

Lien Hwa Industrial Holdings Corporation
(Original name: Lien Hwa Industrial
Corporation)
Parent Company Only Financial
Statements and Independent Auditor's
Report
December 31, 2021 and 2020

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Independent Auditors' Report

To the Board of Directors and Shareholders of Lien Hwa Industrial Holdings Corporation:

Opinion

We have audited the balance sheet of Lien Hwa Industrial Holdings Corporation (Original name: Lien Hwa Industrial Corporation) as at December 31, 2021 and 2020, and the comprehensive income statement, the statement of changes in equity and the cash flow statement, and the notes to parent company only financial statements (including the summary of significant accounting policies) for the year ended December 31, 2021 and 2020.

In our opinion, all material disclosures of the parent company only financial statements mentioned above were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Firms, and presented a fair view of the financial position of Lien Hwa Industrial Holdings Corporation as at December 31, 2021 and 2020, and the business performance and cash flow for the year ended December 31, 2021 and 2020.

Basis for opinion

We have conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. Our responsibility to the standards will be explained in the paragraph of auditor's responsibilities when auditing the parent company only financial statements. All relevant independent personnel subject to the CPA professional ethics within the firm remain independent from the Lien Hwa Industrial Holdings Corporation and implement responsibilities regulated in the ethics. We believe we have obtained sufficient appropriate audit evidence to serve as the basis for the audit opinion.

Key audit matters

Key audit matters are the most important matters that we audit in the 2021 parent company only financial statements of Lien Hwa Industrial Holdings Corporation based on our professional judgment. All relevant matters were audited during the audit of the parent company only financial statements and the formulation of the audit opinions. We will not express our opinions on those matters separately. The key audit matters that we determine shall be listed on the audit report include:

Assessment of investment under equity method

Regarding the accounting policies for the investment assessment under equity method, please see note 4(7) and (8) to the Parent Company Only Financial Statements; for the shareholding in the profit of the affiliated companies and joint ventures under the equity method, please see note 6(4) to the Parent Company Only Financial Statements.

Description of the key audit matters:

Lien Hwa Industrial Holdings Corporation the main business became general investment. The recognized investment amount under equity method totaled NTD36,793,070 thousand, occupying 80% of Lien Hwa Industrial Holdings Corporation's total assets. Therefore, the investment under equity method is listed as a matter we need to highly focus on when auditing. Corresponding audit process:

The audit process we perform for the above key audit matters includes: provide audit instructions to and communicate with the audit staff of other component entities; acquire the financial statements of the component entities, perform a check calculation for the correctness of the recognized investment amount under equity method and attributable period and assess whether the management has properly discoursed the investment under equity method.

The responsibility of the management and the governing body for the parent company only financial statements

The management is responsible for preparing the appropriate parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Firms. Additionally, it is responsible for maintaining the internal control mechanism that is related to and necessary for the preparation of the parent company only financial statements. As a result, it can ensure material misstatement due to fraud or error is not pertained in the parent company only financial statements.

Other than the situation that the management intends to liquidate Lien Hwa Industrial Holdings Corporation or stop the business, or no other approaches can be used except for these two measures, during the preparation of the parent company only financial statements, the responsibility of the management also includes evaluating the going concern capacity of the Lien Hwa Industrial Holdings Corporation, disclosure of relative matters, and adoption of the going concern accounting basis.

The governing body of the Lien Hwa Industrial Holdings Corporation (including the Audit Committee) has the responsibility to supervise the financial reporting procedures.

Our responsibility for the audit of the parent company only financial statements

The purpose for us to audit the parent company only financial statements is to obtain reasonable assurance that there is no material misstatement due to fraud or error in the parent company only financial statements, and we issue the audit report afterwards. Reasonable assurance means high assurance. Only that the audit work implemented in accordance with the generally accepted auditing standards cannot give the promise that every material misstatement in the parent company only financial statements are found. Misstatement might result from fraud or error. If we can reasonably expect the individual amounts or the total amount in the misstatement would influence the financial decision made by the user of the parent company only financial statements, the misstatement is considered material.

When performing the audit according to the generally accepted auditing standards, we exercise professional judgment and remain skeptical professionally. We also perform the following work:

1. We identify the material misstatement resulting from fraud or error in the parent company only financial statement and assess its risk. We design and implement appropriate corresponding measures for the assessed risk. We acquire sufficient and appropriate audit evidence to serve as the basis for the audit opinion. Due to the fact that fraud might include collusion, forgery, intended omission, misstatement and violation of internal control, the risk of the misstatement resulting from fraud is higher than that resulting from error.
2. We acquire necessary understanding of the internal control mechanism that is related to the audit to design appropriate audit process for the situation at the time. The purpose of the knowledge is not expressing opinions to the effectiveness of the internal control mechanism of the Lien Hwa Industrial Holdings Corporation.
3. We evaluate whether the accounting policies adopted by the management are suitable and whether the accounting estimation as well as relative disclosures are appropriate.
4. Based on the acquired audit evidence, we decide whether the going concern accounting basis adopted by the management is suitable, whether events that might affect the going concern capacity of Lien Hwa Industrial Holdings Corporation exist, and whether there is major uncertainty. A conclusion will be made afterwards. We believe under the circumstances that there is major uncertainty, a reminder shall be included in the audit report to inform the parent company only financial statements user to pay attention to relative disclosures in the statements. We shall modify the audit opinion when the disclosure is considered improper. Our conclusion is based on the audit evidence acquired as of the date of the audit report. Future events or circumstances might still result in the fact that Lien Hwa Industrial Holdings Corporation no longer has the going concern capacity.
5. We evaluate the overall statements, structures and contents of the parent company only financial statements (including relative notes) and see whether the statements appropriately state relevant transactions and events.

6. We examine the financial information of invested company under the equity method to acquire sufficient and appropriate audit evidence for expressing opinions in the parent company only financial statements. We are responsible to guide, supervise and implement the audit. In addition, we are responsible for the formulation of opinions for Lien Hwa Industrial Holdings Corporation.

We communicate with the governing body on the scope and time of the audit as well as the significant findings (including significant deficiencies of the internal control mechanism identified during the audit process).

We have issued a declaration of independence to the governing body, which assured that all relevant personnel within the CPA firm had complied with ethical rules of the CPA profession. Besides, we mention the relation or situation that may compromise the CPA's independence (including relevant preventive measures) to the governing body.

After communicating the above matters with the governing body, we decide the key audit matters in the 2021 parent company only financial report of Lien Hwa Industrial Holdings Corporation. We clearly state all above matters in the audit report, unless the law prohibits us to publicly disclose certain matters, or under rare circumstances we decide not to include certain matters in the audit report since we can reasonably expect the resulting negative impact is greater than the public interest they bring.

The engagement partners on the audit resulting in this independent auditors' report are Swimming Hsu and Linda Chiang

KPMG

Taipei, Taiwan (Republic of China)
March 9, 2022

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China.

Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

Lien Hwa Industrial Holdings Corporation (original name: Lien Hwa Industrial Corporation)
Parent Company Only Balance Sheet
December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Assets		<u>December 31, 2021</u>		<u>December 31, 2020</u>				<u>December 31, 2021</u>		<u>December 31, 2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current assets:						Liabilities and equity					
						Current liabilities:					
1100	Cash and cash equivalent (note 6(1))	\$ 136,631	-	\$ 138,569	-	2100	Current borrowings (note 6(6) and 7)	\$ 4,600,000	10	\$ 3,800,000	10
1206	Other receivables (note 6(3))	387	-	617	-	2110	Short-term notes and bills payable (note 6(7))	799,876	2	799,863	2
1220	Current tax assets	5,331	-	4,887	-	2200	Other payables (note 7)	55,944	-	52,678	-
1470	Other current assets	297	-	579	-	2230	Current tax liabilities	1,470	-	-	-
		<u>142,646</u>	<u>-</u>	<u>144,652</u>	<u>-</u>			<u>5,457,290</u>	<u>12</u>	<u>4,652,541</u>	<u>12</u>
Non-current assets:						Non-current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income (note 6(2))	9,203,017	20	6,577,693	18	2540	Non-current portion of non-current borrowings (note 6(8))	1,100,000	2	1,300,000	4
1550	Investments accounted for using equity method (note 6(4))	36,793,070	80	31,093,720	82	2551	Provision for employee benefit liability – non-current	862	-	858	-
1760	Investment property, net (note 6(5))	3,395	-	3,395	-	2600	Other non-current liabilities (note 7)	71,934	-	71,935	-
1975	Net defined benefit asset, non-current (note 6(9))	4,941	-	5,136	-			<u>1,172,796</u>	<u>2</u>	<u>1,372,793</u>	<u>4</u>
1990	Other non-current assets, others (note 6(10) and 8)	2,674	-	2,671	-		Total liabilities	<u>6,630,086</u>	<u>14</u>	<u>6,025,334</u>	<u>16</u>
		<u>46,007,097</u>	<u>100</u>	<u>37,682,615</u>	<u>100</u>		Equity: (note 6(11))				
						3110	Common shares	14,096,481	31	12,814,983	34
						3200	Capital surplus	1,084,644	2	856,544	3
						3300	Retained earnings	13,363,288	29	12,556,851	33
						3400	Other equities	11,160,007	24	5,758,318	15
						3500	Treasury stock	(184,763)	-	(184,763)	-
							Total equity	<u>39,519,657</u>	<u>86</u>	<u>31,801,933</u>	<u>84</u>
Total assets		<u>\$ 46,149,743</u>	<u>100</u>	<u>\$ 37,827,267</u>	<u>100</u>		Total liabilities and equity	<u>\$ 46,149,743</u>	<u>100</u>	<u>\$ 37,827,267</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars , except for earnings per common share)

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (note 6(4))	\$ 1,662,452	100	1,055,797	100
	Operating expenses:				
6200	Management expense	53,400	3	45,308	4
6450	Estimate credit loss (gain)	-	-	(37)	-
		<u>53,400</u>	<u>3</u>	<u>45,271</u>	<u>4</u>
	Net operating profit	<u>1,609,052</u>	<u>97</u>	<u>1,010,526</u>	<u>96</u>
	Non-operating income and expenses:				
7100	Interest income (note 6(15) and 7)	145	-	829	-
7010	Other revenues (note 6(2and15))	329,550	20	267,758	25
7020	Other profit and loss (note 6(15))	5,675	-	12,340	1
7050	Financial cost (note 6(15) and 7)	(52,535)	(3)	(53,663)	(5)
7370	Shareholding in the profit of the affiliated companies and joint ventures under the equity method (note 6(4))	2,169,592	131	1,870,229	177
		<u>2,452,427</u>	<u>148</u>	<u>2,097,493</u>	<u>198</u>
7900	Net income before tax	<u>4,061,479</u>	<u>245</u>	<u>3,108,019</u>	<u>294</u>
7951	Less: Income tax (benefits) expenses (note 6(10))	<u>(27,664)</u>	<u>(2)</u>	<u>9,289</u>	<u>1</u>
	Net income	<u>4,089,143</u>	<u>247</u>	<u>3,098,730</u>	<u>293</u>
	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(40)	-	1,988	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	1,831,638	110	945,670	90
8330	Share of other comprehensive income of subsidiaries, affiliates and joint ventures under equity method - items not reclassified into profit or loss	3,877,573	233	2,256,566	214
8349	Less: Income tax related to items not reclassified	-	-	-	-
	Total items not reclassified into profit or loss	<u>5,709,171</u>	<u>343</u>	<u>3,204,224</u>	<u>304</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	(40,361)	(2)	116,743	11
8380	Share of other comprehensive income of subsidiaries, affiliates and joint ventures under equity method- items may be reclassified into profit or loss	(89,431)	(5)	62,608	6
8399	Less: Income tax related to items may be reclassified	-	-	-	-
	Total items may be subsequently reclassified into profit or loss	<u>(129,792)</u>	<u>(7)</u>	<u>179,351</u>	<u>17</u>
	Other comprehensive income in current period (net amount after tax)	<u>5,579,379</u>	<u>336</u>	<u>3,383,575</u>	<u>321</u>
8500	Total comprehensive income	<u>\$ 9,668,522</u>	<u>583</u>	<u>6,482,305</u>	<u>614</u>
	EPS (unit: NTD) (note 6(12))				
9750	Basic earnings per share	<u>\$ 2.92</u>		<u>2.21</u>	
9850	Diluted earnings per share	<u>\$ 2.92</u>		<u>2.21</u>	

The accompanying notes are an integral part of the parent company only financial statements.

Lien Hwa Industrial Holdings Corporation (original name: Lien Hwa Industrial Corporation)

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Share capital Common stock share capital	Additional paid-in capital	Retained earnings		Undistributed earnings	Other equities		Treasury stocks	Total equities
			Legal reserve	Special reserve		Exchange difference in the financial statements of foreign operations	Unrealized profit (loss) of the financial assets measured at fair values through other comprehensive profit or loss		
Balance on January 1, 2020	\$ 11,047,399	765,121	3,059,406	141,843	9,674,705	(384,933)	2,879,610	(184,763)	26,998,388
Net income	-	-	-	-	3,098,730	-	-	-	3,098,730
Other comprehensive income	-	-	-	-	(6,741)	179,351	3,210,965	-	3,383,575
Total comprehensive income	-	-	-	-	3,091,989	179,351	3,210,965	-	6,482,305
Allocation and distribution of earnings:									
Legal reserve appropriated	-	-	411,656	-	(411,656)	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(1,767,584)	-	-	-	(1,767,584)
Common stock dividends	1,767,584	-	-	-	(1,767,584)	-	-	-	-
Changes of affiliates and joint ventures under equity method	-	80,984	-	-	126,272	-	(126,675)	-	80,581
Distribution of dividend to the subsidiary to adjust the additional paid-in capital	-	9,516	-	-	-	-	-	-	9,516
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	923	-	-	(2,196)	-	-	-	(1,273)
Balance on December 31, 2020	12,814,983	856,544	3,471,062	141,843	8,943,946	(205,582)	5,963,900	(184,763)	31,801,933
Net income	-	-	-	-	4,089,143	-	-	-	4,089,143
Other comprehensive income	-	-	-	-	(3,857)	(129,792)	5,713,028	-	5,579,379
Total comprehensive income	-	-	-	-	4,085,286	(129,792)	5,713,028	-	9,668,522
Allocation and distribution of earnings:									
Legal reserve appropriated	-	-	321,606	-	(321,606)	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(2,178,547)	-	-	-	(2,178,547)
Common stock dividends	1,281,498	-	-	-	(1,281,498)	-	-	-	-
Changes of affiliates and joint ventures under equity method	-	(35,818)	-	-	181,327	-	(181,568)	-	(36,059)
Other changes in capital surplus	-	247	-	-	-	-	-	-	247
Distribution of dividend to the subsidiary to adjust the additional paid-in capital	-	11,728	-	-	-	-	-	-	11,728
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(24)	-	-	-	-	-	-	(24)
Changes in ownership interests in subsidiaries	-	251,967	-	-	(110)	-	-	-	251,857
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(21)	-	21	-	-
Balance on December 31, 2021	\$ 14,096,481	1,084,644	3,792,668	141,843	9,428,777	(335,374)	11,495,381	(184,763)	39,519,657

The accompanying notes are an integral part of the parent company only financial statements.

Lien Hwa Industrial Holdings Corporation (original name: Lien Hwa Industrial Corporation)

Parent Company Only Statement of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flow from operating activities:		
Net income before tax	\$ 4,061,479	3,108,019
Adjustments:		
Income/expenses		
Reversal gain from estimate credit loss	-	(37)
Interest expense	52,535	53,663
Interest income	(145)	(829)
Dividend income	(329,550)	(267,758)
Shareholding in the profit of the subsidiaries, affiliated companies and joint ventures under the equity method	(3,832,044)	(2,926,026)
Income/expenses	<u>(4,109,204)</u>	<u>(3,140,987)</u>
Changes in operating activities related assets and liabilities:		
Net changes in assets relating to operating activities:		
Accounts receivable	-	8,561
Other receivable	230	116,375
Other current assets	282	6,094
Net defined benefit assets	155	130
Net changes in assets relating to operating activities	<u>667</u>	<u>131,160</u>
Net changes in liabilities relating to operating activities:		
Accounts payable	-	(8,558)
Other payable	3,074	(8,158)
Reserve for liabilities	4	94
Other current liabilities	-	(56)
Net changes in liabilities relating to operating activities	<u>3,078</u>	<u>(16,678)</u>
Changes in operating activities related assets and liabilities	<u>3,745</u>	<u>114,482</u>
Adjustments	<u>(4,105,459)</u>	<u>(3,026,505)</u>
Cash inflow (outflow) from operating activities	(43,980)	81,514
Interest received	145	829
Dividend received	2,186,512	2,617,433
Interest paid	(52,343)	(54,401)
Returned income tax (paid)	28,687	(27,224)
Net cash inflow from operating activities	<u>2,119,021</u>	<u>2,618,151</u>

(Continued)

Lien Hwa Industrial Holdings Corporation (original name: Lien Hwa Industrial Corporation)

Parent Company Only Statement of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flow from investing activities:		
Acquisition of financial assets measured at fair values through other comprehensive profit or loss	\$ (818,619)	-
Refunds from decapitalization of financial assets measured at fair values through other comprehensive profit or loss	24,933	6,600
Acquisition of investments under the equity method	-	(901,398)
Proceeds from disposal of investments accounted for using equity method	14	-
Proceeds from capital reduction of investments under the equity method	251,000	416,208
Decrease in other receivable	-	1,500
Net cash outflow from investing activities	<u>(542,672)</u>	<u>(477,090)</u>
Cash flow from financing activities:		
Increase (decrease) in short-term loans	800,000	(450,000)
Increase in short-term notes payable	13	199,921
Borrowing of long-term loan	1,700,000	800,000
Retirement of long-term loans	(1,900,000)	(400,000)
Decrease in other payable-related parties	-	(500,000)
Cash dividend distribution	(2,178,547)	(1,767,584)
Demerger decrease	247	(3,395)
Net cash outflow from financing activities	<u>(1,578,287)</u>	<u>(2,121,058)</u>
Current cash and cash equivalents increase (decrease)	(1,938)	20,003
Opening balance of cash and cash equivalents	138,569	118,566
Closing balance of cash and cash equivalents	<u><u>\$ 136,631</u></u>	<u><u>138,569</u></u>

The accompanying notes are an integral part of the parent company only financial statements.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements
For the years ended December 31, 2021 and 2020

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

I. Company profile

Lien Hwa Industrial Holdings Corporation (Original name: Lien Hwa Industrial Corporation Hereinafter referred to as “the Company”) was approved by the Ministry of Economic Affairs and founded in July, 1955. The Company merged with China Chemical Corporation on December 1, 2002. To become more competitive and improve the business performance, the Company performed organizational reconstructing and established a professional breakdown system. In the shareholder’s meeting on June 25, 2019, it was resolved that September 1, 2019 was the base date of company demerger. The flour business and the rental business were split in the form of surviving spin-off and transferred to the subsidiaries, Lien Hwa Milling Corporation and Lien Hwa Property Development Corporation, respectively. After the demerger and transformation, the main business became general investment. And was registered at 6F., No. 44, Sec. 1, Chengde Rd., Datong Dist., Taipei City.

II. Financial report approval date and procedures

The parent company only financial statements were approved and published by the Board of Directors on March 9, 2022.

III. Application of new standards, amendments and interpretations

- (1) We have adopted the new standards, amendments and interpretations approved by the Financial Supervisory Commission.

The company has applied the following amended IFRS since January 1, 2021, and its application of such amended IFRS shall have little chance leading to material impacts in the parent company only financial statements.

- Amendments to IFRS No. 4 “Extension of the Temporary Exemption From Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, “Interest Rate Benchmark Reform - Stage 2”

The company has applied the following amended IFRS since April 1, 2021, and its application of such amended IFRS shall have little chance leading to material impacts in the parent company only financial statements.

- Amendments to IFRS 16, “Covid-19-Related Rent Concessions beyond June 30, 2021”
- (2) Effect when the Company has yet to adopt the IFRSs approved by the FSC.

The company evaluated that the application of the following amended IFRS since

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

January 1, 2022 shall have little chance leading to material impacts in the parent company only 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”
- IFRS 2018-2020 Annual Improvement
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(3) New and amended standards and interpretations not yet recognized by FSC.

IFRSs that have been released and amended by the International Accounting Standards Board (hereinafter referred to as the “IASB”) but have not yet been approved by the FSC as critical to the company are listed as follows:

<u>New or amended standard</u>	<u>Contents of the amendments</u>	<u>Effective date of IASB's announcement</u>
Amendments to IFRS 1, “Classification of Liabilities as Current or Non-Current”	The amended provisions are intended to improve the consistency in the application of the standards to help an enterprise identify the debt for which the date of repayment is uncertain or whether other liabilities should be stated as current (the current portion, or might be the current portion) or noncurrent. The amended provisions also clarify the classification requirements about the debts which an enterprise is likely to settle through conversion of the debts to equity.	January 1, 2023
Amendments to IAS 12, “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	The amended provisions are intended to narrow the scope of recognition exemption. When the initial recognition of a transaction generates the equal taxable and deductible temporary difference, the recognition exemption shall not apply any longer.	January 1, 2023

The company was currently evaluating how the above standards and interpretations would affect its financial position and business performance. Further impacts will be disclosed once the evaluation is completed.

The company expected that the following other new and amended IFRSs that have not yet been approved shall have little chance leading to material impacts in the financial statements.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

- Amendment to IFRS 10 and IAS 28, “The Assets Sales or Purchase between Investors and Their Affiliates or Joint Ventures”
- IFRS 17, “Insurance Contract, and amendments to IFRS 17
- Amendments to IAS 1, “Disclosure of Accounting Policies”
- Amendments to IAS 8, “Definition of Accounting Estimates”

IV. Summary of Significant Accounting Policies

The summary of the significant accounting policies adopted by the parent company only financial statements is described as follows. The following accounting policies have been applied during the presentation period of the parent company only financial statements.

(I) Statement of compliance

The parent company only financial statements were prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(II) Basis for preparation

1. Basis for measurement

In addition to the following important items in the balance sheet, the parent company only financial statements were prepared based on the historical cost:

- (1) Financial assets measured at fair value through other comprehensive profit or loss;
- (2) Net defined benefit liabilities measured at the fair value of pension fund assets with the deduction of the present value of a defined benefit obligation and the ceiling effect described in note 4(11).

2. Functional currency and presentation currency

Each vehicle of the Company used the currency of the primary economic environment as its functional currency. The parent company only financial statements were prepared in the Company’s functional currency, NT Dollar. All of the financial information presented in NTD should be held presented in NTD 1,000 as the currency unit.

(III) Foreign currency

1. Transactions in foreign currencies

Foreign currency transactions are converted into the functional currency using exchange rates on the date of transaction. Monetary foreign currency accounts as of the end of the reporting period (referred to as the reporting date) are converted into the functional currency using exchange rates on the reporting date.

The foreign currency non-monetary item measured at fair value is converted into functional currency in accordance with the exchange rate on the valuation date. The foreign currency non-monetary item valued at historical cost is converted in

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

accordance with the exchange rates on the transaction date.

The foreign currency exchange difference generated from conversion shall be recognized in profit and loss. But under the circumstances below, it shall be recognized in other comprehensive income.

- (1) Equity instrument designated to be measured at fair value through other comprehensive income;
- (2) Financial liabilities designated as hedges of foreign institution's net investment are within the effective hedge scope; or
- (3) Qualified cash flow hedge is within the effective hedge scope.

2. Foreign operating agency

Assets and liabilities of foreign operations, including the goodwill and fair value adjustment generated at the time of acquisition, shall be converted into the presentation currency of the parent company only financial statements on the reporting date. Income and expenses are converted into presentation currency of the parent company only financial statements at the average exchange rate in the current period, and the exchange different generated therefor shall be stated as other comprehensive profit or loss.

When the disposal of a foreign operation causing a loss of control, loss of joint control, or significant influence, the cumulative exchange difference related to the foreign operation is entirely reclassified as profit or loss. If the disposal involves any subsidiary of the foreign operations, the relevant accumulated exchange difference shall be reclassified into the non-controlling interests on a pro rata basis. If the disposal involves any affiliate or joint venture of the foreign operations, the relevant accumulated exchange difference shall be reclassified into income or loss on a pro rata basis.

If no repayment program is defined with respect to monetary item receivable or payable of the foreign operations and it is impossible to settle in the foreseeable future, the foreign currency exchange gain or loss generated therefor shall be held as a part of the net investment of the foreign operations and recognized as other comprehensive profit or loss.

(IV) Classification of assets and liabilities as current and non-current

Assets that meet any of the following criteria are classified as current assets; assets other than the current assets are classified as non-current assets:

1. Assets expected to be realized, intent to be sold or consumed over the normal operating cycles;
2. Assets held primarily for the trading purpose;
3. Assets expected to be realized within 12 months after the reporting period; or

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

4. Assets in cash or cash equivalents, except for those that are used for an exchange or to settle a liability, or otherwise remain restricted in more than 12 months after the reporting period.

Liabilities that meet any of the following criteria are classified as current liabilities; liabilities other than current liabilities are classified as non-current liabilities:

1. Liabilities expected to be settled over the normal operating cycles;
2. Liabilities held primarily for the trading purpose;
3. Liabilities expected to be settled within 12 months after the reporting period; or
4. Liabilities whose settlement period may not be unconditionally extended for at least 12 months after the reporting period. Liabilities under the terms that give counterparties the option to repay in the form of equity instruments and without the effect on their classification due to such terms

(V) Cash and cash equivalent

Cash includes cash reserves and current deposit balance. Cash equivalent includes short-term and highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of changes in value. The time deposits that fall into the above definition and are intended to satisfy the short-term cash commitment instead of investment or other purposes shall be stated as cash or cash equivalents.

For the time deposits with an initial maturity date that is within a year intended to satisfy the short-term cash commitment instead of investment or other purposes, they are readily convertible into fixed amounts of cash at any time and subject to an insignificant risk of changes in value. Therefore, they shall be stated as cash or cash equivalents.

(VI) Financial instruments

Accounts receivable and debt securities issued are recognized at time of generation. All other financial assets and financial liabilities are recognized when the Company becomes a contracting party of the terms and conditions of the financial instruments concerned. For the financial assets that are not measured at fair value through profit or loss (excluding accounts receivable that comprises material financial parts) or financial liabilities shall be initially evaluated based on the fair value, plus the directly attributable acquired or issued transaction cost. Accounts receivable that comprises material financial parts shall be initially measured based on the transaction price.

1. Financial assets

For the financial assets that are purchased or sold in accordance with the general trade practice, and the financial assets that are classified in the same way, the Company processes the purchase and sale in accordance with the trade date accounting.

The financial assets can be classified into the following categories during the

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

initial recognition: financial assets measured at amortized cost and the equity instrument investment measured at fair value through other comprehensive income. When, and only when, the Company changes its business model for managing financial assets, it must reclassify all affected financial assets from the first day of the reporting period.

(1) Financial assets measured at amortized cost

The financial asset that meets the following criteria and is not designated to be measured at fair value through profit and loss shall be measured at amortized cost:

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

The above assets are measured at initial recognition value plus or minus, and the accumulated amortization is calculated with the effective interest method. And the amortized cost of the loss allowance is adjusted before the measurement. The interest revenue, foreign currency exchange gain or loss and impairment are recognized in profit or loss. During derecognition, the profit or loss is recognized in profit or loss.

(2) Financial assets measured at fair values through other comprehensive profit or loss

The debt instrument investment that meets the following criteria and is not designated to be measured at fair value through profit and loss shall be measured at fair value through other comprehensive profit or loss:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows or to sell.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company may, at initial recognition, irrevocably make a choice to recognize the later fair value change of the equity instrument investment held not for transaction in other comprehensive profit or loss. The above choice is made on the basis of the instrument-by-instrument approach.

The debt instrument investment shall be measured at fair value. The interest revenue, foreign currency exchange gain or loss and impairment calculated using the effective interest method are recognized in profit or loss.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

Other net profit or loss is recognized in other comprehensive profit or loss. When derecognizing, the accumulated amount of other comprehensive profit or loss will be reclassified as profit or loss.

The equity instrument investment shall be measured at fair value. Dividend income (excluding obvious recovery of partial investment cost) is recognized in profit or loss. Other net profit or loss is recognized in other comprehensive profit or loss and will not be reclassified as profit or loss.

Dividend income of the equity investment will be recognized on the day when the Company has the right to collect the dividend income (usually the ex-dividend date).

(3) Impairment of financial assets

The Company recognizes the expected credit losses of the financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivables, guaranteed deposits paid and other financial assets) in loss allowance.

The loss allowance of the following financial asset is measured at 12-month expected credit losses. The other is measured at expected credit losses of the duration:

- The determined credit risk of the debt security on the reporting date is low; and
- The credit risk of other debt securities and bank deposits (i.e. the default risk happened throughout the expected duration of the financial instrument) does not increase significantly after the initial recognition.

The loss allowance of accounts receivable is measured at the expected credit losses throughout the duration.

When determining whether the credit risk has increased significantly after the initial recognition, the Company shall take reasonable and supporting materials into consideration (acquired through not too much cost and effort), including qualitative and quantitative data. Besides, the experience of the Company, credit assessment and forward-looking information shall be used for the analysis.

The expected credit loss is the weighted credit loss rate estimation of the financial instrument throughout the expected duration. The credit loss is measured at present value of the all cash shortfalls. The cash shortfall is the difference between the contractual cash flow that the Company can collect and the cash flow the Company expects to collect. The expected credit loss uses the

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

effective rate of the financial asset for discount.

The Company assesses whether credit impairment has occurred on every reporting date based on financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive profit or loss. When one or several matters that will negatively affect the estimated future cash flow of financial assets happen, the credit impairment occurs. The evidence that proves the credit impairment of financial assets includes the following observable information:

- The borrower or issuer has major financial difficulty;
- Contract default. Such as overdue or non-performance of payment for over 180 days.
- Due to economic or contractual reason with respect to the borrower's financial difficulty, the Company compromises on things it would not give in.
- The borrower is likely to file for bankruptcy or proceed with other financial reorganizations; or
- The active market of financial assets might extinguish due to financial difficulty.

The loss allowance of financial assets measured at amortized cost is deducted from the book value of assets.

When the Company cannot reasonably expect all or parts of the recovered financial assets, it will reduce the total book value of its financial assets directly. For company customers, the Company analyzes the write-off time and amount respectively based on whether it can reasonably expect the recovery. The Company expects the written-off amount will not result in significant reversal. However, the enforcement of the written-off financial assets can still be performed to be in conformity with the procedure for the Company to recover the overdue amount.

(4) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights on the cash flow of the assets are terminated, or financial assets are transferred and almost full risk and return of the asset ownership are transferred to other business, or almost full risk and return of the ownership is not transferred or retained and the control of financial assets is not retained.

For the transaction of financial assets transfer signed by the Company, when reserving almost full risk and return of the transferred asset ownership, it is still recognized in the balance sheet.

2. Financial liabilities and equity instruments

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

(1) Classification of liabilities or equity

The obligation and equity instruments issued by the Company are classified into financial liabilities or equities according to definitions of the financial liabilities and equity instruments referred to in an agreement.

(2) Equity transaction

Equity instruments are the contracts that evidence a residual interest in the assets of the Company after deducting all of its liabilities. The equity instruments issued by the Company shall be recognized based on the payment of acquisition less the direct issuing cost.

(3) Treasury stocks

When repurchasing the equity instrument that has been recognized by the Company, the consideration paid for the repurchase (including directly attributable costs) is recognized as equity loss. The share that is repurchased is classified as treasury stock. The collected amount of the sale or repurchase of treasury stocks will be recognized as equity increase. The surplus or deficit result from the transaction will be recognized as additional paid-in capital or retained earnings (if the additional paid-in capital is insufficient for write-off).

(4) Financial liabilities

Financial liabilities can be classified as the liabilities measured at amortized cost or the liabilities measured at fair value through profit or loss. If the financial liabilities are held for trading, are derivatives or designated during initial recognition, the financial liabilities will be measured at fair value through profit or loss. The financial liabilities that are measured at fair value through profit or loss measured at fair value will be recognized in profit or loss. This applies to relative net profit and loss, including any interest payment.

Other financial liabilities are measured at amortized cost using the effective interest method. The interest payment and exchange gain or loss are recognized in profit or loss. Any profit or loss is recognized in profit or loss when derecognizing.

(5) Derecognition of financial liabilities

The Company will have the financial liabilities derecognized when the contractual obligation is performed, discharged, or expired. When the financial liabilities clauses are modified and the cash flow of the modified liabilities has significant difference, the original financial liabilities will be derecognized and the new financial liabilities will be recognized at fair value based on the modified clauses.

When removing financial liabilities from the balance sheet, any differences

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

between the book value and the amount paid or payable (including any non-cash assets transferred and any liabilities assumed as part of the arrangement) are recognized through profit and loss.

(6) Offset of financial assets and liabilities

Financial assets and liabilities may be offset against each other and reported in the balance sheet in net amount only when the Company is entitled to such offset exercisable under laws and intends to settle in net amount, or assets are realized and liabilities are repaid at the same time.

(VII) Investment in Affiliated enterprise

Affiliated enterprise is the one that the Company has significant influence on and no control of joint control over its financial and operating policies.

The equities of the Company in the affiliated enterprise are disposed under equity method. Under the equity method, the original acquisition is recognized at cost and the investment cost includes the transaction cost. The book value of investments in an affiliated enterprise includes the goodwill identified in original investment net of any accumulated impairment loss.

The parent company only financial statements shall include the profit and loss from the invested affiliates recognized subject to the equity ratio and other comprehensive income upon adjustment made in line with the Company's accounting policy, from the date when the Company has major influence till the date when the Company loses the major influence. When changes to equity irrespective of profit and loss or comprehensive income occur to an affiliated enterprise with no impact on the shareholding ratio of the Company, the Company's share of such changes in equity will be recognized as additional paid-in capital based on the shareholding ratio.

The unrealized gain and loss deriving from the transactions between the Company and the affiliated enterprise are recognized in the financial statement of the enterprise within the scope of equity of the non-related investor in the affiliated enterprise.

Recognition of the loss stops when the loss of the affiliated enterprise recognized proportionally by the Company equals or exceeds its equity in the affiliated enterprise; also, only recognizes additional loss and related liabilities are recognized only upon occurrence of a legal obligation, constructive obligations, or prepayment made on behalf of the invested company.

The investment is no longer recognized under equity method from the date on which the Company stops the investment in the affiliated enterprise. The preserved equity is measured at fair value. The difference between the fair value and the disposal amount of the preserved equity and the book value of investment on the date on which the equity method is not adopted is recognized as current profit and loss. Where the accounting

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

treatment for the values related to the investment as recognized into other comprehensive income previously is identical with the basis for the affiliated enterprise's direct disposition of related assets or liabilities, namely, when the related assets or liabilities are disposed, the gain or loss recognized in other comprehensive profit or loss previously is to be reclassified as retained earnings. If the ownership interest of the company in the affiliated enterprise decreases but remains under the equity method, the company will follow the method stated above to reclassify and adjust the gain or loss recognized in other comprehensive profit or loss previously relating to such ownership interest decrease based on the decline ratio.

(VIII) Investment in subsidiaries

In compiling the parent company only financial statements, the Company shall evaluate the investee of which the company has dominant control under the equity method. Under the equity method, income of current period and other comprehensive incomes as presented in the parent company only financial statements shall be identical with the income of current period and other comprehensive incomes attributable to the proportion allocated to the parent shareholder as presented in the financial statement prepared on the basis of consolidation. The shareholders' equity as presented in the parent company only financial statements shall be identical with the parent shareholders' equity as presented in the financial statement prepared on the basis of consolidation.

If the Company's equity ownership change in a subsidiary does not result in the loss of control of the subsidiary, it is treated as equity transaction with the shareholders.

(IX) Investment property

Investment property is held for earning rent income or for capital appreciation, or both, rather than for normal business operation, for sale, used in production, for supply of goods or services, or for administrative purposes. Investment property is initially measured at cost and then subsequently measured at cost subtracting by accumulated depreciation and Impairment. The depreciation methods, life duration and residual values of investment property are same as the practice of the property, plant, and equipment.

The gain or loss on disposal of investment property (calculated based on the difference between the net disposal proceeds and the book value of such item) is recognized in profit and loss.

The rent income arising from investment property is recognized as rent income in accordance with the straight-line method over the lease period. Also, the given lease incentives is recognized as part of the overall rent income over the lease period.

(X) Impairment of non-financial assets

The Company shall assess whether the book value of the non-financial assets (except the inventories and deferred tax assets) has any possible sign of impairment. In case of

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

any possible sign of impairment, the company shall estimate the recoverable amount of such asset. Goodwill is tested regularly for impairment every year.

For the purpose of impairment testing, inflow the cash to one of the asset groups that has most cash inflow independent from other individual assets or asset groups as the minimum identifiable asset group. The goodwill acquired in a business consolidation shall be allocated to the consolidated company's cash-generating units or cash-generating group that is expected to benefit from the synergies of the consolidation effort.

The collectible amount shall be the higher of the fair value of individual asset or cash generation unit less the disposal cost and the value in use. When assessing the value in use, the estimated future cash flow is discounted to current value by pre-tax discount rate. The pre-tax discount rate shall reflect the specific risk assessment of the current market toward the time value of money and the asset or cash generation unit.

If the collectible amount of individual asset or cash generation unit is less than the book value, the amount shall be recognized as impairment loss.

The impairment loss is immediately recognized as income and the book value of each amortized cash-generating unit shall be reduced first, then the book values of other assets shall be reduced based on each book value ratio of each asset in the unit.

The impairment loss on goodwill shall not be reversed. The non-financial assets other than goodwill can only be reversed within the book value of the asset (less depreciation or amortization) without impairment loss recognized in the previous year.

(XI) Employee benefits

1. Defined contribution plan

The obligation of defined contribution plan is recognized as expense during the service period of the employee. The prepaid contribution may be recognized as assets, insofar as it may result in the refunding of cash or the reduction of future payment.

2. Defined benefit plan

The net obligation of the defined benefit plan by the Company is converted to the present value based on the future benefit earned from the services provided by the employees in the current period or in the past subtracting the fair value of the plan assets.

A qualified actuary using the Projected Unit Credit Method estimates defined benefit obligations each year. When the calculation result may be favorable to the Company, the assets recognized shall be no more than the refund under the plan or the present value of economic benefit to be earned by decrease in the contribution under the plan. The calculation of present value of economic benefit shall take into consideration the minimum funding contribution needed.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

The re-measurement of net defined benefit liability, including the actuarial income, return on remuneration of planned assets (excluding interest) and any change in the asset cap effect (excluding interest), is immediately recognized in other comprehensive income and accumulated in the retained earnings. The Company determines the net interest expense (income) of the net defined benefit liability (assets) by the net defined benefit liability (assets) and discount rate determined during the start of the reporting period. The net interest expense of the net defined benefit liability and other expenses are recognized as income.

When the plan is modified or reduced, the benefit variance generated in relation to the previous service cost or impaired gain or loss is immediately recognized as income. In the event of settlement of the Company, recognize the profits and loss of settlement of the welfare plan.

3. Other long-term employee benefits

The net obligation of other long-term employee benefits by the Company is converted to the present value based on the future benefit earned from the services provided by the employees in the current period or in the past. The re-measurement is recognized as income upon occurrence.

4. Short-term employee benefits

Short-term employee benefit obligation shall be recognized as expense when the service is provided by the employee. If the Company has a present statutory or presumed benefit obligation due to the past service provided by employee and such obligation may be estimated reliably, the amount shall be recognized as liabilities.

(XII) Income tax

The income tax consists of current income tax and deferred income tax. The current income tax and deferred income tax shall be recognized in profit or loss, other than the income tax related to combined entities, and items stated into other comprehensive income or stated into equity directly.

The current income tax includes the projected income tax payable or tax refund receivable based on the current taxable income (loss), and the adjustment on income tax payable or tax refund receivable in the previous years. The amount refers to the best estimates of the expected payables or receivables measured on the basis of the statutory tax rate or tax rate substantially enacted on the reporting date.

The deferred income tax is recognized based on the book value of assets and liabilities for the purpose of financial reporting and temporary difference generated from the taxation basis for assets and liabilities. No deferred income tax will be recognized in the case of the temporary difference generated under the following circumstances:

1. Assets or liabilities recognized initially in the transactions other than combined business, and the accounting profit and taxable income (loss) remain unaffected at

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

the time of transaction.

2. Taxable temporary difference generated from investment in subsidiaries, affiliates and joint ventures, of which the time of reverse is controllable by the Company and which is not likely to be reversed in the foreseeable future;
3. Taxable temporary difference generate from the initial recognition of goodwill.

The unused taxation loss and unused income tax credit carry-forward and deductible temporary difference shall be stated as deferred income tax assets when the temporary difference is very likely to credit against the future taxable income. Meanwhile, revaluation shall be conducted on each reporting date, so that the related income tax gains may be adjusted or decreased when they are not likely to be realized; or when it is very likely that there will be sufficient taxable income afford to reverse the decreased amount.

The deferred income tax is measured at the tax rate prevailing when the temporary difference is reversed, and based on the statutory tax rate or tax rate substantially enacted on the reporting date.

The company will offset deferred income tax assets and deferred income tax liabilities only when the following conditions are satisfied:

1. When the company is entitled to the right to offset the current income tax assets against the current income tax liabilities; and
2. The deferred income tax assets and deferred income tax liabilities are related to the subjects on whom the same tax collection authority imposed the income tax;
 - (1) The same tax collection subject; or
 - (2) Different subjects, but each subject desires to repay the assets and liabilities on a net basis or concurrently realize and repay the assets and liabilities in each of the following periods in which the major deferred income tax assets are expected to recovered and deferred income tax liabilities are expected to be repaid.

(XIII) EPS

The company lists the basic and diluted earnings per share of the common stock shareholders of the Company. The Company's basic earnings per share is based on the profit or loss of the Company's common stock shareholder divided by the weighted average number of outstanding common stock shares of the period. The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the number of shares of the weighted average outstanding common stock.

(XIV) Department information

The Company had department information disclosed in the consolidated financial statements; therefore, the department information was not disclosed in the parent company only financial statements.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

V. Significant accounting judgments, estimations and major sources of assumption uncertainty

When the management has the parent company only financial statements prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, it is necessary to make judgments, estimations, and assumptions that are influential to the accounting policies adopted and the assets, liabilities, and income and expenses amount reported. Actual results may differ from those estimations.

The management continues to review estimations and assumptions. Changes in accounting estimates will be recognized in the period of change and future periods affected.

For the significant judgments involved in accounting policies and the influential information to the amount recognized in the parent company only financial report, please refer to the following notes:

- (1) Determining the company's substantial control over an investee. Please refer to the 2021 consolidated financial report.

VI. Description of significant accounting items

- (1) Cash and cash equivalent

	December 31, 2021	December 31, 2020
Demand deposit	\$ 133,907	105,199
Time deposit	2,724	33,370
Cash and cash equivalents listed in the Statement of Cash	<u>\$ 136,631</u>	<u>138,569</u>

Flows:

For the interest rate risk and sensitivity analysis disclosure of the Company's financial assets and liabilities, please refer to note 6(16).

- (2) Financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Equity instruments at fair value through other comprehensive income:		
TWSE(GTSM) domestic listed stocks	\$ 8,735,131	6,168,359
TWSE(GTSM) domestic unlisted stocks	467,886	409,334
Total	<u>\$ 9,203,017</u>	<u>6,577,693</u>

The dividend income from the aforementioned equity instrument investment measured at fair value through other comprehensive profit or loss were NT\$ 329,550 thousand and NT\$ 267,758 thousand for the years 2021 and 2020.

The Company has not transferred any accumulated gain and loss of the equity from the undisposed strategic investments in 2021 and 2020.

For the credit risk and market risk information, please refer to note 6(16).

The financial assets stated above has not been used as collaterals.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

(3) Other receivables

	December 31, 2021	December 31, 2020
Others	\$ 387	617

According to the historical experience, other receivables stated above is estimated to have no expected credit losses generated since there are no defaults throughout the duration, therefore the rate of its expected credit losses is estimated to be zero.

(4) Investment under equity method

The company's investment under equity method on the reporting date is as follows:

	December 31, 2021	December 31, 2020
Subsidiary	\$ 20,694,258	17,376,999
Affiliates	16,098,812	13,716,721
	\$ 36,793,070	31,093,720

1. Subsidiaries

Please refer to the 2021 consolidated financial report.

2. Affiliates

The information about affiliates important to the Company is stated as follows:

Name of Affiliate	Nature of relationship with the Company	Principal business place/country where the company is registered	Proportion of ownership and voting right	
			December 31, 2021	December 31, 2020
UPC Technology Corp.	The affiliate of the Company which primarily engaged in producing and selling organic acid, acid anhydride and its derivatives, plastic toughener.	Taiwan	32.47%	32.88%
Linde Lienhwa Industrial Gases Co., Ltd.	The affiliate of the Company which primarily engaged in manufacturing liquid and industrial gases such as helium, hydrogen and ethyne.	Taiwan	50.00%	50.00%

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

For listed affiliates important to the Company, its fair value is stated as follows:

	December 31, 2021	December 31, 2020
UPC Technology Corporation and its subsidiaries	\$ 9,177,429	8,157,715

The summarized financial information of affiliates important to the Company are shown below. The financial information has adjusted the amounts included in each affiliated enterprise's consolidated financial statements adopting the IFRSs to reflect the fair value adjustment made by the Company upon the acquisition of the affiliate stock and adjustment made according to the accounting policy differences:

- (1) Summarized financial information of the UPC Technology Corporation and its subsidiaries

	December 31, 2021	December 31, 2020
Current assets	\$ 22,296,269	16,739,193
Non-current assets	31,465,917	27,461,444
Current liabilities	(8,647,823)	(5,920,830)
Non-current liabilities	(15,217,626)	(13,325,106)
Net assets	<u>\$ 29,896,737</u>	<u>24,954,701</u>
Net assets attributable to investee	<u>\$ 29,896,737</u>	<u>24,954,701</u>
	2021	2020
Operating revenue	<u>\$ 81,942,428</u>	<u>51,866,839</u>
Net profit (loss) of continuing department	\$ 2,147,462	2,134,320
Other consolidated income/loss	3,890,422	2,935,003
Total comprehensive income	<u>\$ 6,037,884</u>	<u>5,069,323</u>
Total comprehensive income attributable to investee	<u>\$ 6,037,884</u>	<u>5,069,323</u>
The Company's shares of the affiliated enterprise's net assets at the beginning	\$ 8,112,569	6,470,570
Total comprehensive income attributable to the Company in current period	1,928,400	1,726,975
Dividend acquired from affiliates in current period	(424,881)	(84,976)
Book value concerning the Company's equity in affiliates at the ending	<u>\$ 9,616,088</u>	<u>8,112,569</u>

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

(2) Summarized financial information of the Linde Lienhwa Industrial Gases Co., Ltd. and its subsidiaries

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 10,846,784	11,570,239
Non-current assets	35,499,049	33,940,701
Current liabilities	(21,471,154)	(23,086,485)
Non-current liabilities	<u>(5,343,781)</u>	<u>(5,861,465)</u>
Net assets	<u>\$ 19,530,898</u>	<u>16,562,990</u>
Net assets attributable to non-controlling equity	<u>\$ 3,518,740</u>	<u>3,443,980</u>
Net assets attributable to investee	<u>\$ 16,012,158</u>	<u>13,119,010</u>
	<u>2021</u>	<u>2020</u>
Operating revenue	<u>\$ 29,271,200</u>	<u>25,614,444</u>
Net profit from continuing operations	\$ 5,573,453	4,067,424
Other consolidated income/loss	<u>(24,752)</u>	<u>176,383</u>
Total comprehensive income	<u>\$ 5,548,701</u>	<u>4,243,807</u>
Total comprehensive income attributable to non-controlling equity	<u>\$ 830,653</u>	<u>705,767</u>
Total comprehensive income attributable to investee	<u>\$ 4,718,048</u>	<u>3,538,040</u>
The Company's shares of the affiliated enterprise's net assets at the beginning	\$ 6,786,172	5,998,488
Total comprehensive income attributable to the Company in current period	2,412,930	1,897,955
Dividend acquired from affiliates in current period	<u>(885,684)</u>	<u>(1,110,271)</u>
Book value concerning the Company's equity in affiliates at the ending	<u>\$ 8,313,418</u>	<u>6,786,172</u>

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

The financial information about the individually unimportant affiliates of the Company under equity method is summarized as follows. The financial information refers to the amounts included into the parent parent company only financial statements of the Company:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Summarized book value of equity in individually unimportant affiliate at the ending	<u>\$ 82,061</u>	<u>81,462</u>
	<u>2021</u>	<u>2020</u>
Shares attributed to the Company:		
Net profit from continuing operations	\$ 6,283	7,551
Other consolidated income/loss	-	-
Total comprehensive income	<u>\$ 6,283</u>	<u>7,551</u>

3. Collateral

As of December 31 2021 and 2020, the affiliated enterprise investment of the Company under the equity method had not been pledged as collateral or were restricted.

(5) Investment property

The changes in the cost and depreciation of the Company's investment property in 2021 and 2020 are as follows:

	<u>Self-owned assets</u> <u>Land and</u> <u>improvements</u>
Cost or identified cost:	
Balance, January 1, 2021	\$ 3,395
Balance, December 31, 2021	<u>\$ 3,395</u>
Balance, January 1, 2020	\$ -
Transferred in	3,395
Balance, December 31, 2020	<u>\$ 3,395</u>
Depreciation:	
Balance, January 1, 2021	\$ -
Balance, December 31, 2021	<u>\$ -</u>
Balance, January 1, 2020	\$ -
Balance, December 31, 2020	<u>\$ -</u>

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

Book value:

December 31, 2021	<u>\$ 3,395</u>
December 31, 2020	<u>\$ 3,395</u>

Fair value:

December 31, 2021	<u>\$ 41,840</u>
December 31, 2020	<u>\$ 39,740</u>

The fair value of investment property is based on the evaluation of the company personnel (with relevant experience and has relevant experience recently in the location and type of the investment property) in compliance with the property evaluation method of the Company. The evaluation technology of the fair value uses Class III for input. The evaluation performs the market value assessment based on the comparison approach of the Regulations on Real Estate Appraisal.

As of December 31 2021 and 2020, the investment property of the Company had not been pledged as collateral or were restricted.

(6) Short-term loan

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unguaranteed bank loans	\$ 2,750,000	2,700,000
Guaranteed bank loans	1,850,000	1,100,000
Total	<u>\$ 4,600,000</u>	<u>3,800,000</u>
Outstanding quota	<u>\$ 4,415,200</u>	<u>4,577,200</u>
Interest rate interval	<u>0.80%~0.81%</u>	<u>0.80%~0.85%</u>

As of December 31 2021 and 2020, the subsidiary-Lien Hwa Property Development Corporation provided property, plant, and equipment and investment property as guarantee for bank loans. Please refer to Note 7 for details.

(7) Short-term notes payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper payable	\$ 800,000	800,000
Unamortized discount	(124)	(137)
	<u>\$ 799,876</u>	<u>799,863</u>
Outstanding quota	<u>\$ 530,000</u>	<u>530,000</u>
Interest rate interval	<u>0.30%~0.58%</u>	<u>0.25%~0.60%</u>

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

For loan term within a year, please refer to note 6(15) for relevant interest expense.

(8) Long-term loan

The details, conditions and terms of the Company's long-term loan are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unguaranteed bank loans	<u>\$ 1,100,000</u>	<u>1,300,000</u>
Outstanding quota	<u>\$ 1,900,000</u>	<u>1,600,000</u>
Interest rate interval	<u>0.89%~1.10%</u>	<u>0.98%~1.00%</u>
Expiry date	<u>2023.06.28~2023.11.30</u>	<u>2021.11.21~2022.11.30</u>

(9) Employee benefits

1. Defined benefit plan

For the present value of the Company's defined benefit obligations and the fair value of the plan assets, the adjustments are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligation	\$ 1,323	1,024
The fair value of plan assets	(6,264)	(6,160)
Net defined benefit assets	<u>\$ (4,941)</u>	<u>(5,136)</u>

Contributions for defined benefit plans of the Company are appropriated to a dedicated pension fund account opened with Bank of Taiwan. The pension payment to each employee that is subject to the Labor Standards Act is based on the pension point received for the years of service and the average salary six months prior to the retirement.

(1) Composition of plan assets

The pension fund appropriated by the Company in accordance with the Labor Standards Act is managed by the Bureau of Labor Funds, Ministry of Labor (referred to as the "Bureau of Labor Funds" hereinafter). According to the "Guidelines for Labor Pension Fund Safekeeping and Implementation," the annual minimum yield generated from the use of fund may not be less than the interest income generated from a local bank's two-year time deposit.

The Company's labor pension fund account at the Bank of Taiwan is with a balance of NT\$6,264 thousand as of the reporting date. For information of the Labor Pension Fund Asset Management, including the fund yield rate and pension asset allocation, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(2) Changes in the present value of defined benefit obligation:

The details of changes in the present value of the Company's defined

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

benefit obligation in 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Present value of defined benefit obligation, January 1 \$	1,024	726
Current service cost and interest	194	170
Re-measurement of net defined benefit liabilities (assets)		
— Actuarial gains/losses due to change of demography assumption	65	-
— Actuarial gains/losses due to change of financial assumption	-	111
— Actuarial gains/losses due to empirical adjustment	<u>40</u>	<u>17</u>
Present value of defined benefit obligation, December 31	<u><u>\$ 1,323</u></u>	<u><u>1,024</u></u>

(3) Changes in the fair value of plan assets

The details of changes in the fair value of the Company's defined benefit plan assets in 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets, January 1	\$ 6,160	4,004
Interest income	39	40
Re-measurement of net defined benefit liabilities		
— Return on remuneration of planned assets (excluding current interest)	<u>65</u>	<u>2,116</u>
Fair value of plan assets, December 31	<u><u>\$ 6,264</u></u>	<u><u>6,160</u></u>

(4) Expenses recognized in profit or loss

The details of expenses recognized in profit or loss by the Company in 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Current service cost	\$ 187	163
Net interest of net defined benefit liabilities (assets)	<u>(32)</u>	<u>(33)</u>
	<u><u>\$ 155</u></u>	<u><u>130</u></u>
Management expense	<u><u>\$ 155</u></u>	<u><u>130</u></u>

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

(5) Actuarial assumptions

The Company's principal actuarial assumptions are as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.63%	0.63%
Future raise rate	2.25%	2.25%

The Company does not expect to contribute to the defined benefit plan within one year from the 2021 reporting date.

The weighted average duration of the defined benefit plan is 29.9 years.

(6) Analysis of sensitivity

The influence of changes in the adopted principal actuarial assumptions on the present value of defined benefit obligations in December 31, 2021 and 2020 are as follows:

	Effect on defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
12.31.2021		
Discount rate	\$ (95)	102
Future raise rate	100	(93)
12.31.2020		
Discount rate	\$ (75)	82
Future raise rate	80	(74)

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net benefit liabilities on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period.

2. Defined contribution plan

The Company's defined contribution plan is based on the Labor Pension Act. An amount equivalent to 6% of the monthly wages is appropriated to the personal labor pension accounts of the Bureau of Labor Insurance. In this plan, after appropriating a fixed amount to the Bureau of Labor Insurance, the Company has no legal or constructive obligation to make additional contribution.

The Company's pension expense as of 2021 and 2020 under the defined contribution plan amounted to NT\$337 thousand and NT\$328 thousand, respectively,

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

and it has been appropriated to the Bureau of Labor Insurance already.

(10) Income tax

1. Income tax expenses

The details of income tax expenses of the Company in 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Income tax expenses in current period		
Generated in current period	\$ 2,532	10,989
Adjustment to previous year's income tax expense	<u>(30,193)</u>	<u>(1,772)</u>
	<u>(27,661)</u>	<u>9,217</u>
Deferred income tax expenses		
Occurrence and reversal of temporary difference	<u>(3)</u>	<u>72</u>
Income tax expenses	<u><u>\$ (27,664)</u></u>	<u><u>9,289</u></u>

The relationship between the Company's income tax expenses and net income before tax in 2021 and 2020 is adjusted as follows:

	<u>2021</u>	<u>2020</u>
Net income before tax	<u><u>\$ 4,061,479</u></u>	<u><u>3,108,019</u></u>
Income tax calculated based on the income tax rate of the country the Company operates	\$ 812,295	621,604
Nontaxable income	(622,461)	(524,722)
Adjustment not attributable to temporary difference	(188,775)	(94,307)
Overestimation in previous period	(30,193)	(1,772)
Imposition on undistributed earnings	<u>1,470</u>	<u>8,486</u>
Total	<u><u>\$ (27,664)</u></u>	<u><u>9,289</u></u>

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

2. Deferred income tax assets and liabilities

(1) Recognized deferred income tax assets and liabilities

The changes in the deferred income tax assets and liabilities in 2021 and 2020 are as follows:

Deferred income tax assets:	Others
Balance, January 1, 2021	\$ -
(Debit) credit profit and loss	<u>3</u>
Balance, December 31, 2021	<u><u>\$ 3</u></u>
Balance, January 1, 2020	\$ 72
(Debit) credit profit and loss	<u>(72)</u>
Balance, December 31, 2020	<u><u>\$ -</u></u>

3. Authorization of income tax

The income tax returns of the Company's profit-seeking business have been audited by the tax authorities up to 2019.

(11) Capital and other equity

1. Issuing of common shares

The total authorized capital of the Company were NT\$20,000,000 thousand and NT\$15,000,000 thousand respectively at NT\$10 par value per share, divided into 2,000,000 thousand and 1,500,000 thousand shares respectively, as of December 31, 2021 and 2020. The total authorized capital stated above were common shares and the shares issued were 1,409,648 thousand and 1,281,498 thousand shares, respectively.

The outstanding stock of the Company in 2021 and 2020 is adjusted as follows:

(Stated in thousand shares)

	Common shares	
	2021	2020
Beginning balance, January 1	1,281,498	1,104,740
Capitalization of retained earnings	<u>128,150</u>	<u>176,758</u>
Ending balance, December 31	<u><u>1,409,648</u></u>	<u><u>1,281,498</u></u>

On July 29, 2021 and June 23, 2020, the company distributed the stock dividends to shareholders from undistributed earnings, NT\$1,281,498 thousand and NT\$1,767,584 thousand, respectively, per the resolution of the shareholders' meeting. The capital increase project took effective on September 7, 2021 and July 22, 2020 upon approval of the Financial Supervisory Commission (FSC). The record dates for said capital increase are October 2, 2021 and August 18, 2020, respectively. The related statutory procedures were already completed.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

2. Capital surplus

The balance of the Company's capital surplus is as follows:

	December 31, 2021	December 31, 2020
Stock premium	\$ 289,318	289,318
Treasury stock trading	42,169	30,441
Difference between consideration and carrying amount of subsidiaries acquired or disposed	899	923
Changes in the net equity of the affiliated company and joint venture are recognized in accordance with the equity method.	500,044	535,862
Changes in ownership interests in subsidiaries	251,967	-
Others	247	-
	<u>\$ 1,084,644</u>	<u>856,544</u>

Pursuant to the Company Act, the capital surplus shall be first used to offset losses, then new shares or cash may be allocated based on realized capital surplus subject to shareholding ratio. The term realized capital surplus mentioned above includes the shares issued at premium exceeding the par value and the gains in the form of gifts. According to the Regulations Governing the Offering and Issuance of Securities by the Issuer, the capital surplus that can be capitalized annually shall not exceed 10% of the total paid-in capital.

3. Retained earnings

Pursuant to the Company's Articles of Incorporation, if the Company has annual earnings, it shall first pay taxes, make up any losses from past years and then appropriate 10% as legal reserves, unless the legal reserve reaches the amount of the Company's paid-in capital; if necessary, make provision of special reserves according to the laws and the needs of company operation. The residual earnings shall be added to undistributed earnings at the beginning. The Board of Directors shall draft a motion for the distribution of the residual earnings and submit to the shareholders' meeting for distribution.

The Company is now at the stable growth stage and most of the earnings are from the investees recognized under the equity method. For the sustainable operation and long-term development of the company, the Company shall appropriate 10% of the earnings concluded at year-end as legal reserve and appropriate or reverse the special reserve according to the laws and regulations besides offsetting the accumulated losses and paying all taxes. When distributing the remaining earnings

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

with the accumulated earnings undistributed in the previous year in the form of new shares, the Board of Directors shall propose a motion and submit it to the shareholders' meeting for approval before distribution. In accordance with Article 240 Paragraph 5 of the Company Act, if the aforementioned earnings are distributed in the form of cash, approval for such distribution should be passed by at least half of the Directors in attendance in a Board meeting attended by no less than two-thirds of all Board members. The results should then be reported during a shareholders' meeting.

The directors' meeting shall consider the financial structure of the Company, future funding demand and profit-seeking conditions to plan the ratio of the earning distribution and shareholder's cash dividends and the cash dividends shall not be less than 10% of the total dividends.

(1) Legal reserve

When the Company suffers no loss, new shares or cash may be allocated from the legal reserve upon resolution of the shareholders' meeting, provided that the new shares or cash allocated shall be no more than 25% of the paid-in capital

(2) Special reserve

When first applying the IFRS approved by the FSC, the Company chose to adopt the exemption in IFRS 1 "First-time Adoption of International Financial Reporting Standards". The unrealized revaluation increment under the shareholder's equity was stated following the rule of using the fair value on the conversion date as the recognized cost to increase retained earnings. Pursuant to the FSC's requirements, a same amount of special reserves should be stated. When relative assets were used, disposed or reclassified, the original rate to state the special reserves could be used to reverse the allocation of earnings. The special reserves balances on December 31 in 2021 and 2020 were both NT\$141,843 thousand.

According to the FSC's requirements, when the Company distributes the distributable earnings, for the deduction net amount of other shareholders' equity stated in the current year and the difference of special reserves balance stated above, the special reserves shall be stated from current profit or loss and the undistributed earnings in the previous period. For the deduction amount of other shareholders' equity in the previous period, special reserves shall be stated from undistributed earnings in the previous period and shall not be distributed. If the deduction amount of other shareholders' equity reverses, the earnings of the reversing part can be distributed.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

(3) Distribution of earnings

The Company distributed the cash dividend from 2020 earnings per the resolution of the Board meeting on March 30, 2021. Meanwhile, the other distributions from earnings in 2020 were resolved by the general annual meeting on July 29, 2021, and the distribution of earnings 2019 was also resolved by the general annual meeting on June 23, 2020 as follows:

	2020		2019	
	Share distribution rate (NT\$)	Amount	Share distribution rate (NT\$)	Amount
Dividend distributed to common stock shareholders:				
Cash	\$ 1.70	\$ 2,178,547	1.60	1,767,584
Stock	1.00	<u>1,281,498</u>	1.60	<u>1,767,584</u>
Total		<u>\$ 3,460,045</u>		<u>3,535,168</u>

The proposal for the distribution in 2021 was drafted in the meeting of the board of directors on March 9, 2022. The dividend amount distributed to the shareholders is as follows. Other than the cash dividend, other items on the earning distribution form need to be recognized by the shareholders:

	2021	
	Share distribution rate (NT\$)	Amount
Dividend distributed to common stock shareholders:		
Cash	\$ 1.80	2,537,366
Stock	0.50	<u>704,824</u>
Total		<u>\$ 3,242,190</u>

4. Treasury stocks

The list of stocks of the Company held by the subsidiaries on December 31, 2021 and 2020 is as follows:

	December 31, 2021			December 31, 2020		
	Number of shares			Number of shares		
Ledger account	(thousand shares)	Cost	market price	(thousand shares)	Cost	market price
Financial assets measured at fair values through other comprehensive profit or loss- current	1,907	\$ 47,895	118,041	1,734	47,895	73,851
Financial assets measured at fair values through other comprehensive profit or loss- non-current	5,682	136,868	351,700	5,165	136,868	220,039

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

Pursuant to the Securities and Exchange Act, the treasury stocks held by the subsidiaries cannot be pledged. And before the transfer, the shareholder's right is not permitted.

5. Other equity (net amount after tax)

	Exchange difference in the financial statements of foreign operations	Unrealized profit or loss of the financial assets measured at fair values through other comprehensive profit or loss	Total
Balance, January 1, 2021	\$ (205,582)	5,963,900	5,758,318
Exchange difference gathered for the calculation of net assets of foreign operations	(40,361)	-	(40,361)
Share of the exchange difference of subsidiaries and affiliated companies under the equity method	(89,431)	-	(89,431)
Unrealized profit or loss of the financial assets measured at fair values through other comprehensive profit or loss	-	4,225,971	4,225,971
Disposal of equity instrument measured at fair value through other comprehensive income	-	21	21
Shareholding in unrealized profit or loss of the financial assets measured at fair values through other comprehensive profit or loss of the subsidiaries, affiliated companies under the equity method	-	1,487,057	1,487,057
Affiliated companies disposal of equity instrument measured at fair value through other comprehensive income	-	(181,568)	(181,568)
Balance, December 31, 2021	<u><u>\$ (335,374)</u></u>	<u><u>11,495,381</u></u>	<u><u>11,160,007</u></u>

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

	Exchange difference in the financial statements of foreign operations	Unrealized profit or loss of the financial assets measured at fair values through other comprehensive profit or loss	Total
Balance, January 1, 2020	\$ (384,933)	2,879,610	2,494,677
Exchange difference gathered for the calculation of net assets of foreign operations	116,743	-	116,743
Share of the exchange difference of subsidiaries and affiliated companies under the equity method	62,608	-	62,608
Unrealized profit or loss of the financial assets measured at fair values through other comprehensive profit or loss	-	945,670	945,670
Disposal of equity instrument measured at fair value through other comprehensive income	-	(126,675)	(126,675)
Shareholding in unrealized profit or loss of the financial assets measured at fair values through other comprehensive profit or loss of the subsidiaries, affiliated companies under the equity method	-	2,265,295	2,265,295
Balance, December 31, 2020	<u>\$ (205,582)</u>	<u>5,963,900</u>	<u>5,758,318</u>

(12) EPS

1. Basic earnings per share

Basic earnings per share of the Company in 2021 and 2020 was calculated based on the net profit attributed to common stock shareholders of the Company and weighted average outstanding shares of common stocks. The calculation is as follows:

(1) Net profit attributed to common stock shareholders of the Company

	2021	2020
Net income attributable to the Company's common stock shareholders:	<u>\$ 4,089,143</u>	<u>3,098,730</u>

(2) Weighted average outstanding shares of common stocks (thousand shares)

	2021	2020
Common stocks issued on January 1	1,281,498	1,281,498
Effect of the treasury stock	(7,589)	(7,589)
Effect of the stock dividend	128,150	128,150
Weighted average outstanding shares of common stocks on December 31	<u>1,402,059</u>	<u>1,402,059</u>
Basic earnings per share (NTD)	<u>\$ 2.92</u>	<u>2.21</u>

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

2. Diluted earnings per share

Diluted earnings per share in 2021 and 2020 was calculated based on the net profit attributed to common stock shareholders of the Company and weighted average outstanding shares of common stocks with adjusted diluted effect of all potential common stocks. The calculation is as follows:

(1) Net profit attributed to common stock shareholders of the Company (diluted)

	<u>2021</u>	<u>2020</u>
Net profit attributed to common stock shareholders of the Company (diluted)	<u><u>\$ 4,089,143</u></u>	<u><u>3,098,730</u></u>

(2) Weighted average outstanding shares of common stocks (diluted) (thousand shares)

	<u>2021</u>	<u>2020</u>
Weighted average outstanding shares of common stocks (basic)	1,402,059	1,402,059
Effect of employee stock compensation	82	94
Balance of weighted average outstanding common shares on December 31 (diluted)	<u><u>1,402,141</u></u>	<u><u>1,402,153</u></u>
Diluted earnings per share (NTD)	<u><u>\$ 2.92</u></u>	<u><u>2.21</u></u>

(13) Revenue from contracts with customers

1. Income details

	<u>2021</u> <u>Other</u> <u>departments</u>
Main area and market:	
Taiwan	\$ 718,362
Others	<u>944,090</u>
	<u><u>\$ 1,662,452</u></u>
Main product:	
Investment revenue	<u><u>\$ 1,662,452</u></u>
	<u>2020</u> <u>Other</u> <u>departments</u>
Main area and market:	
Taiwan	\$ 582,955
Others	<u>472,842</u>
	<u><u>\$ 1,055,797</u></u>
Main product:	
Investment revenue	<u><u>\$ 1,055,797</u></u>

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

(14) Remunerations to Directors and employees

According to the Articles of Incorporation, annual profits concluded by the Company shall be subject to employee remuneration of no less than 0.1%. In addition, directors' remuneration may be provided up to 1% of the annual profit. However, profits must first be taken to offset against cumulative losses if any. Employees' remuneration, as mentioned above, can be paid in shares or cash to employees of affiliated companies that satisfy certain criteria.

The amounts of employee remuneration in 2021 and 2020 were estimated at NT\$4,075 thousand and NT\$3,120 thousand, respectively. The amounts of director's remuneration were NTD\$9,000 thousand and NT\$9,100 thousand, respectively in 2021 and 2020. These estimates were made by applying the Company's before-tax profits with the deduction of the remunerations to employees and directors. Besides, the appropriate percentages for the remuneration to employees and directors were referenced and past experience was referred for the estimation. The operating cost and expense in 2021 and 2020 were stated. All relevant information is available on the Market Observation Post System.

The above amounts of remuneration to employees and Directors were consistent with the amounts reported in the Company's 2021 and 2020 standalone financial report.

(15) Non-operating revenue and expense

1. Interest income

The Company's interest income as of 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ 145	700
Other interest income	-	129
	<u>\$ 145</u>	<u>829</u>

2. Other revenue

The Company's other revenues as of 2021 and 2020 were as follow:

	<u>2021</u>	<u>2020</u>
Dividend income	<u>\$ 329,550</u>	<u>267,758</u>

3. Other profit and loss

The Company's other profit and loss in 2021 and 2020 were as follow:

	<u>2021</u>	<u>2020</u>
Gain on foreign exchange	\$ (15)	4,457
Other revenue	6,558	9,079
Other expense	(868)	(1,196)
	<u>\$ 5,675</u>	<u>12,340</u>

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

4. Financial cost

The Company's financial cost in 2021 and 2020 were as follow:

	<u>2021</u>	<u>2020</u>
Interest expense	<u>\$ 52,535</u>	<u>53,663</u>

(16) Financial instruments

1. Credit risk

(1) Credit risk exposure

As of December 31, 2021 and 2020, the maximum credit risk exposure amount due to the financial loss caused by undelivered obligation of the counterparty or financial guarantees provided by the Company was mainly from:

- The book value of financial assets recognized in the balance sheet; and
- The financial guarantee provided by the Company was USD18,500 thousand and NT\$4,050,000 thousand, as of December 31, 2021; USD23,500 thousand and NT\$3,650,000 thousand as of December 31, 2020.

(2) Concentration of credit risk

The Company's major potential credit risk was from cash and cash equivalents. The Company's cash is deposited in different financial institutions, and thus there is no significant concentration of credit risk of cash and cash equivalents.

2. Liquidity risk

The contract maturities of financial liabilities are illustrated in the table below, including the estimated interest but not the impact of net amount agreed.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

	Book value	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2021							
Non-derivative financial liabilities							
Unsecured short-term notes	\$ 799,876	806,632	3,312	803,320	-	-	-
Unguaranteed bank loans	3,850,000	3,894,362	16,587	2,766,775	1,111,000	-	-
Guaranteed bank loans	1,850,000	1,868,038	8,788	1,859,250	-	-	-
Other payable	55,944	55,944	55,944	-	-	-	-
	\$ 6,555,820	6,624,976	84,631	5,429,345	1,111,000	-	-
December 31, 2020							
Non-derivative financial liabilities							
Unsecured short-term notes	\$ 799,863	806,480	3,240	803,240	-	-	-
Unguaranteed bank loans	4,000,000	4,047,470	17,335	2,717,335	1,312,800	-	-
Guaranteed bank loans	1,100,000	1,110,725	5,225	1,105,500	-	-	-
Other payable	52,678	52,678	52,678	-	-	-	-
	\$ 5,952,541	6,017,353	78,478	4,626,075	1,312,800	-	-

The company does not expect the maturity analysis of cash flows will be significantly pre-matured or the actual amount will be significantly different.

3. Exchange rate risk

(1) Exchange rate risk exposure

The company's financial assets and liabilities exposed to significant foreign exchange rate risk is as follows:

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

		December 31, 2021	
	Foreign currency (thousand)	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB	\$ 677	RMB: NTD = 4.3440	2,941
		December 31, 2020	
	Foreign currency (thousand)	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB	\$ 770	RMB: NTD = 4.3770	3,370

(2) Sensitivity analysis

The exchange rate risk of the monetary account of the Company is mainly from foreign currency denominated cash and cash equivalent as well as accounts receivable. Foreign exchange gain and loss arise from the translation. If the main accounting currency used for preparing the reports on December 31, 2021 and 2020 appreciated or depreciated 1%, under the condition that all other factors stayed unchanged, the net profit after tax would increase NT\$24 thousand in 2021 and decreased NT\$27 thousand in 2020.

(3) Exchange gain or loss of monetary items

In consideration of multiple functional currency types used in the Company, the information about exchange gain or loss for currency is disclosed by summarization. The foreign currency exchange gain (including the realized and unrealized) was NT\$(15) thousand and NT\$4,457 thousand in 2021 and 2020.

4. Interest rate analysis

Please refer to the note regarding liquidity risk management for the interest rate risk exposure of the Company's financial assets and financial liabilities.

The following sensitivity analyzes are based on the interest rate risk exposure of the derivative and non-derivative instruments on the reporting date. The analysis of floating rate liabilities is by assuming the outstanding liability amount on the reporting date stays outstanding the entire year. The rate of change used in the Company's internal report to the management was the interest rate with an increase or decrease of 0.5%. In addition, the interest rate is assessed within the reasonable and possible range of change by the management.

If interest rate is increased or decreased by 0.5%, with all other variables stayed

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

unchanged, the Company's net profit would decrease by NT\$1,200 thousand in 2021 and increase by NT\$2,400 thousand in 2020 due to the change in interest rate made by the Company.

5. Other pricing risk

The impact of the changes in equity price on the reporting date (the analysis of two terms is completed by using the same basis, and assuming all other variables held constant) on the comprehensive profit and loss is as follows:

Stock price on the reporting date	2021		2020	
	Other comprehensive profit or loss after tax	Profit or loss after tax	Other comprehensive profit or loss after tax	Profit or loss after tax
Increased by 3%	\$ 262,054	-	185,051	-
Decreased by 3%	(262,054)	-	(185,051)	-

6. Information about fair value

1. Type and fair value of the financial instrument

Financial assets measured at fair values through other comprehensive profit or loss by the Company is based on repetition and measured at fair value. The book value and fair value of different financial assets and liabilities (including fair value rating information, but financial instruments not measured at fair value but with a book value close to the reasonable amount of fair value and leasing liabilities are not required for the disclosure of fair value according to the regulations) are listed down below:

	December 31, 2021				
	Book value	Fair value			Total
		Class I	Class II	Class III	
Financial assets at fair value through other comprehensive income					
Domestic listed (OTC) stock	\$ 8,735,131	8,735,131	-	-	8,735,131
Domestic unlisted (OTC) stock	467,886	-	-	467,886	467,886
Subtotal	9,203,017	8,735,131	-	467,886	9,203,017
Financial assets measured at amortized cost					
Cash and cash equivalent	136,631	-	-	-	-
Other receivable	387	-	-	-	-
Guarantee deposits paid	2,671	-	-	-	-
Subtotal	139,689	-	-	-	-
Total	\$ 9,342,706	8,735,131	-	467,886	9,203,017

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

		December 31, 2021			
		Fair value			
	Book value	Class I	Class II	Class III	Total
Financial liabilities measured at					
amortized cost					
Short-term loans	\$ 4,600,000	-	-	-	-
Short-term notes payable	799,876	-	-	-	-
Other payable	55,944	-	-	-	-
Long-term loan	1,100,000	-	-	-	-
Total	<u>\$ 6,555,820</u>	-	-	-	-
		December 31, 2020			
		Fair value			
	Book value	Class I	Class II	Class III	Total
Financial assets at fair value					
through other					
comprehensive income					
Domestic listed (OTC) stock	\$ 6,168,359	6,168,359	-	-	6,168,359
Domestic unlisted (OTC) stock	404,802	-	-	404,334	409,334
Subtotal	6,577,693	6,168,359	-	409,334	6,577,693
Financial assets measured at					
amortized cost					
Cash and cash equivalent	138,569	-	-	-	-
Other receivable	617	-	-	-	-
Guarantee deposits paid	2,671	-	-	-	-
Subtotal	141,857	-	-	-	-
Total	<u>\$ 6,719,550</u>	<u>6,168,359</u>	<u>-</u>	<u>409,334</u>	<u>6,577,693</u>
Financial liabilities measured at					
amortized cost					
Short-term loans	\$ 3,800,000	-	-	-	-
Short-term notes payable	799,863	-	-	-	-
Other payable	52,678	-	-	-	-
Long-term loan	1,300,000	-	-	-	-
Total	<u>\$ 5,952,541</u>	-	-	-	-

(2) Evaluation technology of the fair value for the financial instrument measured at fair value

Non-derivative instruments

If a financial instrument has a quoted price in the active market, the quoted price will be the fair value. The market price announced by the Taiwan Stock Exchange Corporation is the basis for the fair value of the listed (OTC) equity instrument.

If the open quotation of the financial instrument can be timely and frequently acquired from the exchanges, brokers, underwriters, industrial unions, pricing service institutions or competent authorities and the price represents the actual and fair market transaction which occurs frequently, then the financial instrument has a open quotation of the active market. If the conditions mentioned above are not fulfilled, the market is not viewed as a active one.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

Generally, great bid-ask spread, significant increase in bid-ask spread or less trading volume are indexes of inactive market.

If the financial instrument possessed by the Company is in the active market, its fair value is listed by category and attribute below:

The fair value of financial assets and liabilities and listed company (OCT) stocks with standard terms/conditions and traded in the active market shall be decided subject to the market quotation.

Except for the financial instrument in the active market stated above, the fair value of other financial instruments is determined in accordance with the generally accepted pricing models based on the cash flow discount analysis.

If the financial instrument possessed by the Company is in the inactive market, its fair value is listed by category and attribute below:

Equity instrument with no open quotation: the fair value is measured using the cash flow discount model. The main assumption is to apply the expected cash flow estimated by the investee to reflect the time value of money and the risk and rate of return on investment and measure with the discount. When adopting the market approach to measure the fair value, the main assumption uses the quotation of the listed (OCT) company to calculate the P/S ratio (sales multiple) and applies it on the measurement. The discount effect resulting from the lack of market liquidity of the equity security is considered and the estimated number has been adjusted.

(3) Transfer between Class I and Class II

There was no transfer of financial assets from Class II to Class I in 2021 and 2020.

(4) Details of change in Class III

	Measuring at fair values through other comprehensive profit or loss
	Equity instrument with no open quotation
January 1, 2021	\$ 409,334
Total profit or loss	
Recognized in other comprehensive income	45,985
Purchase	37,500
Refunds from decapitalization	(24,933)
December 31, 2021	\$ 467,886

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

	Measuring at fair values through other comprehensive profit or loss
	<u>Equity instrument with no open quotation</u>
January 1, 2020	\$ 404,802
Total profit or loss	
Recognized in other comprehensive income	11,132
Refunds from decapitalization	<u>(6,600)</u>
December 1, 2020	<u>\$ 409,334</u>

The above total profits or losses are stated in “unrealized valuation gain (loss) of financial assets measured at fair value through other comprehensive profit or loss”. Items related to the assets possessed as of December 31, 2021 and 2020 were as follow:

	<u>2021</u>	<u>2020</u>
Total profit or loss		
Recognized in other comprehensive profit and loss (stated in “unrealized valuation gain (loss) of financial assets measured at fair value through other comprehensive profit or loss”)	<u>\$ 45,985</u>	<u>11,132</u>

(5) Quantitative data used on measuring the fair value of the unobservable major input (Class III)

The Company’s item that is measured at fair value and classified as Class III includes financial assets measured at fair value through other comprehensive profit or loss.

Most of the fair value of the Company has only one unobservable major input. Only the equity instrument investment that is not in an active market has multiple unobservable major inputs. The unobservable major inputs of the equity instrument investment that is not in an active market are separated from one another. They are not relevant to each other.

The quantitative data of the unobservable major input are as follow:

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

Item	Evaluation technology	Unobservable major input	Relationship between the unobservable major input and the fair value
Financial assets measured at fair values through other comprehensive profit or loss- equity instrument investment that is not in an active market	Discounted cash flow method	<ul style="list-style-type: none"> · Long-term operating revenue growth rate (1.88% on December 31, 2020) · Weighted average cost of capital (4.35% on December 31, 2020) · Discount for lack of marketability (21.48% on December 31, 2020) · Discount for minority interest (28.21% on December 31, 2020) 	<ul style="list-style-type: none"> · The higher the weighted average cost of capital, discount for minority interest and discount for lack of marketability are, the lower the fair value is. · The higher the long-term revenue growth rate is, the higher the fair value is.
//	Net asset value method	<ul style="list-style-type: none"> · Non-controlling discount (28.26% on December 31, 2021) 	<ul style="list-style-type: none"> · The higher the non-controlling discount is, the lower the fair value is.

(6) Fair value measurement of Class III. Fair value is used for the sensitivity analysis of reasonably possible alternative.

The fair value measurement of the Company's financial instrument is reasonable. If different valuation model or valuation parameter is used, it might result in different valuation results. For the financial instrument classified as Class III, if the valuation parameter has changed, its effect on the current profit and loss or other comprehensive profit or loss is listed as follows:

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

			Change in fair value reflected on other comprehensive profit or loss	
	Input	Increase or decrease	Advantageo us change	Disadvanta geous change
December 31, 2021				
Financial assets at fair value through other comprehensive income				
Equity instrument not in an active market	Discount rate	0.5%	<u>\$ 900</u>	<u>(900)</u>
December 31, 2020				
Equity instrument not in an active market	Weighted average cost of capital	0.5%	\$ 27,006	(18,710)
Equity instrument not in an active market	Discount rate	0.5%	<u>567</u>	<u>(567)</u>
			<u>\$ 27,573</u>	<u>(19,277)</u>

The advantageous and disadvantageous change of the Company is the change in fair value. The fair value is based on unobservable input parameters of different levels and calculated using the evaluation technology. The fair value of the financial instrument might be affected by more than 1 input value. The above table only reflects the effect resulting from a single input value change. The relevance between and variability in the input values are not taken into account.

(17) Financial risk management

1. Overview

The Company is exposed to the following risks due to the use of the financial instruments:

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

The Company's risk exposure information and the Company's measurement and risk management objectives, policies, and procedures are expressed in this Note. Please refer to the notes to the standalone financial statements for further quantitative disclosure.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

2. Risk management structure

The board of directors is fully responsible for the establishment and supervision of the Company's risk management structure. The board of directors has authorized a responsible department as appropriate. The department is responsible for developing and controlling the risk management policies of the Company. Besides, it is required to report its operation to the board of directors regularly.

Internal audit staff will assist the Company's board of directors to play the supervisory role. These personnel conduct regular and extraordinary review for the risk management control mechanism and procedure. The review result will be reported to the board of directors.

3. Credit risk

Credit risk is the risk of financial losses faced by the company when the counterparty of financial instruments trade is unable to meet its contractual obligations. It is mainly from the Company's securities investments.

(1) Investment

The credit risk of bank deposits and other financial instruments is measured and monitored by the Finance Department of the Company. The Company's trading counterparty and performing party are reputable banks, investing financial institutions and corporate organizations with no significant performance concerns. Therefore, there is no significant credit risk.

(2) Guarantee

Pursuant to the Company's regulations, the subject to whom the Company provides financial guarantees to shall be meet the criteria in the "Guidelines for Endorsements and Guarantees". The subsidiaries receiving the Company's endorsement and guarantee as of December 31, 2021 are detailed in note 13.

4. Liquidity risk

Liquidity risk is the risk that the company unable to pay cash or financial asset to settle the financial liability and unable to perform its obligations. The Company managed the liquidity in a manner ensuring that the Company has sufficient working fund to repay matured liabilities under the general and critical circumstances, so as to avoid unacceptable loss or impairment on the Company's goodwill.

The Company ensures that it has sufficient cash to meet the need for expected operating expenditure for 60 days, including performance of financial obligation, but excluding the potential effect which it is impossible to expect reasonably under extreme circumstances such as natural disaster. Besides, the unused loan amounts of the Company as of December 31, 2021 and 2020 were NT\$6,845,200 thousand and

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

NT\$6,707,200 thousand respectively.

5. Market risk

Market risk is the risk that the market price change, such as exchange rate, interest rate and equity instrument price change, will affect the profit or value of the financial instrument possessed by the Company. The objective of market risk management is to control the market risk exposure within the affordable range and to optimize return on investment.

(1) Exchange rate risk

The Company is exposed to exchange rate risk resulting from the sale, procurement and load transactions measured with a currency other than the functional currency of the Company. The Company uses New Taiwan Dollar as the main functional currency. These transactions are denominated in major currencies of New Taiwan Dollar, Hong Kong Dollar and US Dollar.

(2) Interest rate risk

The rate risk of the Company comes from the floating-rate of the long-term and short-term loans. The change of rate will result in changes in the effective rate of long-term and short-term loans. Therefore, the future cash flow will also change. Relative interest rate analysis is detailed in note 6(16).

(18) Capital management

The policy of the board of directors maintains the basis of unimpaired capital. It helps maintain the confidence of the investor, creditor and market. It also supports future operating development. Capital includes stock, additional paid-in capital, retained earnings, and other equity of the Company. The board of directors controls the return on capital. It also controls the dividend quality of common shares.

The debt to equity ratio on the reporting date is as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 6,630,086	6,025,334
Minus: Cash and cash equivalent	(136,631)	(138,569)
Net liabilities	<u>\$ 6,493,455</u>	<u>5,886,765</u>
Total capital	<u>\$ 39,519,657</u>	<u>31,801,933</u>
Debt to equity ratio	<u>16.43%</u>	<u>18.51%</u>

The company's capital management method has not been changed as of December 31, 2021.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

(19) Non cash transactions investing/financing activities

	January 1, 2021	Cash flow	December 31, 2021
Long-term loan	\$ 1,300,000	(200,000)	1,100,000
Short-term loans	3,800,000	800,000	4,600,000
Short-term notes payable	799,863	13	799,876
Total liabilities from financing activities	<u>\$ 5,899,863</u>	<u>600,013</u>	<u>6,499,876</u>

	January 1, 2020	Cash flow	December 31, 2020
Long-term loan	\$ 900,000	400,000	1,300,000
Short-term loans	4,250,000	(450,000)	3,800,000
Short-term notes payable	599,942	199,921	799,863
Total liabilities from financing activities	<u>\$ 5,749,942</u>	<u>149,921</u>	<u>5,899,863</u>

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

VII. Transactions with related party

(1) Names of related parties and their relationship with the company

Related parties that have performed transactions with the Company during the period of the parent company only financial statement include:

Name of related party	Relationship with the Company
Hua Cheng Investment Co., Ltd.	Subsidiary of the Company
Lien Rui Investment Corp.	Subsidiary of the Company
Jian Foods Incorporation	Subsidiary of the Company
Oggi Restaurant Group Co., Ltd.	Subsidiary of the Company
Camel Ring International Company	Subsidiary of the Company
Fortune Dragon Holding Inc.	Subsidiary of the Company
Sun Lead International Limited	Subsidiary of the Company
Pacific Gateway Holdings Inc.	Subsidiary of the Company
Hifood Co., Ltd.	Subsidiary of the Company
Yantai Taihwa Food Industrial Co., Ltd.	Subsidiary of the Company
Hifood(Shanghai) Co., Ltd.	Subsidiary of the Company
Lien Hwa Milling Corporation	Subsidiary of the Company
Lien Hwa Property Development Corporation	Subsidiary of the Company
Lien Hwa Industrial Corp.	Subsidiary of the Company
MiTAC Inc.	Subsidiary of the Company
Mix System Holdings Ltd.	Subsidiary of the Company
Ho Li Investment Co., Ltd.	Subsidiary of the Company
MiTAC Hikari Corp.	Subsidiary of the Company
Mitac Investment China Co., Ltd.	Subsidiary of the Company
Mitac (Shanghai) Business Management Consulting Co., Ltd.	Subsidiary of the Company
MiTAC Information Technology Corp.	Subsidiary of the Company
MiTAC Communication Co., Ltd.	Subsidiary of the Company
Claridy Solutions, Inc.	Subsidiary of the Company
Samoa Mitac Information Holding Ltd.	Subsidiary of the Company
Aidixun Investment Co., Ltd.	Subsidiary of the Company
Claridy Solutions (Wuxi), Inc.	Subsidiary of the Company
Claridy Solutions (Nanjing), Inc.	Subsidiary of the Company
Claridy Smart Solutions (Beijing) Co., Ltd.	Subsidiary of the Company

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

(2) Material transactions with related parties

1. Payable accounts-related parties

The Company's payable accounts-related parties are stated as follows:

Title	Type	December 31, 2021	December 31, 2020
Other payable	Subsidiary	\$ 2,822	3,302

2. Loaning of funds to related parties

The Company's loaning of funds to the related party is with interest accrued at the average interest rate of short-term loans received from financial institutions in the year of fund appropriation. The loans are unsecured loans and shall not be recognized as impairment loss after assessment. The interest income arising from loaning to related parties amounted to NT\$129 thousand for the years 2020, respectively.

3. Loan from related parties

The Company's loaning of funds from the related party is with interest accrued at the average interest rate of short-term loans received from financial institutions in the year of fund appropriation. The loans are unsecured loans. The rent income arising from the investment property amounted to NT\$ 4,732 thousand as of 2020, respectively.

4. Other

The Company sold factory land to Lienhwa Industrial Gases Co., Ltd. in 1985 and 1998. The sales revenue was NT\$71,934 thousand. Since the company is not sold, the company stated the deferred credits as company profits.

5. Endorsement/guarantee

The Company's subsidiary Lien Hwa Property Development Corporation provided property guarantees for the Company's financing loans with an endorsement guarantee amount of NT\$ 4,024,390 thousand, the actual moving amount NT\$ 2,274,390 thousand on December 31, 2021 and NT\$ 1,524,390 thousand on December 31, 2020.

(III) Key management personnel transactions

Remuneration to key management personnel includes the following:

	2021	2020
Short-term employee benefits	\$ 21,498	18,819
Post-employment benefits	309	64
Other long-term benefits	3	13
	<u>\$ 21,810</u>	<u>18,896</u>

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

VIII. Pledged Assets

The book value of the Company's pledged assets is as follows:

Assets name	Charged and pledged guarantees	December 31, 2021	December 31, 2020
Guarantee deposits paid		\$ 2,671	2,671

IX. Significant contingent liabilities and unrecognized contractual commitments: None.

X. Losses due to major disasters: None.

XI. Materiality after the period:

The company issued the secured domestic common corporate bonds per the resolution of the meeting of the Board of Directors on January 21, 2022. The total issue amount was no more than NT\$5 billion. The bonds could be issued in full or in installments, subject to the market condition, at the par value of NT\$1 million, with the duration of five years and issued at fixed interest rate. Meanwhile, the Chairman was authorized to make any decision subject to the market condition. A bank guarantee was furnished as the collateral.

XII. Others

(I) Classification of employee benefits, depreciation, depletion and amortization expenses by function is summarized as follows:

By nature	2021			2020		
	Classified as operating cost	Classified as operating expense	Total	Classified as operating cost	Classified as operating expense	Total
Employee benefit expense						
Salary expense	—	30,430	30,430	—	22,438	22,438
Labor and health insurance expense	—	1,355	1,355	—	1,086	1,086
Pension expense	—	492	492	—	458	458
Remuneration of Directors	—	10,028	10,028	—	10,120	10,120
Other employee welfare expense	—	335	335	—	498	498
Depreciation expense	—	—	—	—	—	—
Amortization expense	—	—	—	—	—	—

The information about employees and salary of the Company for the years ended December 31, 2021 and 2020 are as bellow:

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

	2021	2020
Employees	15	14
Non-employee directors	7	7
Average employee benefits (Note1)	4,076	3,497
Average salary	3,804	3,205
Average salary adjustment	18.69%	310.37%
Remuneration of Supervisor	—	—

Note1 : Not included Remuneration of Directors.

The company's salary and remuneration policy (including director, manager and staff) are as follows:

(1) Director

In accordance with recommendations rendered by the Remuneration Committee of Lien Hwa Industrial Holdings Corp (thereinafter LHIHC), merit reward and travel allowance for members of the Board of Directors have been approved.

The remuneration amount is in compliance with Article 28 of LHIHC bylaws and shall not exceed one percent of LHIHC's annual net income when applicable.

The recommendation is deliberated with consideration of multiple indexes, including but not limited to industry-wide remuneration data, time invested and complexity of responsibilities.

The recommendation is deliberated by the remuneration committee and reviewed by members of the Board before being presented to the annual general meeting.

(2) Manager

LHIHC evaluates a manager's merit with consideration of job complexity, quantity of responsibilities, personal performance achievements, internal fairness ratings, operating performance relevant to the position and industry-wide remuneration data. The recommendation is deliberated by the remuneration committee before being presented in the Board meeting for approval.

The remuneration amount of our managers is in compliance with Article 28 of LHIHC by laws and shall not exceed more than one thousandth of LHIHC's annual net income when applicable.

(3) Staff

LHIHC evaluates a staff's merit with consideration of job complexity, quantity of responsibilities, personal performance achievements, internal fairness ratings, operating performance relevant to the position and industry-wide remuneration data. The recommendation is deliberated by the Human Resource Department before being presented to the managers of authority for approval.

Lien Hwa Industrial Holdings Corporation

Notes to the Parent Company Only Financial Statements

The remuneration amount of our staff members is in compliance with Article 28 of LHIHC bylaws and shall not exceed more than one thousandth of LHIHC's annual net income when applicable.

LHIHC also takes staff compliance record with the Code of Conduct, performance evaluation and bonus distribution rules into consideration when recommending relevant awards.

XIII. Supplementary disclosure

(I) Information on material transactions

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the company should also disclose the information about material transactions in 2021:

1. Loaning of funds to others:

Unit: NTD thousand

No.	Lender	Borrowing company	Account titles	Related party	Current maximum amount	Ending balance	Drawdown	Interest rate interval	Nature of loaning of funds (Note 1)	Business transaction amount	Reasons of necessary short-term financing	Amount recognized in loss allowance	Collateral Name	Collateral Value	Limit of loans to individual borrowers	Limit of total loans
0	Lien Hwa Industrial Holdings Corporation	Fortune Dragon Holding Inc.	Other receivable	Yes	285,350	-	-	-	2	-	Working capital	-	-	-	3,951,966	7,903,931
1	Fortune Dragon Holding Inc.	Yantai Taihwa Food Industrial Co., Ltd.	"	"	389,340	221,440	221,440	-	2	-	"	-	-	-	6,533,226	9,146,516
1	"	Hifood Co., Ltd.	"	"	38,696	19,376	16,470	0.91%	2	-	"	-	-	-	2,613,290	9,146,516
1	"	Hifood(Shanghai) Co., Ltd.	"	"	14,240	-	-	-	2	-	"	-	-	-	2,613,290	9,146,516
2	MiTAC Inc.	MiTAC Information Technology Corp.	"	"	500,000	500,000	-	-	2	-	"	-	-	-	2,436,032	4,872,063
3	MiTAC Information Technology Corp.	MiTAC Communication Co., Ltd.	"	"	80,000	80,000	10,000	0.98%	2	-	"	-	-	-	140,656	281,312
4	Claridy Solutions, Inc.	MiTAC Communication Co., Ltd.	"	"	20,000	-	-	-	2	-	"	-	-	-	26,265	26,265

Note 1: 1. A business associate.

2. Needs for short-term financing.

Note 2: The limit amount of loans to each borrower shall not exceed 10% of the net value of the recent financial statements audited or reviewed by the CPA, and the total limit of loans shall not exceed 20% of that.

Note 3: If both the borrower and lender are the foreign company that the parent company owns directly or indirectly with 100% of voting rights, the limit amount for the Fortune Dragon Holding Inc. to loan to each borrower and the limit amount of total loans shall not exceed 100% of the net value of the recent financial statements audited or reviewed by the CPA. If the borrower and lender do not meet said criteria, the amount shall not exceed 40%. Said amount loaned shall not exceed 140% in total.

Note 4: The limit amount of loans of MiTAC Inc. to each borrower shall not exceed 10% of the net value of the recent financial statements audited or reviewed by the CPA, and the total limit of loans shall not exceed 20% of that.

Note 5: The limit amount of loans to each borrower and the total limit of loans of the MiTAC Information Technology Corp. shall not exceed 10% of the net value of the recent financial statements audited or reviewed by the CPA, and the total limit of loans shall not exceed 20% of that.

Note 6: The limit amount of loans to each borrower and the total limit of loans of Claridy Solutions, Inc. shall not exceed 40% of the net value of the recent financial statements audited or reviewed by the CPA.

Lien Hwa Industrial Holdings Corporation

Notes to the Parent Company Only Financial Statements

2. Making endorsements/guarantees for others:

Unit: NTD thousand

No.	Endorsing/guaranteeing company	Endorsed/guaranteed company	Relationship (Note 1)	Limit amount of endorsement/guarantee to a single enterprise	Current maximum endorsement/guarantee balance	Current endorsement/guarantee - ending	Actual amount drawn down	Endorsement/guarantee amount secured with property as collateral	Ratio of the cumulative endorsement/guarantee amount to the net worth in the most recent financial statements	Maximum endorsements/guarantees	Endorsement/guarantee made by the parent company for its subsidiaries	Endorsements/guarantees made by the subsidiaries for its parent company	Endorsement/guarantee made for the operations in Mainland China
0	Lien Hwa Industrial Holdings Corporation	Pacific Gateway Holdings Inc.	2	39,519,657	199,745	193,760	-	-	0.49%	39,519,657	Y	N	N
0	"	Fortune Dragon Holding Inc.	2	39,519,657	470,828	318,320	-	-	0.81%	39,519,657	Y	N	N
0	"	Lien Hwa Milling Foods Corporation	2	39,519,657	2,950,000	2,950,000	1,495,770	-	7.46%	39,519,657	Y	N	N
0	"	Lien Hwa Properties Corporation	2	39,519,657	1,100,000	1,100,000	75,000	-	2.78%	39,519,657	Y	N	N
1	Lien Hwa Properties Corporation	Lien Hwa Industrial Holdings Corporation	3	7,081,943	4,024,390	4,024,390	2,274,390	4,024,390	170.48%	7,081,943	N	Y	N
2	MiTAC Inc.	MiTAC Information Technology Corp.	1	24,360,315	2,649,346	2,412,019	1,187,055	353,009	9.90%	24,360,315	N	N	N
3	MiTAC Information Technology Corp.	MiTAC Communication Co., Ltd.	2	1,406,560	50,000	50,000	8,299	-	3.55%	1,406,560	N	N	N
3	"	Claridy Solutions, Inc.	2	1,406,560	32,000	32,000	2,155	-	2.28%	1,406,560	N	N	N
4	MiTAC Communication Co., Ltd.	MiTAC Information Technology Corp.	3	200,000	11,288	11,288	-	-	11.81%	200,000	N	N	N

Note 1: The relationship between the endorsing/guaranteeing subject and the endorsed/guaranteed subject is classified into 3 categories as follows:

1. A business associate.
2. A company that directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares.

Note 2: The total endorsement and guarantee amount made by the Company for others shall not exceed 100% of the net value in the most recent financial statements. The endorsement and guarantee amount made by the Company to a single subsidiary shall not exceed 100% of the net value in the most recent financial statements.

Note 3: The limit of the endorsement and guarantee amount made by Lien Hwa Properties Corporation to a single company and the total limit of endorsement and guarantee shall not exceed 300% of the net value in the most recent financial statements of Lien Hwa Properties Corporation audited or reviewed by the CPA.

Note 4: The limit of the endorsement and guarantee amount made by MiTAC Inc. to a single company and the total limit of endorsement and guarantee shall not exceed 100% of the net value in the most recent financial statements of MiTAC Inc. audited or reviewed by the CPA.

Note 5: The limit of the endorsement and guarantee amount made by MiTAC Information Technology Corp. to a single company and the total limit of endorsement and guarantee shall not exceed 100% of the net value in the most recent financial statements of MiTAC Information Technology Corp. audited or reviewed by the CPA.

Note 6: The limit of the endorsement and guarantee amount made by MiTAC Communication Co., Ltd. to MiTAC Information Technology Corp. as a single company shall not exceed 30% of the net value in the most recent financial statements of MiTAC Information Technology Corp. audited or reviewed by the Manager CPA, or NT\$200,000 thousand, and the total limit of endorsement and guarantee shall not exceed NT\$200,000 thousand.

Lien Hwa Industrial Holdings Corporation

Notes to the Parent Company Only Financial Statements

3. Marketable securities held at yearend (excluding the equity held by invested subsidiaries, affiliated enterprises and joint ventures):

Unit: NTD Thousand/ Thousand shares

Company in possession	Type and name of marketable securities	Relationship with the security issuer	Ledger account	Year end				Remarks
				Number of shares (Number of unit)	Book value	Percentage held	Fair value (Note 1, 3)	
Lien Hwa Industrial Holdings Corporation	Great Wall Enterprise Co., Ltd.	The Company is the juridical person director of the company	Financial assets measured at fair values through other comprehensive profit or loss- non-current	18,107	966,937	2.12%	966,937	
"	MiTAC Holdings Corp.	The chairman of the company is the one of the Company	"	95,941	3,377,121	7.95%	3,377,121	
"	Synnex Technology International Corp.	"	"	59,526	3,940,630	3.57%	3,940,630	
"	Pao Long International Co., Ltd.	-	"	2,365	48,846	1.57%	48,846	
"	Getac Technology Corp.	The chairman of the Company is the representative of the juridical person director of the company	"	7,210	401,597	1.21%	401,597	
"	Taian Insurance Co., Ltd.	-	"	921	25,243	0.31%	25,243	
"	China Trade and Development Corp.	-	"	50	1,237	0.08%	1,237	
"	Formosa Golf and Country Club Corp.	-	"	2	332	0.01%	332	
"	Hsin Yu Energy Development Co., Ltd.	-	"	6,076	-	2.44%	-	
"	Harbinger Venture Capital Corp.	The Company is the juridical person chairman of the company	"	7	57	3.35%	57	
"	Harbinger VI Venture Capital Corp.	-	"	2,410	34,349	9.96%	34,349	
"	Global Investment Holdings Co. Ltd.	The Company is the juridical person director of the company	"	1,907	24,398	3.33%	24,398	
"	Harbinger VII Venture Capital Corp.	-	"	8,338	127,205	9.39%	127,205	
"	Shihlien Fine Chemicals Co., Ltd.	The Company is the juridical person director of the company	"	35,384	129,120	13.61%	129,120	
"	B Current Impact Investment Inc.	-	"	500	4,123	6.25%	4,123	
"	Harbinger VIII Venture Capital Corp.	-	"	11,250	121,822	11.57%	121,822	
Hua Cheng Investment Co., Ltd.	Lien Hwa Industrial Holdings Corporation	The company invests the Company and evaluates it under the equity method.	"	155	9,599	0.01%	9,599	Note 2
"	Waffer Technology Corp.	-	"	2	58	- %	58	
"	Shihlien Fine Chemicals Co., Ltd.	-	"	1	5	- %	5	
"	Harbinger Venture Management Co., Ltd.	-	"	863	16,743	19.99%	16,743	
Fortune Dragon Holding Inc.	Budworth Investment Limited	-	"	30	8	3.33%	8	
"	Asia Global Venture Capital Co., Ltd	-	"	446	23,814	10.00%	23,814	
"	Harbinger Ruyi Venture Limited	-	"	500	9,223	14.29%	9,223	
"	Asia Global Venture Capital II Co., Ltd	-	"	159	7,625	3.00%	7,625	
"	Ever Victory Global Limited.	-	"	72,810	2,273,031	11.76%	2,273,031	
"	eT Capital, L.P.	-	"	-	117,773	10.55%	117,773	

Lien Hwa Industrial Holdings Corporation

Notes to the Parent Company Only Financial Statements

Company in possession	Type and name of marketable securities	Relationship with the security issuer	Ledger account	Year end				Remarks
				Number of shares (Number of unit)	Book value	Percentage held	Fair value (Note 1, 3)	
"	Acorn Accelerator Fund I, L.P.	-	"	-	26,011	7.48%	26,011	
"	eT Capital II, L.P.	-	"	-	33,696	13.16%	33,696	
Sun Lead International Limited	Kelington Group Berhad	-	"	39,635	433,242	6.16%	433,242	
"	Kelington Group Berhad-Warrants B	-	Financial assets at fair value through profit or loss- noncurrent	13,212	66,749	- %	66,749	
MiTAC Inc.	Lien Hwa Industrial Holdings Corporation	Parent company	Financial assets measured at fair values through other comprehensive profit or loss- non-current	5,527	342,101	0.39%	342,101	Note 2
"	Ares International Corp.	The Company is the juridical person director of the company	"	1,486	39,390	3.15%	39,390	
"	Synnex Technology International Corp.	The chairman of the company is the one of the Company	"	260,521	17,246,494	15.62%	17,246,494	Note 4
"	MiTAC Holdings Corp.	"	"	104,431	3,675,974	8.66%	3,675,974	Note 5
"	EasyCard Investment Holding Co., Ltd.	-	"	6,538	61,328	6.28%	61,328	
"	Far Eastern Electronic Toll Collection Co, Ltd.	The Company is the juridical person director of the company	"	27,723	226,851	9.24%	226,851	
MiTAC Inc.	Digital economy limited partnership	-	Financial assets measured at fair values through other comprehensive profit or loss- non-current	-	55,414	6.29%	55,414	
"	Harbinger VII Venture Capital Corp.	-	"	8,338	127,200	9.39%	127,200	
"	Harbinger III Venture Capital Corp.	The Company is the juridical person director of the company	"	6	125	6.00%	125	
"	Harbinger Venture Capital Corp.	The chairman of the company is the one of the Company	"	19	162	9.50%	162	
"	LienJie II Investment Co., Ltd.	-	"	1,625	19,765	16.25%	19,765	
"	Harbinger VIII Venture Capital Corp.	The Company is the juridical person director of the company	"	7,500	81,217	7.71%	81,217	
"	ProMOS Technologies Inc.	-	"	44	-	0.10%	-	
"	General Motors corporate bond	-	"	500	-	- %	-	
"	Renaissance Capital	-	"	-	100,018	12.82%	100,018	
"	CTCI Corporation	-	"	7,593	282,460	0.99%	282,460	
"	UUPON Inc.	The Company is the juridical person director of the company	"	996	5,291	15.00%	5,291	
Mix System Holdings	Budworth Investment Limited	-	"	91	23	10.00%	23	
"	Dyna comware	-	"	21	1,579	0.97%	1,579	
"	Harbinger Ruyi II Venture Limited	-	"	5	35,791	16.13%	35,791	
Ho Li Investment Co., Ltd.	MiTAC Inc.	Parent company	"	2,382	153,008	0.63%	153,008	Note 2

Lien Hwa Industrial Holdings Corporation

Notes to the Parent Company Only Financial Statements

Company in possession	Type and name of marketable securities	Relationship with the security issuer	Ledger account	Year end				Remarks
				Number of shares (Number of unit)	Book value	Percentage held	Fair value (Note 1, 3)	
"	MiTAC Information Technology Corp.	Fellow subsidiary of the parent company	"	-	2	- %	2	
"	Harbinger VI Venture Capital Corp.	The chairman of the parent company is its chairman	"	1,607	23,905	6.64%	23,905	
"	Far Eastern Electronic Toll Collection Co., Ltd.	The Company is the juristic person director of that company	"	5,256	42,993	1.75%	42,993	
Ho Li Investment Co., Ltd.	UPC Technology Corp.	The chairman of the parent company is its chairman	Financial assets measured at fair values through other comprehensive profit or loss- current	8,467	182,893	0.63%	182,893	
"	Synnex Technology International Corp.	"	"	460	30,452	0.03%	30,452	
"	Lien Hwa Industrial Holdings Corporation	Ultimate parent company	"	1,907	118,041	0.14%	118,041	Note 2
"	MiTAC Holdings Corp.	The chairman of the parent company is its chairman	"	4,386	154,392	0.36%	154,392	
"	Getac Technology Corp.	Invested company of MiTAC Holdings Corporation under the equity method	"	5,358	298,440	0.90%	298,440	
"	Waffer Technology Corp.	-	"	1	39	- %	39	
Shen Tong International Management Consulting Co., Ltd.	Mitac (Shanghai) Computer Co., Ltd.	-	Financial assets measured at fair values through other comprehensive profit or loss-non-current	-	3,475	10.00%	3,475	
"	Financial products of Shanghai Pudong Development Bank Co., Ltd.	-	Financial assets measured at fair values through profit or loss-current	-	77,627	- %	77,627	
Claridy Solutions (Wuxi) , Inc.	Suying Wealth Management Qiyuan Cash No. 1	-	"	-	25,847	- %	25,847	

Note 1: For the TWSE/TPEX-listed Company with a public market price, the closing price on the last transaction date in the accounting period shall apply.

Note 2: The parent company's stocks possessed by subsidiaries have been deducted from the book value and these stocks were deemed as treasury stocks.

Note 3: The market price listed by the non-TWSE/TPEX-listed company refers to the equity net value. Some of it is listed in the financial statements of the same period that is prepared by the invested company or audited by the CPA.

Note 4: Among the other things, 23,000 thousand shares were pledged to the bank as the collateral to secure the application of MiTAC Information Technology Corp. for the facility under the bank's project.

Note 5: Among the other things, 1,500 thousand shares were pledged to the bank as the collateral to secure the application of MiTAC Information Technology Corp. for the facility under the bank's project.

4. The amount of the accumulated purchase or sale of the same securities is over NT\$300 million or 20% of the paid-in capital:

Unit: NTD Thousand/ Thousand shares

Buying/selling company	Type and name of marketable securities	Ledger account	Trading counterpart	Relationship	Beginning of the period		Buy		Sell				Yearend	
					Number of shares	Amount	Number of shares	Amount (Note)	Number of shares	Selling price	Book cost	Disposal gain or loss	Number of shares	Amount
Lien Hwa Industrial Holdings Corporation	Synnex Technology International Corp.	Equity instrument investment at fair value through other comprehensive profit or loss-Non-current	-	Same chairman.	49,893	2,344,977	9,633	1,595,653	-	-	-	-	59,526	3,940,630

Note: Including the adjustments for change in the recognized amount.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

5. Purchase amount of real property that exceeds NTD300 million or 20% of the paid-in capital: None.
6. Amount for the disposal of real property exceeds NTD300 million or 20% of the paid-in capital: None.
7. Amount of the purchase from and the sale to related parties exceeds NTD100 million or 20% of the paid-in capital: None.
8. Amount receivable from related parties exceeds NTD100 million or 20% of the paid-in capital: None.

Unit: NTD thousand

Stated company of account receivable	Name of the trading counterpart	Relationship	Balance of receivable accounts-related parties	Turnover rate	Overdue receivable accounts-related parties		Subsequent recovered amount of receivable accounts-related parties	Appropriated allowance for bad debt
					Amount	Treatment		
Fortune Dragon Holding Inc.	Yantai Taihwa Food Industrial Co., Ltd.	Parent-subsidiary	221,440	-	-		-	-

9. Engaging in derivative transactions: None.

(2) Information about invested business:

The information about invested business (excluding the invested business in Mainland China) of the company in 2021 is as follows:

Unit: NTD Thousand/ Thousand shares

Name of investment company	Name of invested company	Location	Main business	Original investment amount		Held at yearend			Investee income recognized in the current period	Investment income recognized in the current period	Remarks
				End of the period	End of last year	Number of shares	Ratio	Book value			
Lien Hwa Industrial Holdings Corporation	UPC Technology Corp.	Taipei City	Organic acid, acid anhydride and its derivatives, plastic toughener, etc.	3,142,213	3,142,213	424,881	32.47%	9,616,088	2,147,462	704,582	
"	Linde Lienhwa Industrial Gases Co., Ltd.	"	Production of fluids, nitrogen, hydrogen, acetylene and other industrial gases.	400,000	400,000	1,886	50.00%	6,400,663	2,917,454	1,458,727	
"	MiTAC Inc.	"	General investment	731,636	731,636	133,470	35.89%	8,769,075	1,016,193	345,625	Subsidiary Notes 1 and 2
"	MiTAC Information Technology Corp.	"	Integrated system service, automatic system, applied software design and sale of industrial computer	1,289,599	1,289,599	65,900	43.93%	649,876	15,229	6,746	Subsidiary Note 3
"	Hua Cheng Investment Co., Ltd.	"	General investment	476,000	476,000	71,500	100.00%	1,045,958	41,959	41,720	Subsidiary Note 1
"	Lienhwa United LPG Co., Ltd.	"	Installation, purchase/sale and technical maintenance of the equipment for propane, butane and the mixture.	62,253	62,253	6,848	24.04%	82,061	26,131	6,283	
"	Lien Rui Investment Corp.	"	General investment	523,500	523,500	17,335	100.00%	77,910	(15,198)	(15,194)	Subsidiary Note 3
"	Fortune Dragon Holding Inc.	B.V.I.	"	3,737,817	3,737,817	120,155	100.00%	6,533,226	944,090	944,090	Subsidiary
"	Lien Hwa Milling Foods Corporation	Taipei City	Manufacturing and sale of flour	913,563	1,601,000	74,999	74.999%	1,256,566	215,786	197,877	Subsidiary Note 3

Lien Hwa Industrial Holdings Corporation

Notes to the Parent Company Only Financial Statements

Name of investment company	Name of invested company	Location	Main business	Original investment amount		Held at yearend			Investee income recognized in the current period	Investment income recognized in the current period	Remarks
				End of the period	End of last year	Number of shares	Ratio	Book value			
"	Lien Hwa Properties Corporation	"	Rental and leasing business	2,201,000	2,201,000	200,100	100.00%	2,360,647	141,588	141,588	Subsidiary
"	Lien Hwa Industrial Co., Ltd.	"	General investment	1,000	1,000	100	100.00%	1,000	-	-	"
Hua Cheng Investment Co., Ltd.	UPC Technology Corp.	"	Organic acid, acid anhydride and its derivatives, plastic toughener, etc.	54,933	54,933	4,732	0.36%	107,628	2,147,462	7,945	
"	MiTAC Inc.	"	General investment	84,354	84,354	7,262	1.95%	501,753	1,016,193	19,439	Subsidiary Note 2
"	MiTAC Information Technology Corp.	"	Integrated system service, automatic system, applied software design and sale of industrial computer	140,128	140,128	9,004	6.00%	88,597	15,229	914	Subsidiary
"	Jian Foods Incorporation	"	Wholesaling and retailing business	10	10	-	- %	-	(13,129)	-	"
"	Camel Ring International Company	"	"	10	10	1	0.16%	11	257	-	"
"	Lien Yung Investment Corp.	"	General investment	87,969	87,969	9,217	19.99%	159,880	35,561	7,109	
"	Tung Da Investment Co., Ltd.	"	"	72,699	72,699	4,848	19.99%	167,511	31,882	6,373	
"	Lien Hwa Milling Foods Corporation	"	Manufacturing and sale of flour	14	-	1	0.001%	17	215,786	1	Subsidiary
Lien Rui Investment Corp.	Jian Foods Incorporation	"	Wholesaling and retailing business	381,000	381,000	8,189	95.86%	43,437	(13,129)	(12,586)	"
"	Oggi Restaurant Group Co., Ltd.	"	Restaurant business	35,000	35,000	3,500	100.00%	26,444	(2,771)	(2,771)	"
"	New Plus Food & Beverage Co., Ltd.	Taichung City	"	99,995	99,995	7,000	50.00%	-	(1,781)	-	
"	Farmdirect Corp.	Taoyuan City	Wholesaling and retailing business	13,500	13,500	600	31.58%	-	(3,449)	-	
"	Camel Ring International Company	Taipei City	"	6,465	6,465	642	99.84%	6,975	257	257	Subsidiary
Fortune Dragon Holding Inc.	Pacific Gateway Holdings Inc.	B.V.I.	General investment	1,186,793	1,186,793	39,461	100.00%	595,362	(21,758)	(21,758)	"
"	Boc Lienhwa (B.V.I) Holding Co., Ltd.	"	"	1,744	1,744	50	50.00%	1,912,755	1,826,439	883,804	
"	Hifood Co., Ltd.	Cayman Islands	"	470,630	470,630	14,150	65.81%	153,650	14,386	9,468	Subsidiary
"	Sun Lead International Limited	B.V.I.	"	73,525	73,525	3	100.00%	520,472	70,281	70,281	"
MiTAC Inc.	Mix System Holdings Ltd.	"	"	268,342	268,342	8,610	100.00%	413,979	9,837	9,837	"
"	Ho Li Investment Co., Ltd.	Taipei City	"	564,035	564,035	82,234	100.00%	1,263,030	46,947	44,222	Subsidiary Note 1
MiTAC Inc.	MiTAC Hikari Corp.	Taipei City	System integration service	30,000	30,000	3,000	50.00%	1,967	(1,660)	(830)	Subsidiary
"	MiTAC Information Technology Corp.	"	Integrated system service, automatic system, applied software design and sale of industrial computer	367,032	345,938	36,605	24.40%	343,236	15,375	197	"
Mix System Holdings Ltd.	Mitac Investment China Co. Ltd.	B.V.I.	General investment	166,065	166,065	5,450	100.00%	236,071	5,779	5,779	"
Ho Li Investment Co., Ltd.	Lien Yung Investment Corp.	Taipei City	"	87,969	87,969	9,217	19.99%	159,916	35,561	7,110	

Lien Hwa Industrial Holdings Corporation

Notes to the Parent Company Only Financial Statements

Name of investment company	Name of invested company	Location	Main business	Original investment amount		Held at yearend			Investee income recognized in the current period	Investment income recognized in the current period	Remarks
				End of the period	End of last year	Number of shares	Ratio	Book value			
"	Tung Da Investment Co., Ltd.	"	"	72,691	72,691	4,848	19.99%	167,510	31,882	6,373	
MiTAC Information Technology Corp.	MiTAC Communication Co., Ltd.	"	Sale, rental and maintenance of telephone switching systems and data communication products, communication system project contracting	201,312	201,312	20,000	100.00%	95,594	20,156	20,156	Subsidiary
"	Claridy Solutions, Inc.	Hsinchu City	Consulting for and development of libraries and information systems	50,000	50,000	5,000	100.00%	65,662	7,611	7,611	"
"	Samoa Mitac Information Holding Ltd.	American Samoa	General investment	166,915	166,915	5,395	100.00%	127,579	11,438	11,438	"
Samoa Mitac Information Holding Ltd.	Aidixun Investment Co., Ltd.	"	"	163,512	163,512	8,165	100.00%	126,684	11,778	11,778	"

Note 1: The parent company's stocks possessed by subsidiaries have been deducted from the book value and these stocks were deemed as treasury stocks.

Note 2: The variance refers to the amortization of the difference in equity net value.

Note 3: The variance between the book value and the investment income recognized in the current period and invested company refers to the side stream transaction.

(3) Information about the investment in China:

1. Relative information about the invested business in Mainland China:

Unit: NTD thousand

Name of the invested company in China (Note 2)	Main business	Paid-in capital amount	Investment method (Note 1)	Accumulated investment amount remitted from Taiwan at the beginning of current period	Investment amount remitted or recovered in the current period		Accumulated investment amount remitted from Taiwan at the end of current period	Investee income recognized in the current period	Direct and indirect shareholding of the Company	Investment income recognized in the current period	Investment book value at year end	Investment revenue received in the current period
					Remittance	Collection						
Yantai Taihwa Food Industrial Co., Ltd. (II).1	Manufacturing and sale of flour and flour processed food	1,232,224	(II)	1,232,224	-	-	1,232,224	(21,290)	100.00%	(21,290)	589,568	-
Hifood(Shanghai) Co., Ltd. (II).2	Rental and leasing business	656,700	(II)	408,880	-	-	408,880	14,989	65.81%	9,864	164,259	-
Fujian Fuhua Gases Co., Ltd. (II).2 and 3	Research and development of industrial gases, development and technical service of electronics industrial gases	824,911	(II)	-	-	-	-	238,243	25.00%	61,102	244,522	-
BOCLH Industrial Gases(Shanghai)Co., Ltd (II). 2 and 3	Mainly in the business of gas production	580,438	(II)	1,744	-	-	1,744	104,086	50.00%	52,043	248,906	-
Lien Xiong Investment (Shanghai) Co., Ltd. (II). 2 and 3	General investment	5,725,631	(II)	-	-	-	-	1,055,486	50.00%	527,743	3,600,580	-
Shengpin Precision Gas (Shanghai) Co., Ltd. (II). 2 and 3	Mainly in the business of gas production	729,024	(II)	-	-	-	-	235,244	50.00%	117,622	492,384	-
Lien Hwa Precision Gas (Chengdu) Co., Ltd. (II). 2 and 3	"	501,638	(II)	-	-	-	-	13,531	50.00%	6,765	259,980	-
Lien Hwa Precision Gas (Dalian) Co., Ltd. (II). 2 and 3	"	478,312	(II)	-	-	-	-	130,499	50.00%	65,249	342,615	-
Linde Lienhwa Gases (Wuhan) Co., Ltd. (II).2 and 3	"	629,663	(II)	-	-	-	-	427,329	50.00%	213,664	525,513	-
Linde Lienhwa Gases (Chengdu) Co., Ltd. (II).2 and 3	"	718,696	(II)	-	-	-	-	152,251	50.00%	76,125	429,455	-

Lien Hwa Industrial Holdings Corporation

Notes to the Parent Company Only Financial Statements

Name of the invested company in China (Note 2)	Main business	Paid-in capital amount	Investment method (Note 1)	Accumulated investment amount remitted from Taiwan at the beginning of current period	Investment amount remitted or recovered in the current period		Accumulated investment amount remitted from Taiwan at the end of current period	Investee income recognized in the current period	Direct and indirect shareholding of the Company	Investment income recognized in the current period	Investment book value at year end	Investment revenue received in the current period
					Remittance	Collection						
Mitac (Shanghai) Business Management Consulting Co., Ltd. (II).2	Business management consulting, business information consulting and system integration services	82,898	(II)	31,708	-	-	31,708	4,847	100.00%	4,847	140,636	-
Claridy Solutions (Wuxi), Inc. (II).2	Research and development of Radio Frequency Identification (RFID) technology; production and sale of the products	86,695	(II)	16,441	15,998	-	32,439	8,894	100.00%	8,894	90,018	-
Claridy Solutions (Nanjing), Inc. (II).2	Software research and development and software design	94,046	(II)	60,800	-	-	60,800	1,776	100.00%	1,776	44,896	-
Claridy Smart Solutions (Beijing) Co., Ltd. (II).2	Technology development, technology promotion, technology transfer, technology consulting, technology service and library management contract service	-	(II)	15,998	-	15,998	-	2,463	- %	2,463	-	-

2. Information related to ceiling on investment in Mainland China

Company name	Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note 3)
The Company	3,720,683	3,879,253	23,711,794
MiTAC Inc.	49,114	189,212	14,616,189
MiTAC Information Technology Corp.	161,191	161,191	843,936

Note 1: Investment is divided into the following three categories:

- (I) Engaged in direct investment in Mainland China;
- (II) Investment in Mainland China through a third country company.
- (III) Others.

Note 2: In the column of the investment income recognized in the current period:

- (I) It should be specified if the investment is in preparation without any investment gain or loss resulted.
- (II) The base for the recognition of investment income can be classified into three categories and it shall be specified.
 - (1) The financial statements audited and attested by the CPA Firms of the parent company in Taiwan;
 - (2) Other- Self-prepared financial statement
 - (3) The investment income is recognized based on the shareholding of that company as held by Fortune Dragon Holding Inc. indirectly.

Note 3: According to the regulation in the "Principle of Review on Investment and Technical Cooperation in Mainland China" issued by the Investment Commission on August 29, 2008, 60% of the net value is used for the calculation.

Note 4: The numbers in said table are stated in New Taiwan Dollars.

Note 5: The Company invested in Quan Ye Trading Co., Ltd indirectly. The original investment cost was US\$1,000 thousand. The equity was disposed of and US\$486 thousand of the investment amount was collected and settled in May 2017. It was reported to the Investment Commission of the Ministry of Economic Affairs for future reference and cancellation as of December 31, 2021. After the capital is remitted back to Taiwan, the amount will be deducted from the used amount of the approved limit in Mainland China.

Note 6: Claridy Smart Solutions (Beijing) Co., Ltd. has extinguished upon consolidation into Claridy Solutions (Wuxi), Inc. on November 30, 2021.

3. Material transactions: None.

(4) Information on major shareholders:

Name of major shareholder	Shares No. of shares held	Shareholding percentage
UPC Technology Corp.	136,439,678	9.68%
Yih Yuan Investment Corp.	128,887,247	9.14%

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

Note: The major shareholders in this table are shareholders holding more than 5% of the common and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of December 2021 calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial report and the number of shares actually delivered by the company without physical registration may differ due to calculation

(XIV) Department information

Please refer to the year 2021 consolidated financial statements.

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)
Statement of Cash and Cash Equivalents
December 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash in bank	Demand deposits	133,690
	Foriegn deposits	217
Time deposits	(CNY 627 thousand)	<u>2,724</u>
Total		<u><u>\$ 136,631</u></u>

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)
Statement of Changes in Financial Assets Measured at fair Value through Other
Comprehensive Income—Non-current
For the year ended December 31, 2021
(In Thousands of New Taiwan Dollars)

Name of financial instrument	Beginning Balance		Addition		Decrease		Ending balance		Collateral	Note
	Shares (in thousand)	Fair value	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Fair value		
Great Wall Enterprise Co., Ltd.	17,580	\$ 893,066	527	73,871	-	-	18,107	966,937	None	Closing price in December 31, 2021
MiTAC Holdings Corp.	85,942	2,535,287	9,999	841,834	-	-	95,941	3,377,121	"	"
SYNNEX Technology International Corp.	49,893	2,344,977	9,633	1,595,653	-	-	59,526	3,940,630	"	"
Pao Long International Co., Ltd.	2,365	42,460	-	6,386	-	-	2,365	48,846	"	"
Getac Technology Corp.	7,210	352,569	-	49,028	-	-	7,210	401,597	"	"
Taian Insurance Co., Ltd.	921	22,743	-	2,500	-	-	921	25,243	"	
China Trade and Development Corp.	50	1,212	-	25	-	-	50	1,237	"	
Formosa Golf and Country Club Corp.	2	321	-	11	-	-	2	332	"	
Hsin Yu Energy Development Co., Ltd.	6,076	-	-	-	-	-	6,076	-	"	
Harbinger Venture Capital Corp.	7	59	-	-	-	2	7	57	"	
Harbinger VI Venture Capital Corp.	2,809	36,211	-	-	399	1,862	2,410	34,349	"	
Harbinger VII Venture Capital Corp.	10,000	151,648	-	-	1,662	24,443	8,338	127,205	"	
Global Investment Holdings Co. Ltd.	2,340	29,924	-	-	433	5,526	1,907	24,398	"	
Shihlien Fine Chemicals Co., Ltd.	35,384	89,077	-	40,043	-	-	35,384	129,120	"	
B Current Impact Investment Corp.	500	4,517	-	-	-	394	500	4,123	"	
Harbinger VIII Venture Capital Corp.	7,500	73,622	3,750	48,200	-	-	11,250	121,822	"	
		<u><u>\$ 6,577,693</u></u>		<u><u>2,657,551</u></u>		<u><u>32,227</u></u>		<u><u>9,203,017</u></u>		

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)
Statement of Changes in Investments Accounted for Using the
Equity Method
For the year ended December 31, 2021
(In Thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Ending balance			Market Value or Net Assets Value		Collateral	Note
	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Percentage of ownership	Amount	Unit price	Total amount		
<u>Equity Method – Listed</u>													
<u>Company</u>													
UPC Technology Corp.	424,881	\$ 8,112,569	-	1,503,519	-	-	424,881	32.47%	9,616,088	21.60	9,177,429	None	
<u>Equity Method – Unlisted</u>													
<u>company</u>													
Linde Lienhwa Industrial Gases Co., Ltd.	1,886	5,522,690	-	877,973	-	-	1,886	50.00%	6,400,663	3,393.78	6,400,663	"	
MiTAC Inc.	125,710	6,595,097	7,760	2,173,978	-	-	133,470	35.89%	8,769,075	65.50	8,742,917	"	Note1,2,3
MiTAC Information Technology Corp.	65,900	641,759	-	8,117	-	-	65,900	43.93%	649,876	9.38	617,902	"	Note1,4
Hua Cheng Investment Co., Ltd.	71,500	833,452	-	212,506	-	-	71,500	100.00%	1,045,958	14.76	1,055,557	"	Note3
Lienhwa United LPG Co., Ltd.	6,848	81,462	-	599	-	-	6,848	24.04%	82,061	11.98	82,061	"	
Lien Rui Investment Corp.	17,335	93,104	-	-	-	15,194	17,335	100.00%	77,910	4.49	77,904	"	Note4
Fortune Dragon Holding Inc.	120,155	5,255,503	-	1,277,723	-	-	120,155	100.00%	6,533,226	54.37	6,533,226	"	
Lien Hwa Milling Corp.	100,100	1,712,040	-	-	25,101	455,474	74,999	75.00%	1,256,566	16.74	1,255,415	"	Note4
Lien Hwa Property Development Corp.	200,100	2,245,043	-	115,604	-	-	200,100	100.00%	2,360,647	11.80	2,360,647	"	
Lien Hwa Industrial Corp.	100	1,001	-	-	-	1	100	100.00%	1,000	10.00	1,000	"	
Total		<u>\$ 31,093,720</u>		<u>6,170,019</u>		<u>470,669</u>			<u>36,793,070</u>		<u>36,304,721</u>		

Note1: The difference between the closing balance and the net equity value is the difference due to goodwill.

Note2: The difference between the closing balance and the net equity value is the difference arising from the amortization of the difference in equity net value..

Note3: The difference between the balance at the end of the period and the net equity value is because the book value has been deducted from the parent company's stock held by the subsidiary and treated as treasury stock.

Note4: The difference between the closing balance and the net equity value is due to side stream transactions.

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)
Statement of Short-term loan

December 31, 2021
(In Thousands of New Taiwan Dollars)

Type	Description	Ending balance	Contract Period	Range of interest rate	Loan commitment	Collateral	Note
Unsecured loans		\$ 2,750,000	2021.11.26~2022.06.01	0.80%~0.81%	3,050,000	None	
Secured loan		<u>1,850,000</u>	2021.12.03~2022.01.14	0.80%	3,700,000	Note	
Total		<u><u>\$ 4,600,000</u></u>					

Note : The subsidiary Lien Hwa Properties Corporation provided property, plant, and equipment and investment property as guarantee for bank loans.
Please refer to Note 7 for details.

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)
Statement of Short-term notes payable
December 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Bills Finance Companies	Term of contract	Term of Interest rate	Amount			Note
				<u>Issue amount</u>	<u>Unamortized discount on commercial promissory notes payable</u>	<u>Book value</u>	
Short-term notes payable		2021.12.10~ 2022.02.08	0.30%~0.58%	<u>\$ 800,000</u>	<u>(124)</u>	<u>799,876</u>	

Statement of Other payables

Item	Description	Amount
Other payables	Payables for salary and bonus	\$ 25,024
	Dividend payable	23,197
	Related party	2,822
	Other	<u>4,901</u>
Total		<u>\$ 55,944</u>

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)
Statement of Long-term loan
December 31, 2021
(In Thousands of New Taiwan Dollars)

Creditor	Description	Amount	Term of contract	Interest rate	Collateral	Note
A 、 B 、 C Bank		<u>\$ 1,100,000</u>	2021.06.28-2023.11.30	0.89%~1.10%	–	Repayment due to loan contract.

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)
Statement of Administrative Expenses
For the year ended December 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary and wages expense		\$ 32,612	
Remuneration of Directors		10,028	
Services expense		4,513	
Other expense		<u>6,247</u>	The balance of each item does not exceed 5%.
Total		<u><u>\$ 53,400</u></u>	