

**TAIWAN STYRENE MONOMER CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
for the Years Ended December 31, 2021 and 2020**

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Taiwan Styrene Monomer Corporation as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Styrene Monomer Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Taiwan Styrene Monomer Corporation
Chairman: Lin, Wen-Yuan
Date: March 22, 2022



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Independent Auditors' Report

To the Board of Directors of Taiwan Styrene Monomer Corporation:

Opinion

We have audited the consolidated financial statements of Taiwan Styrene Monomer Corporation (“the Company”), and its subsidiaries (together referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Regarding accounting policies on revenue recognition, please refer to note 4(p) “Revenue recognition” to the consolidated financial statements.

Description of key audit matter:

The Group’s sales revenue is recognized when a performance obligation is satisfied, which depends on the various trade terms agreed with customers. Therefore, the accuracy of revenue recognition is considered to be one of most significance in the audit.

How the matter was addressed in our audit

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

2. Impairment assessment of investments accounted for using equity method

Refer to note 4(o) “ Impairment of non-financial assets” and note 6 (i) “ Investments accounted for using equity method” to the consolidated financial statements for details of accounting policies and relevant information about impairment assessment of investments accounted for using equity method.

Description of key audit matter:

The Group assesses impairment of investments accounted for using equity method in accordance with relevant accounting standards. Such assessment of impairment requires management to make judgments and assumptions, therefore, the assessment of impairment loss on investments accounted for using equity method is considered to be one of most significance in the audit.

How the matter was addressed in our audit:

Our principal audit procedures included obtaining understanding of the Group’s internal controls over impairment loss assessment; evaluating the appropriateness of assumptions adopted by management when determining the recoverable amount based on an appraisal report issued by a third party; and assessing the qualification and independence of the Certified Business Valuator.

Other Matter

We did not audit the financial statements of some equity-accounted investees of the Group. Those statements, which were prepared using a different financial reporting framework, were audited by other auditors, whose reports have been furnished to us. We have performed audit procedures on the conversion adjustments to the financial statements of those investees, which conform to those financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our opinion, insofar as it relates to the amounts included for those investees prior to the conversion adjustments, is based solely on the reports of other auditors. Investments accounted for using equity method on those investees constituting 14.83% and 13.40% of the consolidated total assets at December 31, 2021 and 2020, respectively, and the related share of profit of associates and joint ventures accounted for using equity method constituted (586.97)% and 32.23% of the consolidated total profit before tax for the years ended December 31, 2021 and 2020, respectively.

Taiwan Styrene Monomer Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unqualified opinion with other matters paragraph.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.⁴

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

KPMG

Taipei, Taiwan (Republic of China)
March 22, 2022

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2021 | | December 31, 2020 | | | | December 31, 2021 | | December 31, 2020 | |
|----------------------------|--|---------------------|------------|-------------------|------------|---|---|---------------------|------------|---------------------|------------|
| | | Amount | % | Amount | % | | | Amount | % | Amount | % |
| Assets | | | | | | Liabilities and Equity | | | | | |
| Current assets: | | | | | | Current liabilities: | | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | \$ 253,124 | 3 | 793,022 | 9 | 2100 | Short-term borrowings (notes 6(r) and 8) | \$ 353,259 | 4 | 97,500 | 1 |
| 1110 | Current financial assets at fair value through profit or loss (note 6(b)) | 317,929 | 3 | 149,027 | 2 | 2130 | Current contract liabilities (note 6(aa)) | 51,023 | - | 45,017 | - |
| 1170 | Accounts receivable, net (note 6(c)) | 917,966 | 10 | 877,796 | 10 | 2150 | Notes payable | 2 | - | - | - |
| 1200 | Other receivables (note 7) | 5,850 | - | 5,275 | - | 2170 | Accounts payable | 977,716 | 10 | 798,305 | 9 |
| 1220 | Current tax assets | 1,749 | - | 1,470 | - | 2200 | Other payables (note 6(s)) | 178,497 | 2 | 233,679 | 3 |
| 130X | Inventories (note 6(d)) | 826,641 | 9 | 431,290 | 4 | 2230 | Current tax liabilities | 31 | - | 36,022 | - |
| 1410 | Prepayments (note 6(e)) | 149,645 | 2 | 139,133 | 2 | 2250 | Current provisions | 349 | - | 349 | - |
| 1460 | Non-current assets (or disposal groups) held for sale (note 6(f)) | 64,744 | 1 | 65,008 | 1 | 2280 | Current lease liabilities (note 6(u)) | 4,069 | - | 5,893 | - |
| 1470 | Other current assets | 8 | - | 123 | - | 2320 | Long-term liabilities, current portion (notes 6(t) and 8) | 8,349 | - | 11,742 | - |
| 1476 | Other current financial assets (notes 6(g) and 8) | 159,466 | 2 | 43,443 | - | 2399 | Other current liabilities | 40,879 | - | 2,788 | - |
| | Total current assets | <u>2,697,122</u> | <u>30</u> | <u>2,505,587</u> | <u>28</u> | | Total current liabilities | <u>1,614,174</u> | <u>16</u> | <u>1,231,295</u> | <u>13</u> |
| Non-current assets: | | | | | | Non-current liabilities: | | | | | |
| 1510 | Non-current financial assets at fair value through profit or loss (note 6(b)) | 5,756 | - | 6,933 | - | 2540 | Long-term borrowings (notes 6(t) and 8) | 68,686 | 1 | 77,036 | 1 |
| 1517 | Non-current financial assets at fair value through other comprehensive income (notes 6(h) and 7) | 1,016,623 | 11 | 1,109,979 | 12 | 2570 | Deferred tax liabilities (note 6(w)) | 174,659 | 2 | 175,127 | 2 |
| 1550 | Investments accounted for using equity method (note 6(i)) | 1,395,848 | 15 | 1,242,177 | 14 | 2581 | Non-current lease liabilities (note 6(u)) | 5,729 | - | 5,028 | - |
| 1600 | Property, plant and equipment (notes 6(l), 7 and 8) | 3,853,008 | 41 | 3,949,185 | 44 | 2640 | Net defined benefit liability, non-current (note 6(v)) | 64,100 | 1 | 59,208 | 1 |
| 1755 | Right-of-use assets (note 6(m)) | 9,965 | - | 11,078 | - | 2600 | Other non-current liabilities | 716 | - | 950 | - |
| 1760 | Investment property, net (note 6(n)) | 57,015 | 1 | 57,361 | 1 | | Total non-current liabilities | <u>313,890</u> | <u>4</u> | <u>317,349</u> | <u>4</u> |
| 1780 | Intangible assets (note 6(o)) | 7,932 | - | 9,570 | - | | Total liabilities | <u>1,928,064</u> | <u>20</u> | <u>1,548,644</u> | <u>17</u> |
| 1840 | Deferred tax assets (note 6(w)) | 130,868 | 1 | 18,093 | - | Equity attributable to owners of parent: (note 6(x)) | | | | | |
| 1970 | Other long-term investments, net (note 6(p)) | 30,576 | - | 32,962 | - | 3100 | Capital stock | 5,278,698 | 57 | 5,278,698 | 59 |
| 1920 | Refundable deposits | 3,587 | - | 3,565 | - | 3200 | Capital surplus | 46,300 | - | 48,224 | 1 |
| 1990 | Other non-current assets (note 6(q)) | 90,890 | 1 | 65,880 | 1 | | Retained earnings: | | | | |
| | Total non-current assets | <u>6,602,068</u> | <u>70</u> | <u>6,506,783</u> | <u>72</u> | 3310 | Legal reserve | 612,264 | 7 | 610,435 | 7 |
| | | | | | | 3320 | Special reserve | - | - | 581,249 | 6 |
| | | | | | | 3350 | Unappropriated retained earnings | 1,167,693 | 13 | 581,961 | 6 |
| | | | | | | | | <u>1,779,957</u> | <u>20</u> | <u>1,773,645</u> | <u>19</u> |
| | | | | | | 3400 | Other equity | 56,031 | 1 | 168,463 | 2 |
| | | | | | | 3500 | Treasury shares | (13) | - | (15,178) | - |
| | | | | | | | Total equity attributable to owners of parent | <u>7,160,973</u> | <u>78</u> | <u>7,253,852</u> | <u>81</u> |
| | | | | | | 36XX | Non-controlling interests | <u>210,153</u> | <u>2</u> | <u>209,874</u> | <u>2</u> |
| | | | | | | | Total equity | <u>7,371,126</u> | <u>80</u> | <u>7,463,726</u> | <u>83</u> |
| | | | | | | | Total liabilities and equity | <u>\$ 9,299,190</u> | <u>100</u> | <u>\$ 9,012,370</u> | <u>100</u> |
| | Total assets | <u>\$ 9,299,190</u> | <u>100</u> | <u>9,012,370</u> | <u>100</u> | | | | | | |

See accompanying notes to financial statements.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

| | 2021 | | 2020 | |
|--|-------------------|------------|------------------|-----------|
| | Amount | % | Amount | % |
| 4000 Operating revenue (notes 6(i) and (aa)) | \$ 11,714,016 | 100 | 8,113,225 | 100 |
| 5000 Operating costs (notes 6(d), (l), (m), (n), (o), (u), (v) and (ac)) | <u>11,581,104</u> | <u>99</u> | <u>7,808,122</u> | <u>96</u> |
| Gross profit from operations | <u>132,912</u> | <u>1</u> | <u>305,103</u> | <u>4</u> |
| Operating expenses (notes 6(c), (l), (m), (n), (u), (v), (y) and (ac)): | | | | |
| 6100 Selling expenses | 64,989 | 1 | 63,676 | 1 |
| 6200 Administrative expenses | 151,387 | 1 | 144,520 | 2 |
| 6300 Research and development expenses | 2,311 | - | 6,415 | - |
| 6450 Expected credit impairment loss (gain) | <u>(97)</u> | <u>-</u> | <u>164</u> | <u>-</u> |
| | <u>218,590</u> | <u>2</u> | <u>214,775</u> | <u>3</u> |
| Operating income (loss) | <u>(85,678)</u> | <u>(1)</u> | <u>90,328</u> | <u>1</u> |
| Non-operating income and expenses (notes 6(i), (u) and (ab)): | | | | |
| 7100 Interest income | 3,869 | - | 4,788 | - |
| 7010 Other income | 29,874 | - | 48,090 | 1 |
| 7020 Other gains and losses | 8,140 | - | 98,939 | 1 |
| 7050 Finance costs | (2,933) | - | (4,621) | - |
| 7060 Shares of profit of associates and joint ventures accounted for using equity method | <u>40,481</u> | <u>1</u> | <u>131,733</u> | <u>2</u> |
| | <u>79,431</u> | <u>1</u> | <u>278,929</u> | <u>4</u> |
| 9900 Profit (loss) before tax | <u>(6,247)</u> | <u>-</u> | <u>369,257</u> | <u>5</u> |
| 7950 Less: Income tax expenses (benefits) (note 6(w)) | <u>(111,486)</u> | <u>(1)</u> | <u>79,534</u> | <u>1</u> |
| Net income | <u>105,239</u> | <u>1</u> | <u>289,723</u> | <u>4</u> |
| 8300 Other comprehensive income (loss): | | | | |
| 8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | |
| 8311 Gains (losses) on remeasurements of defined benefit plans | (3,889) | - | 6,622 | - |
| 8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (93,480) | (1) | 359,680 | 4 |
| 8320 Shares of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | 63,558 | 1 | 135,215 | 2 |
| 8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(w)) | <u>(778)</u> | <u>-</u> | <u>1,324</u> | <u>-</u> |
| Components of other comprehensive income (loss) that will not be reclassified to profit or loss | <u>(33,033)</u> | <u>-</u> | <u>500,193</u> | <u>6</u> |
| 8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss | | | | |
| 8361 Exchange differences on translation | (10,369) | - | (11,303) | - |
| 8370 Shares of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | (273) | - | (2,205) | - |
| 8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Components of other comprehensive income (loss) that will be reclassified to profit or loss | <u>(10,642)</u> | <u>-</u> | <u>(13,508)</u> | <u>-</u> |
| 8300 Other comprehensive income | <u>(43,675)</u> | <u>-</u> | <u>486,685</u> | <u>6</u> |
| 8500 Comprehensive income | <u>\$ 61,564</u> | <u>1</u> | <u>776,408</u> | <u>10</u> |
| Profit attributable to: | | | | |
| 8610 Owners of parent | \$ 104,604 | 1 | 287,516 | 4 |
| 8620 Non-controlling interests | <u>635</u> | <u>-</u> | <u>2,207</u> | <u>-</u> |
| | <u>\$ 105,239</u> | <u>1</u> | <u>289,723</u> | <u>4</u> |
| Comprehensive income attributable to: | | | | |
| 8710 Owners of parent | \$ 61,285 | 1 | 772,887 | 10 |
| 8720 Non-controlling interests | <u>279</u> | <u>-</u> | <u>3,521</u> | <u>-</u> |
| | <u>\$ 61,564</u> | <u>1</u> | <u>776,408</u> | <u>10</u> |
| Earnings per share (note 6(z)) | | | | |
| Basic earnings per share | <u>\$ 0.20</u> | | <u>0.55</u> | |
| Diluted earnings per share | <u>\$ 0.20</u> | | <u>0.54</u> | |

See accompanying notes to financial statements.

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

Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | Other equity interest | | | Treasury shares | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
|--|---|-----------------|----------------|-----------------|----------------------------------|------------------|---|---|---------------|-----------------|---|---------------------------|------------------|
| | Retained earnings | | | | | Total | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Total | | | | |
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | | | | | | | | |
| Balance at January 1, 2020 | \$ 5,278,698 | 42,418 | 531,249 | 430,668 | 1,320,268 | 2,282,185 | (10,913) | (570,336) | (581,249) | - | 7,022,052 | 207,208 | 7,229,260 |
| Net income | - | - | - | - | 287,516 | 287,516 | - | - | - | - | 287,516 | 2,207 | 289,723 |
| Other comprehensive income | - | - | - | - | 5,261 | 5,261 | (14,743) | 494,853 | 480,110 | - | 485,371 | 1,314 | 486,685 |
| Total comprehensive income | - | - | - | - | 292,777 | 292,777 | (14,743) | 494,853 | 480,110 | - | 772,887 | 3,521 | 776,408 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 79,186 | - | (79,186) | - | - | - | - | - | - | - | - |
| Special reserve appropriated | - | - | - | 150,581 | (150,581) | - | - | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (526,830) | (526,830) | - | - | - | - | (526,830) | - | (526,830) |
| Acquisition of treasury share | - | - | - | - | - | - | - | - | - | (15,178) | (15,178) | - | (15,178) |
| Changes in ownership interests in subsidiaries | - | 3,192 | - | - | (513) | (513) | 356 | 513 | 869 | - | 3,548 | 67 | 3,615 |
| Changes in ownership interests in associates | - | 2,614 | - | - | (276,730) | (276,730) | (185) | 272,934 | 272,749 | - | (1,367) | (2,097) | (3,464) |
| Other-effect of consolidation changes | - | - | - | - | 2,756 | 2,756 | (1,260) | (2,756) | (4,016) | - | (1,260) | 1,175 | (85) |
| Balance at December 31, 2020 | 5,278,698 | 48,224 | 610,435 | 581,249 | 581,961 | 1,773,645 | (26,745) | 195,208 | 168,463 | (15,178) | 7,253,852 | 209,874 | 7,463,726 |
| Net income | - | - | - | - | 104,604 | 104,604 | - | - | - | - | 104,604 | 635 | 105,239 |
| Other comprehensive income | - | - | - | - | (3,120) | (3,120) | (10,293) | (29,906) | (40,199) | - | (43,319) | (356) | (43,675) |
| Total comprehensive income | - | - | - | - | 101,484 | 101,484 | (10,293) | (29,906) | (40,199) | - | 61,285 | 279 | 61,564 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 1,829 | - | (1,829) | - | - | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (263,917) | (263,917) | - | - | - | - | (263,917) | - | (263,917) |
| Reversal of special reserve | - | - | - | (581,249) | 581,249 | - | - | - | - | - | - | - | - |
| Endowments received from shareholders | - | 13 | - | - | - | - | - | - | - | (13) | - | - | - |
| Share-based payment transactions | - | 4,433 | - | - | - | - | - | - | - | 15,178 | 19,611 | - | 19,611 |
| Associates disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | 74,637 | 74,637 | - | (74,637) | (74,637) | - | - | - | - |
| Changes in ownership interests in subsidiaries | - | 997 | - | - | - | - | 546 | - | 546 | - | 1,543 | - | 1,543 |
| Changes in ownership interest in associates | - | (7,367) | - | - | 94,108 | 94,108 | 1,858 | - | 1,858 | - | 88,599 | - | 88,599 |
| Balance at December 31, 2021 | \$ 5,278,698 | 46,300 | 612,264 | - | 1,167,693 | 1,779,957 | (34,634) | 90,665 | 56,031 | (13) | 7,160,973 | 210,153 | 7,371,126 |

See accompanying notes to financial statements.

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | 2021 | 2020 |
|--|------------------|------------------|
| Cash flows from operating activities: | | |
| Profit (loss) before tax | \$ (6,247) | 369,257 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation expense | 248,077 | 250,205 |
| Amortization expense | 2,553 | 2,528 |
| Expected credit impairment loss (gain) | (97) | 164 |
| Interest expense | 2,933 | 4,621 |
| Interest income | (3,869) | (4,788) |
| Dividend income | (9,706) | (6,526) |
| Share-based payments | 4,472 | - |
| Share of profit of associates and joint ventures accounted for using equity method | (34,521) | (117,836) |
| Gain on disposal of property, plant and equipment | (1,335) | (4,202) |
| Gain on disposal of non-current assets held for sale | - | (76,197) |
| Loss (gain) on disposal of investments | 2,404 | (1,089) |
| Impairment loss on non-financial assets | 139 | 101 |
| Gain on bargain purchase transaction | (403) | - |
| Gain on lease modification | - | (2) |
| Loss from decline (gain from recovery) in value of inventories | 130,000 | (23,758) |
| Total adjustments to reconcile profit (loss) | <u>340,647</u> | <u>23,221</u> |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Financial assets mandatorily measured at fair value through profit or loss | (167,725) | 60,760 |
| Notes receivable | - | 33 |
| Accounts receivable | (40,071) | (67,339) |
| Other receivables | (541) | (2,262) |
| Inventories | (525,351) | 26,105 |
| Prepayments | (35,450) | 4,556 |
| Other current assets | 115 | 370 |
| Other financial assets | (116,023) | 1,722 |
| Total changes in operating assets | <u>(885,046)</u> | <u>23,945</u> |
| Changes in operating liabilities: | | |
| Current contract liabilities | 6,006 | 4,486 |
| Notes payable | 2 | 18,472 |
| Accounts payable | 179,411 | (296,681) |
| Other payables | (12,165) | (16,976) |
| Increase in provisions | - | 349 |
| Other current liabilities | 38,091 | (1,104) |
| Net defined benefit liabilities | 1,570 | 60 |
| Total changes in operating liabilities | <u>212,915</u> | <u>(291,394)</u> |
| Total changes in operating assets and liabilities | <u>(672,131)</u> | <u>(267,449)</u> |

See accompanying notes to financial statements.

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

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | 2021 | 2020 |
|--|-------------------|------------------|
| Cash inflow (outflow) generated from operations | \$ (337,731) | 125,029 |
| Interest received | 3,835 | 4,651 |
| Dividends received | 9,706 | 6,526 |
| Interest paid | (2,821) | (4,641) |
| Dividends paid | (57) | (83) |
| Income taxes paid | (38,027) | (111,097) |
| Net cash flows from (used in) operating activities | (365,095) | 20,385 |
| Cash flows (used in) from investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | - | (32,278) |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 15,718 | 9,803 |
| Acquisition of investments accounted for using equity method | (17,273) | (35,695) |
| Proceeds from disposal of subsidiaries | - | 197,647 |
| Acquisition of property, plant and equipment | (189,199) | (284,869) |
| Proceeds from disposal of property, plant and equipment | 1,898 | 4,236 |
| Increase in refundable deposits | (22) | - |
| Decrease in refundable deposits | - | 1,325 |
| Acquisition of intangible assets | (915) | - |
| Dividends received | 24,312 | 11,169 |
| Loss control of subsidiaries | - | (97,328) |
| Net cash used in investing activities | (165,481) | (225,990) |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term borrowings | 640,759 | 80,000 |
| Decrease in short-term borrowings | (385,000) | (100,000) |
| Proceeds from long-term borrowings | - | 87,700 |
| Repayments of long-term borrowings | (11,743) | (28,725) |
| Payment of lease liabilities | (6,000) | (7,158) |
| Increase in other non-current liabilities | - | 202 |
| Decrease in other non-current liabilities | (234) | - |
| Cash dividends paid | (263,917) | (526,830) |
| Acquisition of treasury shares | - | (15,178) |
| Proceeds from transfer of treasury shares to employees | 15,139 | - |
| Acquisition of ownership interests in subsidiaries | - | (2,097) |
| Net cash used in financing activities | (10,996) | (512,086) |
| Effect of exchange rate changes on cash and cash equivalents | 1,674 | 3,886 |
| Net decrease in cash and cash equivalents | (539,898) | (713,805) |
| Cash and cash equivalents at beginning of period | 793,022 | 1,506,827 |
| Cash and cash equivalents at end of period | \$ 253,124 | 793,022 |

See accompanying notes to financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

Taiwan Styrene Monomer Corp. (the “Company”) was incorporated on November 16, 1979, under the approval of Ministry of Economic Affairs, Republic of China (ROC). Registered address is 8F.-1, No.6, Sec.1, Roosevelt Rd., Taipei City. Please refer to note 4(c) for the major business activities of the Company and its subsidiaries (together referred to as the "Group").

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

The consolidated financial statements were authorized for issued by the Board of Directors on March 22, 2022.

(3) New standards, amendments and interpretations adopted

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

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

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(4) Summary of significant accounting policies

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

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

- (b) Basis of Preparation

- (i) Basis of Measurement

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

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

- (ii) Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which its entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Group’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

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

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

| Name of investor | Name of subsidiary | Principal activity | Shareholding (%) | | Note |
|------------------|-----------------------------------|---|-------------------|-------------------|--------|
| | | | December 31, 2021 | December 31, 2020 | |
| The Company | Zung-Fu Co., Ltd. | Building cleaning and maintenance, sewage treatment, air conditioning equipment maintenance | - | - | Note 1 |
| The Company | Lei-Ting Construction Corporation | Civil and construction engineering | - | - | Note 2 |
| The Company | YSIC Ltd. | Residential building and industrial plant development rental business | 99.99 | 99.99 | - |

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Name of investor | Name of subsidiary | Principal activity | Shareholding (%) | | Note |
|-----------------------------|---|--|-------------------|-------------------|--------|
| | | | December 31, 2021 | December 31, 2020 | |
| The Company | Yuan-Shin Materials Technology Co., Ltd. | Basic chemical materials and plastic raw material manufacturing | 100.00 | 100.00 | - |
| The Company | Yangmingshan Tien Lai Resort & SPA | Hotel | 65.07 | 65.07 | Note 3 |
| The Company | Asia Carbons & Technology Inc. | Electronic component manufacturing | 98.58 | 98.58 | - |
| YSIC Ltd. | Grand Capital Co., Ltd. | Investment | 100.00 | 100.00 | Note 4 |
| YSIC Ltd. | Tien Lai Co., Ltd. | Piping engineering | 50.00 | 50.00 | Note 5 |
| YSIC Ltd. | Kun Shan International Ltd. | Investment | 62.03 | 62.03 | - |
| Kun Shan International Ltd. | Kun Shan Yu-Fu Technology Education Consulting Co., Ltd. | Educational consulting, information consulting, software and data storage consultation | 100.00 | 100.00 | - |
| Kun Shan International Ltd. | Kun Shan Jia-an Technology Education Consulting Co., Ltd. | Educational consulting, information consulting, software and data storage consultation | 100.00 | 100.00 | - |

Note 1: As of December 31, 2019, the Company and Lei-Ting Construction Corporation (holding 9.84% of common shares) totally hold 99.00% of common shares of Zung-Fu Co., Ltd. After Lei-Ting Construction Corporation sold all common shares of Zung-Fu Co., Ltd. to the Company on March 12, 2020, the Company totally holds 99.00% of common shares of Zung-Fu Co., Ltd. The Company sold all its shares of Zung-Fu Co., Ltd. on June 30, 2020.

Note 2: As of March 31, 2020, the Company and YSIC Ltd. (holding 8.6% of common shares) totally holds 100.00% of common shares of Lei-Ting Construction Corporation. The Company and YSIC Ltd. sold all its shares of Lei-Ting Construction Corporation on May 6, 2020.

Note 3: The Company and YSIC Ltd. (holding 12.10% of common shares) totally hold 77.17% of common shares of Yangmingshan Tien Lai Resort & SPA.

Note 4: YSIC Ltd. hold 97.22% of common shares of Grand Capital Co., Ltd. Zung-Fu Co., Ltd. sold all its common shares of Grand Capital Co., Ltd. to YSIC Ltd. on July 1, 2020, and YSIC Ltd. totally holds 100.00% of common shares of Grand Capital Co., Ltd.

Note 5: The Group does not directly or indirectly hold more than half of the total shares of Tien Lai Co., Ltd., but because the chairman of the company is designated by the Group and the Group has control over the company, it is incorporated into consolidation.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Foreign currencies

(i) Foreign currency transactions

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

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

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

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

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

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

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

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

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity.

Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

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

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(i) Non-current assets (or disposal groups) held for sale

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36-Impairment of Assets. Such assets will continue to be measured in accordance with the Group's accounting policies.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business that either has been disposed of or is classified as held for sale, and

- represents a separate major line of business or geographic area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

(j) Investments in associates

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

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

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

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

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

(k) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

- 1) Buildings: 3~60 years
- 2) Machineries and equipments: 4~21 years
- 3) Transportation equipment: 3~10 years
- 4) Leased assets: 2~10 years
- 5) Other equipment: 3~20 years

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

(m) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

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

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

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

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- there is no substantive change in other terms and conditions of the lease.

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

(ii) As a lessor

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

(n) Intangible assets

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

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

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Amortization

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

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

Technical royalty: 1~15 years

Computer software: 1~3 years

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

(o) Impairment of non-financial assets

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

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

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

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

(p) Revenue recognition

(i) Revenue from contract with customers

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

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Sale of goods

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

2) Hospitality and incinerator operation management

The Group provides services such as hospitality and incinerator operation management. Revenue is recognized in the accounting period in which the goods are provided or services are rendered.

3) Financing components

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

(q) Government grants

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

(r) Employee benefits

(i) Defined contribution plan

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

(ii) Defined benefit plan

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

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

(iii) Short-term employee benefits

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

(s) Share-based payment

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

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

(t) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Earnings per share

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

(v) Operating segments

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

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

In preparing these consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

The accounting policies involved significant judgments and the information that have significant effect on the amounts recognized in the consolidated financial statements is judgment of whether the Group has substantive control over its investees. The Group holds 40.00% of the outstanding voting shares of Universal Investments Limited. Although the remaining 60.00% of Universal Investments Limited's shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of Universal Investments Limited's directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group has significant influence on Universal Investments Limited.

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

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) Impairment assessment of investments accounted for using equity method

The Group compares the carrying amounts and the recoverable amount (the greater of its value in use and its fair value less costs to sell) of investments accounted for using equity method to determine whether there is any impairment. In the process of determining the recoverable amount, the Group rely on an appraisal report issued by an expert which had been prepared based on the market approach, the income approach and the asset approach. Any changes in economic conditions could result in significant impairment charges.

(b) Fair value measurement in level 3 equity instruments

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

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

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

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

| | <u>December 31,</u> <u>2021</u> | <u>December 31,</u> <u>2020</u> |
|-----------------------------------|------------------------------------|------------------------------------|
| Cash on hand | \$ 724 | 535 |
| Petty cash | 1,014 | 1,127 |
| Deposits in bank | 251,386 | 309,219 |
| Cash equivalents | | |
| Bonds under resell agreements | - | 356,550 |
| Time deposits due within one year | - | 125,591 |
| | <u>\$ 253,124</u> | <u>793,022</u> |

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|------------------------------|------------------------------|
| Mandatorily measured at fair value through profit or loss: | | |
| Current: | | |
| Listed stocks | \$ 266,352 | 88,160 |
| Funds | 51,577 | 60,867 |
| Non-current: | | |
| Listed stocks | <u>5,756</u> | <u>6,933</u> |
| Total | <u>\$ 323,685</u> | <u>155,960</u> |

(c) Accounts receivable

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------|------------------------------|------------------------------|
| Accounts receivable | \$ 920,432 | 880,361 |
| Less: Loss allowance | <u>(2,466)</u> | <u>(2,565)</u> |
| | <u>\$ 917,966</u> | <u>877,796</u> |

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

| | <u>December 31, 2021</u> | | |
|---------------------------|----------------------------------|--|-------------------------------------|
| | <u>Gross carrying amount</u> | <u>Weighted- average loss rate</u> | <u>Loss allowance provision</u> |
| Current | \$ 917,335 | 0.005% | 46 |
| 1 to 90 days past due | 394 | 1% | 4 |
| 91 to 180 days past due | 112 | 2% | 2 |
| 181 to 365 days past due | 101 | 2% | 2 |
| More than 1 year past due | <u>2,490</u> | 50%~100% | <u>2,412</u> |
| | <u>\$ 920,432</u> | | <u>2,466</u> |
| | <u>December 31, 2020</u> | | |
| | <u>Gross carrying amount</u> | <u>Weighted- average loss rate</u> | <u>Loss allowance provision</u> |
| Current | \$ 877,089 | 0.005% | 44 |
| 1 to 90 days past due | 349 | 1% | 3 |
| 91 to 180 days past due | 75 | 2% | 1 |
| 181 to 365 days past due | 238 | 2% | 3 |
| More than 1 year past due | <u>2,610</u> | 50%~100% | <u>2,514</u> |
| | <u>\$ 880,361</u> | | <u>2,565</u> |

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
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The movement in the allowance for accounts receivable was as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|-----------------|--------------|
| Beginning balance | \$ 2,565 | 2,747 |
| Reversal of impairment loss | (97) | (187) |
| Effect of consolidation changes | - | (2) |
| Effect of exchange rate changes | (2) | 7 |
| Ending balance | <u>\$ 2,466</u> | <u>2,565</u> |

(d) Inventories

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|------------------------|------------------------------|------------------------------|
| Merchandise inventory | \$ 1,665 | 1,310 |
| Finished goods | 241,732 | 56,249 |
| By-product | 7,160 | 6,724 |
| Semi-finished products | 79,182 | 141,737 |
| Work in progress | 46,133 | 26,821 |
| Raw materials | 422,913 | 180,941 |
| Supplies | 27,856 | 17,508 |
| | <u>\$ 826,641</u> | <u>431,290</u> |

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

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-----------------|
| Loss from decline (gain from recovery) in value of inventories | \$ 130,000 | (23,758) |
| Loss on inventory scrapping | - | 27 |
| | <u>\$ 130,000</u> | <u>(23,731)</u> |

None of the inventories of the Group was pledged as collateral on December 31, 2021 and 2020.

(e) Prepayments

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|------------------------------|------------------------------|
| Prepayment for purchases | \$ 719 | 7,909 |
| Supplies | 87,837 | 95,205 |
| Overpaid sales tax | 55,529 | 20,470 |
| Others | 5,560 | 15,549 |
| | <u>\$ 149,645</u> | <u>139,133</u> |

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
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(f) Non-current assets (or disposal groups) held for sale

On January 22, 2021, the Group obtained an approval from the Board of Directors to dispose the partial property, plant and equipment, right-of-use assets and investment property held by Kun Shan Yu-Fu Technology Education Consulting Co., Ltd. and Kun Shan Jia-an Technology Education Consulting Co., Ltd.. Therefore, the Group reclassified them as non-current assets (or disposal groups) held for sale, which amounting to \$65,008 thousand; the disposal was completed in February 2022.

(g) Other current financial assets

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|------------------------------|------------------------------|
| Time deposits maturing over three months | \$ 155,067 | 35,000 |
| Restricted deposits in bank | <u>4,399</u> | <u>8,443</u> |
| | <u><u>\$ 159,466</u></u> | <u><u>43,443</u></u> |

The above assets of the Group had been pledged as collateral for long-term and short-term bank loans; please refer to note 8.

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------------------------|------------------------------|------------------------------|
| Equity investments: | | |
| Domestic non-listed stocks | \$ 696,898 | 671,848 |
| Foreign non-listed equity investments | <u>319,725</u> | <u>438,131</u> |
| | <u><u>\$ 1,016,623</u></u> | <u><u>1,109,979</u></u> |

(i) The Group designated the investments shown above at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes not for trading purposes. During the year ended December 31, 2021 and 2020, the dividends of \$4,853 thousand and \$1,573 thousand, respectively, related to equity investment at fair value through other comprehensive income held on the years then ended, were recognized.

(ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity related to these investments for the years ended December 31, 2021 and 2020.

(iii) For market risk; please refer to note 6(ad).

(iv) None of the above-mentioned financial assets had been pledged as collateral as of December 31, 2021 and 2020.

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Investments accounted for using equity method

(i) Associates

Associates of the Group consisted of the following:

| | <u>December 31, 2021</u> | | <u>December 31, 2020</u> | |
|--|----------------------------|-----------------------------------|--------------------------|-----------------------------------|
| | <u>Amount</u> | <u>Share- holding (%)</u> | <u>Amount</u> | <u>Share- holding (%)</u> |
| Grand Cathay Venture Capital Co., Ltd. | \$ 467,450 | 25.00 | 382,377 | 25.00 |
| Wonderland Enterprise Co., Ltd. | 835,959 | 37.04 | 744,788 | 37.04 |
| Globaltop Technology Inc. | 49,332 | 23.89 | 54,505 | 31.85 |
| Gvision-USA, Inc. | - | - | 34,112 | 44.44 |
| Functional Coating System Technologies Co., Ltd. | 26,069 | 34.88 | 26,395 | 34.88 |
| Universal Investments Limited | <u>17,038</u> | 40.00 | <u>-</u> | - |
| | <u>\$ 1,395,848</u> | | <u>1,242,177</u> | |

Yu-Jie Investment Co., Ltd. conducted a capital increase by cash of \$576,000 thousand on January 10, 2020. The Group did not participate in the capital increase proportionally, and its shares of the company dropped to 19.48%. The Group increased the capital surplus \$2,614 thousand due to the decrease of its ownership. Meanwhile, the unrealized loss of \$151,985 thousand from investments measured at fair value through other comprehensive income as well as exchange difference of \$186 thousand, had been reclassified to retain earnings and profit or loss, respectively. The Group lost the significant influence on the company and reclassified the investment to financial assets at fair value through other comprehensive income.

The Group acquired 34.88% of total shares of Functional Coating System Technologies Co., Ltd. with \$28,500 thousand, getting the significant influence in January 2020.

The Group acquired all shares of Globaltop Technology Inc. held by Zung-Fu Co., Ltd. With \$7,195 thousand on July 1, 2020. The Group decreased the capital surplus of \$1,150 thousand due to the change of its ownership. Globaltop Technology Inc. conducted a capital increase by cash of \$40,000 thousand on October 18, 2020. The Group did not participate in the capital increase proportionally, and its shares of the company dropped to 31.85%. The Group increased the capital surplus of \$4,410 thousand due to the decrease of its ownership. Meanwhile, the exchange difference of \$360 thousand previously recognized in other comprehensive income had been reclassified to profit or loss; and then the company conducted a capital reduction of \$85,000 thousand to make up for the deficit in November 2021, and conducted a capital increase by cash of \$55,000 thousand on November 22, 2021. The Group did not participate in the capital increase proportionally, and its shares of the company dropped to 23.89%. The Group increased the capital surplus of \$997 thousand due to the decrease of its ownership. Meanwhile, the exchange difference of \$(546) thousand previously recognized in other comprehensive income had been reclassified to profit or loss.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

| | <u>2021</u> | <u>2020</u> |
|----------------------------|------------------|----------------|
| Attributable to the Group: | | |
| Net income (loss) | \$ 34,521 | 117,836 |
| Other comprehensive income | <u>63,285</u> | <u>133,010</u> |
| Total comprehensive income | <u>\$ 97,806</u> | <u>250,846</u> |

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

None of the investments using equity method of the Group was pledged as collateral as of December 31, 2021 and 2020.

(j) Changes in a parent's ownership interest in subsidiary

The Group acquired all shares of Grand Capital Co., Ltd. held by Zung-Fu Co., Ltd. with \$2,092 thousand on July 1, 2020. The Group decreased the capital surplus of \$68 thousand from the difference between consideration and carrying amount of subsidiaries acquired.

The Group acquired shares of YSIC Ltd. with \$5 thousand in August 2020, and its shares of the company rose from 99.99% to 99.99%.

(k) Loss of control over subsidiaries

In December 2019 and May 2020, the Group obtained an approval of the Board of Directors to sell all the shares of Lei-Ting Construction Corporation and Zung-Fu Co., Ltd.. The transactions were completed on May 6 and June 30, 2020 at the total price of \$197,647 thousand, and the gain on disposal of investments amounting to \$76,197 thousand was included in other gains and losses of the consolidated comprehensive income statements. Meanwhile, the unrealized gain of \$3,182 thousand from investments measured at fair value through other comprehensive income as well as exchange difference of \$1,263 thousand previously recognized in other comprehensive income, had been reclassified to retain earnings and profit or loss, respectively.

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The carrying amounts of assets and liabilities of Lei-Ting Construction Corporation on May 6, 2020 were as follows:

| | | |
|-------------------------------|----|----------------------|
| Cash and cash equivalents | \$ | 41,062 |
| Prepayments | | 805 |
| Other current assets | | 5,398 |
| Property, plant and equipment | | 6 |
| Right-of-use assets | | 517 |
| Refundable deposits | | 2 |
| Notes payable | | (450) |
| Accounts payable | | (106) |
| Other payables | | (1,019) |
| Lease liabilities | | (440) |
| Other current liabilities | | (4,578) |
| Carrying amount of net assets | \$ | <u><u>41,197</u></u> |

The carrying amounts of assets and liabilities of Zung-Fu Co., Ltd. on June 30, 2020 were as follows:

| | | |
|---|----|----------------------|
| Cash and cash equivalents | \$ | 56,266 |
| Account receivable, net | | 44,564 |
| Other receivables | | 63 |
| Current tax assets | | 10 |
| Prepayments | | 25,603 |
| Other current assets | | 900 |
| Non-current financial assets at fair value through other comprehensive income | | 32,278 |
| Investment accounted for using equity method | | 9,224 |
| Property, plant and equipment | | 94,309 |
| Right of use assets | | 1,551 |
| Investment property, net | | 43,929 |
| Deferred tax assets | | 15,485 |
| Refundable deposits | | 142 |
| Other non-current assets | | 21,090 |
| Short-term borrowings | | (200,000) |
| Notes payable | | (29,420) |
| Accounts payable | | (3,404) |
| Other payables | | (18,766) |
| Lease liabilities | | (1,573) |
| Other current liabilities | | (576) |
| Other non-current liabilities | | (10,572) |
| Carrying amount of net assets | \$ | <u><u>81,103</u></u> |

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Property, plant and equipment

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

| | <u>Land</u> | <u>Land improvements</u> | <u>Buildings and structures</u> | <u>Machinery and equipment</u> | <u>Transportation equipment</u> | <u>Leased assets</u> | <u>Other equipment</u> | <u>Construction in progress</u> | <u>Total</u> |
|---|---------------------|--------------------------|---------------------------------|--------------------------------|---------------------------------|----------------------|------------------------|---------------------------------|-------------------|
| Cost: | | | | | | | | | |
| Balance as of January 1, 2021 | \$ 1,577,303 | 8,462 | 621,630 | 7,280,629 | 10,887 | - | 946,252 | 232,174 | 10,677,337 |
| Additions | - | - | - | - | - | - | 7,943 | 138,184 | 146,127 |
| Disposals | (563) | - | - | (356) | (6,606) | - | (155,440) | - | (162,965) |
| Reclassification | - | - | - | 26,835 | - | - | 45,465 | (72,300) | - |
| Effect of exchange rate changes | - | - | - | - | (5) | - | - | - | (5) |
| Balance as of December 31, 2021 | <u>\$ 1,576,740</u> | <u>8,462</u> | <u>621,630</u> | <u>7,307,108</u> | <u>4,276</u> | <u>-</u> | <u>844,220</u> | <u>298,058</u> | <u>10,660,494</u> |
| Balance as of January 1, 2020 | \$ 1,612,235 | 8,462 | 714,254 | 7,871,105 | 18,403 | 72,796 | 966,230 | 89,486 | 11,352,971 |
| Additions | 21,353 | - | 6,142 | 2,970 | - | - | 1,240 | 295,517 | 327,222 |
| Disposals | - | - | - | (719,568) | (84) | (72,796) | (35,786) | - | (828,234) |
| Reclassification | - | - | (52,318) | 126,122 | - | - | 17,260 | (152,829) | (61,765) |
| Effect of consolidation changes | (56,285) | - | (47,255) | - | (7,450) | - | (2,840) | - | (113,830) |
| Effect of exchange rate changes | - | - | 807 | - | 18 | - | 148 | - | 973 |
| Balance as of December 31, 2020 | <u>\$ 1,577,303</u> | <u>8,462</u> | <u>621,630</u> | <u>7,280,629</u> | <u>10,887</u> | <u>-</u> | <u>946,252</u> | <u>232,174</u> | <u>10,677,337</u> |
| Accumulated depreciation and impairment losses: | | | | | | | | | |
| Balance as of January 1, 2021 | \$ - | 8,383 | 229,758 | 5,830,382 | 10,474 | - | 649,155 | - | 6,728,152 |
| Depreciation | - | 21 | 14,450 | 178,757 | 141 | - | 48,372 | - | 241,741 |
| Disposals | - | - | - | (356) | (6,606) | - | (155,440) | - | (162,402) |
| Effect of exchange rate changes | - | - | - | - | (5) | - | - | - | (5) |
| Balance as of December 31, 2021 | <u>\$ -</u> | <u>8,404</u> | <u>244,208</u> | <u>6,008,783</u> | <u>4,004</u> | <u>-</u> | <u>542,087</u> | <u>-</u> | <u>6,807,486</u> |
| Balance as of January 1, 2020 | \$ - | 8,362 | 249,667 | 6,375,202 | 15,402 | 72,796 | 649,402 | - | 7,370,831 |
| Depreciation | - | 21 | 17,282 | 174,748 | 512 | - | 46,742 | - | 239,305 |
| Disposals | - | - | - | (719,568) | (84) | (72,796) | (35,786) | - | (828,234) |
| Reclassification | - | - | (26,289) | - | - | - | (8,503) | - | (34,792) |
| Effect of consolidation changes | - | - | (11,317) | - | (5,373) | - | (2,831) | - | (19,521) |
| Effect of exchange rate changes | - | - | 415 | - | 17 | - | 131 | - | 563 |
| Balance as of December 31, 2020 | <u>\$ -</u> | <u>8,383</u> | <u>229,758</u> | <u>5,830,382</u> | <u>10,474</u> | <u>-</u> | <u>649,155</u> | <u>-</u> | <u>6,728,152</u> |
| Carrying value: | | | | | | | | | |
| Balance as of December 31, 2021 | <u>\$ 1,576,740</u> | <u>58</u> | <u>377,422</u> | <u>1,298,325</u> | <u>272</u> | <u>-</u> | <u>302,133</u> | <u>298,058</u> | <u>3,853,008</u> |
| Balance as of January 1, 2020 | <u>\$ 1,612,235</u> | <u>100</u> | <u>464,587</u> | <u>1,495,903</u> | <u>3,001</u> | <u>-</u> | <u>316,828</u> | <u>89,486</u> | <u>3,982,140</u> |
| Balance as of December 31, 2020 | <u>\$ 1,577,303</u> | <u>79</u> | <u>391,872</u> | <u>1,450,247</u> | <u>413</u> | <u>-</u> | <u>297,097</u> | <u>232,174</u> | <u>3,949,185</u> |

As of December 31, 2021 there was no recognized accumulated impairment losses of property, plant and equipment. As of December 31, 2020, the accumulated impairment losses of property, plant and equipment was amounted to \$1,090 thousand.

As of December 31, 2021 and 2020, the property, plant and equipment of the Group had been pledged as collateral for loans; please refer to note 8.

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Right-of-use assets

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

| | <u>Land</u> | <u>Buildings and structures</u> | <u>Transportation equipment</u> | <u>Office equipment</u> | <u>Total</u> |
|----------------------------------|-----------------|---|-------------------------------------|-----------------------------|---------------|
| Cost: | | | | | |
| Balance as of January 1, 2021 | \$ 387 | 1,429 | 12,769 | 4,814 | 19,399 |
| Additions | 4,064 | 828 | - | - | 4,892 |
| Lease modification | - | (177) | - | - | (177) |
| Disposals | (387) | (826) | - | - | (1,213) |
| Balance as of December 31, 2021 | <u>\$ 4,064</u> | <u>1,254</u> | <u>12,769</u> | <u>4,814</u> | <u>22,901</u> |
| Balance as of January 1, 2020 | \$ 3,981 | 3,051 | 16,877 | 4,814 | 28,723 |
| Additions | - | 603 | 423 | - | 1,026 |
| Lease modification | (165) | (1,717) | (1,731) | - | (3,613) |
| Reclassification | (3,482) | - | - | - | (3,482) |
| Effect of consolidation changes | - | (508) | (2,800) | - | (3,308) |
| Effects of exchange rate changes | 53 | - | - | - | 53 |
| Balance as of December 31, 2020 | <u>\$ 387</u> | <u>1,429</u> | <u>12,769</u> | <u>4,814</u> | <u>19,399</u> |
| Accumulated depreciation: | | | | | |
| Balance as of January 1, 2021 | \$ 353 | 635 | 6,130 | 1,203 | 8,321 |
| Depreciation | 121 | 707 | 4,198 | 964 | 5,990 |
| Lease modification | - | (162) | - | - | (162) |
| Disposals | (387) | (826) | - | - | (1,213) |
| Balance as of December 31, 2021 | <u>\$ 87</u> | <u>354</u> | <u>10,328</u> | <u>2,167</u> | <u>12,936</u> |
| Balance as of January 1, 2020 | \$ 328 | 1,368 | 4,156 | 241 | 6,093 |
| Depreciation | 230 | 1,244 | 4,890 | 962 | 7,326 |
| Lease modification | (10) | (1,717) | (1,419) | - | (3,146) |
| Reclassification | (197) | - | - | - | (197) |
| Effect of consolidation changes | - | (260) | (1,497) | - | (1,757) |
| Effect of exchange rate changes | 2 | - | - | - | 2 |
| Balance as of December 31, 2020 | <u>\$ 353</u> | <u>635</u> | <u>6,130</u> | <u>1,203</u> | <u>8,321</u> |
| Carrying amount: | | | | | |
| Balance as of December 31, 2021 | <u>\$ 3,977</u> | <u>900</u> | <u>2,441</u> | <u>2,647</u> | <u>9,965</u> |
| Balance as of January 1, 2020 | <u>\$ 3,653</u> | <u>1,683</u> | <u>12,721</u> | <u>4,573</u> | <u>22,630</u> |
| Balance as of December 31, 2020 | <u>\$ 34</u> | <u>794</u> | <u>6,639</u> | <u>3,611</u> | <u>11,078</u> |

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Investment property

| | <u>Land</u> | <u>Buildings and structures</u> | <u>Total</u> |
|--|------------------|-------------------------------------|-------------------|
| Cost: | | | |
| Balance as of December 31, 2021 (Balance as of January 1, 2021) | \$ 46,101 | 17,625 | 63,726 |
| Balance as of January 1, 2020 | \$ 90,030 | 89,655 | 179,685 |
| Reclassification | - | (73,158) | (73,158) |
| Effect of consolidation changes | (43,929) | - | (43,929) |
| Effect of exchange rate changes | - | 1,128 | 1,128 |
| Balance as of December 31, 2020 | <u>\$ 46,101</u> | <u>17,625</u> | <u>63,726</u> |
| Accumulated depreciation and impairment losses: | | | |
| Balance as of January 1, 2021 | \$ - | 6,365 | 6,365 |
| Depreciation | - | 346 | 346 |
| Balance as of December 31, 2021 | <u>\$ -</u> | <u>6,711</u> | <u>6,711</u> |
| Balance as of January 1, 2020 | \$ - | 40,594 | 40,594 |
| Depreciation | - | 3,574 | 3,574 |
| Reclassification | - | (38,408) | (38,408) |
| Effect of exchange rate changes | - | 605 | 605 |
| Balance as of December 31, 2020 | <u>\$ -</u> | <u>6,365</u> | <u>6,365</u> |
| Carrying value: | | | |
| Balance as of December 31, 2021 | <u>\$ 46,101</u> | <u>10,914</u> | <u>57,015</u> |
| Balance as of January 1, 2020 | <u>\$ 90,030</u> | <u>49,061</u> | <u>139,091</u> |
| Balance as of December 31, 2020 | <u>\$ 46,101</u> | <u>11,260</u> | <u>57,361</u> |
| Fair value: | | | |
| Balance as of December 31, 2021 | | | <u>\$ 79,431</u> |
| Balance as of January 1, 2020 | | | <u>\$ 196,688</u> |
| Balance as of December 31, 2020 | | | <u>\$ 101,435</u> |

The fair value of the investment properties is based on an independent professional who has professional qualifications and has relevant experience. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3. Fair value was measured using the market approach.

None of the investment property was pledged as collateral as of December 31, 2021 and 2020.

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Intangible assets

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

| | <u>Technical royalty</u> | <u>Computer software</u> | <u>Total</u> |
|---------------------------------|------------------------------|------------------------------|----------------|
| Cost: | | | |
| Balance as of January 1, 2021 | \$ 22,242 | 5,146 | 27,388 |
| Additions | <u>-</u> | <u>915</u> | <u>915</u> |
| Balance as of December 31, 2021 | <u>\$ 22,242</u> | <u>6,061</u> | <u>28,303</u> |
| Balance as of January 1, 2020 | \$ 22,242 | 6,146 | 28,388 |
| Disposals | <u>-</u> | <u>(1,000)</u> | <u>(1,000)</u> |
| Balance as of December 31, 2020 | <u>\$ 22,242</u> | <u>5,146</u> | <u>27,388</u> |
| Accumulated amortization: | | | |
| Balance as of January 1, 2021 | \$ 15,093 | 2,725 | 17,818 |
| Amortization | <u>975</u> | <u>1,578</u> | <u>2,553</u> |
| Balance as of December 31, 2021 | <u>\$ 16,068</u> | <u>4,303</u> | <u>20,371</u> |
| Balance as of January 1, 2020 | \$ 14,118 | 2,172 | 16,290 |
| Amortization | 975 | 1,553 | 2,528 |
| Disposals | <u>-</u> | <u>(1,000)</u> | <u>(1,000)</u> |
| Balance as of December 31, 2020 | <u>\$ 15,093</u> | <u>2,725</u> | <u>17,818</u> |
| Carrying value: | | | |
| Balance as of December 31, 2021 | <u>\$ 6,174</u> | <u>1,758</u> | <u>7,932</u> |
| Balance as of January 1, 2020 | <u>\$ 8,124</u> | <u>3,974</u> | <u>12,098</u> |
| Balance as of December 31, 2020 | <u>\$ 7,149</u> | <u>2,421</u> | <u>9,570</u> |

(p) Other long-term investment, net

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|------------------------------|------------------------------|
| Construction and operation of student dormitory | <u>\$ 30,576</u> | <u>32,962</u> |

The period of rights of investment in construction and operation of student dormitory is 30 years. The subsidy and management income will be recovered annually according to the agreement to July 31, 2035.

(q) Other non-current assets

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------------|------------------------------|------------------------------|
| Long-term prepaid expenses | \$ 85,401 | 60,602 |
| Net defined benefit assets | <u>5,489</u> | <u>5,278</u> |
| | <u>\$ 90,890</u> | <u>65,880</u> |

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Short-term borrowings

Short-term borrowings of the Group were as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------------|------------------------------|------------------------------|
| Unsecured bank loans | \$ 235,759 | - |
| Secured bank loans | 117,500 | 97,500 |
| Total | <u>\$ 353,259</u> | <u>97,500</u> |
| Unused short-term credit lines | <u>\$ 559,617</u> | <u>1,283,556</u> |
| Range of interest rate | <u>0.75~1.20%</u> | <u>0.90~1.20%</u> |

For the collateral for short-term borrowings, please refer to note 8.

(s) Other payables

Other payables of the Group were as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------------------------------|------------------------------|------------------------------|
| Accrued payroll | \$ 19,192 | 44,546 |
| Employee bonus payable | 441 | 5,665 |
| Compensation payable to directors | 128 | 6,979 |
| Compensated absences | 28,602 | 27,804 |
| Other accrued expenses payable | 73,081 | 40,473 |
| Payables on equipment | 24,247 | 67,319 |
| Dividends payable | 9,730 | 9,787 |
| Other payables-other | 23,076 | 31,106 |
| Total | <u>\$ 178,497</u> | <u>233,679</u> |

(t) Long-term borrowings

Long-term borrowings of the Group were as follows:

| | <u>December 31, 2021</u> | | | |
|-------------------------------|--------------------------|-----------------------------------|-----------------|------------------|
| | <u>Currency</u> | <u>Range of interest rate</u> | <u>Due year</u> | <u>Amount</u> |
| Secured bank loans | NTD | 1.51% | 2030 | \$ 77,035 |
| Less: current portion | | | | <u>8,349</u> |
| Total | | | | <u>\$ 68,686</u> |
| Unused long-term credit lines | | | | <u>\$ 10,664</u> |

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | December 31, 2020 | | | |
|-------------------------------|-------------------|---------------------------|----------|-----------|
| | Currency | Range of interest rate | Due year | Amount |
| Secured bank loans | NTD | 1.51~1.66% | 2030 | \$ 88,778 |
| Less: current portion | | | | 11,742 |
| Total | | | | \$ 77,036 |
| Unused long-term credit lines | | | | \$ 2,441 |

For the collateral for long-term borrowings, please refer to note 8.

(u) Lease liabilities

Lease liabilities of the Group were as follows:

| | December 31, 2021 | December 31, 2020 |
|-------------|----------------------|----------------------|
| Current | \$ 4,069 | \$ 5,893 |
| Non-current | \$ 5,729 | \$ 5,028 |

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

The amounts recognized in profit or loss were as follows:

| | 2021 | 2020 |
|---|--------|--------|
| Interest on lease liabilities | \$ 152 | \$ 242 |
| Expenses relating to short-term leases | \$ 564 | \$ 535 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | \$ 703 | \$ 647 |
| Covid-19-related rent concessions | \$ - | \$ 63 |

The amounts recognized in the statements of cash flows were as follows:

| | 2021 | 2020 |
|-------------------------------|----------|----------|
| Total cash outflow for leases | \$ 7,419 | \$ 8,582 |

(v) Employee benefits

(i) Defined benefit plans

The reconciliations of defined benefit obligations and plan assets as of December 31, 2021 and 2020 were as follows:

| | December 31, 2021 | December 31, 2020 |
|---|----------------------|----------------------|
| Present value of defined benefit obligation | \$ 235,348 | 258,253 |
| Fair value of plan assets | (176,737) | (204,323) |
| Net position | \$ 58,611 | \$ 53,930 |
| Net defined benefit assets (non-current assets) | \$ 5,489 | \$ 5,278 |
| Net defined benefit liabilities | \$ 64,100 | \$ 59,208 |

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$176,737 thousand as of December 31, 2021. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in the present value of defined benefit obligation

The movements in the present value of defined benefit obligation of the Group were as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|----------------|
| Defined benefit obligation at January 1 | \$ 258,253 | 279,319 |
| Current service cost and interest cost | 3,056 | 3,877 |
| Net remeasurements of defined benefit liabilities | | |
| — Actuarial gains and losses arising from financial assumptions | 2,422 | 1,556 |
| — Actuarial gains and losses arising from experience adjustments | 3,468 | (1,356) |
| Benefits paid | (31,851) | (16,994) |
| Effect of business combinations | - | (8,149) |
| Defined benefit obligation at December 31 | <u>\$ 235,348</u> | <u>258,253</u> |

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Movements in fair value of plan assets

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

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|----------------|
| Fair value of plan assets, January 1 | \$ 204,323 | 221,732 |
| Interests income | 1,637 | 2,171 |
| Remeasurements of defined benefit assets | | |
| — Return on plan assets (excluding interest income) | 2,001 | 6,822 |
| Contributions | 627 | 711 |
| Benefits paid | (31,851) | (16,994) |
| Effect of business combinations | - | (10,119) |
| Fair value of plan assets at December 31 | <u>\$ 176,737</u> | <u>214,442</u> |

4) Expenses recognized in profit or loss

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

| | <u>2021</u> | <u>2020</u> |
|--|-----------------|--------------|
| Current service costs | \$ 991 | 1,124 |
| Net interest on defined benefit liabilities (assets) | 428 | 582 |
| | <u>\$ 1,419</u> | <u>1,706</u> |

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

| | <u>2021</u> | <u>2020</u> |
|--------------------|-----------------|--------------|
| Operating cost | \$ 1,078 | 1,288 |
| Operating expenses | 341 | 418 |
| Total | <u>\$ 1,419</u> | <u>1,706</u> |

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

The remeasurement values of the defined benefit liabilities (assets) recognized in other comprehensive income of the Group were as follows:

| | <u>2021</u> | <u>2020</u> |
|------------------------------|-----------------|----------------|
| Recognized during the period | <u>\$ 3,889</u> | <u>(6,622)</u> |

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Actuarial assumptions

Principal actuarial assumptions at the reporting date were as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|------------------------------|------------------------------|
| Discount rate | 0.50%~0.60% | 0.80% |
| Expected rate of increase in future salaries | 1.50%~2.00% | 1.50% |

The expected allocation payment to be made by the Group to the defined benefit plans, for the one-year period after the reporting date is \$682 thousand.

The weighted-average lifetime of the defined benefit plan is 3.80 to 10.50 years.

7) Sensitivity analysis

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

| | Influence of defined benefit obligations | |
|---|---|-----------------|
| | <u>Increase</u> | <u>Decrease</u> |
| December 31, 2021 | | |
| Discount rate (changed by 0.25%) | \$ (1,866) | 1,914 |
| Future salary increase rate (changed by 1%) | 7,846 | (7,245) |
| December 31, 2020 | | |
| Discount rate (changed by 0.25%) | (1,941) | 1,992 |
| Future salary increase rate (changed by 1%) | 8,350 | (7,705) |

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$11,174 thousand and \$12,829 thousand for the years ended December 31, 2021 and 2020, respectively.

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Notes to the Consolidated Financial Statements

(w) Income tax

(i) Income tax expense (benefits)

The components of income tax in the years 2021 and 2020 were as follows:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------|
| Current tax expense | | |
| Current period | \$ 851 | 37,477 |
| Adjustment for prior periods | <u>128</u> | <u>40,398</u> |
| | <u>979</u> | <u>77,875</u> |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | <u>(112,465)</u> | <u>1,659</u> |
| Income tax expense (benefits) | <u>\$ (111,486)</u> | <u>79,534</u> |

The amount of income tax recognized in other comprehensive income for 2021 and 2020 was as follows:

| | <u>2021</u> | <u>2020</u> |
|---|-----------------|--------------|
| Items that will not be reclassified subsequently to profit or loss: | | |
| Remeasurement from defined benefit plans | <u>\$ (778)</u> | <u>1,324</u> |

Reconciliation of income tax and profit before tax for 2021 and 2020 is as follows:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|----------------|
| Profit before income tax | <u>\$ (6,247)</u> | <u>369,257</u> |
| Income tax using the Group's domestic tax rate | \$ 1,951 | 65,717 |
| Tax credit of investment | - | (795) |
| Non-deductible expenses | 3,408 | 20,968 |
| Tax-exempt income | (7,274) | (4,545) |
| Recognition of previously unrecognized tax losses | (2,871) | - |
| Current-year losses for which no deferred tax asset was recognized | 17,449 | 28,953 |
| Change in unrecognized temporary differences | 17 | (28,265) |
| Adjustment for prior periods | 128 | 40,398 |
| Undistributed earnings additional tax | 31 | 390 |
| Investment loss | (124,337) | (43,287) |
| Land value increment tax | <u>12</u> | <u>-</u> |
| Total | <u>\$ (111,486)</u> | <u>79,534</u> |

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

The Group's unrecognized deferred tax assets were composed of the following items:

| | December 31, 2021 | December 31, 2020 |
|---------------------------------------|------------------------------|------------------------------|
| The carryforward of unused tax losses | \$ 102,460 | 101,162 |
| Other | 70 | 70 |
| Total | \$ 102,530 | 101,232 |

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

As of December 31, 2021 the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

a) Unused tax loss information

| <u>Year of loss</u> | <u>Year of expiry</u> | <u>Unused amount</u> |
|---------------------|-----------------------|----------------------|
| 2012 | 2022 | \$ 46,030 |
| 2013 | 2023 | 32,590 |
| 2014 | 2024 | 10,893 |
| 2015 | 2025 | 12,755 |
| 2016 | 2026 | 27,488 |
| 2017 | 2027 | 5,783 |
| 2018 | 2028 | 7,803 |
| 2019 | 2029 | 173,202 |
| 2020 | 2030 | 139,621 |
| 2021 | 2031 | 56,136 |
| | | \$ 512,301 |

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Recognized deferred income tax assets and liabilities

Movements of recognized deferred income tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

Deferred tax liabilities:

| | <u>Land value increment tax</u> | <u>Other</u> | <u>Total</u> |
|--|-------------------------------------|--------------|----------------|
| Balance at January 1, 2021 | \$ 173,509 | 1,618 | 175,127 |
| Recognized in profit or loss | - | (478) | (478) |
| Recognized in other comprehensive income | - | 10 | 10 |
| Balance at December 31, 2021 | <u>\$ 173,509</u> | <u>1,150</u> | <u>174,659</u> |
| Balance at January 1, 2020 | \$ 173,509 | 2,125 | 175,634 |
| Recognized in profit or loss | - | (547) | (547) |
| Recognized in other comprehensive income | - | 40 | 40 |
| Balance at December 31, 2020 | <u>\$ 173,509</u> | <u>1,618</u> | <u>175,127</u> |

Deferred tax assets:

| | <u>Allowance for inventory write-down</u> | <u>Defined benefit pension plans</u> | <u>Accumulating compensated absences</u> | <u>Tax loss carryforward</u> | <u>Total</u> |
|--|---|--|--|----------------------------------|----------------|
| Balance at January 1, 2021 | \$ 149 | 11,842 | 5,004 | 1,098 | 18,093 |
| Recognized in profit or loss | 26,000 | 190 | 707 | 85,090 | 111,987 |
| Recognized in other comprehensive income | - | 788 | - | - | 788 |
| Balance at December 31, 2021 | <u>\$ 26,149</u> | <u>12,820</u> | <u>5,711</u> | <u>86,188</u> | <u>130,868</u> |
| Balance at January 1, 2020 | \$ 4,901 | 15,795 | 4,281 | 12,091 | 37,068 |
| Recognized in profit or loss | (4,752) | 1,707 | 723 | 116 | (2,206) |
| Recognized in other comprehensive income | - | (1,284) | - | - | (1,284) |
| Effect of consolidation changes | - | (4,376) | - | (11,109) | (15,485) |
| Balance at December 31, 2020 | <u>\$ 149</u> | <u>11,842</u> | <u>5,004</u> | <u>1,098</u> | <u>18,093</u> |

The Company's income tax return for the year 2019 had been examined by the tax authorities.

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Capital and other equity

(i) Ordinary shares

As of December 31, 2021 and 2020, the number of authorized ordinary shares were 6,750,000 thousand shares with par value of \$10 per share. As of December 31, 2021 and 2020, of 527,870 thousand shares were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

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

| | December 31, 2021 | December 31, 2020 |
|---|------------------------------|------------------------------|
| Difference arising from subsidiary's share price and its carrying value | \$ 8,953 | 8,953 |
| Changes in ownership interests in subsidiaries | 26,307 | 25,310 |
| Changes in equity of investments in associates using equity method | 6,594 | 13,961 |
| Treasury share transactions | 4,433 | - |
| Donation from shareholders | 13 | - |
| Total | \$ 46,300 | 48,224 |

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

(iii) Retained earnings

The Company's Article of Incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval. In general, cash dividends shall not be less than 30% of total dividends. However, based on the need to respond to changes in the industry, major investment plans and improve the financial structure, or in the case of sudden major capital needs, the cash dividend payout rate could be adjusted to 10% to 30%. If the cash dividend is less than \$0.1 per share, it will not be issued, and the stock dividend will be paid instead.

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Legal reserve

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

2) Special reserve

In accordance with ruling issued by the FSC, the Company is required to appropriate a special reserve in the amount equal to the sum of debit elements under other equity arising in current period. While the appropriation of earnings for 2019 in 2020, special reserve shall be appropriated from current-period earnings and undistributed prior-period earnings. While the appropriation of earnings for 2020 in 2021, special reserve shall be appropriated from current-period net income plus items other than net income adjusted to the current year's undistributed earnings and undistributed prior-period earnings; for debit elements under other equity arising in prior periods, special reserve is appropriated from undistributed prior-period earnings and is prohibited from distribution. If any of the debit elements are reversed, then the special reserve in the amount equal to the reversal may be released for earnings distribution.

3) Earnings distribution

On July 7, 2021 and May 27, 2020, the shareholders' meetings resolved to distribute the 2020 and 2019 earnings. These earnings were appropriated as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|----------------|
| Dividends distributed to ordinary shareholders | | |
| Cash | \$ <u>263,917</u> | <u>526,830</u> |

On March 22, 2022, the Board of Directors planned to distribute the 2021 earnings. The earning was appropriated as follows:

| | <u>2021</u> | |
|--|---|------------------|
| | <u>Ratio of allotment of shares (NTD)</u> | <u>Amount</u> |
| Dividends distributed to ordinary shareholders | | |
| Cash | \$ 0.15 | \$ <u>79,180</u> |

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Other equity

| | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total |
|--|--|--|----------------|
| Balance as of January 1, 2021 | \$ (26,745) | 195,208 | 168,463 |
| Exchange differences on foreign operations | (10,020) | - | (10,020) |
| Exchange differences on associates and joint ventures accounted for using equity method | (273) | - | (273) |
| Unrealized losses from financial assets measured at fair value through other comprehensive income | - | (93,464) | (93,464) |
| Unrealized gains from financial assets measured at fair value through other comprehensive income on associates and joint ventures accounted for using equity method | - | 63,558 | 63,558 |
| Cumulative gains reclassified to retained earnings on associates disposal of investments in equity instruments designated at fair value through other comprehensive income | - | (74,637) | (74,637) |
| Changes in ownership interests in subsidiaries | 546 | - | 546 |
| Changes in ownership interests in associates | 1,858 | - | 1,858 |
| Balance as of December 31, 2021 | <u>\$ (34,634)</u> | <u>90,665</u> | <u>56,031</u> |
| Balance as of January 1, 2020 | \$ (10,913) | (570,336) | (581,249) |
| Exchange differences on foreign operations | (12,538) | - | (12,538) |
| Exchange differences on associates and joint ventures accounted for using equity method | (2,205) | - | (2,205) |
| Unrealized gains from financial assets measured at fair value through other comprehensive income | - | 359,638 | 359,638 |
| Unrealized gains from financial assets measured at fair value through other comprehensive income on associates and joint ventures accounted for using equity method | - | 135,215 | 135,215 |
| Changes in ownership interests in subsidiaries | 356 | 513 | 869 |
| Effect of consolidation changes | (1,260) | (2,756) | (4,016) |
| Changes in ownership interests in associates | (185) | 272,934 | 272,749 |
| Balance as of December 31, 2020 | <u>\$ (26,745)</u> | <u>195,208</u> | <u>168,463</u> |

(v) Treasury stock

For the year ended December 31, 2020, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 1,040 thousand shares in order to transfer shares to employees. As of December 31, 2021, a total of 1,040 thousand shares were all transferred to employees.

(y) Share-based payment

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

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
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The Group used Black-Scholes option pricing model in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

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

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

(in thousand)

| | <u>2021</u> | |
|------------------------------------|--|--------------------------|
| | Weighted average exercise price (dollars) | Number of options |
| Granted during the year (number) | 14.6 | 1,040 |
| Exercised during the year (number) | 14.6 | (1,040) |
| Outstanding at end of period | - | - |
| (z) Earnings per share | | |

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

(i) Basic earnings per share

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|----------------|
| Profit attributable to the Company | \$ <u>104,604</u> | <u>287,516</u> |
| Weighted-average number of ordinary shares outstanding | <u>527,513</u> | <u>527,115</u> |
| Earnings per share (NTD) | \$ <u>0.20</u> | <u>0.55</u> |

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Diluted earnings per share

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|----------------|
| Profit attributable to the Company (diluted) | \$ <u>104,604</u> | <u>287,516</u> |
| Weighted-average number of ordinary shares outstanding | 527,513 | 527,115 |
| Effect of dilutive potential ordinary shares | | |
| Employee remuneration in stock | <u>244</u> | <u>555</u> |
| Weighted-average number of ordinary shares outstanding (diluted) | \$ <u>527,757</u> | <u>527,670</u> |
| Diluted earnings per share (NTD) | \$ <u>0.20</u> | <u>0.54</u> |

(aa) Revenue from contracts with customers

(i) Disaggregation of revenue

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|----------------------|------------------|
| Primary geographical markets: | | |
| Asia | \$ 11,663,481 | 8,105,998 |
| America | 21,308 | 26,834 |
| Europe | <u>15,757</u> | <u>17,010</u> |
| Total | \$ <u>11,700,546</u> | <u>8,149,842</u> |
| Major products/services lines: | | |
| Commodity sales revenue | \$ 11,579,268 | 7,899,885 |
| Travel service revenue | 109,853 | 144,464 |
| Service revenue | - | 93,171 |
| Other operating revenue | <u>11,425</u> | <u>12,322</u> |
| | \$ <u>11,700,546</u> | <u>8,149,842</u> |

(ii) Contract balances

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | <u>December 31, 2020</u> |
|--|------------------------------|------------------------------|------------------------------|
| Contract liabilities-travel service contract | \$ 38,155 | 37,149 | 32,663 |
| Contract liabilities-unearned sales revenue | <u>12,868</u> | <u>7,868</u> | <u>7,868</u> |
| Total | \$ <u>51,023</u> | <u>45,017</u> | <u>40,531</u> |

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

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

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Notes to the Consolidated Financial Statements

(ab) Non-operating income and expenses

(i) Other income

Details of other income of the Group were as follows:

| | <u>2021</u> | <u>2020</u> |
|---|------------------|---------------|
| Rent income | \$ 1,109 | 1,719 |
| Gain from bargain purchase transactions | 403 | - |
| Dividend income | 6,843 | 4,441 |
| Government grants | - | 16,264 |
| Others | 21,519 | 25,666 |
| Total | <u>\$ 29,874</u> | <u>48,090</u> |

(ii) Other gains and losses

| | <u>2021</u> | <u>2020</u> |
|---|-----------------|---------------|
| Foreign exchange gains | \$ 6,449 | 6,579 |
| Gains (losses) on disposals of investments | (2,404) | 1,089 |
| Gains on financial assets at fair value through profit or loss | 2,942 | 14,849 |
| Gains on disposals of non-current assets (or disposal groups) held for sale | - | 76,197 |
| Gains on disposals of property, plant and equipment | 1,335 | 4,202 |
| Impairment losses | (139) | (101) |
| Gains on lease modification | - | 2 |
| Others | (43) | (3,878) |
| Total | <u>\$ 8,140</u> | <u>98,939</u> |

(iii) Finance costs

| | <u>2021</u> | <u>2020</u> |
|------------------|-----------------|--------------|
| Interest expense | <u>\$ 2,933</u> | <u>4,621</u> |

(ac) Remunerations to employees and directors

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

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For the years ended December 31, 2021 and 2020, the remunerations to employees amounted to \$49 thousand and \$5,583 thousand, respectively, and the remuneration to directors amounted to \$49 thousand and \$6,979 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2021 and 2020. Related information would be available at the Market Observation Post System website. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. The differences between the amount as stated before and the actual distribution to employees and directors for year 2020 were \$3,909 thousand and \$2,513 thousand, respectively, which already recognized in profit or loss in 2021.

(ad) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of December 31, 2021 and 2020, the Group reviewed the concentrations of credit risk arising from the major top ten customers, and it was 96% and 95%, respectively, of the total accounts receivable. The concentrations of credit risk of the remaining accounts receivable are relatively small.

3) Credit risk of receivables

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

(ii) Liquidity risk

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

| | Carrying amount | Contractual cash flows | Within 1 year | 1-2 years | 2-5 years | Over 5 years |
|--------------------------------------|---------------------|---------------------------|------------------|---------------|---------------|---------------|
| December 31, 2021 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term borrowings | \$ 353,259 | 353,746 | 353,746 | - | - | - |
| Payables | 1,149,068 | 1,149,068 | 1,149,068 | - | - | - |
| Long-term borrowings | 77,035 | 82,255 | 9,454 | 9,454 | 28,363 | 34,984 |
| Deposit received | 716 | 716 | - | 350 | 366 | - |
| Lease liabilities | 9,798 | 10,438 | 4,181 | 1,692 | 1,217 | 3,348 |
| | \$ 1,589,876 | 1,596,223 | 1,516,449 | 11,496 | 29,946 | 38,332 |

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | Carrying amount | Contractual cash flows | Within 1 year | 1-2 years | 2-5 years | Over 5 years |
|--------------------------------------|---------------------|---------------------------|------------------|---------------|---------------|---------------|
| December 31, 2020 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term borrowings | \$ 97,500 | 97,629 | 97,629 | - | - | - |
| Payables | 1,014,804 | 1,014,804 | 1,014,804 | - | - | - |
| Long-term borrowings | 88,778 | 97,381 | 11,875 | 8,601 | 27,766 | 49,139 |
| Deposit received | 950 | 950 | - | - | 950 | - |
| Lease liabilities | 10,921 | 11,116 | 6,019 | 3,529 | 1,568 | - |
| | <u>\$ 1,212,953</u> | <u>1,221,880</u> | <u>1,130,327</u> | <u>12,130</u> | <u>30,284</u> | <u>49,139</u> |

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

(iii) Market risk

1) Currency risk

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

| | December 31, 2021 | | | December 31, 2020 | | |
|------------------------------|---------------------|------------------|---------|---------------------|------------------|---------|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | \$ 10,593 | 27.680 | 293,214 | 6,591 | 28.480 | 187,712 |
| CNY | 11,119 | 4.294 | 47,748 | 29,346 | 4.360 | 128,091 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | 16,189 | 27.680 | 448,112 | 11,388 | 28.480 | 324,330 |
| CNY | 1,502 | 4.294 | 6,450 | 1,544 | 4.360 | 6,739 |

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, short-term borrowings, accounts payable and other payables that are denominated in foreign currency. A weakening (strengthening) of 1% of the NTD against the USD and CNY as of December 31, 2021 and 2020, would have increased (decreased) net profit before tax by \$1,136 thousand and \$153 thousand for the years ended December 31, 2021 and 2020, respectively. The analysis is performed on the same basis.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to gain of \$6,449 thousand and \$6,579 thousand, respectively.

2) Interest rate risk

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

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

If the interest rate had increased/decreased by 1%, the Group's profit (loss) before tax would have decreased/increase by \$4,303 thousand and \$1,863 thousand for the years ended December 31, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to the Group's loan at variable rates.

3) Other market price risk

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

| Prices of securities at the reporting date | 2021 | | 2020 | |
|---|---|------------|---|------------|
| | Other comprehensive income after tax | Net income | Other comprehensive income after tax | Net income |
| Increasing 1% | \$ 10,166 | 3,237 | 11,100 | 1,560 |
| Decreasing 1% | \$ (10,166) | (3,237) | (11,100) | (1,560) |

(iv) Fair value information

1) Types and fair value of financial instruments

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

| | December 31, 2021 | | | | |
|---|-------------------|------------|---------|---------|---------|
| | Book value | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss: | | | | | |
| Financial assets mandatorily at fair value through profit or loss: | | | | | |
| Listed stocks | \$ 272,108 | 272,108 | - | - | 272,108 |
| Funds | 51,577 | 51,577 | - | - | 51,577 |

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | | December 31, 2021 | | | |
|--|----------------------------|-----------------------|-----------------|-------------------------|-------------------------|
| | | Fair value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Domestic and foreign non-listed stocks | \$ 1,016,623 | - | - | 1,016,623 | 1,016,623 |
| Financial assets measured at amortized cost: | | | | | |
| Cash and cash equivalents | 253,124 | - | - | - | - |
| Accounts receivable | 917,966 | - | - | - | - |
| Other receivables | 5,850 | - | - | - | - |
| Other financial assets-current | 159,466 | - | - | - | - |
| Refundable deposits | <u>3,587</u> | - | - | - | - |
| Subtotal | <u>1,339,993</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 2,680,301</u> | <u>323,685</u> | <u>-</u> | <u>1,016,623</u> | <u>1,340,308</u> |
| Financial liabilities measured at amortized cost: | | | | | |
| Short-term borrowings | \$ 353,259 | - | - | - | - |
| Notes payable | 2 | - | - | - | - |
| Accounts payable | 977,716 | - | - | - | - |
| Other payables | 171,350 | - | - | - | - |
| Long-term borrowings | 77,035 | - | - | - | - |
| Other non-current liabilities | 716 | - | - | - | - |
| Lease liabilities | <u>9,798</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 1,589,876</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | December 31, 2020 | | | |
| | | Fair value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss: | | | | | |
| Financial assets mandatorily at fair value through profit or loss: | | | | | |
| Listed stocks | \$ 95,093 | 95,093 | - | - | 95,093 |
| Funds | 60,867 | 60,867 | - | - | 60,867 |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Domestic and foreign non-listed stocks | 1,109,979 | - | - | 1,109,979 | 1,109,979 |

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | December 31, 2020 | | | | |
|---|---------------------|----------------|---------|------------------|------------------|
| | Book value | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets measured at amortized cost: | | | | | |
| Cash and cash equivalents | \$ 793,022 | - | - | - | - |
| Accounts receivable | 877,796 | - | - | - | - |
| Other receivables | 5,275 | - | - | - | - |
| Other financial assets-current | 43,443 | - | - | - | - |
| Refundable deposits | 3,565 | - | - | - | - |
| Subtotal | 1,723,101 | - | - | - | - |
| Total | \$ 2,989,040 | 155,960 | - | 1,109,979 | 1,265,939 |
| Financial liabilities measured at amortized cost: | | | | | |
| Short-term borrowings | \$ 97,500 | - | - | - | - |
| Accounts payable | 798,305 | - | - | - | - |
| Other payables | 216,499 | - | - | - | - |
| Long-term borrowings | 88,778 | - | - | - | - |
| Other non-current liabilities | 950 | - | - | - | - |
| Lease liabilities | 10,921 | - | - | - | - |
| Total | \$ 1,212,953 | - | - | - | - |

2) Valuation techniques for financial instruments measured at fair value

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

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

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

3) Transfers between Level 1 and Level 2

There is no transfer for the years ended December 31, 2021 and 2020.

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4) Reconciliation of Level 3 fair values

| | Fair value through other comprehensive income |
|-----------------------------------|--|
| | Unquoted equity instruments |
| Opening balance, January 1, 2021 | \$ 1,109,979 |
| Total gains and losses recognized | |
| Other comprehensive income | (93,480) |
| Reclassification | 24,389 |
| Capital reduction by cash | (15,718) |
| Effect of exchange rate changes | (8,547) |
| Ending Balance, December 31, 2021 | <u>\$ 1,016,623</u> |
| Opening balance, January 1, 2020 | \$ 504,147 |
| Total gains and losses recognized | |
| Other comprehensive income | 359,680 |
| Reclassification | 270,408 |
| Effect of consolidated changes | (32,278) |
| Purchase | 32,278 |
| Capital reduction by cash | (9,803) |
| Effect of exchange rate changes | (14,453) |
| Ending Balance, December 31, 2020 | <u>\$ 1,109,979</u> |

Above-mentioned total gains and losses were included in unrealized gains and losses from financial assets at fair value through other comprehensive income. Among those related to the assets still held on December 31, 2021 and 2020 were as follows:

| | 2021 | 2020 |
|--|--------------------|----------------|
| Total gains and losses recognized: | | |
| In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income” | \$ (93,480) | 359,680 |

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

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

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

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

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationship between significant unobservable inputs and fair value measurement</u> |
|---|---|---|--|
| Financial assets at fair value through other comprehensive income - equity investments without an active market | Market method (Comparable listed company method and comparable transaction method) | · Price to book ratio (0.96~2.01 and 0.89~1.35 as of December 31, 2021 and 2020) | · The fair value would increase if price to book ratio increase |
| | | · Lack of market liquidity discount (3%~43% and 10%~30% as of December 31, 2021 and 2020) | · The fair value would decrease if lack of market liquidity discount increase |

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

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

| | <u>Inputs</u> | <u>Increase/Decrease</u> | <u>Other comprehensive income</u> | |
|---|---------------------|--------------------------|-----------------------------------|--------------------|
| | | | <u>Favorable</u> | <u>Unfavorable</u> |
| December 31, 2021 | | | | |
| Financial assets at fair value through other comprehensive income | Price to book ratio | 10% | \$ 898 | (898) |
| | Liquidity discount | 10% | 21,553 | (21,553) |
| December 31, 2020 | | | | |
| Financial assets at fair value through other comprehensive income | Price to book ratio | 10% | 110,998 | (110,998) |
| | Liquidity discount | 10% | 22,782 | (22,782) |

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

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ae) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Accounts receivable and other receivable

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

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

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

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TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
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2) Investments

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

(iv) Liquidity risk

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

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

(v) Market risk

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

1) Currency risk

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

2) Interest rate risk

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

3) Other market price risk

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

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Notes to the Consolidated Financial Statements

(af) Capital management

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

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

There is no non-cash investing activities for years ended December 31, 2021 and 2020. Reconciliation of liabilities arising from non-cash financing activities for the years ended December 31, 2021 and 2020 was as follows:

| | January 1, 2021 | Cash flows | Lease modification | Non-cash changes Effect of consolidation changes | Additions | December 31, 2021 |
|-------------------|--------------------|----------------|-----------------------|---|--------------|----------------------|
| Lease liabilities | \$ <u>10,921</u> | <u>(6,000)</u> | <u>(15)</u> | <u>-</u> | <u>4,892</u> | <u>9,798</u> |
| | | | | Non-cash changes Effect of consolidation changes | | |
| | January 1, 2020 | Cash flows | Lease modification | Effect of consolidation changes | Additions | December 31, 2020 |
| Lease liabilities | \$ <u>19,013</u> | <u>(7,158)</u> | <u>(469)</u> | <u>(1,491)</u> | <u>1,026</u> | <u>10,921</u> |

(7) Related-party transactions

(a) Names and relationship with related parties

| <u>Name of related party</u> | <u>Relationship with the Group</u> |
|------------------------------|--|
| Yu-Jie Investment Co., Ltd. | A substantive related party |
| OFCO Industrial Corporation | A substantive related party |
| Zung-Fu Investment Co., Ltd. | A substantive related party (As a subsidiary before June 30, 2020) |

(b) Significant transactions with related parties

(i) Disposals of securities

The Group sold all its shares of Zung-Fu Co., Ltd. to OFCO Industrial Corporation on June 30, 2020, with a selling price of \$150,000 thousand and a disposal gain of \$65,862 thousand.

(ii) Purchases of property, plant and equipment

Prices of property, plant and equipment purchased from related parties is summarized as follows:

| | | |
|-----------------------------|-------------|---------------|
| | <u>2021</u> | <u>2020</u> |
| Yu-Jie Investment Co., Ltd. | \$ <u>-</u> | <u>27,417</u> |

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(iii) Acquisitions of financial assets

On July 1, 2020 the Group acquired shares of Globaltop Technology Inc. and Grand Capital Co., Ltd. from Zung-Fu Co., Ltd. with cash of \$7,195 thousand and \$2,092 thousand, respectively. And the Group also acquired shares of Liden Inc., Yu-Jie Inc. and Deng Yun Co., Ltd. at a price of \$32,278 thousand which were accounted for as financial assets at fair value through other comprehensive income.

(c) Key management personnel compensation

| | <u>2021</u> | <u>2020</u> |
|------------------------------|------------------|---------------|
| Short-term employee benefits | \$ 31,902 | 36,382 |
| Post-employment benefits | 1,069 | 3,137 |
| | <u>\$ 32,971</u> | <u>39,519</u> |

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

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

| <u>Pledged assets</u> | <u>Object</u> | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|-----------------------|------------------------------|------------------------------|
| Cash in banks (other financial assets) | Performance guarantee | \$ 1,843 | 5,887 |
| Land, buildings and structures | Borrowings | 587,889 | 593,494 |
| | | <u>\$ 589,732</u> | <u>599,381</u> |

(9) Commitments and contingencies:

(a) Letter of credit issued but not expired

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|---|--|
| Letter of credit outstanding for the import of raw materials | \$ 1,168,086 (including USD256 thousand) | 867,570 (including USD161 thousand and EUR1,570 thousand) |

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(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

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

| By item | By Function | 2021 | | | 2020 | | |
|----------------------------|-------------|----------------|-------------------|---------|----------------|-------------------|---------|
| | | Operating cost | Operating expense | Total | Operating cost | Operating expense | Total |
| Employee benefits | | | | | | | |
| Salary | | \$ 183,506 | 85,790 | 269,296 | 232,584 | 90,723 | 323,307 |
| Labor and health insurance | | 17,724 | 6,211 | 23,935 | 20,228 | 6,374 | 26,602 |
| Pension | | 9,195 | 3,398 | 12,593 | 11,055 | 3,480 | 14,535 |
| Others | | 8,687 | 14,175 | 22,862 | 8,740 | 10,769 | 19,509 |
| Depreciation | | 238,616 | 9,461 | 248,077 | 240,229 | 9,976 | 250,205 |
| Amortization | | 2,553 | - | 2,553 | 2,528 | - | 2,528 |

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(13) Other disclosures:

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2021:

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

(in Thousands of New Taiwan Dollars)

| Name of holder | Category and name of security | Relationship with the security issuer | Account | Ending balance | | | | Highest Percentage of ownership (%) | Note |
|----------------|--|---------------------------------------|---|----------------|----------------|-----------------------------|------------|-------------------------------------|------|
| | | | | Shares | Carrying value | Percentage of ownership (%) | Fair value | | |
| The Company | Test Research, Inc. | - | Current financial assets at fair value through profit or loss | 500,000 | 29,250 | 0.21 % | 29,250 | 0.21 % | |
| The Company | Gloria Material Technology Corp. | - | Current financial assets at fair value through profit or loss | 390,000 | 8,561 | 0.09 % | 8,561 | 0.21 % | |
| The Company | Solar Applied Materials Technology Corp. | - | Current financial assets at fair value through profit or loss | 2,842,000 | 145,226 | 0.48 % | 145,226 | 0.48 % | |
| The Company | Universal Venture Capital Investment Corporation | - | Non-current investment in equity instrument at FVOCI | 8,400,000 | 58,812 | 6.98 % | 58,812 | 6.98 % | |
| The Company | Euroc Venture Capital Corp. | - | Non-current investment in equity instrument at FVOCI | 19,000 | 221 | 2.38 % | 221 | 2.38 % | |
| The Company | Euroc III Venture Capital Corp. | - | Non-current investment in equity instrument at FVOCI | 15,000 | 1,037 | 5.00 % | 1,037 | 5.00 % | |
| The Company | Global Investment Holding Co., Ltd. | - | Non-current investment in equity instrument at FVOCI | 10,233,608 | 99,303 | 5.82 % | 99,303 | 5.82 % | |
| The Company | Faith Alliance Corporation | - | Non-current investment in equity instrument at FVOCI | 25,720 | 81 | 0.06 % | 81 | 0.06 % | |
| The Company | Multilayer P. C. B.& Assembly Manufacturer | - | Non-current investment in equity instrument at FVOCI | 912 | 9 | 0.01 % | 9 | 0.01 % | |
| The Company | Leadwell Cnc Machines Mfg., Corp. | - | Non-current investment in equity instrument at FVOCI | 37,352 | 1,026 | 0.06 % | 1,026 | 0.06 % | |
| The Company | Crownpo Technology Inc. | - | Non-current investment in equity instrument at FVOCI | 709 | 15 | 0.01 % | 15 | 0.01 % | |
| The Company | Infomedia Inc. | - | Non-current investment in equity instrument at FVOCI | 200,000 | 1,209 | 0.11 % | 1,209 | 0.11 % | |

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Notes to Consolidated Financial Statements

| Name of holder | Category and name of security | Relationship with the security issuer | Account | Ending balance | | | | Highest Percentage of ownership (%) | Note |
|----------------|--|---------------------------------------|---|----------------|----------------|-----------------------------|------------|-------------------------------------|------|
| | | | | Shares | Carrying value | Percentage of ownership (%) | Fair value | | |
| The Company | Vxis Technology Corp. | - | Non-current investment in equity instrument at FVOCI | 72,480 | 1,144 | 0.61 % | 1,144 | 0.61 % | |
| The Company | Asia Global Venture Capital II CO., Ltd. | - | Non-current investment in equity instrument at FVOCI | 531,300 | 24,413 | 10.00 % | 24,413 | 10.00 % | |
| The Company | Shieh Tai Biochemical Technology Co., Ltd. | - | Non-current investment in equity instrument at FVOCI | 120,339 | - | 0.32 % | - | 0.32 % | |
| The Company | Lof Solar Corp. | - | Non-current investment in equity instrument at FVOCI | 600,000 | - | 3.64 % | - | 3.64 % | |
| The Company | Yuan-Jie Investment Co., Ltd. | - | Non-current investment in equity instrument at FVOCI | 21,000,000 | 234,184 | 19.09 % | 234,184 | 19.09 % | |
| The Company | Yu-Jie Investment Co., Ltd. | - | Non-current investment in equity instrument at FVOCI | 21,320,000 | 276,321 | 19.38 % | 276,321 | 19.38 % | |
| The Company | Deng Yun Co., Ltd. | - | Non-current investment in equity instrument at FVOCI | 591,945 | 43,640 | 3.09 % | 43,640 | 3.09 % | |
| The Company | Lidien Inc. | - | Non-current investment in equity instrument at FVOCI | 760,000 | 13,994 | 19.00 % | 13,994 | 19.00 % | |
| The Company | Yu-Chie Inc. | - | Non-current investment in equity instrument at FVOCI | 38,000 | 1,593 | 19.00 % | 1,593 | 19.00 % | |
| The Company | GVISION-USA, INC. | - | Non-current investment in equity instrument at FVOCI | 666,667 | 24,426 | 19.05 % | 24,426 | 19.61 % | |
| YSIC Ltd. | M31 Technology Corporation | - | Current financial assets at fair value through profit or loss | 10,000 | 3,975 | 0.03 % | 3,975 | 0.03 % | |
| YSIC Ltd. | Actron Technology Corp. | - | Current financial assets at fair value through profit or loss | 10,000 | 2,440 | 0.01 % | 2,440 | 0.01 % | |
| YSIC Ltd. | Micro-Star International Co., Ltd. | - | Current financial assets at fair value through profit or loss | 20,000 | 3,210 | - % | 3,210 | - % | |
| YSIC Ltd. | Phison Electronics Corp. | - | Current financial assets at fair value through profit or loss | 20,000 | 10,240 | 0.01 % | 10,240 | 0.01 % | |
| YSIC Ltd. | Novatek Microelectronics Corp. | - | Current financial assets at fair value through profit or loss | 10,000 | 5,390 | - % | 5,390 | - % | |
| YSIC Ltd. | Oneness Biotech Co., Ltd. | - | Current financial assets at fair value through profit or loss | 40,000 | 11,500 | 0.01 % | 11,500 | 0.01 % | |
| YSIC Ltd. | Flexium Interconnect Inc. | - | Current financial assets at fair value through profit or loss | 50,000 | 5,225 | 0.01 % | 5,225 | 0.01 % | |
| YSIC Ltd. | Eris Technology Corp. | - | Current financial assets at fair value through profit or loss | 15,000 | 4,327 | 0.03 % | 4,327 | 0.03 % | |

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

| Name of holder | Category and name of security | Relationship with the security issuer | Account | Ending balance | | | | Highest Percentage of ownership (%) | Note |
|----------------|--|---------------------------------------|---|----------------|----------------|-----------------------------|------------|-------------------------------------|------|
| | | | | Shares | Carrying value | Percentage of ownership (%) | Fair value | | |
| YSIC Ltd. | Panion & BF Biotech Inc. | - | Current financial assets at fair value through profit or loss | 30,000 | 2,256 | 0.03 % | 2,256 | 0.03 % | |
| YSIC Ltd. | OBI Pharma, Inc. | - | Current financial assets at fair value through profit or loss | 80,000 | 9,120 | 0.04 % | 9,120 | 0.04 % | |
| YSIC Ltd. | Brilliant Network & Automation Integrated Syst | - | Current financial assets at fair value through profit or loss | 15,000 | 3,007 | 0.04 % | 3,007 | 0.04 % | |
| YSIC Ltd. | AlgolTek, Inc. | - | Current financial assets at fair value through profit or loss | 15,000 | 2,497 | 0.06 % | 2,497 | 0.06 % | |
| YSIC Ltd. | Alltop Technology Co.,Ltd. | - | Current financial assets at fair value through profit or loss | 10,000 | 1,845 | 0.02 % | 1,845 | 0.02 % | |
| YSIC Ltd. | WinWay Technology Co.,Ltd. | - | Current financial assets at fair value through profit or loss | 5,000 | 2,168 | 0.01 % | 2,168 | 0.01 % | |
| YSIC Ltd. | AURAS Technology Co.,Ltd. | - | Current financial assets at fair value through profit or loss | 20,000 | 4,040 | 0.02 % | 4,040 | 0.02 % | |
| YSIC Ltd. | Pharma Essentia Corp. | - | Current financial assets at fair value through profit or loss | 1,000 | 293 | - % | 293 | - % | |
| YSIC Ltd. | Shin Kong Environmental Sustainability Bond Fund | - | Current financial assets at fair value through profit or loss | 3,200,000 | 50,036 | - % | 50,036 | - % | |
| YSIC Ltd. | Fubon Asset Management Co.,Ltd. | - | Current financial assets at fair value through profit or loss | 100,000 | 1,541 | - % | 1,541 | - % | |
| YSIC Ltd. | Cjw International Co., Ltd. | - | Non-current financial assets at fair value through profit or loss | 676,413 | 5,756 | 0.65 % | 5,756 | 0.65 % | |
| YSIC Ltd. | Cyca International Co., Ltd. | - | Non-current financial assets at fair value through profit or loss | 101,677 | - | - % | - | - % | |
| YSIC Ltd. | Mcm Stamping Co., Ltd. | - | Non-current investment in equity instrument at FVOCI | 200,000 | 426 | 0.63 % | 426 | 0.63 % | |
| YSIC Ltd. | Vxis Technology Corp. | - | Non-current investment in equity instrument at FVOCI | 72,480 | 1,144 | 0.61 % | 1,144 | 0.61 % | |
| YSIC Ltd. | Infomedia Inc. | - | Non-current investment in equity instrument at FVOCI | 650,000 | 3,929 | 0.35 % | 3,929 | 0.35 % | |
| YSIC Ltd. | Yuan-Jie Investment Co., Ltd. | - | Non-current investment in equity instrument at FVOCI | 10,000 | 1,115 | 0.09 % | 1,115 | 0.09 % | |
| YSIC Ltd. | Yu-Jie Investment Co., Ltd. | - | Non-current investment in equity instrument at FVOCI | 103,000 | 1,335 | 0.09 % | 1,335 | 0.09 % | |

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

| Name of holder | Category and name of security | Relationship with the security issuer | Account | Ending balance | | | | Highest Percentage of ownership (%) | Note |
|--|------------------------------------|---------------------------------------|---|----------------|----------------|-----------------------------|------------|-------------------------------------|------|
| | | | | Shares | Carrying value | Percentage of ownership (%) | Fair value | | |
| YSIC Ltd. | Deng Yun Co., Ltd. | - | Non-current investment in equity instrument at FVOCI | 3,082,453 | 227,246 | 16.10 % | 227,246 | 16.10 % | |
| Yuan-Shin Materials Technology Co., Ltd. | Yuanta Financial Holding Co., Ltd. | - | Current financial assets at fair value through profit or loss | 300,000 | 7,590 | - % | 7,590 | - % | |
| Yuan-Shin Materials Technology Co., Ltd. | Weikeng Industrial Co., Ltd. | - | Current financial assets at fair value through profit or loss | 30,000 | 959 | 0.01 % | 959 | 0.01 % | |
| Yuan-Shin Materials Technology Co., Ltd. | Wah Lee Industrial Co., Ltd. | - | Current financial assets at fair value through profit or loss | 14,000 | 1,498 | - % | 1,498 | - % | |
| Yuan-Shin Materials Technology Co., Ltd. | China General Plastics Co., Ltd. | - | Current financial assets at fair value through profit or loss | 50,000 | 1,735 | 0.01 % | 1,735 | 0.01 % | |

- (iv) Information regarding purchase or sale of securities for the period exceeding NTD300 million or 20% of the Company's paid-in capital: None
- (v) Information on acquisition of real estate with purchase amount exceeding NTD300 million or 20% of the Company's paid-in capital: None
- (vi) Information regarding receivables from disposal of real estate exceeding NTD300 million or 20% of the Company's paid-in capital: None
- (vii) Information regarding related-parties purchases and/or sales exceeding NTD100 million or 20% of the Company's paid-in capital: None
- (viii) Information regarding receivables from related-parties exceeding NTD100 million or 20% of the Company's paid-in capital: None
- (ix) Information regarding trading in derivative financial instruments: None
- (x) Significant transactions and business relationship between the parent company and its subsidiaries for year ended December 31, 2021: None
- (b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2021 | | | Highest Percentage of ownership | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|--|------------------------|---|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|---------------------------------|-------------------------------------|------------|
| | | | | December 31, 2021 | December 31, 2020 | Shares | Percentage of ownership | Carrying value | | | | |
| The Company | Grand Cathay Venture Capital Co., Ltd. | Taiwan | Investment business | 400,000 | 400,000 | 40,000,000 | 25.00 % | 467,450 | 25.00 % | 181,735 | 45,434 | |
| The Company | Wonderland Enterprise Co., Ltd. | Taiwan | General investment business | 325,230 | 325,230 | 29,629,597 | 37.04 % | 835,959 | 37.04 % | (6,697) | (2,480) | |
| The Company | Gvision-USA, Inc. | USA | Sale and distribution of liquid crystal displays | - | 56,266 | - | - % | - | 44.44 % | (3,646) | (1,621) | |
| The Company | Functional Coating System Technologies Co., Ltd. | Taiwan | OEM Of Semiconductor and components conformal coating | 28,500 | 28,500 | 1,744,186 | 34.88 % | 26,069 | 34.88 % | (934) | (326) | |
| The Company | Universal Investments Limited | British Cayman Islands | Real estate investment business | 17,273 | - | 80 | 40.00 % | 17,038 | 40.00 % | (910) | (526) | |
| The Company | YSIC Ltd. | Taiwan | Residential building and industrial plant development rental business | 1,638,169 | 1,638,169 | 72,446,838 | 99.99 % | 865,025 | 99.99 % | 5,127 | 5,127 | Subsidiary |
| The Company | Yuan Shin Materials Technology Co., Ltd. | Taiwan | Basic precision chemical materials and plastic raw material manufacturing | 145,900 | 145,900 | 5,000,000 | 100.00 % | 57,376 | 100.00 % | 15,057 | 15,057 | Subsidiary |
| The Company | Yangmingshan Tien Lai Resort & SPA | Taiwan | General hotel industry | 630,555 | 630,555 | 25,865,618 | 65.07 % | 690,914 | 65.07 % | (6,233) | (6,369) | Subsidiary |
| The Company | Asia Carbon & Technology Inc. | Taiwan | Electronic component manufacturing | 291,064 | 291,064 | 9,866,389 | 98.58 % | 620 | 98.58 % | (888) | (875) | Subsidiary |

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2021 | | | Highest Percentage of ownership | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|------------------------------------|------------|------------------------------|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|---------------------------------|-------------------------------------|------------|
| | | | | December 31, 2021 | December 31, 2020 | Shares | Percentage of ownership | Carrying value | | | | |
| YSIC Ltd. | Kun Shan International Ltd. | Seychelles | General investment business | 122,572 | 122,572 | 3,702,718 | 62.03 % | 139,250 | 62.03 % | 6,174 | 3,830 | Subsidiary |
| YSIC Ltd. | Grand Capital Co., Ltd. | Seychelles | General investment business | 90,182 | 90,182 | 2,698,002 | 100.00 % | 229,162 | 100.00 % | (128) | (128) | Subsidiary |
| YSIC Ltd. | Yangmingshan Tien Lai Resort & SPA | Taiwan | General hotel industry | 110,836 | 110,836 | 4,807,774 | 12.10 % | 118,089 | 12.10 % | (6,233) | (1,113) | Subsidiary |
| YSIC Ltd. | Globaltop Technology Inc. | Taiwan | Aluminum Nitride Powder | 162,643 | 162,643 | 5,255,553 | 23.89 % | 49,332 | 31.85 % | (18,927) | (5,960) | |
| YSIC Ltd. | Tien Lai Co., Ltd. | Taiwan | Pipe Lines Construction | 5,000 | 5,000 | 500,000 | 50.00 % | 1,440 | 50.00 % | (549) | (274) | Subsidiary |

(c) Information on investment in mainland China:

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

(in Thousands of New Taiwan Dollars)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2021 | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2021 | Net income (losses) of the investee | Percentage of ownership | Highest Percentage of ownership | Investment income (losses) | Book value | Accumulated remittance of earnings in current period |
|---|--|---------------------------------|-------------------------------|---|------------------|--------|---|-------------------------------------|-------------------------|---------------------------------|----------------------------|------------|--|
| | | | | | Outflow | Inflow | | | | | | | |
| Kun Shan Yu-Fu Technology Education Consulting Co., Ltd. | Educational consulting, information operation consulting, software and data storage consultation | 96,006 (USD 3,468) | (2) | 101,032 (USD 3,650) | - | - | 101,032 (USD 3,650) | 6,407 (USD 229) | 62.03% | 62.03 % | 3,974 | 97,976 | - |
| Kun Shan Jia-An Technology Education Consulting Co., Ltd. | Educational consulting, information operation consulting, software and data storage consultation | 67,306 (USD 2,432) | (2) | (Note 3) | - | - | - | (96) (-USD3) | 62.03% | 62.03 % | (60) | 40,165 | - |

Note1: The investment methods are divided into the following three types: (1) Direct investment in Mainland China. (2) Indirect investment in Mainland China through a holding company established in other countries. (3) Others.

Note2: The foreign currency transactions have been translated into New Taiwan Dollar at the exchange rate at the end of the financial reporting date and the average exchange rate (USD1= NTD27.68, USD1=NTD27.9856).

Note3: Kun Shan Yu-Fu Technology Education Consulting Co., Ltd. had been spun-off as Kun Shan Yu-Fu Technology Education Consulting Co., Ltd. and Kun Shan Jia-An Technology Education Consulting Co., Ltd.

(ii) Upper limit on investment in Mainland China:

| Accumulated Investment in Mainland China as of December 31, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment (Note) |
|--|--|----------------------------------|
| 101,032 (USD 3,650) | 101,032 (USD 3,650) | 519,086 |

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

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

(d) Major shareholders:

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

(Continued)

TAIWAN STYRENE MONOMER CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

- (i) Plasticization segment: manufacturing and domestic/international sales of styrene monomer, manufacturing and sales of chemical materials and plastic materials.
- (ii) Investment segment: investment business.
- (iii) Other segment: the revenues of the segments that have not reached the quantitative threshold are hotel and general service business.

(b) The Group's operating segment information and reconciliation are as follows:

| | For the year ended December 31, 2021 | | | | |
|-----------------------------------|---|-------------------------------|---------------------------|---|-------------------|
| | Plasticization segment | Investment segment | Other segments | Reconciliation and elimination | Total |
| Revenue | | | | | |
| Revenue from external customers | \$ 11,579,268 | 20,583 | 114,165 | - | 11,714,016 |
| Intersegments revenues | - | 171 | 2,129 | (2,300) | - |
| Total revenue | <u>\$ 11,579,268</u> | <u>20,754</u> | <u>116,294</u> | <u>(2,300)</u> | <u>11,714,016</u> |
| Reportable segment profit or loss | <u>\$ 10,260</u> | <u>8,557</u> | <u>(10,564)</u> | <u>(14,500)</u> | <u>(6,247)</u> |

| | For the year ended December 31, 2020 | | | | |
|-----------------------------------|---|-------------------------------|---------------------------|---|------------------|
| | Plasticization segment | Investment segment | Other segments | Reconciliation and elimination | Total |
| Revenue | | | | | |
| Revenue from external customers | \$ 7,899,885 | (27,166) | 240,506 | - | 8,113,225 |
| Intersegments revenues | - | 217 | 3,549 | (3,766) | - |
| Total revenue | <u>\$ 7,899,885</u> | <u>(26,949)</u> | <u>244,055</u> | <u>(3,766)</u> | <u>8,113,225</u> |
| Reportable segment profit or loss | <u>\$ 367,819</u> | <u>(38,112)</u> | <u>(33,129)</u> | <u>72,679</u> | <u>369,257</u> |

(i) Information about products and services

The Group operating business by production perspective and information about products and services revenue from external customers is the same as in note 14(b).

(ii) Information about major customers

| | 2021 | 2020 |
|--|---------------------|------------------|
| Customer A from Plasticization segment | \$ 5,550,676 | 3,777,315 |
| Customer B from Plasticization segment | 2,302,837 | 1,512,845 |
| | <u>\$ 7,853,513</u> | <u>5,290,160</u> |