

Shin Hai Gas Corp. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

SHIN HAI GAS CORP.

By

HSIEH, JUNG-FU
Chairman

March 17, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Shin Hai Gas Corp.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Accounting Regulations for Natural Gas Enterprise, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statement section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the financial statements for the year ended December 31, 2021 are as follows:

Key audit matter: Gas Revenue Estimates

The Group's revenue from sales of gas in 2021 included \$171,072 thousand which was estimated unbilled revenue from gas used by customers, accounting for approximately 11% of gas revenue. Refer to Notes 4, 5, 10 and 22 to the financial statements for accounting policy and details.

The management estimated the unbilled gas revenue on the balance sheet date based on the basic fee and volume-based fee for unbilled gas consumption of customers from the last billing date to the balance sheet date. As the estimation methods and assumptions involve significant management judgment, we considered the estimated revenue as one of the key audit matters in the consolidated financial statements for the year.

In connection with the above key audit matter, we conducted the following principal audit procedures:

1. We understood management's practices and implementation of internal control related to gas revenue such as meter reading, charging and billing.
2. We understood the information and estimation methods used by management to estimate unbilled gas revenue, which involve basic fee and volume-based fee for unbilled gas consumption of customers from the last billing date to the end of the year.
3. We sampled and tested the correctness of the information used in the estimations.
4. We evaluated the reasonableness of the estimation methods and the assumptions, including obtaining relevant data such as the volume and the amount of gas purchased, reading, and billing used in the estimations and comparing with verified results.

Other Matter

We have also audited the parent company only financial statements of Shin Hai Gas Corp. as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yi-Hui Lin and Yu-Shiou Su.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2022

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

SHIN HAI GAS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 28)	\$ 610,987	8	\$ 468,460	7
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 28)	109,119	2	159,578	2
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 28)	667,301	9	567,108	8
Financial assets at amortized cost - current (Notes 4, 9 and 28)	980,000	13	930,000	14
Notes receivable (Notes 4, 10 and 28)	1,762	-	7,131	-
Trade receivables (Notes 4, 10 and 28)	245,681	3	231,025	4
Inventories (Notes 4, 11 and 29)	165,883	2	143,056	2
Prepayments (Note 29)	39,367	1	19,197	-
Other financial assets - current (Notes 4 and 17)	1,072	-	1,072	-
Other current assets	1,771	-	31	-
Total current assets	<u>2,822,943</u>	<u>38</u>	<u>2,526,658</u>	<u>37</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 28)	817,729	11	703,296	10
Investments accounted for using the equity method (Notes 4 and 13)	88,112	1	84,802	1
Property, plant and equipment (Notes 4, 14 and 29)	3,368,549	45	3,303,792	48
Right-of-use assets (Notes 4 and 15)	1,664	-	2,341	-
Intangible assets (Notes 4 and 16)	171	-	299	-
Deferred income tax assets (Notes 4 and 25)	35,158	1	37,885	1
Refundable deposits	1,363	-	1,563	-
Other financial assets - non-current (Notes 4, 17 and 30)	277,513	4	199,181	3
Other non-current assets	1,950	-	1,950	-
Total non-current assets	<u>4,592,209</u>	<u>62</u>	<u>4,335,109</u>	<u>63</u>
TOTAL	<u>\$ 7,415,152</u>	<u>100</u>	<u>\$ 6,861,767</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Notes 22 and 29)	\$ 1,247,480	17	\$ 1,047,660	15
Notes payable (Note 28)	1,991	-	4,730	-
Trade payables (Note 28)	162,355	2	162,381	3
Trade payable to related parties (Notes 28 and 29)	3,514	-	3,702	-
Other payables (Notes 18, 28 and 29)	224,624	3	227,068	3
Current tax liabilities (Notes 4 and 25)	52,566	1	45,729	1
Lease liabilities - current (Notes 4 and 15)	1,170	-	1,107	-
Other current liabilities	3,195	-	2,071	-
Total current liabilities	<u>1,696,895</u>	<u>23</u>	<u>1,494,448</u>	<u>22</u>
NON-CURRENT LIABILITIES				
Lease liabilities - non-current (Notes 4 and 15)	525	-	1,265	-
Deferred revenue (Note 19)	1,985,248	27	1,941,778	28
Defined benefit liabilities - non-current (Notes 4 and 20)	33,420	-	45,011	1
Deposits received	101,351	1	98,662	1
Total non-current liabilities	<u>2,120,544</u>	<u>28</u>	<u>2,086,716</u>	<u>30</u>
Total liabilities	<u>3,817,439</u>	<u>51</u>	<u>3,581,164</u>	<u>52</u>
EQUITY (Note 21 and 26)				
Share capital				
Ordinary shares	1,795,041	24	1,795,041	26
Retained earnings				
Legal reserve	628,690	9	586,688	8
Unappropriated retained earnings	624,906	8	523,697	8
Total retained earnings	<u>1,253,596</u>	<u>17</u>	<u>1,110,385</u>	<u>16</u>
Other equity	549,076	8	375,177	6
Total equity	<u>3,597,713</u>	<u>49</u>	<u>3,280,603</u>	<u>48</u>
TOTAL	<u>\$ 7,415,152</u>	<u>100</u>	<u>\$ 6,861,767</u>	<u>100</u>

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

SHIN HAI GAS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 29)	\$ 2,142,160	100	\$ 2,197,817	100
OPERATING COSTS (Notes 11, 23, 24 and 29)	<u>(1,521,558)</u>	<u>(71)</u>	<u>(1,606,217)</u>	<u>(73)</u>
GROSS PROFIT	<u>620,602</u>	<u>29</u>	<u>591,600</u>	<u>27</u>
OPERATING EXPENSES (Notes 4, 10, 24 and 29)				
Operating expenses	(154,268)	(7)	(157,145)	(7)
Expected credit loss (gain)	<u>(335)</u>	<u>-</u>	<u>3,835</u>	<u>-</u>
Total operating expenses	<u>(154,603)</u>	<u>(7)</u>	<u>(153,310)</u>	<u>(7)</u>
OTHER OPERATING INCOME AND EXPENSES (Note 24)	<u>1,632</u>	<u>-</u>	<u>1,416</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>467,631</u>	<u>22</u>	<u>439,706</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 13, 24 and 29)				
Share of profit or loss of associates and joint ventures	2,280	-	1,878	-
Interest income	8,271	1	8,042	-
Dividend income	60,183	3	52,534	3
Other income	5,173	-	4,339	-
Interest expense	(154)	-	(163)	-
Gain on financial assets at fair value through profit or loss	4,294	-	5,318	-
Miscellaneous expense	<u>(782)</u>	<u>-</u>	<u>(956)</u>	<u>-</u>
Total non-operating income and expenses	<u>79,265</u>	<u>4</u>	<u>70,992</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	546,896	26	510,698	23
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(98,392)</u>	<u>(5)</u>	<u>(90,969)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>448,504</u>	<u>21</u>	<u>419,729</u>	<u>19</u>

(Continued)

SHIN HAI GAS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME/(LOSS) (Notes 4, 20, 21 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (746)	-	\$ (579)	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	191,280	9	84,277	4
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	1,030	-	(2,900)	-
Income tax related to items that will not be reclassified subsequently to profit or loss	<u>149</u>	<u>-</u>	<u>116</u>	<u>-</u>
Total other comprehensive income/(loss) for the year, net of income tax	<u>191,713</u>	<u>9</u>	<u>80,914</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>\$ 640,217</u>	<u>30</u>	<u>\$ 500,643</u>	<u>23</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO:				
Owner(s) of the Company	\$ 448,504	21	\$ 419,729	19
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 448,504</u>	<u>21</u>	<u>\$ 419,729</u>	<u>19</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Owner(s) of the Company	\$ 640,217	30	\$ 500,643	23
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 640,217</u>	<u>30</u>	<u>\$ 500,643</u>	<u>23</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 2.50</u>		<u>\$ 2.34</u>	
Diluted	<u>\$ 2.49</u>		<u>\$ 2.33</u>	

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

(Concluded)

SHIN HAI GAS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company				Unrealized Gain or Loss of Financial Assets through Other Comprehensive Income	Total Equity
	Capital Stock		Retained Earnings			
	Common Stock - Shares (In Thousand)	Common Stock - Amount	Legal Reserve	Unappropriated Retained Earnings		
BALANCE AT JANUARY 1, 2020	179,504	\$ 1,795,041	\$ 550,317	\$ 445,204	\$ 294,555	\$ 3,085,117
Appropriation of 2019 earnings						
Legal reserve	-	-	36,371	(36,371)	-	-
Cash dividends distributed by the Company	-	-	-	(305,157)	-	(305,157)
Net income of 2020	-	-	-	419,729	-	419,729
Other comprehensive income of 2020, net of income tax	-	-	-	(463)	81,377	80,914
Total comprehensive income of 2020	-	-	-	419,266	81,377	500,643
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	755	(755)	-
BALANCE AT DECEMBER 31, 2020	179,504	1,795,041	586,688	523,697	375,177	3,280,603
Appropriation of 2020 earnings						
Legal reserve	-	-	42,002	(42,002)	-	-
Cash dividends distributed by the Company	-	-	-	(323,107)	-	(323,107)
Net income of 2021	-	-	-	448,504	-	448,504
Other comprehensive income of 2021, net of income tax	-	-	-	(597)	192,310	191,713
Total comprehensive income of 2021	-	-	-	447,907	192,310	640,217
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	18,411	(18,411)	-
BALANCE AT DECEMBER 31, 2021	179,504	\$ 1,795,041	\$ 628,690	\$ 624,906	\$ 549,076	\$ 3,597,713

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

SHIN HAI GAS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 546,896	\$ 510,698
Adjustments for		
Depreciation expense	315,346	296,021
Amortization expense	128	129
Expected credit loss recognized/(reversed) on trade receivables	335	(3,835)
Interest expense	154	163
Interest income	(8,271)	(8,042)
Dividends income	(60,183)	(52,534)
Share of (profit)/loss of associates and joint ventures	(2,280)	(1,878)
Loss on disposal of property, plant and equipment	3,439	3,783
Net (gain)/loss on fair value changes of financial assets at fair value through profit or loss	(4,294)	(5,318)
Long-term deferred revenue recognized	(238,832)	(218,287)
Net changes in operating assets and liabilities:		
Notes receivable	5,369	(3,295)
Trade receivables	(14,991)	80,598
Inventories	(22,827)	(17,592)
Prepayments	(20,170)	(8,413)
Other current assets	(1,740)	812
Other financial assets - current	-	(435)
Notes payable	(2,739)	(9,800)
Trade payables	(214)	(35,293)
Other payables	(2,444)	6,012
Other current liabilities	1,124	(104)
Contract liabilities	199,820	386,796
Defined benefit liabilities	(12,337)	(22,967)
Deferred revenue	282,302	272,441
Cash generated from operations	963,591	1,169,660
Interest received	8,271	8,042
Income tax paid	(88,679)	(84,921)
Interest paid	(116)	(116)
Net cash generated from operating activities	<u>883,067</u>	<u>1,092,665</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(96,176)	(135,968)
Proceeds from sale of financial assets at fair value through other comprehensive income	72,830	3,367
Purchase of financial assets at amortized cost	(50,000)	(129,965)
Purchase of financial assets at fair value through profit or loss	(60,903)	(65,072)
Proceeds from sale of financial assets at fair value through profit or loss	115,656	66,253
Payments for property, plant and equipment	(381,531)	(471,667)

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SHIN HAI GAS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Proceeds from disposal of property, plant and equipment	\$ 58	\$ 23
Decrease in refundable deposits	200	6
Increase in other financial assets	(78,332)	(135,470)
Dividends received	<u>60,183</u>	<u>52,534</u>
Net cash used in investing activities	<u>(418,015)</u>	<u>(815,959)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	2,689	7,376
Repayment of the principal portion of lease liabilities	(2,107)	(2,127)
Cash dividends paid	<u>(323,107)</u>	<u>(305,157)</u>
Cash used in financing activities	<u>(322,525)</u>	<u>(299,908)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	142,527	(23,202)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>468,460</u>	<u>491,662</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 610,987</u>	<u>\$ 468,460</u>

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

(Concluded)

SHIN HAI GAS CORP. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Shin Hai Gas Corp. (the “Company”) was incorporated in the Republic of China (ROC) and commenced business in June 1966. The Company is mainly engaged in natural gas supply service, natural gas transmission system construction, sale and installation of gas equipment, and operation and investment of type 1 telecommunications enterprise. The Company’s shares have been listed on the Taipei Exchange (TPEX) since April 1998. The Company and its subsidiaries are collectively referred to as the “Group.”

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 17, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

2) Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- a) Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- b) The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- c) Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgments or assumptions in applying an accounting policy, and the Group discloses those judgments or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

3) Amendments to IAS 8 "Definition of Accounting Estimates"

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Accounting Regulations for Natural Gas Enterprise, and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value, net defined benefit liabilities and other long-term employees' benefit liabilities recognized at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

The Group is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 12 and Table 3 for detailed information on subsidiaries including percentages of ownership and main businesses.

e. Inventories

Inventories consist of steel pipes, galvanized iron pipes, valves and cast iron pipes, which are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method for its investments in associates. Under the equity method, an investment in a associates is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. The Group also recognizes the changes in the Group's share of equity of associates.

When the Group transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate and joint venture that are not related to the Group.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

i. Impairment of property, plant and equipment, right-of-use asset, and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset, and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses/any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 28.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

Cash equivalents include time deposits and notes issued under repurchase agreement with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), lease receivables, and contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables and lease receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in other comprehensive income, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method

b) Derecognition of financial liabilities

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

k. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Natural gas sales

Natural gas sales are recognized as revenue at the time of gas consumption.

2) Revenue from interior gas pipelines installations and related services

Revenue from interior pipelines installations and related services is recognized upon completion of installation, audit and final acceptance. Receipts in advance for those are recognized as contract liabilities.

3) Revenue from exterior gas pipelines installations and demolition compensation

Revenue from exterior gas pipelines installations and demolition construction is recognized upon completion of installation, audit and final acceptance in accordance with Article 26-1 of the Accounting Regulations for Natural Gas Enterprise: "As an entity's operating assets are acquired, replaced, relocated or disposed with payments or subsidies, net proceeds (i.e. income after deducting the carrying amount of impaired and disposed operating assets in the transaction) shall be allocated to each segment and recognized as deferred revenue, which will be amortized as revenue in the subsequent years by the same amount as the depreciation of corresponding assets over the useful lives", as amended and issued by the Ministry of Economic Affairs (MOEA) on February 27, 2013 based on announcement of Jing-Neng-Zi Decree No. 10204600900. The Amendment has come into force since January 1, 2013. Receipts in advance for exterior pipelines installations and demolition construction are recognized as contract liabilities.

l. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheet.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheet.

m. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, past service cost, as well as gains and losses on settlements) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications, climate change and related government policies and regulations when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Critical Accounting Judgements

Gas revenue estimates

Estimates of gas revenue included year-end estimates of gas basic fee and volume-based fee revenue receivable between the last billing date and the balance sheet date. Gas volume-based fee revenue is estimated by multiplying the unit price (excluding tax) by the difference of the average gas sales volume and the gas purchase volume. The estimations of revenue receivable from gas basic fee and volume-based fee from the last billing date to the balance sheet date were based on the basic fee for the gas used by customers but not yet billed and volume-based fee estimated on gas consumption as of the balance sheet date. These estimates have not yet been billed as of the balance sheet date and may differ from the actual billing amount. The differences would be treated as changes in accounting estimates.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2021	2020
Cash on hand	\$ 1,050	\$ 1,050
Checking accounts and demand deposits	359,498	256,659
Cash equivalents (with original maturities less than three months)		
Repurchase agreements collateralized by bonds	<u>250,439</u>	<u>210,751</u>
	<u>\$ 610,987</u>	<u>\$ 468,460</u>

Ranges of rates for deposits at balance sheet date are as follows:

	<u>December 31</u>	
	2021	2020
Repurchase agreements collateralized by bonds	0.18%-0.23%	0.20%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2021	2020
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ -	\$ 76,891
Domestic listed shares	<u>109,119</u>	<u>82,687</u>
	<u>\$ 109,119</u>	<u>\$ 159,578</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Investments in equity instruments at FVTOCI		
Domestic investments		
Listed shares	<u>\$ 667,301</u>	<u>\$ 567,108</u>
<u>Non-current</u>		
Investments in equity instruments at FVTOCI		
Domestic investments		
Listed shares and emerging market shares	\$ 632,582	\$ 574,114
Unlisted shares	<u>185,147</u>	<u>129,182</u>
	<u>\$ 817,729</u>	<u>\$ 703,296</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

These investments in equity method at FVTOCI are not pledged as collateral.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than three months	\$ <u>980,000</u>	\$ <u>930,000</u>

As of December 31, 2021 and 2020, the annual interest rates of time deposits with original maturities of more than three months were 0.30%-0.70% and 0.46%-0.70%.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>		
Operating activities	\$ <u>1,762</u>	\$ <u>7,131</u>
<u>Trade receivables</u>		
At amortized cost		
Trade receivables	\$ 81,490	\$ 76,697
Estimated trade receivables	171,072	160,874
Less: Allowance for impairment loss	<u>(6,881)</u>	<u>(6,546)</u>
	<u>\$ 245,681</u>	<u>\$ 231,025</u>

In order to minimize credit risk, the management of the Group as delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of GDP and the prospect of the industry at the reporting date. The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, and the Group's operating areas focus on Sanchong district, Banqiao district and Xinzhuang district, providing natural gas through pipelines, installation services for customers, and sales and services of gas equipment; accordingly, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2021

	Under 30 Days	31-90 Days	91-180 Days	181-365 Days	Over 365 Days	Total
Gross carrying amount	\$ 240,343	\$ 6,085	\$ 1,686	\$ 662	\$ 3,786	\$ 252,562
Loss allowance (lifetime ECL)	<u>(1,039)</u>	<u>(652)</u>	<u>(742)</u>	<u>(662)</u>	<u>(3,786)</u>	<u>(6,881)</u>
Amortized cost	<u>\$ 239,304</u>	<u>\$ 5,433</u>	<u>\$ 944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 245,681</u>

December 31, 2020

	Under 30 Days	31-90 Days	91-180 Days	181-365 Days	Over 365 Days	Total
Gross carrying amount	\$ 225,603	\$ 6,133	\$ 1,434	\$ 780	\$ 3,621	\$ 237,571
Loss allowance (lifetime ECL)	<u>(1,277)</u>	<u>(405)</u>	<u>(463)</u>	<u>(780)</u>	<u>(3,621)</u>	<u>(6,546)</u>
Amortized cost	<u>\$ 224,326</u>	<u>\$ 5,728</u>	<u>\$ 971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,025</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 6,546	\$ 10,410
Add: Impairment loss recognized	335	-
Less: Amounts written off	-	(29)
Less: Reversal of loss allowance	<u>-</u>	<u>(3,835)</u>
Balance at December 31	<u>\$ 6,881</u>	<u>\$ 6,546</u>

The notes receivable and trade receivables of the Group are not pledged as collateral.

11. INVENTORIES

	December 31	
	2021	2020
PE coated pipe	\$ 3,422	\$ 3,375
PE pipe	6,470	5,380
PE tube valve	4,976	4,509
Galvanized iron pipe	10,452	9,285
Cast iron pipe	265	286
Ball valve	1,239	1,277
Bronze valve	2,841	3,351
Insulation pipe fitting	1,643	1,918
Elbow pipe	2,452	2,353
Valves and pipe fitting	131,997	111,193
Natural gas	<u>126</u>	<u>129</u>
	<u>\$ 165,883</u>	<u>\$ 143,056</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 included the following:

	For the Year Ended December 31	
	2021	2020
Gain on physical inventory	\$ (142)	\$ (131)
Loss on disposal of inventory	(3)	224
Revenue from sale of scraps	<u>-</u>	<u>(364)</u>
	<u>\$ (145)</u>	<u>\$ (271)</u>

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership	
			December 31	
			2021	2020
Shin Hai Gas Corp.	Shin Wa Investment Co., Ltd.	Investment	100%	100%
Shin Wa Investment Co., Ltd.	Shin Wa Co., Ltd.	Manpower deployment	100%	100%

b. Subsidiaries excluded from the consolidated financial statements: None

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associate

	December 31	
	2021	2020
Associates that is individually material		
Great Taipei Broadband Co., Ltd.	<u>\$ 88,112</u>	<u>\$ 84,802</u>
Name of Associate	Proportion of Ownership and	
	Voting Rights	
	December 31	
	2021	2020
Great Taipei Broadband Co., Ltd.	15%	15%

Refer to Table 3 “Information on Investees, location...” for the nature of activities, principal places of business and countries of incorporation of the associate.

As mentioned in Note 29, the Company is one of the five directors of Great Taipei Broadband Co., Ltd. Besides, the Company leases optical fiber network to Great Taipei Broadband Co., Ltd. and charges for rents, premiums, and fiber maintenance revenue. For the significant transactions between the Company and Great Taipei Broadband Co., Ltd., the Company is presumed to have significant influence on Great Taipei Broadband Co., Ltd.

The summarized financial information in respect of the Group's associate is set out below:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Total assets	<u>\$ 593,674</u>	<u>\$ 571,939</u>
Total liabilities	<u>\$ 6,260</u>	<u>\$ 6,593</u>
	For the Year Ended December 31	
	<u>2021</u>	<u>2020</u>
Revenue for the year	<u>\$ 71,100</u>	<u>\$ 73,143</u>
Income for the year	<u>\$ 15,200</u>	<u>\$ 12,521</u>
Share of profit or loss of associates	<u>\$ 2,280</u>	<u>\$ 1,878</u>

Investments accounted for using the equity method as well as the share of profit or loss and other comprehensive gains and losses of the associate in 2021 and 2020 were calculated based on audited financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Gas Transmission Equipment	Regulator Equipment	Meter Equipment	Tele- communication Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>									
Balance at January 1, 2021	\$ 193,736	\$ 191,373	\$ 3,719,513	\$ 233,069	\$ 871,353	\$ 225,030	\$ 76,008	\$ 61,449	\$ 5,571,531
Additions	-	-	149,795	1,533	104,834	242	2,863	122,264	381,531
Reclassification	-	-	122,441	21	-	2,151	-	(124,613)	-
Disposals	-	-	(70,497)	-	(22,130)	-	(1,341)	-	(93,968)
Balance at December 31, 2021	<u>\$ 193,736</u>	<u>\$ 191,373</u>	<u>\$ 3,921,252</u>	<u>\$ 234,623</u>	<u>\$ 954,057</u>	<u>\$ 227,423</u>	<u>\$ 77,530</u>	<u>\$ 59,100</u>	<u>\$ 5,859,094</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2021	\$ -	\$ 108,876	\$ 1,324,644	\$ 190,691	\$ 392,168	\$ 186,043	\$ 65,317	\$ -	\$ 2,267,739
Depreciation expense	-	3,131	210,202	10,621	81,998	3,627	3,698	-	313,277
Disposals	-	-	(67,275)	-	(21,855)	-	(1,341)	-	(90,471)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 112,007</u>	<u>\$ 1,467,571</u>	<u>\$ 201,312</u>	<u>\$ 452,311</u>	<u>\$ 189,670</u>	<u>\$ 67,674</u>	<u>\$ -</u>	<u>\$ 2,490,545</u>
Carry amount at December 31, 2021	<u>\$ 193,736</u>	<u>\$ 79,366</u>	<u>\$ 2,453,681</u>	<u>\$ 33,311</u>	<u>\$ 501,746</u>	<u>\$ 37,753</u>	<u>\$ 9,856</u>	<u>\$ 59,100</u>	<u>\$ 3,368,549</u>
<u>Cost</u>									
Balance at January 1, 2020	\$ 193,736	\$ 191,373	\$ 3,578,790	\$ 223,767	\$ 773,419	\$ 221,851	\$ 72,484	\$ 43,763	\$ 5,299,183
Additions	-	-	145,780	1,307	136,484	619	5,637	181,840	471,667
Reclassification	-	-	153,042	8,552	-	2,560	-	(164,154)	-
Disposals	-	-	(158,099)	(557)	(38,550)	-	(2,113)	-	(199,319)
Balance at December 31, 2020	<u>\$ 193,736</u>	<u>\$ 191,373</u>	<u>\$ 3,719,513</u>	<u>\$ 233,069</u>	<u>\$ 871,353</u>	<u>\$ 225,030</u>	<u>\$ 76,008</u>	<u>\$ 61,449</u>	<u>\$ 5,571,531</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2020	\$ -	\$ 105,368	\$ 1,279,212	\$ 180,895	\$ 357,616	\$ 182,349	\$ 63,880	\$ -	\$ 2,169,320
Depreciation expense	-	3,508	200,046	10,126	73,008	3,694	3,550	-	293,932
Disposals	-	-	(154,614)	(330)	(38,456)	-	(2,113)	-	(195,513)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 108,876</u>	<u>\$ 1,324,644</u>	<u>\$ 190,691</u>	<u>\$ 392,168</u>	<u>\$ 186,043</u>	<u>\$ 65,317</u>	<u>\$ -</u>	<u>\$ 2,267,739</u>
Carry amount at December 31, 2020	<u>\$ 193,736</u>	<u>\$ 82,497</u>	<u>\$ 2,394,869</u>	<u>\$ 42,378</u>	<u>\$ 479,185</u>	<u>\$ 38,987</u>	<u>\$ 10,691</u>	<u>\$ 61,449</u>	<u>\$ 3,303,792</u>

Management assessed that there was no indication of impairment for the years ended December 31, 2021 and 2020.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Building	
Main buildings	50-60 years
Other	5-10 years
Transmission equipment	
Main pipeline	20-30 years
Branch pipeline	10-30 years
Others	3-15 years
Meter equipment	9-10 years
Telecommunication equipment	5-15 years
Other equipment	3-5 years

Property, plant and equipment of the Group are not pledged as collateral.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amount</u>		
Land	<u>\$ 1,664</u>	<u>\$ 2,341</u>
Additions to right-of-use assets	<u>\$ 1,392</u>	<u>\$ 1,217</u>
Depreciation charge for right-of-use assets		
Land	<u>\$ 2,069</u>	<u>\$ 2,089</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amount</u>		
Current	<u>\$ 1,170</u>	<u>\$ 1,107</u>
Non-current	<u>\$ 525</u>	<u>\$ 1,265</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Land	1.484%-1.739%	1.484%-1.803%

c. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to low-value asset leases	<u>\$ 271</u>	<u>\$ 275</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 27</u>	<u>\$ 43</u>
Total cash outflow for leases	<u>\$ (2,405)</u>	<u>\$ (2,445)</u>

16. INTANGIBLE ASSETS

	December 31	
	2021	2020
Computer software	<u>\$ 171</u>	<u>\$ 299</u>

Other than the recognition of amortization expense, no significant addition, disposal and impairment occurred to the intangible assets of the Group.

The above cost of computer software which has finite useful life is amortized on a straight-line basis over 10 years.

17. OTHER FINANCIAL ASSETS

	December 31	
	2021	2020
<u>Current</u>		
Other receivables	<u>\$ 1,072</u>	<u>\$ 1,072</u>
<u>Non-current</u>		
Pledged time deposits	\$ 15,000	\$ 15,000
Time deposits with original maturities of 1 year or more	160,000	110,000
Reserve for gas transmission pipeline replacement	<u>102,513</u>	<u>74,181</u>
	<u>\$ 277,513</u>	<u>\$ 199,181</u>

Range of rate for time deposits at balance sheet date was as follows:

	December 31	
	2021	2020
Time deposits with original maturities of 1 year or more	0.85%	0.85%

a. Pledged time deposits

Refer to Note 30 for information relating to pledged time deposits, which have been provided as collateral for promise to purchase natural gas from CPC Corporation, Taiwan.

b. Reserve for gas transmission pipeline replacement

In accordance with the new revised Natural Gas Enterprise Act and the Regulations Governing the Reserve Fund for Gas Transmission Pipeline Replacement by Natural Gas Enterprise, the Group should make annual contributions to the gas pipeline replacement reserve based on the previous year's net income and set up a special account for safekeeping. When the account balance has reached 50% of the total paid-in capital, the Company could stop making contributions.

18. OTHER PAYABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Expenses payable	\$ 89,409	\$ 88,184
Gas-meter deposit refunds payable	130,890	131,508
Business tax payable	4,318	7,285
Others	<u>7</u>	<u>91</u>
	<u>\$ 224,624</u>	<u>\$ 227,068</u>

The Group complies with the Ministry of Economic Affairs letter Jing-Shou-Neng-Zi No. 09420084070 dated November 25, 2005, which states: "Gas billing method has been changed from basic usage basis to basic fee basis since January 1, 2006. All natural gas utilities should stop charging gas meter fees and refund gas meter deposits immediately." Therefore, the Group has reclassified the gas meter deposits to other payables.

19. DEFERRED REVENUE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Deferred revenue	<u>\$ 1,985,248</u>	<u>\$ 1,941,778</u>

Article 26-1 of the Accounting Regulations for Natural Gas Enterprise issued by the Ministry of Economic Affairs (MOEA) on February 27, 2013 through Jing-Neng-Zi Decree No. 10204600900 stated: "As an entity's operating assets are acquired, replaced, relocated or disposed with payments or subsidies, net proceeds (i.e. income after deducting the carrying amount of impaired and disposed operating assets in the transaction) shall be allocated to each segment and recognized as deferred revenue, which will be transferred to revenue in the subsequent years by the same amount as the depreciation of corresponding assets over their useful lives." The regulation has come into force since January 1, 2013.

Deferred revenue and gas transmission and storage pipeline equipment were recognized in accordance with the regulation mentioned above; deferred revenue is transferred to income when earned and customer pipeline equipment assets are depreciated on an annual basis over their useful lives.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 251,173	\$ 274,030
Fair value of plan assets	<u>(217,753)</u>	<u>(229,019)</u>
Deficit	<u>33,420</u>	<u>45,011</u>
Net defined benefit liabilities	<u>\$ 33,420</u>	<u>\$ 45,011</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	<u>\$ 274,030</u>	<u>\$ (229,019)</u>	<u>\$ 45,011</u>
Current service cost	1,955	-	1,955
Interest expense (income)	<u>1,001</u>	<u>(849)</u>	<u>152</u>
Recognized in profit or loss	<u>2,956</u>	<u>(849)</u>	<u>2,107</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,182)	(3,182)
Actuarial loss - changes in demographic assumptions	5,537	-	5,537
Actuarial gain - changes in financial assumptions	(2,393)	-	(2,393)
Actuarial loss - experience adjustments	<u>784</u>	<u>-</u>	<u>784</u>
Recognized in other comprehensive income	<u>3,928</u>	<u>(3,182)</u>	<u>746</u>
Contributions from the employer	-	(3,863)	(3,863)
Benefits paid	(19,160)	19,160	-
Direct payment of the Company	<u>(10,581)</u>	<u>-</u>	<u>(10,581)</u>
Balance at December 31, 2021	<u>\$ 251,173</u>	<u>\$ (217,753)</u>	<u>\$ 33,420</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	\$ 288,926	\$ (221,526)	\$ 67,400
Current service cost	2,367	-	2,367
Interest expense (income)	1,775	(1,399)	376
Recognized in profit or loss	<u>4,142</u>	<u>(1,399)</u>	<u>2,743</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,704)	(7,704)
Actuarial loss - changes in demographic assumptions	-	-	-
Actuarial gain - changes in financial assumptions	5,298	-	5,298
Actuarial loss - experience adjustments	<u>2,985</u>	<u>-</u>	<u>2,985</u>
Recognized in other comprehensive income	<u>8,283</u>	<u>(7,704)</u>	<u>579</u>
Contributions from the employer	-	(4,339)	(4,339)
Benefits paid	(5,949)	5,949	-
Direct payment of the Company	<u>(21,372)</u>	<u>-</u>	<u>(21,372)</u>
Balance at December 31, 2020	<u>\$ 274,030</u>	<u>\$ (229,019)</u>	<u>\$ 45,011</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rate(s)	0.500%	0.375%
Expected rate(s) of salary increase	1.500%	1.500%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Discount rate(s)		
0.25% increase	<u>\$ (4,776)</u>	<u>\$ (5,298)</u>
0.25% decrease	<u>\$ 4,924</u>	<u>\$ 5,467</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 4,785</u>	<u>\$ 5,304</u>
0.25% decrease	<u>\$ (4,666)</u>	<u>\$ (5,167)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Expected contributions to the plans for the next year	<u>\$ 4,171</u>	<u>\$ 4,320</u>
Average duration of the defined benefit obligation	7.8 years	8.1 years

21. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Number of shares authorized (in thousand shares)	<u>180,000</u>	<u>180,000</u>
Shares authorized	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Number of shares issued and fully paid (in thousand shares)	<u>179,504</u>	<u>179,504</u>
Shares issued	<u>\$ 1,795,041</u>	<u>\$ 1,795,041</u>

Fully paid ordinary shares, which have a par value of \$10, are entitled to vote and receive dividends.

b. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Group made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. Cash dividends for shareholders should not be lower than 20 percent. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to "compensation of employees and remuneration of directors and supervisors" in Note 24.

Appropriations of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Group has appropriated and reversed special reserve in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 (repealed on December 31, 2021), Jin-Guan-Zheng-Fa-Zi Letter No. 1010047490 (repealed on March 31, 2021), Jin-Guan-Zheng-Fa-Zi Letter No. 1030006415 (repealed on December 31, 2021), Jin-Guan-Zheng-Fa-Zi Letter No. 1090150022, Jin-Guan-Zheng-Fa-Zi Letter No. 10901500221, and the "Questions and Answers for Setting aside Special Reserve Following Adoption of IFRSs."

The appropriations of earnings for 2020 and 2019, which were approved in the shareholders' meetings on July 16, 2021 and June 11, 2020, respectively, were as follows:

	Appropriation of Earnings		Cash Dividends Per Share	
	For the Year Ended		(NT\$)	
	December 31		For the Year Ended	
	2020	2019	2020	2019
Legal reserve	\$ 42,002	\$ 36,371	\$-	\$-
Cash dividends	323,107	305,157	1.80	1.70

The appropriations of earnings for 2021 proposed by the Company's board of directors on March 17, 2022 were as follows:

	Appropriation	Cash Dividends
	of Earnings	Per Share
		(NT\$)
Legal reserve	\$ 46,632	\$-
Cash dividends	359,008	2.00

The appropriation of earnings for 2021 will be resolved by the shareholders in their meeting to be held on June 24, 2022.

c. Other equity items

Unrealized valuation gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 375,177	\$ 294,555
Recognized for the year		
Unrealized gain (loss) - equity instruments	191,280	84,277
Share from associates accounted for using equity method	1,030	(2,900)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(18,411)</u>	<u>(755)</u>
Balance at December 31	<u>\$ 549,076</u>	<u>\$ 375,177</u>

22. OPERATING REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Natural gas sales revenue	\$ 1,600,265	\$ 1,667,111
Installation services revenue	292,130	265,928
Telecommunication revenue	35,085	35,086
Other operating revenue	<u>214,680</u>	<u>229,692</u>
	<u>\$ 2,142,160</u>	<u>\$ 2,197,817</u>

Contract Balances

	December 31, 2021	December 31, 2020	January 1, 2019
Contract liabilities			
Unearned installation services revenue (new installation)	\$ 1,199,956	\$ 989,579	\$ 622,155
Unearned installation services revenue (modification)	18,059	17,663	18,242
Others	<u>29,465</u>	<u>40,418</u>	<u>20,467</u>
	<u>\$ 1,247,480</u>	<u>\$ 1,047,660</u>	<u>\$ 660,864</u>

Revenue from contracts with customers in 2021 included installation services revenue of \$98,058 thousand, and other operating revenue of \$84,253 thousand recognized from contract liabilities as well as installation services revenue of \$188,722 thousand, other operating revenue of \$49,406 thousand, and telecommunication revenue of \$704 thousand recognized from deferred revenue.

Revenue from contracts with customers in 2020 included installation services revenue of \$91,351 thousand, and other operating revenue of \$82,095 thousand recognized from contract liabilities as well as installation services revenue of \$167,448 thousand, other operating revenue of \$50,135 thousand, and telecommunication revenue of \$704 thousand recognized from deferred revenue.

Amounts from contract liabilities at the beginning of the year recognized in operating income in 2021 and 2020 were \$174,371 thousand and \$151,022 thousand, respectively.

23. OPERATING COST

	For the Year Ended December 31	
	2021	2020
Natural gas cost	\$ 1,242,312	\$ 1,329,190
Installation services cost	144,834	131,745
Telecommunication cost	7,300	6,879
Other operating cost	<u>127,112</u>	<u>138,403</u>
	<u>\$ 1,521,558</u>	<u>\$ 1,606,217</u>

24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Liquidated damages revenue	\$ 1,471	\$ 1,651
Gain on disposal of property, plant and equipment	(3,439)	(3,783)
Other	<u>3,600</u>	<u>3,548</u>
	<u>\$ 1,632</u>	<u>\$ 1,416</u>

b. Depreciation, amortization and employee benefit expenses

	For the Year Ended December 31					
	2021			2020		
	Attributed to Operating Cost	Attributed to Operating Expenses	Total	Attributed to Operating Cost	Attributed to Operating Expenses	Total
Employee benefit expenses						
Payroll expenses	\$ 119,396	\$ 86,512	\$ 205,908	\$ 125,931	\$ 81,575	\$ 207,506
Labor and health insurance premium	-	19,107	19,107	-	18,450	18,450
Post-employment benefits						
Defined contribution plan	3,490	1,208	4,698	3,579	1,166	4,745
Defined benefit plans	1,683	160	1,843	2,034	305	2,339
Other employee benefits	<u>3,774</u>	<u>5,028</u>	<u>8,802</u>	<u>3,831</u>	<u>4,729</u>	<u>8,560</u>
Total employee benefit expenses	<u>\$ 128,343</u>	<u>\$ 112,015</u>	<u>\$ 240,358</u>	<u>\$ 135,375</u>	<u>\$ 106,225</u>	<u>\$ 241,600</u>
Depreciation expense						
Property, plant and equipment	\$ 310,055	\$ 3,222	\$ 313,277	\$ 288,004	\$ 5,928	\$ 293,932
Right-of-use assets	-	<u>2,069</u>	<u>2,069</u>	-	<u>2,089</u>	<u>2,089</u>
Total depreciation expense	<u>\$ 310,055</u>	<u>\$ 5,291</u>	<u>\$ 315,346</u>	<u>\$ 288,004</u>	<u>\$ 8,017</u>	<u>\$ 296,021</u>
Amortization expense						
Intangible assets	<u>\$ -</u>	<u>\$ 128</u>	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ 129</u>	<u>\$ 129</u>

c. Compensation of employees and remuneration of directors and supervisors

The Group accrued compensation of employees and remuneration of directors and supervisors at the rates of between 2% and 4% and no higher than 2%, respectively, of net profit before income tax. In addition, according to Lao-Dong-Guan 3 letter No. 1050127518 dated September 8, 2016, when the Group distributes compensation of employees in accordance with the provisions of Article 235-1 of the Company Act, the amount of compensation should not lower than 5% of earnings which shall be taxed; distribution of earnings shall be made after offsetting accumulated deficit of previous year, if any, and after setting aside 10% to legal reserve and setting aside or reversing special reserve according to regulations. This is not applicable when the shareholders' dividend is lower than 70% of the annual surplus earnings.

The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 17, 2022 and March 18, 2021, respectively, are as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Compensation of employees	4%	4%
Remuneration of directors and supervisors	2%	2%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Compensation of employees	<u>\$ 23,138</u>	<u>\$ 21,650</u>
Remuneration of directors and supervisors	<u>\$ 11,569</u>	<u>\$ 10,825</u>

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate in the next year.

For 2020 and 2019, there was no difference between the recorded amounts in financial statements and the actual amounts of compensation of employees, directors, and supervisors.

For information on the compensation of employees and remuneration of directors resolved by the board of directors in 2021 and 2020, visit the Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Major components of tax expense recognized in profit or loss

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current tax		
In respect of the current year	\$ 94,386	\$ 85,000
Income tax on unappropriated earnings	1,097	802
Adjustments for prior years' tax	<u>33</u>	<u>(421)</u>
Deferred tax	95,516	85,381
In respect of the current year	<u>2,876</u>	<u>5,588</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ 98,392</u>	<u>\$ 90,969</u>

A reconciliation of accounting income and current income tax expense is as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Income before income tax	<u>\$ 546,896</u>	<u>\$ 510,698</u>
Income tax expense at the statutory rate	\$ 109,378	\$ 102,139
Tax effect of adjusting items:		
Nondeductible expenses and losses	10	18
Tax-exempt income	(12,126)	(11,569)
Income tax on unappropriated earnings	1,097	802
Adjustments for prior years' tax	<u>33</u>	<u>(421)</u>
Income tax expense recognized in profit or loss	<u>\$ 98,392</u>	<u>\$ 90,969</u>
b. Income tax recognized in other comprehensive income		

	<u>For the Year Ended December 31</u>	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement of defined benefit plans	<u>\$ 149</u>	<u>\$ 116</u>

c. Current tax liabilities

	<u>December 31</u>	
	2021	2020
Current tax liabilities	<u>\$ 52,566</u>	<u>\$ 45,729</u>

d. Deferred tax assets

The movements of deferred tax assets were as follows:

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plans	\$ 8,318	\$ (2,467)	\$ 149	\$ 6,000
Allowance for impairment loss	820	47	-	867
Write-down of inventories	1,337	-	-	1,337
Loss on investment accounted for using equity method	<u>27,410</u>	<u>(456)</u>	<u>-</u>	<u>26,954</u>
	<u>\$ 37,885</u>	<u>\$ (2,876)</u>	<u>\$ 149</u>	<u>\$ 35,158</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plans	\$ 12,796	\$ (4,594)	\$ 116	\$ 8,318
Allowance for impairment loss	1,438	(618)	-	820
Write-down of inventories	1,337	-	-	1,337
Loss on investment accounted for using equity method	<u>27,786</u>	<u>(376)</u>	<u>-</u>	<u>27,410</u>
	<u>\$ 43,357</u>	<u>\$ (5,588)</u>	<u>\$ 116</u>	<u>\$ 37,885</u>

e. Income tax assessments

The income tax returns of the Company and its subsidiaries through 2019 had been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2021	2020
Basic earnings per share	<u>\$ 2.50</u>	<u>\$ 2.34</u>
Diluted earnings per share	<u>\$ 2.49</u>	<u>\$ 2.33</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2021	2020
Earnings for the year attributable to owners of the Company used in the computation of basic earnings per share	<u>\$ 448,504</u>	<u>\$ 419,729</u>
Earnings for the year attributable to owners of the Company used in the computation of diluted earnings per share	<u>\$ 448,504</u>	<u>\$ 419,729</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)

	<u>For the Year Ended December 31</u>	
	2021	2020
Weighted average number of ordinary shares in the computation of basic earnings per share	179,504	179,504
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>580</u>	<u>570</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>180,084</u>	<u>180,074</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

For the capital structure of the Group, the Group not only adopted prudent strategies for risk management, but also did overall planning based on the strategies of services development and the demand of operation.

The Group is also subject to the capitalization requirements of the Natural Gas Enterprise Act. Article 41 states: “the amount of paid-in capital of natural gas utility enterprises should not be lower than 35% of the original acquisition cost of current transmission and storage equipment. If a natural gas utility enterprise’s amount of paid-in capital is lower than the required amount, the paid-in capital should be increased within 3 months from the date when the fact happens.” As of December 31, 2021, the Group met the required paid-in capital.

28. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Investment in equity instruments				
Domestic listed shares and emerging market shares	\$ 109,119	\$ -	\$ -	\$ 109,119
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments				
Domestic listed shares and emerging market shares	\$ 1,299,883	\$ -	\$ -	\$ 1,299,883
Domestic unlisted shares	-	-	185,147	185,147
	<u>\$ 1,299,883</u>	<u>\$ -</u>	<u>\$ 185,147</u>	<u>\$ 1,485,030</u>

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Investment in equity instruments				
Mutual funds	\$ 76,891	\$ -	\$ -	\$ 76,891
Domestic listed shares and emerging market shares	<u>82,687</u>	<u>-</u>	<u>-</u>	<u>82,687</u>
	<u>\$ 159,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,578</u>
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments				
Domestic listed shares and emerging market shares	\$ 1,141,222	\$ -	\$ -	\$ 1,141,222
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>129,182</u>	<u>129,182</u>
	<u>\$ 1,141,222</u>	<u>\$ -</u>	<u>\$ 129,182</u>	<u>\$ 1,270,404</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

b. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
FVTPL		
Designated as at FVTPL	\$ 109,119	\$ 159,578
Financial assets at amortized cost		
Cash and cash equivalents	610,987	468,460
Financial assets at amortized cost - current	980,000	930,000
Notes receivable	1,762	7,131
Trade receivables	245,681	231,025
Financial assets at FVTOCI		
Equity instruments - current	667,301	567,108
Equity instruments - non-current	817,729	703,296
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Notes payable	1,991	4,730
Trade payables	162,354	162,381
Trade payables to related parties	3,515	3,702
Other payables	224,624	227,068

c. Financial risk management objectives and policies

The Group ensures that operating capital is sufficient and efficient. The Group cautiously manages market risk, credit risk and liquidity risk to reduce potential negative impact on finance due to uncertainties.

1) Market risk

The Group has neither borrowed from financial institutions nor engaged in derivative financial instruments, so the Group does not have significant market risks.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of the following:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The policy adopted by the Group is to only conduct transactions with reputable counterparties, and obtain sufficient guarantees where necessary to mitigate the risk of financial loss due to default. The Group is a natural gas utility enterprise, and its sales targets are mainly general household users. Accordingly, the management of the Group believes that the Group's credit risk has been significantly reduced.

3) Liquidity risk

The Group manages and maintains a sufficient portion of cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations.

As of December 31, 2021 and 2020, the Group has no requirement for short-term bank financing.

29. TRANSACTIONS WITH RELATED PARTIES

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Hence, they are not disclosed in this note. Transactions between the Group and other related parties are disclosed as follows.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Great Taipei Broadband Co., Ltd.	Investee that is material
The Great Taipei Gas Corporation	Investor that is material
Shin Kong Medical Club	Associate
Yi-Kong Security Co., Ltd.	Associate
Taiwan Shin Kong Security Co., Ltd	Associate
Shinkong Communication Co., Ltd.	Associate
Yi-Kong International Apartment Building Management and Maintenance Co., Ltd.	Associate
Shin-Kong Life Real Estate Service Co., Ltd.	Associate
MasterLink Securities Corporation	Same enterprise group

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Peng De Ltd.	Associate
Wang Tien Woolen Textile Co., Ltd.	Associate
Shin Kong Bank Co., Ltd	Associate
Shinkong Mitsukoshi Department Store Co., Ltd.	Associate
Shin Kong Life Insurance Co., Ltd	Associate
Waibel Enterprise Inc.	Associate
Shinkong Insurance Co., Ltd.	Associate
Konig Foods Co., Ltd.	Associate

(Concluded)

b. Operating revenue

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Investee that is material Great Taipei Broadband Co., Ltd.	<u>\$ 5,810</u>	<u>\$ 5,810</u>

The transaction conditions and payment methods with related parties have no major abnormality with non-related parties.

c. Operating cost

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Investor that is material The Great Taipei Gas Corporation	\$ 11,761	\$ 11,498
Associates Others	<u>6,220</u>	<u>3,159</u>
	<u>\$ 17,981</u>	<u>\$ 14,657</u>

The transaction conditions and payment methods with related parties have no major abnormality with non-related parties.

d. Purchases of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Investor that is material The Great Taipei Gas Corporation	\$ 1,054	\$ -
Associate Waibel Enterprise Inc.	<u>24,520</u>	<u>16,935</u>
	<u>\$ 25,574</u>	<u>\$ 16,935</u>

The transaction conditions and payment methods with related parties have no major abnormality with non-related parties.

e. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Trade payables	Investor that is material		
	The Great Taipei Gas Corporation	\$ 1,575	\$ 1,687
	Associate		
	Waibel Enterprise Inc.	1,936	2,004
	Peng De Ltd.	<u>3</u>	<u>11</u>
		<u>\$ 3,514</u>	<u>\$ 3,702</u>

f. Prepayments

Related Party Category/Name	December 31	
	2021	2020
Associate		
Shinkong Insurance Co., Ltd.	\$ 856	\$ 939
Peng De Ltd.	9,485	1,263
Others	<u>30</u>	<u>30</u>
	<u>\$ 10,371</u>	<u>\$ 2,232</u>

g. Operating expense

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Investee that is material		
Great Taipei Broadband Co., Ltd.	\$ 548	\$ 583
Associate		
Shin Kong Life Insurance Co., Ltd	1,352	1,427
Shinkong Mitsukoshi Department Store Co., Ltd.	1,055	1,988
Yi-Kong Security Co., Ltd.	2,592	2,615
Yi-Kong International Apartment Building Management and Maintenance Co., Ltd.	1,702	1,702
Others	<u>2,316</u>	<u>2,313</u>
	<u>\$ 9,565</u>	<u>\$ 10,628</u>

h. Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price	
	For the Year Ended December 31	
	2021	2020
Investor that is material		
The Great Taipei Gas Corporation	\$ -	\$ 400
Associate		
Peng De Ltd.	<u>9,706</u>	<u>8,115</u>
	<u>\$ 9,706</u>	<u>\$ 8,515</u>

i. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2021 and 2020 was as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Short-term benefits	\$ 46,450	\$ 41,470
Post-employment benefits	<u>624</u>	<u>605</u>
	<u>\$ 47,074</u>	<u>\$ 42,075</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

j. Other transactions with related parties

1) The Great Taipei Gas Corporation undertakes the computerized processing of the Company's billing, including system maintenance, system software and hardware provision, payment receipts and receipt printing, etc. Printing of the Company's monthly payment receipts and postcard receipts for each household is priced at NT\$5.50. The contract period was from January 1, 2016 to December 31, 2020.

The contract was renewed on December 31, 2020, and the new contract period is from January 1, 2021 to December 31, 2025.

2) On November 1, 2017, Great Taipei Broadband Co., Ltd. signed an optical fiber network asset lease and use contract with the Company for its business operations. The lease objects include 25% of the total 192 cores located in Sanchong, Xinzhuang, Banqiao and other places, that is, 48 cores and about 59.62 kilometers long optical fiber network assets. The Company pays \$484 thousand monthly during the lease period from November 1, 2017 to October 31, 2027. In 2021 and 2020, the Company recognized telecommunication income of \$5,810 thousand for both years.

3) On September 1, 2010, the Company signed a contract for the construction and maintenance of the GIS setup and maintenance contract with The Great Taipei Gas Corporation. The total price of setup contract is \$7,500 thousand (recognized as other equipment), and the total price of system maintenance is \$1,350 thousand (maintenance period is 3 years from January 1, 2019 to December 31, 2021) with annual payment of \$450 thousand.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged as collateral for promise to purchase natural gas from CPC Corporation, Taiwan.

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Pledged time deposits (classified as other financial assets - non-current)	<u>\$ 15,000</u>	<u>\$ 15,000</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to Note 30, there were no significant commitments and contingencies of the Group as of December 31, 2021.

32. OTHER ITEMS

The Group is a public natural gas enterprise, mainly engaged in the supply and trading of natural gas and its equipment and installation projects, the supply and trading of appliances and equipment in the business area of New Taipei City, as well as the operation and investment of the type 1 telecommunication enterprise. Because the sales of natural gas are mainly affected by climate and influenced by fluctuations in international natural gas prices, and the number of gas supply households in the business area of the Group is stable, and has grown with the demand for newly constructed gas supply and piping installations in the region, the relevant income and costs have not been significantly affected by the new coronavirus.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures):
(Table 1)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- 9) Trading in derivative instruments: None
- 10) Intercompany relationships and significant intercompany transactions (Table 2)
- 11) Information on investees (Table 3)

b. Information on investments in mainland China: None

c. Information of major shareholders

Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 4)

34. SEGMENT INFORMATION

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Gas Supply Segment	Equipment Segment	Telecom- munication Segment	Others	Total
For the year ended <u>December 31, 2021</u>					
Revenue					
Operating revenue	\$ 1,661,187	\$ 292,129	\$ 35,085	\$ 153,759	\$ 2,142,160
Other operating revenue	<u>1,947</u>	<u>343</u>	<u>153</u>	<u>2,670</u>	<u>5,113</u>
	<u>1,663,134</u>	<u>292,472</u>	<u>35,238</u>	<u>156,429</u>	<u>2,147,273</u>
Operating cost and expense					
Operating cost	1,262,888	155,923	7,303	95,444	1,521,558
Operating expense	104,969	33,810	1,580	9,571	149,930
Interest expense	<u>37</u>	<u>-</u>	<u>117</u>	<u>-</u>	<u>154</u>
	<u>1,367,894</u>	<u>189,733</u>	<u>9,000</u>	<u>105,015</u>	<u>1,671,642</u>
Other operating income and expense	<u>1,565</u>	<u>43</u>	<u>24</u>	<u>-</u>	<u>1,632</u>
Segment income	<u>\$ 296,805</u>	<u>\$ 102,782</u>	<u>\$ 26,262</u>	<u>\$ 51,414</u>	477,263
General operating expense					(4,673)
Gain on financial assets at fair value through profit or loss					4,294
Other income					60
Miscellaneous expense					(782)
Share of profit of associates and joint ventures accounted for using the equity method					2,280
Dividend income					60,183
Interest income					<u>8,271</u>
Profit before income tax					<u>\$ 546,896</u>
Identifiable assets					
Investments accounted for using the equity method	<u>\$ 3,395,846</u>	<u>\$ 952,385</u>	<u>\$ 42,782</u>	<u>\$ 117,179</u>	\$ 4,508,192
General assets					88,112
					<u>2,818,848</u>
Total assets					
Depreciation expense	<u>\$ 217,582</u>	<u>\$ 93,322</u>	<u>\$ 3,810</u>	<u>\$ 632</u>	
Capital expenditure	<u>\$ 253,361</u>	<u>\$ 124,795</u>	<u>\$ 2,526</u>	<u>\$ 849</u>	

(Continued)

	Gas Supply Segment	Equipment Segment	Telecom- munication Segment	Others	Total
For the year ended <u>December 31, 2020</u>					
Revenue					
Operating revenue	\$ 1,722,271	\$ 265,929	\$ 35,085	\$ 174,532	\$ 2,197,817
Other operating revenue	<u>905</u>	<u>319</u>	<u>128</u>	<u>2,927</u>	<u>4,279</u>
	<u>1,723,176</u>	<u>266,248</u>	<u>35,213</u>	<u>177,459</u>	<u>2,202,096</u>
Operating cost and expense					
Operating cost	1,357,156	131,746	6,879	110,436	1,606,217
Operating expense	102,204	30,931	2,949	12,384	148,468
Interest expense	<u>46</u>	<u>-</u>	<u>117</u>	<u>-</u>	<u>163</u>
	<u>1,459,406</u>	<u>162,677</u>	<u>9,945</u>	<u>122,820</u>	<u>1,754,848</u>
Other operating income and expense	<u>1,704</u>	<u>14</u>	<u>(302)</u>	<u>-</u>	<u>1,416</u>
Segment income	<u>\$ 265,474</u>	<u>\$ 103,585</u>	<u>\$ 24,966</u>	<u>\$ 54,639</u>	448,664
General operating expense					(4,842)
Gain on financial assets at fair value through profit or loss					5,318
Other income					60
Miscellaneous expense					(956)
Share of profit of associates and joint ventures accounted for using the equity method					1,878
Dividend income					52,534
Interest income					<u>8,042</u>
Profit before income tax					<u>\$ 510,698</u>
Identifiable assets	<u>\$ 3,207,346</u>	<u>\$ 866,055</u>	<u>\$ 43,873</u>	<u>\$ 105,507</u>	\$ 4,222,781
Investments accounted for using the equity method					84,802
General assets					<u>2,554,184</u>
Total assets					<u>\$ 6,861,767</u>
Depreciation expense	<u>\$ 207,942</u>	<u>\$ 83,381</u>	<u>\$ 3,878</u>	<u>\$ 820</u>	
Capital expenditure	<u>\$ 354,904</u>	<u>\$ 113,094</u>	<u>\$ 3,179</u>	<u>\$ 490</u>	

(Concluded)

The segment revenue was generated by transactions with external customer. No inter-segment transaction happened in 2021 and 2020.

The Group's major operations are natural gas sale, gas equipment construction and Type 1 telecommunication. There was no inter-segment sale. Therefore, the segment revenue refers to sales revenue and other revenue from external customers, and the operating cost and operating expense refers to cost and expense directly and reasonably attributed to the generation of segment revenue. According to the Accounting Regulations for Natural Gas Enterprise issued by the Ministry of Economic Affairs, cost and expenses are apportioned to each segment according to the nature of each expense or the proportion of the number of employees employed by the segment or the proportion of the income of the segment. Segment-identifiable assets are defined as assets which could be directly attributable to individual reportable segments. Assets used by two or more segments or jointly by reportable segments were allocated based on above expense allocation method or other reasonable method of allocation.

b. Revenue from major products and services

The illustration of the Group's continuing operations and service revenue were described in Note 22.

c. Geographical information

The Group's continuing operations, external customers, and non-current assets were located in Taiwan. The non-current assets exclude financial assets, investments accounted for using the equity method and deferred income tax assets.

d. Information about major customers

The Group had no revenue from a single customer that accounted for more than 10% of the Group's total revenue.

SHIN HAI GAS CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shin Hai Gas Corp.	<u>Stocks</u>							
	Taiwan Cement Corporation	None	Financial assets mandatorily classified at FVTPL - current	1,250,000	\$ 60,000	0.02	\$ 60,000	
	Formosa Taffeta Co., Ltd.	"	"	400,000	11,660	0.02	11,660	
	Aidc/Aerospace Industrial Development Corp.	"	"	100,000	2,935	0.01	2,935	
	China Steel Corporation	"	"	700,000	24,745	-	24,745	
	Sanitar Co., Ltd.	"	"	265,000	9,779	0.37	9,779	
					<u>\$ 109,119</u>		<u>\$ 109,119</u>	
	<u>Stocks</u>							
	Nan Ya Plastics Corporation	None	Financial assets at FVTOCI - current	600,000	\$ 51,240	0.01	\$ 51,240	
	Taiwan Secom Co., Ltd.	"	"	850,000	88,400	0.19	88,400	
	Mega Financial Holding Company Limited	"	"	1,530,000	54,391	0.01	54,391	
	Cathay Financial Holding Co., Ltd.	"	"	1,000,000	62,500	0.01	62,500	
	Quanta Computer Inc.	"	"	1,300,000	123,110	0.03	123,110	
	Taiwan Shin Kong Security Co., Ltd.	Associates	"	3,570,000	140,480	0.92	140,480	
	Shin Kong Financial Holding Co., Ltd.	"	"	2,657,688	29,367	0.02	29,367	
Shin Kong Financial Holding Co., Ltd. (preferred stock)	"	"	300,000	12,855	0.02	12,855		
Shin Wa Investment Co., Ltd.	<u>Stocks</u>							
	Shinkong Textile Co., Ltd.	Associate	Financial assets at FVTOCI - current	155,000	6,626	0.05	6,626	
	Shin Kong Financial Holding Co., Ltd.	"	"	4,981,586	55,047	0.04	55,047	
	Taiwan Shin Kong Security Co., Ltd.	"	"	1,100,000	43,285	0.29	43,285	
				<u>\$ 667,301</u>		<u>\$ 667,301</u>		
Shin Hai Gas Corp.	<u>Stocks</u>							
	Shin Shin Natural Gas Co., Ltd.	Associate	Financial assets at FVTOCI - non-current	4,668,441	\$ 199,809	2.59	\$ 199,809	
	Shin Lung Natural Gas Co., Ltd.	"	"	1,499,800	59,107	2.50	59,107	
	The Great Taipei Gas Corporation	"	"	1,164,000	38,645	0.23	38,645	
	Top Taiwan Ix Venture Capital Co., Ltd.	"	"	5,000,000	126,040	6.25	126,040	
Shin Wa Co., Ltd.	<u>Stocks</u>							
	The Great Taipei Gas Corporation	Associate	"	6,543,000	217,228	1.27	217,228	
	Shin Shin Natural Gas Co., Ltd.	"	"	3,526,000	150,913	1.95	150,913	
	The Shanghai Commercial & Savings Bank Co., Ltd.	None	"	550,000	25,987	0.01	25,987	
				<u>\$ 817,729</u>		<u>\$ 817,729</u>		

SHIN HAI GAS CORP. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Transaction Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Shin Hai Gas Corp.	Shin Wa Co., Ltd.	a	Operating cost	\$ 32,794	No significant difference with general customers " " " " "	1
			a	Operating expense	1,110		-
			a	Trade payable	2,635		-
			a	Other payable	100		-
			a	Other income	286		-
		Shin Wa Investment Co., Ltd.	a	Other income	57		-

Note 1: The information of intercompany relationship should be indicated in the No. column, the number fill-in rule as follow:

- a. Parent company fill 0.
- b. Subsidiaries are numbered sequentially starting with the Arabic numeral 1 according to the company.

Note 2: The relationship with intercompany has the following three types, and mark number to distinguish the type:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Note 3: The calculation of the ratio of the transaction amount to the consolidated operating revenue or total assets: If the account belongs to balance sheet, calculated as the ratio of ending balance to the consolidated total assets. If the account belongs to income statement, it is calculated as the ratio of the accumulated amount of the account to the consolidated operating revenue for the period.

SHIN HAI GAS CORP. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	Percent	Carrying Amount			
Shin Hai Gas Corp.	Shin Wa Investment Co., Ltd. Great Taipei Broadband Co., Ltd.	5F., No. 26, Dagan St., Xinzhuang Dist., New Taipei City 8F., No. 33, Ln. 11, Guangfu N. Rd., Songshan Dist., Taipei City	Investment	\$ 198,000	\$ 198,000	19,800,000	100	\$ 543,539	\$ 20,284	\$ 20,284	Subsidiary (Note) Non-controlling investments accounted for using equity method
			Ether leased line service	225,000	225,000	22,500,000	15	88,112	15,200	2,280	
Shin Wa Investment Co., Ltd.	Shin Wa Co., Ltd.	4F., No. 26, Dagan St., Xinzhuang Dist., New Taipei City	Manpower deployment	10,000	10,000	1,000,000	100	31,271	4,979	4,979	Sub-subsidiary (Note)

Note: The share of income of subsidiaries accounted for using the equity method included in the consolidated financial statements. Intercompany transactions and balances have been eliminated in the consolidation.

TABLE 4**SHIN HAI GAS CORP.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Pai Xun Investment Co., Ltd.	27,147,378	15.13
The Great Taipei Gas Corporation	16,919,277	9.42
Conscious Enterprises Co., Ltd.	13,865,722	7.72
Shin Kong Life Insurance Co., Ltd	12,410,901	6.91

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.