040)	\$273,120	(\$7,920)
Service costs			
Current Service costs	(2,751)	-	(2,751)
Previous service cost	(12,708)	-	(12,708)
Interest expenses (income)	(1,400)	1,376	(24)
Recognized in profit or loss	(16,859)	1,376	(15,483)
Remeasurements			
Return on planned assets (excluding the amounts included in net interest)	-	3,331	3,331
Actuarial (profits) losses -			
Changes in demographic assumptions	(5,545)	-	(5,545)
Changes in financial assumptions	3,344	-	3,344
Experience adjustments	(13,308)	-	(13,308)
Recognized in other comprehensive income	(15,509)	3,331	(12,178)
Employer provision	-	5,478	5,478
Welfare payment amount	42,592	(25,815)	16,777
Balance as of December 31, 2021	(\$270,816)	\$257,490	(\$13,326)

Items	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance as of January 1, 2020	(\$286,327)	\$236,082	(\$50,245)
Service costs			
Current Service costs	(3,088)	-	(3,088)
Previous service cost	(140)	-	(140)
Interest expenses (income)	(2,119)	1,915	(204)
Recognized in profit or loss	(5,347)	1,915	(3,432)
Remeasurements			
Return on planned assets (excluding the amounts included in net interest)	-	6,169	6,169

Actuarial (profits) losses -			
Changes in financial assumptions	(7,103)	-	(7,103)
Experience adjustments	(2,179)	-	(2,179)
Recognized in other comprehensive income	(9,282)	6,169	(3,113)
Employer provision	-	45,687	45,687
Welfare payment amount	19,916	(16,733)	3,183
Balance as of December 31, 2020	(\$281,040)	\$273,120	(\$7,920)

- d) The Tahsin Group is exposed to the following risks due to the implementation of the pension system under the Labor Standards Act:

i. Investment Risks

Investment risks: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in equity securities, debt securities, and bank deposits in domestic (foreign) banks through independent implementation and commissioned operations. However, the allocated amount of planned assets of the Group is not lower than interest calculated from the local bank's 2-year fixed deposit interest rate.

ii. Interest rate risk

The decline in the interest rate of government bonds will increase the present value of defined welfare obligations, and at the same time, the debt investment return of the planned assets will also increase accordingly. Both of which will partially offset the impact of the net defined welfare liabilities.

iii. Salary risk

The calculation basis for determining the present value of the benefit obligation is to refer to the future salaries of the project members. Therefore, the salary increase of plan members will increase the present value of the defined benefit obligation.

- e) The present value of the determined benefit obligation formulated by Tahsin Group is calculated by certified actuaries. The principal assumptions adopted on the valuation date are as follows:

Items	Valuation date	
	December 31, 2021	December 31, 2020
Discount rate	0.625%	0.50%
Rate of future salary increase	1.50%	1.50%
Average duration of defined benefit obligations	10.0 years	10.4 years

- i. Future Mortality Rate is estimated based on the 2012 Taiwan Standard Ordinary Experience Mortality Table.

- ii. If the major actuarial assumptions are subject to reasonably possible changes with other assumptions unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

Items	December 31, 2021	December 31, 2020
Discount rate	0.625%	0.50%
Increase 0.25%	(\$6,616)	(\$7,103)
Decrease 0.25%	\$6,853	\$7,585
Rate of future salary increase	1.50%	1.50%
Increase 0.25%	\$6,672	\$7,163
Decrease 0.25%	(\$6,475)	(\$6,943)

As actuarial assumptions may be related to one another, the likelihood of fluctuation in a single assumption is not high. Therefore, the aforementioned sensitivity analysis may not reflect the actual fluctuations of the present value of defined benefit obligations.

- f) Tahsin Group expects to make contributions of NTD5,300 thousand to the pension plans in the year ended December 31, 2022.

p. Share capital

- 1) The reconciliation of the Company's outstanding number of common stocks and its amounts at beginning and end of period is as follows:

Items	December 31, 2021	
	Number of Shares (Thousands)	Amount
Balance at January 1	138,600	\$1,386,000
Capital reduction	(39,501)	(395,010)
Balance at December 31	99,099	\$990,990

Items	December 31, 2020	
	Number of Shares (Thousands)	Amount
Balance at January 1	198,000	\$1,980,000
Capital reduction	(59,400)	(594,000)
Balance at December 31	138,600	\$1,386,000

- 2) As of December 31, 2021 and 2020, the Company had a nominal capital of NTD2,415,227 thousand, which is divided into 241,523 thousand shares (NTD10 per share). The paid-in capital was NTD990,990 thousand and NTD1,386,000 thousand,

respectively. The actual number of shares issued was 99,099 thousand shares and 138,600 thousand shares, respectively.

- 3) In order to adjust the capital structure, enhance the return of shareholders' equity and profit per share, the Company's shareholders' meeting decided on August 11, 2021 to return NTD395,010 thousand of capital shares, eliminate 39,501 thousand shares, and reduce the capital ratio by 28.50%. The application was approved with Tai Zheng Shang I Zi Order No. 1101804868 issued by the Taiwan Stock Exchange Corporation (TWSE) on September 6, 2021; on September 17, 2021, the Board of Directors set the base date of cash reduction to be September 29, 2021. The registration of capital reduction was completed at the Ministry of Economic Affairs on October 15, 2021. The payment date of cash distribution for the capital reduction is December 23, 2021.
- 4) In order to adjust the capital structure, enhance the return of shareholders' equity and profit per share, the Company's shareholders' meeting decided on June 5, 2020 to return NTD594,000 thousand of capital shares, eliminate 59,400 thousand shares, and reduce the capital ratio by 30%. The application was approved with Order No. 1090350493 issued by the FSC on August 4, 2020; On August 12, 2020, the Board of Directors set the base date of cash reduction to be August 19, 2020. The registration of capital reduction was completed at the Ministry of Economic Affairs on August 26, 2020. The payment date of cash distribution for the capital reduction is October 29, 2020.

q. Capital Surplus

Items	December 31, 2021	December 31, 2020
Treasury share transactions	\$178,623	\$148,648
Difference between the price received from acquisition or disposal of interest in subsidiaries and book value	2,113	2,113
Value of the acquired or disposed shares of subsidiaries		
Others (return of overdue unclaimed dividends)	1,294	1,021
Total	<u>\$182,030</u>	<u>\$151,782</u>

r. Retained earnings and dividend policy

- 1) The surplus distribution policy stipulated in the original articles of association stipulates that if there is profit in its general final account, the Company shall first pay all taxes and dues and cover accumulated losses, and then set aside 10% of such profits as a legal reserve. However, where such legal reserve amounts to the total amount of capital stock, this provision shall not apply. In addition, special surplus reserve shall be allocated or reversed in accordance with laws and regulations or regulations of the competent authority. If there is any surplus, the balance shall be added to the accumulated undistributed surplus. The Board of Directors shall prepare a distribution motion, to be submitted to the shareholders' meeting for resolution before issuance of new shares.

After the shareholders' meeting on June 5, 2020, it was revised as follows: The Company's surplus distribution or loss allowance can be made after the end of each semi-financial year, if there is any surplus in the semi-financial year's final accounts, the Company shall first pay all taxes and dues and cover accumulated losses, and then set aside 10% of such profits as a legal reserve. However, where such legal reserve amounts

to the total amount of capital stock, this provision shall not apply. As stipulated by law or regulations or competent authority, the remaining balance shall then be appropriated for provisions or special reserve reversed. If there are still surplus and/or accumulated undistributed earnings, the Board of Directors shall submit an allocation proposal, and where new shares are issued, resolution at the shareholders' meeting shall be adopted before allocation.

Pursuant to Paragraph 5 of Article 240 of the Company Act, the company may authorize the distributable dividends and bonuses or in whole or in part legal reserve and capital reserve as provided in Paragraph 1 of Article 241 of the Company Act may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The Company has too diverse products to be divided by the stages of growth. With steady profitability and sound financial structure, the Company is able to distribute dividends and bonuses in cash at a ratio of 20% to 100% in principle. However, when there is any important investment, the company may reallocate all dividends and bonuses for a capital increase.

- 2) The statutory surplus reserve shall not be used except for the loss of the Company and the issuance of new shares or cash in proportion to the original share of the shareholders. However, if new shares or cash is issued, it shall be limited to the surplus exceeding 25% of the paid-in capital.
- 3) Special reserve
 - a) The Company may allocate earnings only after providing special reserve for debt balance under other equity on the balance sheet date, and the reversal of debit balance under other equity, if any, may be stated as distributable earnings.
 - b) As initial application of IFRSs, the special reserve set aside in accordance with the order issued by the FSC, the Company shall reverse the special reserve set aside proportionately as distributable retained earnings when the relevant assets are used, disposed of or reclassified subsequently. In May, 2020, due to the disposal of land revalued before the year 2012, NTD1,941,491 thousand was transferred from special reserves to retained earnings.
- 4) The Company's resolutions on earnings distribution and dividends per share for the years of 2019 approved by the shareholders' meeting on June 5, 2020 are as follows:

Items	Profit distribution plan	Dividends per Share (NTD)
	December 31, 2019	December 31, 2019
Legal reserve	\$73,817	
Ordinary cash dividends	722,700	3.65

- 5) The Company's resolutions on earnings distribution and dividends per share for the first half of 2020 and the second half of 2020 approved by the Board of Directors on November 11, 2020 and March 22, 2021 are as follows:

Items	Profit distribution plan		Dividends per Share (NTD)	
	First half of 2020	Second half of 2020	First half of 2020	Second half of 2020

Legal reserve (2020)			\$737,203		
Ordinary dividends	cash	\$554,400	554,400	4.00	4.00

The distribution of cash dividends was reported to the shareholders' meeting on June 11, 2021 (Note); the reversal and appropriation of other earnings items were approved by electronic voting at the general meeting of shareholders before June 11, 2021.

(Note) According to the "Measures for Companies to Postpone Annual General Meetings in Response to COVID-19 Pandemic" issued by the Financial Supervisory Commission on June 29, 2021, the original schedule was postponed from June 11, 2021 to August 11, 2021.

- 6) The Company's resolutions on profit distribution plan and dividends per share for the first half of 2021 approved by the Board of Directors on August 22, 2021 are as follows:

Items	Profit distribution plan	Dividends per Share (NTD)
	First half of 2021	First half of 2021
Ordinary cash dividends	\$277,200	2.00

- 7) The appropriations of earnings and dividends per share for the second half of 2021 had been proposed by the Company's Board of Directors on March 25, 2022, and they are as follows:

Items	Profit distribution plan	Dividends per Share (NTD)
	Second half of 2021	Second half of 2021
Ordinary cash dividends	\$247,748	2.50

- 8) Information on employee compensation resolved by the Board meetings is available on the "Market Observation Post System" of the Taiwan Stock Exchange Corporation.

s. Other equities

Items	Exchange differences on translation of foreign operating organizations' financial statements	Unrealized valuation (losses) gains from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2021	(\$83,976)	\$2,472,526	\$2,388,550
Exchange differences on translation of financial statements of foreign operations	(22,352)	-	(22,352)

Unrealized valuation profit or loss on investments in equity instruments at fair value through other comprehensive income	-	637,831	637,831
The shares of affiliates and joint ventures are recognized by the equity method	-	(61,096)	(61,096)
Disposals of investments in equity instruments designated at fair value through other comprehensive income		(27,152)	(27,152)
Balance at December 31, 2021	<u>(\$106,328)</u>	<u>\$3,022,109</u>	<u>\$2,915,781</u>

Items	Exchange differences on translation of foreign operating organizations' financial statements	Unrealized valuation (losses) gains from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2020	(\$70,282)	\$2,278,210	\$2,207,928
Exchange differences on translation of financial statements of foreign operations	(13,694)	-	(13,694)
Unrealized valuation profit or loss on investments in equity instruments at fair value through other comprehensive income	-	128,805	128,805
The shares of affiliates and joint ventures are recognized by the equity method	-	69,905	69,905
Disposals of investments in equity instruments at fair value through other comprehensive income		(4,394)	(4,394)
Balance at December 31, 2020	<u>(\$83,976)</u>	<u>\$2,472,526</u>	<u>\$2,388,550</u>

t. Treasury stock

December 31, 2021

Unit: Thousand shares

Subsidiary Name	Number of shares at the beginning of the period	Net increase (decrease)	Number of shares at the end of the period
-----------------	---	-------------------------	---

Tah Fa Investment Co., Ltd.	4,996	(1,424)	3,572
-----------------------------	-------	---------	-------

Note: The decrease for the period is due to the capital reduction of the parent company.

December 31, 2020

Unit: Thousand shares			
Subsidiary Name	Number of shares at the beginning of the period	Net increase (decrease)	Number of shares at the end of the period
Tah Fa Investment Co., Ltd.	7,137	(2,141)	4,996

Note: The decrease for the period is due to the capital reduction of the parent company.

Investments in the Company's shares held by its subsidiaries are regarded as treasury stock, where these subsidiaries can still receive dividends from the Company but are not able to exercise their voting rights. As of December 31, 2021 and December 31, 2020, the Company's investment company, Tah Fa Investment Co., Ltd., held 3,572 thousand shares and 4,996 thousand shares issued by the Company, respectively, with a total cost of NTD83,230 thousand and NTD97,469 thousand, respectively. The investment company continued to hold its shares due to a stable share price, where its market price per share was NTD86.10 and NTD72.20 as of December 31, 2021 and December 31, 2020, respectively.

u. Non-controlling interests

Items	December 31, 2021	December 31, 2020
Beginning balance	\$24,968	\$21,927
Share attributable to non-controlling interests:		
Net profit/(loss) for the year	1,071	951
Other comprehensive income/(loss) for the year	(326)	(180)
Increase (decrease) in non-controlling interest	-	2,270
Total	<u>\$25,713</u>	<u>\$24,968</u>

v. Operating revenue

Items	December 31, 2021	December 31, 2020
Revenue from customer contracts		
Sales revenue	\$2,384,114	\$2,188,389

Less: Sales return and allowance	(7,302)	(7,846)
(Net) Revenue from Contracts with Customers	\$2,376,812	\$2,180,543
Others	2,088	52,997
Total	<u>\$2,378,900</u>	<u>\$2,233,540</u>

1) Description of customer contract

Tahsin Group produces plastic products for the midstream and downstream of the plastics industry. Applied to daily supplies, the main products include raincoats, garments, PP corrugated boards, and binding machines, and laminators. In terms of export, materials of rainwear and garments are prepared in Taiwan for production overseas; in terms of domestic sales, rainwear and garments, including workwear, are sold by distributors. Tahsin Group's products are sold at fixed prices according to the contractual terms.

2) Customer contract revenue breakdown

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following operating segments:

Product Category	December 31, 2021	December 31, 2020
Raincoat	\$1,010,417	\$958,902
Garment	615,183	512,973
Binding machine	185,519	120,278
PP corrugated board	313,351	317,336
Others	254,430	324,051
Total	<u>\$2,378,900</u>	<u>\$2,233,540</u>

Region	December 31, 2021	December 31, 2020
Taiwan	\$406,527	\$423,151
America	333,937	283,647
Europe	802,986	641,551
Japan	548,312	646,701
Others	287,138	238,490
Total	<u>\$2,378,900</u>	<u>\$2,233,540</u>

3) Contract balance

The Group's accounts receivable and contract liabilities relating to contract revenue are as follows:

Items	December 31, 2021	December 31, 2020
Notes receivable and payments	\$434,511	\$427,021
Less: provision for losses	(12,135)	(11,063)

Total	<u>\$422,376</u>	<u>\$415,958</u>
Contract liabilities - current	<u>\$11,457</u>	<u>\$7,889</u>

a) Significant changes in contract assets and liabilities

The changes in contract assets and contract liabilities mainly arise from the difference between the time of fulfilling the obligations and the time of customer payment, and there are no other significant changes.

b) The amount of contract liabilities from the beginning of the year that are recognized in operating revenue in 2021 and 2020 were NTD7,122 thousand and NTD8,016 thousand respectively.

4) Unfulfilled customer contracts

As of December 31, 2021 and 2020, the Group expected that the lifetime of unfulfilled contracts with customers relating to the sale of products or service was within one year and that such contracts would be fulfilled within one year and recognized as revenue.

w. Employee benefits, depreciation and amortization expenses

Category	December 31, 2021		Total
	Classified as operating costs	Classified as operating expenses	
Employee benefits expense			
Salary expenses	\$277,988	\$172,572	\$450,560
Labor and health insurance	19,988	12,142	32,130
Pension expenses	4,496	19,330	23,826
Other employee benefits	13,752	13,990	27,742
	<u>\$316,224</u>	<u>\$218,034</u>	<u>\$534,258</u>
Depreciation expenses	<u>\$42,823</u>	<u>\$15,187</u>	<u>\$58,010</u>
Amortization expense	<u>-</u>	<u>-</u>	<u>-</u>

Category	December 31, 2020		Total
	Classified as operating costs	Classified as operating expenses	
Employee benefits expense			
Salary expenses	\$296,257	\$176,495	\$472,752
Labor and health insurance	19,697	11,067	30,764
Pension expenses	4,120	7,021	11,141
Other employee benefits	15,141	14,408	29,549
	<u>\$335,215</u>	<u>\$208,991</u>	<u>\$544,206</u>
Depreciation expenses	<u>\$41,168</u>	<u>\$15,652</u>	<u>\$56,820</u>
Amortization expense	<u>-</u>	<u>-</u>	<u>-</u>

- 1) If the Company records an annual profit, no less than 0.5% of its pre-tax income before deducting employees' compensation and directors' and supervisors' compensation shall be distributed as employee remuneration, whereas no more than 0.5% of it shall be distributed as directors' and supervisors' compensation. However, when the Company has accumulated losses, the amount to cover the losses should be reserved in advance. The resolution on the compensation of the employees and the remuneration of directors and supervisors in the preceding paragraph shall be approved and adopted by a special resolution of the board of directors and submitted to the shareholders' meeting. The abovementioned employee remuneration shall be distributed in the form of shares or cash. The qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements are entitled to receive shares or cash. The board of directors is authorized to set the conditions.
- 2) Compensation to employees and remuneration to directors and supervisors for the years of 2021 and 2020 were resolved and approved by the Board of Directors on March 25, 2022 and March 22, 2021. Relevant amounts recognized in the financial statement are as follows:

	December 31, 2021		December 31, 2020	
	Employee Compensation	Remuneration of directors	Employee Compensation	Remuneration of directors
Approved amount of distribution	\$1,480	1,300	\$30,000	29,900
Amounts recognized in the annual financial statements	1,480	1,300	30,000	29,900
Differences	-	-	-	-

- a) The employee remunerations listed above are all paid in cash.
- b) If there are changes made to the amount after the annual financial statements are published, the changes shall be handled as changes in accounting estimates and recognized in the next year's financial statements.
- 3) For information on the Company's remunerations for employee and Directors as resolved by the Board of Directors, please visit the "Market Observation Post System" of Taiwan Stock Exchange.

x. Interest revenue

Items	December 31, 2021	December 31, 2020
Interest revenue		
Interest on bank deposits	\$20,592	\$21,418
Other interest income (overdue interest)	-	51
Total	\$20,592	\$21,469

y. Other income

Items	December 31, 2021	December 31, 2020
Rental income		
Investment properties		
Not depending to index or rate changes and contingent	\$13,336	\$15,526
Rent		
Other operating leases		
Not depending to index or rate changes and contingent rent	16,602	12,232
Rent		
Other rent	158	219
Total rental income	30,096	27,977
Dividend revenue	181,571	109,477
Other income	12,009	30,924
Total	<u>\$223,676</u>	<u>\$168,378</u>

z. Other profits and losses

Items	December 31, 2021	December 31, 2020
Gain (loss) on disposal of property, plant and equipment	\$457	\$2,441
Gain on lease amendment	327	-
Gain on disposal of non-current assets (group) held for sale (Note)	-	5,754,207
Net foreign exchange gains (losses)	(7,876)	(24,522)
Loss of financial assets (liabilities) measured at fair value through profit or loss	24	(50)
Miscellaneous expenses	(8,730)	(77,282)
Total	<u>(\$15,798)</u>	<u>\$5,654,794</u>

(Note) The Group sold land at Plot No. 90, Huiguo Section, Xitun District, Taichung City on February 26, 2020. The sale price was NTD 8,375,890 thousand. The ownership transfer was completed on May 25, 2020, resulting in a gain on disposal benefit of NTD5,754,207 thousand.

aa. Financial costs

Items	December 31, 2021	December 31, 2020
Interest expense:		

Bank loans	\$1,749	\$3,263
Interest on lease liabilities	158	341
Subtotal	\$1,907	\$3,604
Less: Amount qualified for capitalization	-	-
Financial costs	\$1,907	\$3,604

bb. Income tax

1) Income tax expense

a) Income tax expense (benefit) components:

Items	December 31, 2021	December 31, 2020
<u>Current income tax</u>		
Income tax generated in the current period	\$7,699	\$5,401
Income overestimate/underestimate for previous years	(492)	(308)
Surtax on undistributed earnings	259,402	-
Land Value Increment Tax	-	1,029,158
Total income tax for the year	\$266,609	\$1,034,251
<u>Deferred income tax</u>		
Origination and reversal of temporary differences	7,673	(531,288)
Deferred income tax expenses	\$7,673	(\$531,288)
Income tax expense (gains)	\$274,282	\$502,963

b) Income tax expense (benefit) related to other comprehensive income:

Items	December 31, 2021	December 31, 2020
Exchange differences on translation of foreign operating organizations' financial statements	(\$5,588)	(\$3,424)

2) The reconciliation of accounting income and income tax expense recognized in profit and loss for the current year is as follows:

Items	December 31, 2021	December 31, 2020
Net profit before taxes	\$280,714	\$5,933,174
Net profit before tax is calculated at the statutory tax rate	\$82,443	\$1,217,127

Effect of taxes on adjusted items:

Effect of items not included when calculating taxable income

Loss deduction	454	(808)
Unpaid pensions	(1,558)	(8,405)
Loss (Gain) on investments accounted for using equity method	(8,237)	(11,784)
Tax-exempt income	(36,314)	(1,172,736)
Unrealized exchange gains and losses	(2,250)	3,048
Gain and loss on valuation of financial liabilities	(9)	13
Loss (gain) on Inventory valuation losses	(1,029)	(745)
Other adjustments	(23,816)	(19,544)
Income tax adjustment for the previous year	(492)	(308)
Additional income tax on unappropriated earnings	259,402	-
Land Value Increment Tax	-	1,029,158
Net change in deferred income tax	5,688	(532,053)
Income tax expense (gains) recognized in profit or loss	\$274,282	\$502,963

The tax rate applicable to individuals of Tahsin Group applying the Income Tax Act of the Republic of China is 20%, and the tax rate applicable to undistributed earnings since year of 2018 is 5%. The tax generated in other jurisdictions is calculated according to the tax rate applicable in each relevant jurisdiction.

In July of 2019, the President announced the amendment to the Statute for Industrial Innovation, which clearly stipulated that the undistributed earnings from 2018 onwards to build or purchase specific assets or technologies to reach a certain amount can be recognized as deduction items in the calculation of undistributed earnings. The Company only deducted the capital expenses that has actually been invested when calculating the tax on unappropriated earnings.

- 3) Deferred income tax assets or liabilities from temporary difference, loss carry forwards and investment credits:

December 31, 2021

Items	Beginning balance	Recognized in profit (loss)	Recognized in other comprehensive income	Foreign exchange gains and losses	Ending balance
-------	-------------------	-----------------------------	--	-----------------------------------	----------------

Deferred tax assets:

Temporary differences

December 31, 2021

Items	Beginning balance	Recognized in profit (loss)	Recognized in other comprehensive income	Foreign exchange gains and losses	Ending balance
Unrealized inventory valuation losses	\$1,788	(\$885)	-	(\$120)	\$783
Unrealized gross profit margin	1,153	(797)	-	-	356
Unrealized claim preparation	3,759	-	-	(105)	3,654
Unrealized employee benefit liabilities	2,102	(233)	-	(25)	1,844
Unpaid pensions	7,701	(204)	-	(986)	6,511
Foreign investment losses under the equity method	49,083	-	-	-	49,083
Loss assessment of financial liabilities	13	(9)	-	(1)	3
Unrealized exchange loss	5,807	(2,250)	-	-	3,557
Unrealized loss on disposal of assets	126	(74)	-	-	52
Difference in recognition of allowance loss	2,262	(1,845)	-	(179)	238
The depreciation assets are adjusted according to the tax law	6,210	146	-	(412)	5,944
Unused loss deduction	5,334	454	-	(156)	5,632
Debit (credit) accounting by foreign operating agencies	20,994	-	\$5,588	-	26,582
Exchange differences in financial statement translation					
Subtotal	<u>\$106,332</u>	<u>(\$5,697)</u>	<u>\$5,588</u>	<u>(\$1,984)</u>	<u>\$104,239</u>
Deferred tax liabilities					
Temporary differences					
The depreciation assets are adjusted according to the tax law	(\$9)	\$9	-	-	-
Land Value Increment Tax	(180,746)	-	-	-	(\$180,746)
Subtotal	<u>(\$180,755)</u>	<u>\$9</u>	<u>-</u>	<u>-</u>	<u>(\$180,746)</u>
Total	<u>(\$74,423)</u>	<u>(\$5,688)</u>	<u>\$5,588</u>	<u>(\$1,984)</u>	<u>(\$76,507)</u>

December 31, 2020

Items	Beginning balance	Recognized in profit (loss)	Recognized in other comprehensive income	Foreign exchange gains and losses	Ending balance
Deferred tax assets:					
Temporary differences					
Unrealized inventory valuation losses	\$2,568	(\$745)	-	(\$35)	\$1,788
Unrealized gross profit margin	611	542	-	-	1,153
Unrealized claim preparation	3,148	797	-	(186)	3,759
Unrealized employee benefit liabilities	1,893	209	-	-	2,102
Unpaid pensions	7,012	683	-	6	7,701
Foreign investment losses under the equity method	49,083	-	-	-	49,083
Impairment loss of financial assets	2,708	(2,708)	-	-	-
Loss assessment of financial liabilities	-	13	-	-	13
Unrealized exchange loss	2,759	3,048	-	-	5,807
Unrealized loss on disposal of assets	201	(75)	-	-	126
Difference in recognition of allowance loss	327	1,943	-	(8)	2,262
The depreciation assets are adjusted according to the tax law	5,915	545	-	(250)	6,210
Unused loss deduction	6,435	(808)	-	(293)	5,334
Debit (credit) accounting by foreign operating agencies	17,570	-	\$3,424	-	20,994
Exchange differences in financial statement translation					
Subtotal	<u>\$100,230</u>	<u>\$3,444</u>	<u>\$3,424</u>	<u>(\$766)</u>	<u>\$106,332</u>
Deferred tax liabilities					
Temporary differences					
The depreciation assets are adjusted according to the tax law	(\$20)	\$11	-	-	(\$9)
Unrealized benefits of disposing of assets	(778)	778	-	-	-

Land Value Increment Tax	(708,566)	527,820	-	-	(180,746)
Subtotal	(\$709,364)	\$528,609	-	-	(\$180,755)
Total	(\$609,134)	\$532,053	\$3,424	(\$766)	(\$74,423)

4) Items not recognized as deferred tax assets

Items	December 31, 2021	December 31, 2020
Loss on investment accounted for using the equity method	\$51,218	\$51,210
Loss deduction	74,216	70,672
Total	\$125,434	\$121,882

5) The Company's corporate income tax returns have been assessed by the Tax Authorities until 2019.

cc. Other comprehensive income

Items	December 31, 2021		
	Pre-tax	Income Tax Expense (Gain)	Net Amount After Taxes
Items that are not reclassified to profit or loss:			
Re-measurements of defined benefit plans	(\$12,178)	-	(\$12,178)
Unrealized valuation profit or loss on investments in equity instruments at fair value through other comprehensive income	637,831	-	637,831
Share of affiliated enterprises and joint ventures recognized by equity method	(61,096)	-	(61,096)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income of affiliated enterprises and joint ventures			
Subtotal	564,557	-	564,557
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operating organizations' financial statements	(28,266)	\$5,588	(22,678)
Subtotal	(28,266)	5,588	(22,678)
Recognized in other comprehensive income	\$536,291	\$5,588	\$541,879

December 31, 2020

Items	Pre-tax	Income Tax Expense (Gain)	Net Amount After Taxes
Items that are not reclassified to profit or loss:			
Re-measurements of defined benefit plans	(\$3,113)	-	(\$3,113)
Unrealized valuation profit or loss on investments in equity instruments at fair value through other comprehensive income	128,805	-	128,805
Share of affiliated enterprises and joint ventures recognized by equity method	69,905	-	69,905
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income of affiliated enterprises and joint ventures			
Subtotal	195,597	-	195,597
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operating organizations' financial statements	(17,298)	\$3,424	(13,874)
Subtotal	(17,298)	3,424	(13,874)
Recognized in other comprehensive income	<u>\$178,299</u>	<u>\$3,424</u>	<u>\$181,723</u>

dd. Earnings Per Share

Items	December 31, 2021	December 31, 2020
A. Basic earnings per share:		
Net profit attributable to common shareholders of the parent company	<u>\$5,361</u>	<u>\$5,429,260</u>
Weighted average number of outstanding shares (thousand shares)	<u>123,902</u>	<u>169,842</u>
Basic earnings per share (after tax) (NTD)	<u>\$0.04</u>	<u>\$31.97</u>
B. Diluted earnings per share:		
Net profit attributable to common shareholders of the parent company	<u>\$5,361</u>	<u>\$5,429,260</u>
Weighted average number of outstanding shares	<u>123,902</u>	<u>169,842</u>
The effect of diluting potential common stocks:		
Number of employees' compensation impacts (note)	<u>98</u>	<u>433</u>

Calculate the weighted average number of outstanding shares of diluted earnings per share	124,000	170,275
Diluted earnings per share (after tax) (NTD)	\$0.04	\$31.89

(Note) If the Company chooses to offer employee compensation or share profits in the form of cash or stock, while calculating diluted earnings per share, and assuming that the compensation is paid in the form of stock, the dilutive potential common shares will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The dilutive effect of such potential common shares shall continue to be considered when calculating diluted earnings per share before the number of shares to be distributed as employee compensation is approved in the following year.

ee. Reconciliation of liabilities from fund-raising activities

Items	January 1, 2021	Cash flow	Non-cash Changes		December 31, 2021
			Fluctuation in exchange	Other Non-cash Changes	
Short-term loans	\$214,130	\$67,528	(\$25,898)	-	\$255,760
Long-term borrowings (including maturity on less than one year)	2,266	(2,092)	(174)	-	-
Lease liabilities (including current and non-current)	15,983	(3,254)	(890)	\$693	12,532
Guarantee deposits received	8,040	1,026	(23)	-	9,043
Total liabilities from financing activities	\$240,419	\$63,208	(\$26,985)	\$693	\$277,335

Items	January 1, 2020	Cash flow	Non-cash Changes		December 31, 2020
			Fluctuation in exchange	Other Non-cash Changes	
Short-term loans	\$304,349	(\$90,496)	\$277	-	\$214,130
Short-term notes payable	39,988	(40,000)	-	\$12	-
Long-term borrowings (including maturity on less than one year)	6,126	(3,875)	15	-	2,266
Lease liabilities (including current and non-current)	19,265	(3,128)	(514)	360	15,983
Guarantee deposits received	9,483	(1,500)	57	-	8,040
Total liabilities from financing activities	\$379,211	(\$138,999)	(\$165)	\$372	\$240,419

(VII.) Related Party Transactions

- a. The parent company and the ultimate controlling party
The Company is the ultimate controller of Tahsin Group.
- b. Name and relation of related party

<u>Name of Related Party</u>	<u>Relationship with the Merged Company</u>
Truong Giang Garment Joint-stock Company (TGC)	Related enterprise
Tah Chun Trading Co., Ltd. (Tah Chun)	Other related party
Fujian Putian DAFU Plastic Industry Co., Ltd. (DAFU Co., Ltd.)	Other related party
TAMERICA PRODUCTS, INC.(T.P.I.)	Other related party
HAVE OUR PLASTIC INC. CANADA (HOP CANADA)	Other related party
HOP INDUSTRIAL CORP. U.S.A. (HOP U.S.A.)	Other related party
Yuk Wing Development Limited (Yuk Wing Limited)	Other related party
All directors, presidents, and vice presidents	Main members of the senior management

- c. Substantial Transaction with Related Party

The balances and transactions between Tahsin Group and its subsidiaries (related parties of the company) were removed during the preparation of the consolidated financial statements. Details of transactions between Tahsin Group and other related parties are as follows:

- 1) Operating revenue

<u>Ledger account</u>	<u>Type/name of related parties</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Sales revenue	Related enterprise	\$986	-
	Other related party	98,797	\$91,900
Total		<u>\$99,783</u>	<u>\$91,900</u>

The Tahsin Group's transaction price of sales revenue to related parties is based on the transaction prices and conditions of customers, the terms and conditions conformed to normal business practices, and payment period is about 1 to 3 months.

- 2) Purchases

<u>Ledger account</u>	<u>Type/name of related parties</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Purchases	Other related party	\$6,828	\$8,058

The transaction price of purchases made by Tahsin Group from related prices are determined based on transaction prices and terms of general manufacturers.

- 3) Contract asset: None.
- 4) Contract liability: None.
- 5) Accounts receivable from related parties (excluding loans and contract assets to related parties)

Items	Type/name of related parties	December 31, 2021	December 31, 2020
Account receivables	Other related party	\$17,009	\$15,735
Less: provision for losses		(510)	(472)
Net amount		<u>\$16,499</u>	<u>\$15,263</u>
Other receivables	Other related party	<u>\$1,834</u>	<u>\$969</u>

- 6) Accounts payable from related parties (excluding loans from related parties)

Items	Type/name of related parties	December 31, 2021	December 31, 2020
Other payables	Related enterprise	\$790	\$3,834
	Other related party	421	958
Total		<u>\$1,211</u>	<u>\$4,792</u>

- 7) Prepayment: None.
- 8) Property transaction: None.
- 9) Tenancy agreement: None.
- 10) Rental agreement:

The Group leases part of its offices, machineries and equipment and other assets to Ta Chun and DAFU as operating lease. The machinery and equipment leased is used for processing products, and the rental income is calculated based on the amount of depreciation.

The lease term of all the above contracts is one year. As of December 31, 2021 and 2020, the total future lease payment to be received is zero. The rental income recognized for years 2021 and 2020 were NTD182 thousand and NTD243 thousand, respectively.

- 11) Loan to related parties: None.
- 12) Loan from related parties: None.
- 13) Endorsement and guarantee: None.
- 14) Others
 - a) Income items

Ledger account	Type/name of related parties	December 31, 2021	December 31, 2020
Other income	Other related party	\$840	-

b) Expenses

Ledger account	Type/name of related parties	December 31, 2021	December 31, 2020
Processing fees	Other related party	\$9,662	\$9,649
	Related enterprise		
	Truong Giang Garment Joint-stock Company (TGC)	60,733	41,460
Total		<u>\$70,395</u>	<u>\$51,109</u>
Business expenses	Other related party		
	Yuk Wing Limited	<u>\$1,028</u>	<u>\$1,085</u>

d. Remuneration to the top management

Items	December 31, 2021	December 31, 2020
Salaries and other short-term employee benefits	\$33,554	\$58,882
Post-employment benefits	12,000	-
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	<u>\$45,554</u>	<u>\$58,882</u>

(VIII.) Pledged Assets

The following assets were provided as collateral for various borrowings and performance guarantees:

Items	December 31, 2021	December 31, 2020
Financial assets at fair value through other comprehensive income - current	\$184,500	-
Notes receivable	1,359	\$29,372
Other financial assets - current	5,662	6,505
Property, plant and equipment (net)	667,744	824,992
Investment properties (net)	147,805	-
Total	<u>\$1,007,070</u>	<u>\$860,869</u>

(IX.) Significant Contingent Liabilities and Unrecognized Contractual Commitments

- a. For the years ended December 31, 2021 and 2020, the guaranteed notes received by the Group for project performance guarantees and ensure payment claims, etc. were NTD36,168 thousand and NTD15,108 thousand, respectively.
- b. As of December 31, 2021 and 2020, the guaranteed notes issued by Tahsin Group provided guarantees for processing products for customers were NTD1,130 thousand and NTD0 respectively.
- c. On December 31, 2021 and 2020, the customer was injured by using Tree Stand products and filed a lawsuit against the subsidiary THUSA for damages. T.H.USA has purchased product liability insurance for this product and already hired a lawyer to deal with this lawsuit. However, as of the publication date of the consolidated financial statements, the final outcome of this lawsuit was still unknown, and it was not probable to estimate the exact amount of possible compensation.

(X.) Significant Disaster Losses

- a. Due to the impact of the global outbreak of COVID-19, a subsidiary listed in the consolidated financial statements - Tah Viet Co., Ltd., which is located in the Xinshun Export Zone in Ho Chi Minh, Vietnam, had cooperated with the Vietnamese local government's pandemic prevention laws and regulations, and it temporarily suspended work to maintain employee safety from July 13 to October 2, 2021 due to the severe outbreak of the COVID-19 pandemic in Vietnam. Therefore, part of the revenue was deferred due to the above factors, but the actual impact of the overall operating activities was not significant. However, as many countries still implement mandatory lock-down and consumption patterns have also changed, the follow-up operation schedule of the group is still uncertain.

After assessing the impact of the aforementioned epidemic, Tahsin Group's ability to continue operating, its asset impairment status and funding risk has no material impact.

- b. Myanmar Tah Hsin Industrial Co., Ltd., a subsidiary of the Group included in the consolidated financial statements, experienced a military coup in Myanmar in February 2021. As of the date of issuance of the consolidated financial statements, the operation of the company still maintained normal operation. Due to traffic and other factors, the timing of import and export were slightly affected, but there was no significant impact on the operation of the Group.

(XI.) Significant Events after the Balance Sheet Date: None.

(XII.) Others

- a. Capital Risk Management

Tahsin Group plans its needs for working capital and dividend payments in the future based on the characteristics of the industries to which its operations belong and future development of Tahsin Group, and by taking into consideration changes in the external environment, to ensure that it can continue the operations, give back to shareholders, and protect the interests of stakeholders at the same time, as well as maintain the best capital structure to enhance shareholder value in the long run. To maintain an adjustable capital structure, Tahsin Group may adjust the amount of dividends paid to shareholders by issuing new shares, distributing cash to shareholders or buying back its shares.

Tahsin Group monitors its funds by regularly reviewing the asset-to-debt ratio.

- b. Financial instruments

- 1) Financial risk of financial instruments

a) Financial risk management policies

The daily operations of Tahsin Group are affected by a number of financial risks, including market risk (exchange risk, interest rate risk, and other price risk), credit risk, and liquidity risk. To reduce related financial risks, Tahsin Group is committed to identifying, assessing and avoiding market uncertainties, so as to reduce potentially unfavorable effects of market changes on its financial performance.

Tahsin Group's major financial activities are reviewed by its Board of Directors according to the relevant regulations and its internal control system. When executing financial plans, the Tahsin Group abides by operating procedures for overall financial risk management and the division of powers and responsibilities.

b) The nature and degree of significant financial risks

i. Market risks

i) Exchange risks

Tahsin Group is exposed to exchange rate risks arising from sales, purchases and net investments in foreign operating entities that are not denominated in the functional currency of the Group. Tahsin Group's functional currency is New Taiwan dollar, while other currencies used by Tahsin Group are Renminbi, U.S. dollar, and Japanese Yen. The major currencies in which these transactions are denominated are U.S. dollars, etc. The Group's foreign currency receivables are the same as part of the foreign currency payables. As such, some positions will have a natural hedging effect. In order to avoid the decrease of foreign currency asset value and the fluctuation of future cash flow due to the change of exchange rate, the Group uses derivative instruments (including pre-purchase/pre-sale forward exchange contracts) to hedge exchange rate risks. The use of such derivative instruments can assist the Group in reducing the effects of changes in foreign exchange rates, but is still unable to fully eliminate such effects.

The derivative instruments used by Tahsin Group mature within 12 months and do not satisfy the qualifying criteria for hedge accounting.

Due to the fact that net investments in foreign operating entities are strategic investments, Tahsin Group has not hedged these investments.

(a) The analysis of foreign exchange exposures and sensitivity is as follows:

Item	December 31, 2021			December 31, 2020		
	Foreign currency (in thousands)	Exchange rate currency (NTD)	Presented amount (New Taiwan Dollars)	Foreign currency (in thousands)	Exchange rate currency (NTD)	Presented amount (New Taiwan Dollars)
(Foreign currency: Functional currency)						
Financial assets						
Monetary items						
USD:NTD	\$42,472	27.68	\$1,175,630	\$31,095	28.48	\$885,584
USD:JPY	292	115.08	8,071	384	103.02	10,944
USD:RMB	561	6.3720	15,528	353	6.5067	10,067
Non-monetary items						
USD:NTD	18,167	27.68	502,855	17,768	28.48	506,038
JPY:NTD	555,112	0.2405	133,504	275,027	0.2763	75,990
Financial liabilities						
Monetary items						
USD:NTD	1,542	27.68	42,693	1,078	28.48	30,711
USD:JPY	792	115.08	21,909	836	103.02	23,811

The sensitivity analysis of Tahsin Group's exchange rate risk is mainly performed to assess the effects of appreciation/depreciation of foreign currency monetary and non-monetary items on Tahsin Group's profit or loss and equity at the end of the reporting period. The exchange rate risk of Tahsin Group is mainly affected by the fluctuation of the exchange rate of USD and JPY. When the appreciation/depreciation of USD and JPY is 5%, the after-tax net profit of the Group in 2021 and 2020 will increase/decrease by NTD45,576 thousand and NTD34,315 thousand respectively, and the equity will increase/decrease by NTD26,789 thousand and NTD24,041 thousand respectively.

- (b) Due to the exchange rate volatility, total exchange gains and losses (including realized and unrealized) on Tahsin Group's monetary items amounted to (NTD7,876 thousand) and (NTD24,522 thousand) as of December 31, 2021 and 2020, respectively.

ii) Other price risks

As the investment in equity instruments held by the Group in the consolidated balance sheets is classified as financial assets measured at fair value through other comprehensive income, the Group is exposed to the price risk of equity instruments.

Tahsin Group mainly invests in stocks and beneficiary certificates of domestic listed and unlisted OTC companies. The price of these equity instruments will be affected by the certainty of the future value of the investment targets. If the price of equity instruments rises or falls by 5%, other comprehensive profit and loss after tax in 2021 and 2020 will increase or decrease by NTD266,607 thousand and NTD189,260 thousand due to the rise or decrease of fair value of financial assets measured by fair value through other comprehensive profits and losses.

iii) Interest rate risk

The carrying amount of financial assets and financial liabilities of Tahsin Group exposed to the interest rate risk on the balance sheet date is as follows:

Items	Carrying amount	
	December 31, 2021	December 31, 2020
Interest rate risk with fair value: None.		
Interest rate risk with cash flow:		
Financial assets	\$3,185,297	\$5,504,484
Financial liabilities	(255,760)	(216,396)
Net amount	<u>\$2,929,537</u>	<u>\$5,288,088</u>

- (a) Sensitivity analysis of interest rate risk with fair value instruments

The Group has not classified any fixed interest rate financial assets and liabilities measured at FVTPL, nor designated derivatives (interest rate swaps) as hedging tools under the fair value hedge accounting mode. Therefore, changes in interest rates on the reporting date will not affect profit or loss.

- (b) Sensitivity analysis of interest rate risk with cash flow

Tahsin Group's variable interest rate financial instruments belong to floating interest rate assets (liabilities). Therefore, changes in market interest rates will result in changes in effective interest rates, thereby causing fluctuations in future cash flows. Every 1 percent increase in the market interest rate would lead to an increase in net profit before tax for 2021 and 2020 by NTD29,295 thousand and NTD52,881 thousand, respectively.

ii. Credit risk

Credit risk refers to the risk that a counterparty violates contractual obligations and causes financial loss to Tahsin Group. The Group is exposed to credit risk primarily from accounts receivables arising from operating activities, bank deposits arising from investing activities, and other financial instruments. Operations-related credit risks and financial credit risks are managed separately.

i) Operation related credit risk

To maintain the quality of accounts receivable, Tahsin Group has established procedures for the management of operations-related credit risks.

Factors that may affect customers' ability to pay, such as the financial status of a customer, Tahsin Group's internal credit rating, historical transaction records, and current economic conditions, are taken into account in the risk assessment of individual customers.

ii) Financial credit risk

The credit risks of bank deposits and other financial instruments are measured and monitored by the finance departments within Tahsin Group. The Group does not expect significant credit risk because the counterparties are creditworthy and investment-graded financial institutions, companies and government agencies without any significant default concerns.

(a) The risk of credit concentration

As of December 31, 2021 and 2020, the top ten clients accounted for 70.08% and 68.99%, respectively, of Tahsin Group's accounts receivable. No significant credit concentration risk was shown from the remaining accounts receivables.

(b) Measurement of expected credit impairment losses

- (1) Accounts receivable: A simplified approach is adopted, please refer to Note 6 (5) for details.
- (2) Basis for judging whether the credit risk increases significantly: None. (Tahsin Group has no investments in debt instruments measured at amortized cost or investments in debt instruments measured at FVTOCI.)
- (3) Tahsin Group obtained collateral of NTD90,000 thousand from some customers to avoid the credit risks of some financial assets.

iii. Liquidity risk

i) Liquidity risk management:

The objective of Tahsin Group's liquidity risk management is to maintain cash and cash equivalents, highly liquid securities and sufficient bank facilities required for its operations, so as to ensure that Tahsin Group possesses adequate financial flexibility.

ii) Analysis of maturity of financial liabilities:

The following table shows the analysis of Tahsin Group's financial liabilities based on the maturity and undiscounted due amount of these financial liabilities within the agreed repayment periods:

		December 31, 2021						
Non-derivative financial liabilities		less than 6 months	7-12 months	1-2 year(s)	2-5 years	More than 5 years	Contractual cash flows	Carrying amount
Short-term loans		\$256,224	-	-	-	-	\$256,224	\$255,760
Accounts payable (including parties)	related	146,175	-	-	-	-	146,175	146,175
Trade payables (including parties)	related	79,939	-	-	-	-	79,939	79,939
Other payables (including parties)	related	184,457	\$11,970	\$1,480	-	-	197,907	197,907
Guarantee deposits received		937	3,691	410	\$1,106	\$2,899	9,043	9,043
Total non-derivative financial liabilities		\$667,732	\$15,661	\$1,890	\$1,106	\$2,899	\$689,288	\$688,824
Forward Contract	Exchange							
Outflow		2,774	-	-	-	-	2,774	2,774
Inflow		(2,762)	-	-	-	-	(2,762)	(2,762)
Net amount		12	-	-	-	-	12	12
Total financial liabilities		\$667,744	\$15,661	\$1,890	\$1,106	\$2,899	\$689,300	\$688,836

		December 31, 2020						
Non-derivative financial liabilities		less than 6 months	7-12 months	1-2 year(s)	2-5 years	More than 5 years	Contractual cash flows	Carrying amount
Short-term loans		\$214,342	-	-	-	-	\$214,342	\$214,130
Accounts payable (including parties)	related	92,939	-	-	-	-	92,939	92,939
Trade payables (including parties)	related	68,653	-	-	-	-	68,653	68,653
Other payables (including parties)	related	185,431	\$29,900	\$30,000	-	-	245,331	245,331
Long-term (including-due within a year) Loans		1,944	333	-	-	-	2,277	2,266
Guarantee received deposits		861	448	3,942	-	\$2,789	8,040	8,040
Total non-derivative financial liabilities		\$564,170	\$30,681	\$33,942	-	\$2,789	\$631,582	\$631,359
Forward Contract Exchange								
Outflow		11,506	-	-	-	-	11,506	11,506
Inflow		(11,467)	-	-	-	-	(11,467)	(11,467)
Net amount		39	-	-	-	-	39	39
Total financial liabilities		\$564,209	\$30,681	\$33,942	-	\$2,789	\$631,621	\$631,398

The Tahsin Group does not expect a significant difference in the cash flows timing or the actual amount from the maturity analysis.

2) Types of financial instruments

The book value of various financial assets and financial liabilities of the group as at December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$1,509,695	3,987,427
Notes and accounts receivable (including related parties)	422,376	415,958
Other receivables (including related parties)	20,535	14,194
Other financial assets - current	1,712,362	1,532,322
Refundable deposits	3,883	2,789
Other financial assets - non-current	36,924	50,335
Financial assets at fair value through profit or loss - current	-	-
Financial assets at fair value through other comprehensive income	4,564,082	3,079,853
Financial assets - current		
Financial assets at fair value through other comprehensive income	768,053	705,348
Financial assets - non-current		
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Short-term loans	255,760	214,130
Notes and accounts payable (including related parties)	226,114	161,592
Other payables (including related parties)	197,907	245,331
Long-term loan (including current portion)	-	2,266
Lease liabilities (including current portion)	12,532	15,983
Guarantee deposits received	9,043	8,040
Financial liabilities measured at fair value through profit or loss - current	12	39

c. Information on fair value:

- 1) For information on fair value of financial assets and financial liabilities of Tahsin Group are not measured at fair value, please refer to Note 12 (3)3. For information on the fair value of financial assets and investments in real estate measured at cost of Tahsin Group, please refer to Note 6 (11).

- 2) Definition of fair value hierarchy

Level 1:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities. An active market is a market that meets all of the conditions set below: the items traded in the market are homogeneous, willing buyers and sellers can normally be found at any time and prices are available to the public. Tahsin Group invests in listed and OTC stocks, beneficiary certificates, investments in on-the-run Taiwan's government bonds, and derivative instruments with quoted prices in active markets are all included.

Level 2:

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g., price) or indirectly (e.g., derived from price) from the active markets. The fair value of the Group's investments in off-

the-run government bonds, corporate bonds, financial bonds, convertible corporate bonds, and most derivative instruments belong to this level.

Level 3:

Level 3 inputs refer to inputs that measure fair value to the extent that relevant observable inputs are not available in the market. Some of Tahsin Group's investments in derivative instruments and equity instruments without active market.

3) Financial instruments not measured by fair value:

The Group's financial instruments not measured at fair value, such as cash and cash equivalents, notes and amounts receivable, other financial assets, deposits, notes and amounts payable, and the carrying value of guarantee deposits, are reasonable approximations to their fair values.

4) Fair value hierarchy

The financial instruments measured at fair value by Tahsin Group is on a recurring basis, and the information on the fair value hierarchy is as follows:

Items	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Assets				
<u>Recurring fair value</u>				
Financial assets measured at fair value through other comprehensive income				
Equity securities	\$4,564,082	-	\$768,053	\$5,332,135
Total	<u>\$4,564,082</u>	<u>-</u>	<u>\$768,053</u>	<u>\$5,332,135</u>
Liabilities				
<u>Recurring fair value</u>				
Financial liabilities measured at fair value through profit or loss				
Derivative financial instruments	-	\$12	-	\$12

Items	December 31, 2020			Total
	Level 1	Level 2	Level 3	
Assets				
<u>Recurring fair value</u>				
Financial assets measured at fair value through other comprehensive income				
Equity securities	\$3,079,853	-	\$705,348	\$3,785,201
Total	<u>\$3,079,853</u>	<u>-</u>	<u>\$705,348</u>	<u>\$3,785,201</u>
Liabilities				
<u>Recurring fair value</u>				
Financial liabilities measured at fair value through profit or loss				
Derivative financial instruments	-	\$39	-	\$39

5) Fair value valuation technique for instruments measured at fair value:

- a) If a financial instrument has a quoted price in an active market, the quoted price will be adopted as the fair value.

The categories and characteristics of fair value measurement for the financial instruments with active markets held by Tahsin Group were as follows:

- i. Listed company stocks: closing prices.
- ii. Open-end funds: net worth.
- b) The fair value of stocks of unlisted (OTC) companies without an active market held by Tahsin Group is mainly estimated by the market method, and the judgment is made with reference to the evaluation of similar companies, third-party quotations, company net worth and operating conditions.
- c) Valuation of derivative financial instruments adopts valuation models that are commonly used by market participants, such as discounted cash flows method and option pricing model. Forward foreign exchange contracts are usually valued based on the current forward exchange rates.
- d) Tahsin Group incorporates the adjustment of credit risk assessment into the fair value measurement of financial and non-financial instruments to reflect the credit risk of counter-party and the credit quality of the Group.
- 6) Transfers between Level 1 and Level 2 fair value hierarchy: None.
- 7) Statement of changes in Level 3 fair value hierarchy:

Items	Equity securities	
	December 31, 2021	December 31, 2020
Beginning balance	\$705,348	\$664,682
Recognized in other comprehensive income	62,705	40,666
Acquisition in the current period	-	-
Disposal in the current period	-	-
Transfer into Level 3	-	-
Transfer out of Level 3	-	-
Ending balance	<u>\$768,053</u>	<u>\$705,348</u>

- 8) Quantitative information about the significant unobservable inputs (Level 3) used in the fair value measurement:

	Fair value as of December 31, 2021	Valuation Technique	Material Unobservable Inputs	Percentage	Relationship of inputs to fair value
Non-derivative equity instruments: Investment in shares of companies	\$768,053	Net asset value method	Not applicable	Not applicable	Not applicable
	Fair value as of December 31, 2020	Valuation Technique	Material Unobservable Inputs	Percentage	Relationship of inputs to fair value
Non-derivative equity instruments: Investment in shares of companies	\$705,348	Net asset value method	Not applicable	Not applicable	Not applicable

- 9) Valuation process for Level 3 fair value measurement:

Financial department of Tahsin Group is in charge of valuation procedures for fair value measurements being categorized within Level 3, and to verify independent fair value of financial instruments. Such assessment utilizes independent information to make results

close to current market conditions, and is frequently reviewed to ensure that the results of evaluation are reasonable.

d. Transfer of financial assets

- 1) Transferred financial assets that are fully derecognized: None.
- 2) Transferred financial assets that are not fully derecognized
 - a) Tahsin Group provides notes receivable to banks as promissory notes for bank borrowings. Banks have a right of recourse against transferred notes receivable due to the discount on notes receivable. Hence, Tahsin Group has yet to derecognize discounted notes receivable, and related prepayments have been included under short-term borrowings.
 - b) As of December 31, 2021 and 2020, information on discounted notes receivable continuously recognized by Tahsin Group is as follows:

Items	December 31, 2021	December 31, 2020
Carrying amount of notes receivable	\$1,359	\$29,372
Carrying amount of prepayments	\$1,359	\$29,372

- c) As of December 31, 2021 and 2020, information on the fair value of related assets and liabilities when the transferee of notes receivable has a right of recourse against discounted notes receivable is as follows:

Items	December 31, 2021	December 31, 2020
Fair value of notes receivable	\$1,359	\$29,372
Fair value of prepayments	1,359	29,372
Net position	-	-

- e. Offsetting financial assets and financial liabilities: None.

(XIII.) Additional Disclosures

1. Information on significant transactions (before consolidation and write-off):
 - 1) Loaning to Others: None.
 - 2) Endorsements/Guarantees Provided for Others: Table 1.
 - 3) Securities Held at End of Period (Excluding Investments in Subsidiaries, Associates, and Joint Ventures): Table 2.
 - 4) The Accumulated Purchase or Sale of the Same Securities Amounting to NTD300 Million or More Than 20% of Paid-in Capital: Table 3.
 - 5) Acquisition of Property Amounting to NTD300 million or More Than 20% of Paid-in Capital: Table 4.
 - 6) Disposal of Property Amounting to NTD300 million or More Than 20% of Paid-in Capital: None.
 - 7) Purchases or Sales with Related Parties Amounting to NTD100 Million or More than 20% of Paid-in Capital: None.
 - 8) Receivables From Related Parties Amounting to NTD100 Million or More Than 20% of Paid-in Capital: Table 5.
 - 9) Derivatives Transactions: Please refer to Note 6 (2).
 - 10) Business Relations and Material Transactions Between Parent Company and Subsidiaries: Table 6.
2. Information on Investee Companies: Table 7
3. Information on Investments in Mainland China (before consolidation and write-off)

- 1) Information on any investee company in mainland China (name, main business, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of investment at end of period, repatriations of investment income, and limit on the amount of investment in mainland China): Table 8.
- 2) Significant transactions with Hong Kong Tai Ho Co., Ltd. for reinvestment in DAFU Plastic Industry Co., Ltd.: Please refer to Note 13 (1) for disclosure of information related to major transactions.
- 3)
 - a) The Company (hereafter referred to as the Principal) entrusts Hong Kong Tai Ho Co., Ltd. (hereafter referred to as the Agent) to invest in DAFU Plastic Industry Co., Ltd. in Putian, China, and both parties agree to abide by the following terms and conditions:
 - i. The client appointed the trustee to invest in mainland China to establish Fujian Putian Dafu Plastic Industry Co., Ltd. with a total amount of USD8,100,000.
 - ii. The Agent shall apply to the Chinese competent authority for investment and capital increase in DAFU Plastic Industry Co., Ltd. in the Agent's name. The fund is to be remitted to the Mainland Area from Hong Kong by the Agent.
 - iii. Should Fujian Putian DAFU Plastic Industry Co., Ltd. has any income or interest distribution, the trustee shall first receive the interest and then remit it to it to the client.
 - iv. If DAFU Plastic Industry Co., Ltd. is required to return the investment fund due to capital reduction, cessation of operation or other reasons, the Agent shall firstly obtain the said amount and then transfer the amount in full to the Principal.
 - v. If the Agent is required to transfer the investment fund, dividends, or profits due to the reasons listed in the preceding two paragraphs, the Agent shall notify the Principal and the payment shall be made in the way specified by the Principal.
 - vi. Based on the entrusted investment relationship, the rights and obligations of the trustee to Fujian Putian DAFU Plastic Industry Co., Ltd. are transferred to the client, and the trustee does not guarantee its profits and losses.
 - vii. The Agent shall exercise due care of a prudent administrator in discretionary investment, capital increase, exchange settlement, and receipt of dividends.
 - viii. The Agent shall send the financial statements of DAFU Plastic Industry Co., Ltd. to the Principal regularly, and the Principal may entrust a certified public accountant or other audit personnel to audit the financial statements.
 - ix. Matters not stipulated in this power of attorney shall be handled in accordance with relevant laws and regulations of the Republic of China on domestic and foreign financial practices, etc.
 - b) The Company increased investment in Hong Kong Tai Ho Co., Ltd. by HKD10,075,000 (equivalent to USD1,300,000), which was then to be re-invested in DAFU Plastic Industry Co., Ltd.
4. Information of Major Shareholders: Table 9.

Table 1**Tahsin Industrial Corporation and its subsidiaries****Endorsements/Guarantees Provided for Others
January 1 to December 31, 2021**

Unit: Thousand NTD

Number	Endorser/Guarantor	Counterparty of endorsements/guarantees		Limit on Endorsements/Guarantees Provided for Single Entity	Maximum balance of endorsement/guarantee amount for current period	Endorsement/Guarantee Balance, End of Period	Actual Disbursed Amount	Endorsement/Guarantee Amount Secured by Property	Ratio of Cumulative Endorsement/Guarantee Amount to Net Worth in Latest Financial Statements	Endorsement/Guarantee Ceiling	Endorsements/guarantees provided by the parent company to the subsidiaries	Endorsements/guarantees provided by the subsidiaries to the parent company	Endorsement/Guarantee to Investee in the Mainland Area
		Name	Relationships										
0	Tahsin Industrial Corporation Ltd	Tahsin Shoji Co., Ltd.	Subsidiaries in which the Tahsin Group directly holds more than 50% of the common shares.	\$2,308,914	\$135,800	\$120,250	\$108,225	\$-	1.04%	\$5,772,285	Y	N	N

Note 1. The amounts/guarantees of endorsement by the Company to a single enterprise shall not exceed 20% of the net worth of the Company's latest financial statements (December 31, 2021).

Note 2. The total amount of the Company's external endorsements/guarantees is limited to 50% of the Company's net worth as stated in its latest financial statements (as of December 31, 2021).

Table 2**Tahsin Industrial Corporation and its subsidiaries****Securities Held at End of Period****December 31, 2021**

Unit: NTD Thousand/ Number of shares: Thousand

Holding Company	Type and Name of Securities	Relationship with Securities Issuer	Ledger account	End of Period				Remarks
				Shares	Carrying amount	Shareholding Ratio	Fair Value	
Tahsin Industrial Corporation	Stocks/Nan Ya Plastic Corporation	-	Financial assets at fair value through other comprehensive income - current	33,384	\$2,850,994	0.42%	\$2,850,994	
	Stocks/Formosa Taffeta Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	200	5,830	0.01%	5,830	
	Stocks/Feng Hsin Steel Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	425	35,487	0.07%	35,487	
	Stocks/Mega Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	3,160	112,338	0.02%	112,338	
	Stocks/Formosa Plastics Corporation	-	Financial assets at fair value through other comprehensive income - current	1,165	121,160	0.02%	121,160	
	Stocks/Taiwan Semiconductor Manufacturing Company Limited	-	Financial assets at fair value through other comprehensive income - current	1,400	861,000	0.01%	861,000	
	Stocks/Sinon Corporation	-	Financial assets at fair value through other comprehensive income - current	2,045	57,771	0.49%	57,771	
	Stocks/YungShin Global Holding Corporation	-	Financial assets at fair value through other comprehensive income - current	1,000	42,950	0.38%	42,950	
	Stocks/Taiwan Cement Corporation	-	Financial assets at fair value through other comprehensive income - current	3,500	168,000	0.06%	168,000	
	Stocks/Asia Cement Corporation	-	Financial assets at fair value through other comprehensive income - current	2,000	88,600	0.06%	88,600	
	Stocks/Quanta Computer Incorporated	-	Financial assets at fair value through other comprehensive income - current	110	10,417	-	10,417	
	Beneficiary certificates/Yuanta/P-shares Taiwan Top 50 ETF	-	Financial assets at fair value through other comprehensive income - current	100	14,550	-	14,550	
	Stocks/ Asia Pacific Investment Corporation	-	Financial assets at fair value through other comprehensive income - non-current	10,000	464,800	2.35%	464,800	

(Continued on next page)

(Continued from previous page)

Table 2

Tahsin Industrial Corporation and its subsidiaries

Securities Held at End of Period

December 31, 2021

Unit: NTD Thousand/ Number of shares: Thousand

Holding Company	Type and Name of Securities	Relationship with Securities Issuer	Ledger account	End of Period				Remarks
				Shares	Carrying amount	Shareholding Ratio	Fair Value	
Tah Fa Investment Co., Ltd.	Stocks/Chunghwa Telecom Co., Ltd.		Financial assets at fair value through other comprehensive income - current	90	\$10,485	-	\$10,485	
	Stocks/Taiwan Semiconductor Manufacturing Company Limited		Financial assets at fair value through other comprehensive income - current	300	184,500	-	184,500	
	Stocks/Tahsin Industrial Corporation	The investment company which values the Company using the equity method	Financial assets at fair value through other comprehensive income - non-current	3,572	307,555	3.60%	307,555	Note 1
	Stocks/Tah Cheng Investment Co., Ltd.	The investee company which values the investment using the equity method	Financial assets at fair value through other comprehensive income - non-current	2,500	303,253	33.33%	303,253	Note 2

Note 1. A subsidiary holding shares of the parent company has been presented as treasury stock according to the original investment cost.

Note 2. It was approved for dissolution on June 20, 2002 and is currently under liquidation.

Table 3**Tahsin Industrial Corporation and its subsidiaries****The Accumulated Purchase or Sale of the Same Securities Amounting to NTD300 Million or More Than 20% of Paid-in Capital
January 1 to December 31, 2021**

Unit: NTD Thousand/ Number of shares: Thousand

Company Name	Type and Name of Securities	Ledger account	Counterparty	Relationships	Beginning of Period		Purchase		Sale				End of Period	
					Shares	Amount (Note 1)	Shares	Amount (Note 1)	Shares	Selling Price	Carrying Cost	Gains or losses on disposal (Note 2)	Shares	Amount (Note 1)
Tahsin Industrial Corporation	Stocks/Taiwan Semiconductor Manufacturing Company Limited	Financial assets at fair value through other comprehensive income - current	-	-	850	\$366,378	550	\$320,374	-	\$-	\$-	\$-	1,400	\$686,752
Tah Fa Investment Co., Ltd.	Stocks/Taiwan Semiconductor Manufacturing Company Limited	Financial assets at fair value through other comprehensive income - current	-	-	67	20,025	533	314,500	300	166,229	157,720	8,509	300	176,805

Note 1. Refer to the original acquisition cost.

Note 2. Gain on disposal of investments is directly transferred to retained earnings.

Table 4**Tahsin Industrial Corporation and its subsidiaries****Acquisition of Property Amounting to NTD300 million or More Than 20% of Paid-in Capital
January 1 to December 31, 2021**

Unit: Thousand NTD

Company acquired of real estate	Name of real estate	Date of occurrence of the event	Transaction amount	Payment status	Counterparty	Relationships	Prior transaction of related counterparty				Reference basis for price decision	Purpose and use	Other agreed matters
							Owner	Relationship with Issuer	Transfer Date	Amount			
Tahsin Industrial Corporation	Land - Yongxin Section, Nantun District, Taichung City	2021.8.11	\$269,985	Fully paid	Chin-Fang Liu	None	-	-	-	\$-	The appraisal value from the appraisal report is NTD269,985 thousand	Expected to be used as staff dormitory building site	-

Table 5**Tahsin Industrial Corporation and its subsidiaries****Receivables From Related Parties Amounting to NTD100 Million or More Than 20% of Paid-in Capital
December 31, 2021**

Unit: Thousand NTD

Company accounted for receivables	Name of the counterparty	Relationships	Balance of receivables from related party	Turnover rate	Overdue receivables from related parties		Recovery amount of receivables from related parties after the balance sheet date	Amount of allowance for bad debts appropriated
					Amount	Treatment		
Tahsin Industrial Corporation Ltd	Tah Fa Investment Co., Ltd.	The Company's subsidiary	\$144,000	-	\$-		\$144,000	\$-

Note: Refer to other receivables - dividend receivables.

Table 6**Tahsin Industrial Corporation and its subsidiaries****Business Relations and Material Transactions Between Parent Company and Subsidiaries
January 1 to December 31, 2021**

Unit: Thousand NTD

Number	Transaction Party	Transaction Counterparty	Relationship with Transaction Party	Transaction Status			
				Ledger Account	Amount	Transaction terms	Ratio to total Revenue or Total Assets
0	Tahsin Industrial Corporation	Tahsin Shoji Co., Ltd.	Parent company to subsidiary	Sales revenue	\$89,888	D/A 120 days	3.78%
0	Tahsin Industrial Corporation	T.H.USA	Parent company to subsidiary	Sales revenue	5,581	D/A 90 days	0.23%
0	Tahsin Industrial Corporation	Fujian Putian DAFU Plastic Industry Co., Ltd.	Parent company to subsidiary	Sales revenue	702	T/T 30 days	0.03%
0	Tahsin Industrial Corporation	Tah Viet Co., Ltd.	Parent company to subsidiary	Sales revenue	336	T/T 30 days	0.01%
0	Tahsin Industrial Corporation	Tahsin Myanmar	Parent company to subsidiary	Sales revenue	233	T/T 30 days	0.01%
0	Tahsin Industrial Corporation	Tahsin Phu My Corp	From the parent company to its subsidiary	Sales revenue	288	T/T 30 days	0.01%
0	Tahsin Industrial Corporation	Tah Chi Enterprise Co., Ltd.	From the parent company to its subsidiary	Sales revenue	5,522	90-day notes	0.23%
0	Tahsin Industrial Corporation	Tah Chi Enterprise Co., Ltd.	From the parent company to its subsidiary	Notes receivable	1,364	-	0.01%
0	Tahsin Industrial Corporation	Tahsin Shoji Co., Ltd.	Parent company to subsidiary	Account receivables	18,128	-	0.14%
0	Tahsin Industrial Corporation	T.H.USA	Parent company to subsidiary	Account receivables	9,482	-	0.07%
0	Tahsin Industrial Corporation	Tah Chi Enterprise Co., Ltd.	From the parent company to its subsidiary	Account receivables	304	-	-

(Continued on next page)

(Continued from previous page)

Table 6

Tahsin Industrial Corporation and its subsidiaries

Business Relations and Material Transactions Between Parent Company and Subsidiaries

January 1 to December 31, 2021

Unit: Thousand NTD

Number	Transaction Party	Transaction Counterparty	Relationship with Transaction Party	Transaction Status			
				Ledger Account	Amount	Transaction terms	Ratio to total Revenue or Total Assets
0	Tahsin Industrial Corporation	Tahsin Shoji Co., Ltd.	Parent company to subsidiary	Other receivables	\$157	-	-
0	Tahsin Industrial Corporation	T.H.USA	Parent company to subsidiary	Other receivables	68	-	-
0	Tahsin Industrial Corporation	Tah Fa Co.	Parent company to subsidiary	Other receivables	144,000	-	1.13%
0	Tahsin Industrial Corporation	Fujian Putian DAFU Plastic Industry Co., Ltd.	Parent company to subsidiary	Prepayments	2,373	-	0.02%
0	Tahsin Industrial Corporation	Tahsin Phu My Corp	From the parent company to its subsidiary	Prepayments	1,313	-	0.01%
0	Tahsin Industrial Corporation	Fujian Putian DAFU Plastic Industry Co., Ltd.	Parent company to subsidiary	Accounts payable	3,657	-	0.03%
0	Tahsin Industrial Corporation	Fujian Putian DAFU Plastic Industry Co., Ltd.	Parent company to subsidiary	Other payables	1,414	-	0.01%
0	Tahsin Industrial Corporation	Tah Viet Co., Ltd.	Parent company to subsidiary	Other payables	6,872	-	0.05%
0	Tahsin Industrial Corporation	Tahsin Myanmar	Parent company to subsidiary	Other payables	13,887	-	0.11%
0	Tahsin Industrial Corporation	Fujian Putian DAFU Plastic Industry Co., Ltd.	Parent company to subsidiary	Purchases	27,802	T/T	1.17%
0	Tahsin Industrial Corporation	Fujian Putian DAFU Plastic Industry Co., Ltd.	Parent company to subsidiary	Processing fees	23,278	Half month settlement, T/T15 days	0.98%

(Continued on next page)

(Continued from previous page)

Table 6

Tahsin Industrial Corporation and its subsidiaries

Business Relations and Material Transactions Between Parent Company and Subsidiaries

January 1 to December 31, 2021

Unit: Thousand NTD

Number	Transaction Party	Transaction Counterparty	Relationship with Transaction Party	Transaction Status			
				Ledger Account	Amount	Transaction terms	Ratio to total Revenue or Total Assets
0	Tahsin Industrial Corporation	Tah Viet Co., Ltd.	Parent company to subsidiary	Processing fees	\$71,073	Half month settlement, T/T15 days	2.99%
0	Tahsin Industrial Corporation	Tahsin Myanmar	Parent company to subsidiary	Processing fees	165,900	Half month settlement, T/T15 days	6.97%
0	Tahsin Industrial Corporation	Tahsin Phu My Corp	From the parent company to its subsidiary	Processing fees	24,672	Half month settlement, T/T15 days	1.04%
0	Tahsin Industrial Corporation	Tahsin Shoji Co., Ltd.	Parent company to subsidiary	Commission income	359	-	0.02%
0	Tahsin Industrial Corporation	Tahsin Shoji Co., Ltd.	Parent company to subsidiary	Interest revenue	59	-	-
0	Tahsin Industrial Corporation	T.H.USA	Parent company to subsidiary	Interest revenue	322	-	0.01%
0	Tahsin Industrial Corporation	Tahsin Shoji Co., Ltd.	Parent company to subsidiary	Endorsements/Guarantees	120,250	-	-
1	Tah Viet Co., Ltd.	Tahsin Phu My Corp	Parent company to subsidiary	Processing fees	1,556	-	0.07%

Table 7**Tahsin Industrial Corporation and its subsidiaries****Related information on Name and Location of Investee, etc.
December 31, 2021**

Unit: NTD Thousand/Number of Shares: Thousand

Name of investors	Company's names and location of investees	Location	Principal Business Activities	Initial investment amount		Held at the end			Profit or Loss of Investee for Current Period	Investment Profit/Loss Recognized in the Current Period	Remarks
				End of Current Period	End of Previous Period	Shares	Ratio	Carrying amount			
Tahsin Industrial Corporation	Tahsin Shoji Co., Ltd.	8-2, 2-Chome, Imagome Higashi-Osakashi, Japan	1. Domestic trading of artificial leather, other synthetic resins and various fiber products 2. Import and export business of handbags, packaging bags, clothing and other supplies and merchandises	\$90,196 ¥400,000	\$10,696 ¥100,000	800	100.00%	\$133,504	(\$5,465)	(\$5,765)	Note 1
	Tahsin Industrial Corporation, USA	111 Howard Blvd, Suite 206, Mt Arlington, N.J. 07856	Sale of Tahsin products, ready-to-wear, raincoats, PVC products, etc.	183,332 USD5,960	183,332 USD5,960	1	100.00%	(4,635)	(18,754)	(19,255)	Note 1
	Yuk Wing Development, Ltd.	No. 16, Wang Hoi Road, Kowloon Bay, Hong Kong (Room 1503, Telford Building)	Trading	35 HK10	35 HK10	-	100.00%	36	-	-	
	Tah Viet Co., Ltd.	Tân Thuận Đông, Quận 7, Hồ Chí Minh, Vietnam	Processing of raincoats, ready-to-wear garments, leather goods, wardrobes, etc.	197,009 USD6,803	197,009 USD6,803	-	100.00%	123,024	500	500	
	Myanmar Tah Hsin Industrial Co., Ltd.	Plot No.D-1 Mingaladon Industrial Park, Mingaladon	Processing of raincoats, ready-to-wear garments, leather goods, wardrobes, etc.	472,523 USD14,700	472,523 USD14,700	-	100.00%	225,469	18,111	18,483	Note 1
	Tah Fa Investment Co., Ltd.	West District, Taichung City	Generic investments	180,000	180,000	18,000	100.00%	1,090,850	113,434	83,459	Note 2
	Good Harvest Machinery Industrial Co., Ltd.	Zhunan Township, Miaoli County, Taiwan	Chemical machinery, piping cistern, rubber machinery, plastic machinery, and other machineries.	50,000	50,000	5,000	26.51%	7,105	2,851	756	

(Continued on next page)

(Continued from previous page)

Table 7

Tahsin Industrial Corporation and its subsidiaries

Related information on Name and Location of Investee, etc.

December 31, 2021

Unit: NTD Thousand/Number of Shares: Thousand

Name of investors	Company's names and location of investees	Location	Principal Business Activities	Initial investment amount		Held at the end			Profit or Loss of Investee for Current Period	Investment Profit/Loss Recognized in the Current Period	Remarks
				End of Current Period	End of Previous Period	Shares	Ratio	Carrying amount			
Tah Fa Investment Co., Ltd.	Tah Cheng Investment Co., Ltd.	West District, Taichung City	Generic investments	21,000	21,000	2,100	41.18%	163,564	28,009	11,533	
	Tah Quan Investment Co., Ltd.	West District, Taichung City	Generic investments	87,000	87,000	8,700	44.39%	394,191	65,093	28,894	
	Tah Chi Enterprise Co., Ltd.	No. 186, Sec. 1, Nangang Rd., Nangang Dist., Taipei City, Taiwan	Wholesale and retail of fabric, clothing, shoes, caps, umbrella, clothing products; furniture, bedding, kitchen appliance, installation products; daily necessities; cultural and educational products, musical instruments, sports and recreational products	20,000	20,000	2,000	100.00%	5,572	(803)	(803)	
Tah Viet Co., Ltd.	TRUONG GIANG GARMENT JOINT-STOCK COMPANY	No. 239, Huynh Thuc Khang St, An Xuân, Tam Kỳ, Quang Nam Province, Vietnam	Manufacture and processing of ready-to-wear garments for export and domestic sales; sales and marketing of various garment supplies, equipment and raw materials; provision of consultancy services in fashion and textile industry	8,765 USD294	8,765 USD294	29	35.00%	9,500	1,984	694	
	TAHHSIN PHU MY JOINT STOCK COMPANY	Phu My Industrial Zone, Tam, Phuoc Soci Phu Ninh District, Quang Nam Province, Vietnam	Manufacturing and processing of ready-to-wear garments for export and domestic sales	21,851 USD732	21,851 USD732	-	65.00%	19,460	1,321	859	

Note 1. The investment gains and losses recognized during the period include the net (un)realized gains and losses between affiliated companies.

Note 2. The investment gains and losses recognized in the current period include the amount of write-off of cash dividends received by the company of NTD29,975 thousand

Table 8**Tahsin Industrial Corporation and its subsidiaries****Information on investments in mainland China****January 1 to December 31, 2021**

Unit: Thousand NTD

Investees in the Mainland China	Principal Business Activities	Paid-up capital	Investment method (Note 1)	Accumulated Investment Amount Remitted from Taiwan at Beginning of Period	Investment Amount Remitted or Received in Current Period		Accumulated Investment Amount Remitted from Taiwan at End of Period	Profit or Loss of Investee for Current Period	Shareholding Percentage of Direct or Indirect Investments by the Company	Recognized Investment Profit or Loss for Current Period	Carrying Amount of Investments at End of Period	Repatriated Investment Profit or Loss as of End of Period
					Remitted	Received						
DAFU Plastic Industry Co., Ltd.	Mainly produce raincoats and other plastic products.	\$291,605	2	\$263,164	\$-	\$-	\$263,164	\$6,968	91.26%	\$6,365	\$158,996	\$-

Accumulated Investment Amount Remitted from Taiwan to the Mainland Area at End of Period	Investment Amount Approved by the Investment Commission, M.O.E.A	Investment quota in mainland China as stipulated by Investment Commission, M.O.E.A. (Note 2)
\$263,164	\$263,164	\$6,942,169

Note 1. The Company entrusted Hong Kong Tai Ho Co., Ltd. to invest USD8,100,000 in the establishment of Fujian Putian DAFU Plastic Industry Co., Ltd. In 2011, the invested amount in Hong Kong Tai Ho Co. Ltd was increased to HKD10,075,000 (USD1,300,000) which was subsequently reinvested into Fujian Putian DAFU Plastic Industry Co., Ltd.

Note 2. Calculate the upper limit of the cumulative amount or proportion of investment in mainland China at 60% of the net value or consolidated net value (whichever is higher) in accordance with the investment review committee of the Ministry of Economic Affairs.

Table 9**Tahsin Industrial Corporation and its subsidiaries****Information of Major Shareholders****December 31, 2021**

Unit: Thousand shares

Name of major shareholders	Shares	
	Number of shares held	Shareholding Ratio
Tah Cheng Investment Co., Ltd.	10,075	10.16%
Tah Quan Investment Co., Ltd.	9,320	9.40%
Chang Cai Industry Co., Ltd.	8,922	9.00%

- Note 1. The major shareholders in this table are shareholders holding more than 5% of the ordinary and special shares that are issued and delivered without physical registration (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.
- Note 2. If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to MOPS.

(XIV.) Department Information

For management purposes, the Group divides its operating units by location region into eight reporting segments:

Tahsin in Taiwan: Manufacturing and trading of various plastic raincoats, nylon raincoats, overalls, wardrobes, nylon jackets, PP corrugated boards, TC ready-to-wear, leather goods, handbags, file folders, plastic films, bags and laminating machines, etc.

Tahsin Shoji Co., Ltd.: Trading of artificial leather, other synthetic resin and various types of fiber products within Japan and export and import.

United States T.H. USA: Sale of garments, rainwear, and PVC products.

Fujian Putian DAFU Plastic Industry Co., Ltd.: Manufacture of plastic products, such as rainwear and garments.

Tah Viet Co., Ltd.: Processing of raincoats, ready-to-wear, leather goods, wardrobes, etc.

Myanmar Tahsin: Processing of raincoats, ready-to-wear, leather goods, wardrobes, etc.

Tah Fa Investment Co., Ltd.: Generic investments, trading in raincoat and garment, and leasing of parking lots. (The car park rental industry ceased operation in 2019, was liquidated and deregistered in April 2020)

The operating departments not been aggregated to form the aforementioned reporting operations. Revenue from departments below the quantitative threshold is attributable to other segments and is regarded as part of the Hong Kong regional trade segment.

The management shall individually supervise the operation results of its business units to make decisions on resource allocation and performance evaluation. The performance of the department is assessed on the basis of operating profit and loss and measured in a manner consistent with the operating profit or loss in the consolidated financial statements.

Transfer pricing between operating departments is based on a regular transaction similar to that of an external third person.

a. December 31, 2021

	Tahsin Taiwan	Tahsin Shoji Co., Ltd.	United States T.H. USA	Fujian Putian DAFU Plastic Industry Co., Ltd.	Tah Viet Co., Ltd.	Myanmar Tahsin	Tah Fa Investment Co., Ltd.	Other Departments	Adjustment and sales	Total
Revenue										
Revenue from external customers	\$1,912,585	\$347,088	\$30,975	\$78,793	\$2,088	-	\$7,371	-	-	\$2,378,900
Interdepartmental revenue	102,551	-	-	49,047	92,673	\$157,208	-	-	(\$401,479) ^{Note A}	-
Total revenue	\$2,015,136	\$347,088	\$30,975	\$127,840	\$94,761	\$157,208	\$7,371	-	(\$401,479)	\$2,378,900
Financial costs	\$88	\$1,663	\$483	-	-	\$52	\$1	-	(\$380)	\$1,907
Depreciation and amortization	\$30,011	\$2,949	\$942	\$2,207	\$6,598	\$15,150	\$525	-	(\$372)	\$58,010
Net investment income or loss accounted for using equity method	\$756	-	-	-	\$694	-	\$40,427	-	-	\$41,877
Department profit or loss	(\$80,935)	(\$5,465)	(\$18,754)	\$6,968	\$963	\$18,111	\$113,434	-	(\$27,890)	\$6,432
Assets										
Acquisition of long-term investment in shares accounted for using the equity method	\$7,105	-	-	-	\$9,500	-	\$557,755	-	-	\$574,360
Capital expenditure on non-current assets	\$397,268	-	-	\$5,911	\$4,058	\$3,504	55,730	-	-	\$466,471
Department assets	\$10,748,323	\$341,369	\$25,549	\$192,163	\$150,528	\$241,638	\$1,562,573	\$10,648	(\$518,067) ^{Note B}	\$12,754,724
Liabilities										
Departmental liabilities	\$852,403	\$207,360	\$29,963	\$17,815	\$17,026	\$15,891	\$247,168	\$10,612	(\$213,796) ^{Note B}	\$1,184,442

Note 1. Interdepartmental revenues are eliminated during consolidation at the time of merger.

Note 2. Inter-segment claims and liabilities are eliminated at the time of merger

b. December 31, 2020

	Tahsin Taiwan	Tahsin Shoji Co., Ltd.	United States T.H. USA	Fujian Putian DAFU Plastic Industry Co., Ltd.	Tah Viet Co., Ltd.	Myanmar Tahsin	Tah Fa Investment Co., Ltd.	Other Departments	Adjustment and sales	Total
Revenue										
Revenue from external customers	\$1,591,172	\$431,211	\$69,124	\$81,610	\$7,705	-	\$52,718	-	-	\$2,233,540
Interdepartmental revenue	205,226	-	-	48,062	85,808	\$166,016	46,034	-	(\$551,146) ^{Note A}	-
Total revenue	\$1,796,398	\$431,211	\$69,124	\$129,672	\$93,513	\$166,016	\$98,752	-	(\$551,146)	\$2,233,540
Financial costs	\$548	\$2,716	\$1,322	-	-	\$90	\$7	-	(\$1,079)	\$3,604
Depreciation and amortization	\$25,755	\$3,091	\$1,002	\$1,949	\$7,799	\$17,001	\$595	-	(\$372)	\$56,820
Net investment income or loss accounted for using equity method	(\$7,272)	-	-	-	\$639	-	\$66,192	-	-	\$59,559
Department profit or loss	\$5,317,558	\$21,490	(\$15,615)	\$17,886	(\$5,236)	(\$6,563)	\$147,434	-	(\$46,743)	\$5,430,211
Assets										
Acquisition of long-term investment in shares accounted for using the equity method	\$5,765	-	-	-	\$9,621	-	\$630,908	-	-	\$646,294
Capital expenditure on non-current assets	\$31,773	\$1,025	-	\$1,575	\$5,795	\$35,907	-	-	\$1,387	\$77,462
Department assets	\$10,986,268	\$356,899	\$47,099	\$186,504	\$158,086	\$245,032	\$1,506,445	\$22,639	(\$442,552) ^{Note B}	\$13,066,420
Liabilities										
Departmental liabilities	\$531,066	\$279,911	\$32,564	\$17,859	\$21,969	\$31,183	\$3,584	\$22,603	(\$78,413) ^{Note B}	\$862,326

Note 1. Interdepartmental revenues are eliminated during consolidation at the time of merger.

Note 2. Inter-segment claims and liabilities are eliminated at the time of merger

c. Information for each industry

Industry category	December 31, 2021	December 31, 2020
Revenue from external customers:		
Rain coats department (including processing and waterproof fabrics)	\$1,073,228	\$1,042,574
Garment department	615,183	512,973
New division (including binding machine and furniture)	257,881	187,288
PP department	313,351	317,336
Others	119,257	173,369
Total	<u>\$2,378,900</u>	<u>\$2,233,540</u>

d. Information in each region

Region	December 31, 2021	December 31, 2020
Revenue from external customers:		
Taiwan	\$406,527	\$423,151
America	333,937	283,647
Europe	802,986	641,551
Japan	548,312	646,701
Others	287,138	238,490
Total	<u>\$2,378,900</u>	<u>\$2,233,540</u>

e. Key customer information

Customers whose consolidated net sales revenue of the company and its subsidiaries accounted for more than 10% of the consolidated net sales revenue of the income statement in 2021 and 2020:

Customer name	December 31, 2021		December 31, 2020	
	Sales	%	Sales	%
Customer A	\$523,929	22	\$391,013	17