

**Better Life Group Co., LTD. and the  
Subsidiaries**

**Consolidated Financial Report and  
Independent  
Auditors' Report**

**For the Years Ended December 31, 2021 and 2020**

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## Statement

The entities to be included in the consolidated financial statements of our company and affiliates for 2021 (from January 1, 2021 to December 31, 2021) in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same with the entities to be included for the consolidated financial statement of the parent company and subsidiaries in accordance with International Financial Reporting Standards No. 10 endorsed and issued into effect by the Financial Supervisory Commission. As the relevant information to be disclosed for the consolidated financial statements with affiliates is disclosed in the aforesaid consolidated financial statement of the parent company and subsidiaries, the consolidated financial statements with affiliates are hence not prepared separately.

Declared as above

Company: Better Life Group Co., LTD.

Chairman: Chung Hsi-Chi

Date: March 3, 2022

## **Independent Auditors' Report**

To Better Life Group Co., Ltd.,

### **Audit opinion**

We have audited the accompanying financial statements of Better Life Group Co., LTD. and the subsidiaries (Better Life Group), which comprise the consolidated balance sheet as of December 31, 2021 and 2020, and the consolidated Statements of Comprehensive Income, the consolidated statement of changes in equity and the consolidated statement of cash flows from January 1, 2021 to December 31, 2021 and from January 1, 2020 to December 31, 2020, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Better Life Group as of December 31, 2021 and 2020, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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.

### **Basis for the audit opinion**

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We explain further our responsibility under the standards in the section concerning the auditor's responsibility in the audit of consolidated financial statements. The personnel in our firm, subject to independence requirements, maintains independence from Better Life Group and fulfills other responsibilities in accordance with the Norm of Professional Ethics for Certified Public Accountant and under the norms. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

### **Key audit matters**

Key audit matters are the matters of most significance based on our professional judgement and audits of Better Life Group's consolidated financial statements for 2021. These matters have been dealt with in the audit of the consolidated financial statements as a whole and during the process of forming the audit opinion. Hence, we do not issue opinions separately on such matters. Key audit matters of the parent company only financial statements of the Company are stated as follows:

#### **I. Revenue recognition**

Please refer to Note 4 (15) to the consolidated financial statements regarding the accounting policy of revenue recognition. Please refer to Note 6 (17) for the detailed breakdown of contract revenue.

Description:

The primary operating revenue for Better Life Group in 2021 were from the sale of real estate. The risk of material misstatement lies in the truthfulness of revenue. As operating revenue are concerned with the operating performance of management, it is possible that management seeks to achieve expected net profits with early or deferred operating revenue recognition and causes material misstatement of operating revenue. Hence, the testing of revenue recognition was one of the significant assessments for our audits of Better Life Group's financial statements.

Audit procedures

The audit procedures we have implemented for the specific aspects described in the above-mentioned key audit matters include:

- Performed a control test on sales and payment collection cycles to evaluate how the control prevents and detects errors and fraud in revenue recognition;
- Performed a cut-off test on revenue from the sale of property to assess whether the revenue in the preceding paragraph is recognized in an appropriate period.
- Substantive tests on revenue recognition by sampling and cross referencing the documents in relation to real estate sale contracts and property ownership registrations and by inspecting the sale system data and general ledger entries, in order to assess whether Better Life Group recognized revenue according to relevant standards and regulations.

II. Inventory valuation

Please refer to Note 4 (8) to the consolidated financial statements for the accounting policy of inventory valuation. Please refer to Note 5 to the consolidated financial statements for the uncertainties in relation to the accounting estimates and assumptions of inventory valuation and to Note 6 (4) to the consolidated financial statements for inventory details.

Description:

Inventory is an important operating asset for Better Life Group. It accounted for approximately 58% of the total assets. Inventory valuation is based on International Financial Reporting Standards No. 2. The net realizable value of Better Life Group's inventory is based on future selling prices and construction costs estimated by management and subject to the influence of the political and economic environments. Inappropriate estimates of the net realizable value will result in a misstatement of financial reports. Hence, the testing of inventory valuation was one of the significant assessments for our audits of Better Life Group's financial statements.

Audit procedures:

Our main inspection procedures on the above key audit matter include the acquisition of Better Life Group's data for estimates of the net realizable value of inventory, sampling of such data to check against the contracts sold, reference to the Ministry of Interior's most recently published actual transaction prices of real estate or the transaction prices in the same proximity so as to evaluate the next realizable value of properties available for sale. To assess whether the net realizable value of buildings under construction is reasonable, we sampled and inspected the return-on-investment analysis by the Company, compared the return-on-investment data and market prices and, where necessary, obtained the appraisal reports.

**Other matters**

Better Life Group Co., LTD. has prepared its parent company only financial statements for 2021 and 2020 and for which we have issued an audit report and an unqualified opinion.

## **Responsibility of management and those charged with governance for consolidated financial statements**

Management is responsible for the preparation of consolidated financial statements for fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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. Management is also responsible for the maintenance of necessary internal control in relation to the preparation of consolidated financial statements, to ensure no material misstatement in consolidated financial statements due to frauds or errors.

When preparing the consolidated financial statements, management is also responsible for the assessment of Better Life Group's ability to continue as a going concern, disclosure of relevant matters and the adoption of the going concern basis of accounting unless management either intends to liquidate Better Life Group or cease operations or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) in Better Life Group are responsible for overseeing the financial reporting process.

## **Auditors' responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted will always detect a material misstatement when it exists. Untruthful expressions might have been caused by frauds or errors. Misstatements individually or in aggregate are considered material, if they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. We have utilized our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards generally accepted in the Republic of China. We also performed the following tasks:

1. Identify and assess the risks of material misstatement of the consolidated financial statements 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. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
2. Obtain a necessary understanding of internal control relevant to the audit in order to design audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Better Life Group's internal control.
3. Evaluated the adequacy of accounting policies adopted by the management and the reasonability of accounting estimates and related disclosures made.
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 Better Life Group's ability to continue as a going concern. If we conclude that a material uncertainty exists with such events or conditions, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our opinion. Conclusions made by the CPAs are based on the audit findings obtained as of the date of audit report. However, future events or conditions may render Better Life Group unable to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements fairly represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities 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 and for the forming of our audit opinion.

The matters communicated between us and the governing bodies included the planned scope and times of the audit and material audit findings (including any material defects in internal control identified during the audit).

We also provided the governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence and communicated with them all relations and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

We determined the key audit matters for Better Life Group's 2021 consolidated financial statements based on our communication with those charged with governance. We have clearly indicated such matters in the auditors' report, unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

KPMG Taiwan

CHANG SHU YING  
CPA:  
TZENG GUO YANG

Competent Security Authority: Jin-Guan-Zheng-VI No. 0940100754  
Approval Document No. Jin-Guan-Zheng-VI No. 0940129108  
March 16, 2022

### **Notes to Readers**

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

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

**(English Translation of Consolidated Balance Sheets Originally Issued in Chinese)**

**Better Life Group Co., LTD. and the Subsidiaries**

**Consolidated Balance Sheets**

**For the Year Ended December 31, 2021 and 2020**

**Unit: In Thousand New Taiwan Dollars**

<b>Assets</b>		<b>2021.12.31</b>		<b>2020.12.31</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>					
1100	Cash and cash equivalents (Note 6(1))	\$ 58,289	4	32,973	2
1150	Notes receivable, net (Note 6 (3) and (17))	5,760	-	1,269	-
1170	Accounts receivable, net (Note 6 (3) and (17))	58,156	4	698	-
1320	Inventories (for construction industry) (Notes 6(4), 7, 8, and 9)	836,516	58	890,219	65
1410	Prepayments (Note 6(5))	61,716	4	76,467	6
1424	Excess business tax paid	25,470	2	24,853	2
1476	Other financial assets - current (Note 8)	29,281	2	11,832	1
1478	Construction deposits paid (Notes 7 and 9)	219,817	15	192,170	14
1480	Incremental cost of obtaining contracts - current (Note 7)	12,069	1	1,398	-
1482	Costs to fulfil contracts, current	2,957	-	3,261	-
		<u>1,310,031</u>	<u>90</u>	<u>1,235,140</u>	<u>90</u>
<b>Non-current assets:</b>					
1517	Financial assets measured at fair value through other comprehensive income – non-current (Note 6 (2))	17,944	1	18,628	1
1600	Property, plant and equipment (Notes 6 (6) and 8)	11,266	1	84,582	6
1755	Right-of-use assets (Note 6 (8))	34,877	2	35,629	3
1760	Investment property (Notes 6 (7), 8 and 9)	83,047	6	-	-
1780	Intangible assets	163	-	342	-
1980	Other financial assets - non-current (Note 7)	1,775	-	3,450	-
		<u>149,072</u>	<u>10</u>	<u>142,631</u>	<u>10</u>
<b>Total assets</b>		<b><u>\$ 1,459,103</u></b>	<b><u>100</u></b>	<b><u>1,377,771</u></b>	<b><u>100</u></b>



**(English Translation of Consolidated Balance Sheets Originally Issued in Chinese)**

**Better Life Group Co., LTD. and the Subsidiaries**

**Consolidated Balance Sheets (continued)**

**For the Year Ended December 31, 2021 and 2020**

**Unit: In Thousand New Taiwan Dollars**

		<b>2021.12.31</b>		<b>2020.12.31</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Liabilities and equity</b>					
<b>Current liabilities:</b>					
2100	Short-term loans (Note 6 (9))	\$ 423,053	29	606,684	44
2110	Short-term notes and bills payable (Note 6 (10))	-	-	26,989	2
2130	Contract liabilities – current (Notes 6 (17) and 9)	52,776	4	22,434	2
2150	Notes payable (Note 7)	6,100	-	10,137	1
2170	Accounts payable (Note 7)	25,801	2	36,907	3
2200	Other payables	13,923	1	10,896	-
2280	Lease liabilities - current (Notes 6 (12) 7)	5,957	-	6,424	-
2305	Other financial liabilities - current	829	-	572	-
2399	Other current liabilities (Notes 7 and 9)	27,408	2	21,067	2
		<u>555,847</u>	<u>38</u>	<u>742,110</u>	<u>54</u>
<b>Non-current liabilities:</b>					
2530	Corporate bonds payable (Note 6 (11))	276,030	19	-	-
2580	Lease liabilities – non-current (Notes 6 (12) and 7)	30,900	2	30,824	2
	<b>Total liabilities</b>	<u>862,777</u>	<u>59</u>	<u>772,934</u>	<u>56</u>
<b>Equity attributable to owners of the parent (Note 6 (15))</b>					
3110	Common stock	1,002,654	69	1,002,654	73
3200	Capital surplus	21,938	2	110	-
3310	Legal reserve	4,320	-	4,320	-
3350	Undistributed earnings (or deficit to be compensated)	(416,218)	(29)	(382,541)	(28)
3400	Other equity interests	(16,368)	(1)	(19,706)	(1)
	<b>Total equity</b>	<u>596,326</u>	<u>41</u>	<u>604,837</u>	<u>44</u>
	<b>Total liabilities and equity</b>	<u>\$ 1,459,103</u>	<u>100</u>	<u>1,377,771</u>	<u>100</u>

**(Please refer to the notes to the consolidated financial statements.)**

**Chairman: Chung, Hsi-Chi    Manager: Lin, Jui-Shan**

**Accounting Manager:  
Huang, Wen-Cheng**

**English Translation of Consolidated Statements of Comprehensive Income Originally Issued in Chinese)**

**Better Life Group Co., LTD. and the Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the Years Ended December 31, 2021 and 2020**

**Unit: NTD thousands**

	2021		2020	
	Amount	%	Amount	%
4000	<b>Operating income (Note 6 (17))</b>			
5000	<b>Operating costs (Notes 6 (4) and 7)</b>			
	<b>Gross profit</b>			
6000	<b>Operating expenses (Notes 6 (12), (13) and 7)</b>			
6100	Selling expenses			
6200	General and administrative expenses			
6500	<b>Other Income and expenses, net</b>			
6900	<b>Operating losses</b>			
	<b>Non-operating Income and expenses (Notes 6 (12), (19) and 7)</b>			
7100	Interest income			
7010	Other income			
7020	Other gains and losses (Note 6 (6))			
7050	Financial costs			
	<b>Total non-operating income and expenses</b>			
7900	<b>Net loss before tax</b>			
7950	<b>Less: income taxes (Note 6 (14))</b>			
8200	<b>Net loss for the period</b>			
8300	<b>Other comprehensive income (Note 6 (15))</b>			
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>			
8316	Unrealized gains or losses on equity instrument investments at fair value through other comprehensive income			
8349	Less: Income tax related to items not reclassified			
	<b>Total items that will not be reclassified subsequently to profit or loss</b>			
8360	<b>Items that may subsequently be reclassified to profit or loss</b>			
8361	Exchange difference on translation of financial statements of foreign operations			
8399	Less: Income tax related to items that may be reclassified to profit or loss			
	<b>Total items that may subsequently be reclassified to profit or loss</b>			
8300	<b>Other comprehensive income for the current period</b>			
	<b>Total comprehensive income for the current period</b>			
	<b>Net income attributable to</b>			
8610	Owners of the parent			
	<b>Other comprehensive income attributable to</b>			
8710	Owners of the parent			
	Loss per share (Note 6 (16))			
9750	<b>Basic loss per share (NTD)</b>			
9850	<b>Diluted loss per share (NTD)</b>			

**(Please refer to the notes to the consolidated financial statements.)**

**Chairman: Chung, Hsi-Chi    Manager: Lin, Jui-Shan**

**Accounting Manager:  
Huang, Wen-Cheng**

**(English Translation of Consolidated Statements of Changes in Equity Originally Issued in Chinese)**

**Better Life Group Co., LTD. and the Subsidiaries  
Consolidated Statement of Changes in Equity  
For the Years Ended December 31, 2021 and 2020**

**Unit: In Thousand New Taiwan Dollars**

	Equity attributable to owners of the parent							
	Share capital				Other equity items			
	Common stock	Capital surplus	Legal reserve	Undistributed earnings	Exchange differences in translation of foreign financial statements	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Equity attributable to owners of the parent	Total equity
<b>Balance on January 1, 2020</b>	\$ 1,002,654	110	4,320	(320,766)	(435)	(19,796)	666,087	666,087
Net loss for the period	-	-	-	(61,775)	-	-	(61,775)	(61,775)
Other comprehensive income for the current period	-	-	-	-	525	-	525	525
Total comprehensive income for the current period	-	-	-	(61,775)	525	-	(61,250)	(61,250)
Balance on December 31, 2020	1,002,654	110	4,320	(382,541)	90	(19,796)	604,837	604,837
Net loss for the period	-	-	-	(33,677)	-	-	(33,677)	(33,677)
Other comprehensive income for the current period	-	-	-	-	(76)	3,414	3,338	3,338
Total comprehensive income for the current period	-	-	-	(33,677)	(76)	3,414	(30,339)	(30,339)
Due to recognition of equity component (warrants) of convertible bonds issued	-	21,828	-	-	-	-	21,828	21,828
<b>Balance on December 31, 2021</b>	<b>\$ 1,002,654</b>	<b>21,938</b>	<b>4,320</b>	<b>(416,218)</b>	<b>14</b>	<b>(16,382)</b>	<b>596,326</b>	<b>596,326</b>

(Please refer to the notes to the consolidated financial statements.)

Chairman: Chung, Hsi-Chi

Manager: Lin, Jui-Shan

Accounting Manager: Huang, Wen-Cheng

**(English Translation of Consolidated Statement of Cash Flows Originally Issued in Chinese)**

**Better Life Group Co., LTD. and the Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**For the Years Ended December 31, 2021 and 2020**

**Unit: NTD thousands**

	<u>2021</u>	<u>2020</u>
<b>Cash flow from operating activities:</b>		
Net loss before tax for the current period	\$ (32,555)	(61,775)
<b>Adjustments:</b>		
Income and expenses		
Depreciation expense	9,030	9,378
Amortization expense	179	135
Interest expense	15,991	14,673
Interest income	(3,202)	(3,465)
Loss on disposal and scrapping of property, plant and equipment	205	-
Gain on reversal of property, plant and equipment	(11,787)	-
Gain on lease modifications	(400)	(1)
Total income and expenses	<u>10,016</u>	<u>20,720</u>
Changes in assets/liabilities related to operating activities:		
Net change in assets related to operating activities:		
Notes receivable	(4,491)	850
Accounts receivable	(57,458)	(698)
Inventories	55,329	16,811
Prepayments	14,133	(16,397)
Other financial assets	(20,597)	4,468
Construction deposits paid	(27,647)	(3,308)
Incremental cost of obtaining contracts	(10,671)	1,409
Costs to fulfil contracts	304	670
Total net change in assets related to operating activities	<u>(51,098)</u>	<u>3,805</u>
Net change in liabilities related to operating activities:		
Contract liabilities	30,342	6,635
Notes payable	(4,037)	10,137
Accounts payable	(11,091)	3,145
Other payables	2,887	906
Non-current liabilities	6,344	20,742
Other financial liabilities - current	262	(18,274)
Total net change in liabilities related to operating activities	<u>24,707</u>	<u>23,291</u>
Total net change in assets and liabilities related to operating activities	<u>(26,391)</u>	<u>27,096</u>
Total adjustments	<u>(16,375)</u>	<u>47,816</u>
Cash outflow from operations	(48,930)	(13,959)
Interest received	3,202	3,465
Interest paid	(14,302)	(12,583)
Income tax paid	(1,122)	-
<b>Net cash outflow from operating activities</b>	<u>(61,152)</u>	<u>(23,077)</u>

**(English Translation of Consolidated Statement of Cash Flows Originally Issued in Chinese)**

**Better Life Group Co., LTD. and the Subsidiaries**

**Consolidated statement of cash flows (continued)**

**For the Years Ended December 31, 2021 and 2020**

**Unit: NTD thousands**

	<u>2021</u>	<u>2020</u>
<b>Cash flow from investing activities:</b>		
Financial assets (payment returned due to capital reduction) at fair value through other comprehensive income - non-current	4,098	2,820
Acquisition of property, plant and equipment	(205)	(16,268)
Guarantee deposits paid	1,671	1,283
Acquisition of intangible assets	-	(267)
Other financial assets	3,147	3,307
<b>Net cash inflows (outflows) from investing activities</b>	<u>8,711</u>	<u>(9,125)</u>
<b>Cash flow from financing activities:</b>		
Increase (decrease) of short-term loans	(183,631)	377,424
Increase (decrease) in short-term notes payable	(27,304)	(459,594)
Corporate bonds issued	295,000	-
Lease principal repaid	(6,292)	(7,351)
<b>Net cash inflows (outflows) from financing activities</b>	<u>77,773</u>	<u>(89,521)</u>
Effect of exchange rate changes on cash and cash equivalents	(16)	457
Increase (decrease) in cash and cash equivalents in the current period	25,316	(121,266)
Balance of cash and cash equivalents at the beginning of the period	32,973	154,239
Balance of cash and cash equivalents at the end of the period	<u>\$ 58,289</u>	<u>32,973</u>

**(Please refer to the notes to the consolidated financial statements.)**

**Chairman: Chung, Hsi-Chi    Manager: Lin, Jui-Shan**

**Accounting Manager:  
Huang, Wen-Cheng**

**Better Life Group Co., LTD. and the Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**  
**(NTD thousands unless otherwise specified)**

**I. Organization and Operations**

Better Life Group Co., Ltd. (hereinafter referred to as the “Company”) was established on June 30, 1978 after approved by the Ministry of Economic Affairs. Its registered address is 4F, No. 303, Xinhua 1st Road, Neihu District, Taipei City. In October 1989, its stock was approved for being listed on the Taiwan Stock Exchange for trading. The Company's original name was Kaiju Co., Ltd. and it was renamed Better Life Group Co., Ltd. as approved by the shareholders' meeting on June 26, 2009, referenced Letter Shou-Shang No. 09801153160 from the Ministry of Economic Affairs. The primary business of the consolidated company is entrusting construction companies to build public residences and commercial buildings for sale and rent, and the related businesses.

**II. The Authorization of Financial Statements**

These consolidated financial statements were approved and published by the board of directors on March 16, 2022.

**III. Application of New and Revised International Financial Reporting Standards**

(I) Impact of adoption of new and revised standards and interpretations endorsed by the FSC  
The adoption of the following amended International Financial Reporting Standards by the consolidating company starting on January 1, 2021 does not have a material influence on the consolidated financial statements.

- Amendments to IFRS 4 (Deferral of effective date of IFRS 9)
- Interest Rate Benchmark Reform—Phase 2—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The adoption of the following amended International Financial Reporting Standards by the consolidating company starting on April 1, 2021 does not have a material influence on the consolidated financial statements.

- Amendment to IFRS 16 (COVID-19-Related Rent Concessions After June 30, 2021)

(II) Impact of not adopting the IFRSs endorsed by the FSC

The consolidating company assesses that its adoption of the following amended International Financial Reporting Standards, effective on January 1, 2022 will not have a material influence on the consolidated financial statements.

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

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

- (III) New and revised standards and interpretations not yet endorsed by the FSC  
The standards and interpretations published and amended by the International Accounting Standards Board (IASB) but yet to be recognized by the Financial Supervisory Commission that may be relevant to the consolidating company are as follows:

<u>New and revised standards</u>	<u>Major revisions</u>	<u>Effective date announced by IASB</u>
Amendments to IAS 1 (Classification of Liabilities as Current or Non-current)	The amendments aim to improve consistency in the application of the standard to assist companies in determining whether debts or other liabilities with uncertain settlement dates shall be classified as current (or likely to be due within one year) or non-current on the balance sheet. The amendments also clarify the requirement for classification of debts that may be settled by an enterprise through conversion into equity.	January 1, 2023

The consolidating company is continuing to assess the impact of the above standards and interpretations on its financial status and operating results and will disclose relevant influence once the assessment has been completed.

The consolidating company expects no material influence on the consolidated financial statements due to other newly published and amended standards yet to be recognized.

**IV. Summary of Significant Accounting Policies**

The material accounting policies adopted for these consolidated financial statements are as follows. Except for the accounting changes explained in Note 3, the following accounting policies have been consistently applied to all the reporting periods in these consolidated financial statements.

- (I) Statement of compliance  
These consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“Regulations Governing the Preparation of Financial Reports) 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 (“international financial reporting standards recognized by the Financial Supervisory Commission”).
- (II) Basis of preparation
1. Basis for measurement  
Except for the financial assets measured at fair value through other comprehensive income, these consolidated financial statements are based on historical costs.
  2. Functional currency and currency presented  
Each entity within the consolidating company uses the currency of the primary economic environment where operations are located as the functional currency. These consolidated financial statements are expressed in NT dollars, the functional currency of the Company. All financial information presented in NTD is in the unit of thousands of NTD.
- (III) Basis of consolidation

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

1. Principles of consolidated financial statements preparation

These consolidated financial reports cover the Company and the entities controlled by the Company (i.e., the subsidiaries). When the Company is exposed to the variable returns due to participation in the investee or has a claim to such variable returns and the Company can influence such returns by exercising power over the investee, the Company controls the entity.

The financials of a subsidiary are included in the consolidated financial statements from the day the control is obtained until the day the control is lost. The transactions, outstanding balances and any unrealized Income and expenses between and among consolidated companies are completely canceled out in the preparation of consolidated financial statements. The profits and losses of subsidiaries are accounted for the equity attributable to the owners of the parent and to the non-controlling interest. Even the non-controlling interest becomes negative as a result.

The financial statements of subsidiaries are appropriately adjusted so that the accounting policies are consistent with those adopted by the consolidating company.

The change of the consolidating company's ownership in any subsidiary not resulting in a loss of control in that subsidiary is recognized as equity transactions with the owners. The difference between the adjustment to non-controlling interest and the fair value paid or received is directly recognized as equity and attributable to the owner of the Company.

2. Subsidiaries included in the consolidated financial statements

Subsidiaries included in these consolidated financial statements:

**Ownership in the investee**

Company name	Name of the subsidiary	Nature of business	%	
			2021.12.31	2020.12.31
The Company	Better Life Green Energy Technology Co., Ltd.	Solar energy applications	100%	100%
The Company	Better Life Real Estate Co., Ltd.	Marketing agency for the sale of real estate	100%	100%
The Company	Better Life Jinxia (Xiamen) Tourism Management Service Co., Ltd.	Wholesale of metal (non-metal) products and travel management services	100%	100%
The Company	Better Life Group Travel Service Co., Ltd.	Travel agency	100%	100%

3. Subsidiaries not included in consolidated financial statements: none

(IV) Foreign currencies

1. Foreign currency transactions

Foreign currency transactions are translated into functional currency at the exchange rate prevailing on the transaction date. Foreign currency monetary items are translated into the functional currency according to the exchange rates on the final day of each reporting period ("the reporting day"). Non-monetary items measured at fair value are converted into the functional currency with the exchange rates on the day when the fair value is measured. Non-monetary items measured at historical costs are converted into the functional currency with the exchange rates on transaction day.

Foreign currency translation differences arising from those translations are normally recognized in profit or loss, except for the circumstances below where such differences are recognized in other comprehensive income:



**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

- (1) Equity instrument designated to be measured at fair value through other comprehensive income;
- (2) Financial liabilities designated as net investment hedge for foreign operations, which are within the effective scope of hedging; or
- (3) Qualified cash flow hedge, which within the effective scope of hedging.

2. Foreign operations

Assets and liabilities of foreign operations, including goodwill arising from acquisition and fair value adjustments, are translated into NTD at the exchange rate prevailing on the balance sheet date; income and expense items are translated into NTD at the average exchange rate of the current period. Resulting exchange differences are recognized in other comprehensive income.

When the disposal of a foreign operation results in the loss of control, joint control, or material impact, the cumulative exchange differences related to the foreign operation are fully reclassified to profit or loss. In the event of a partial disposal of a subsidiary with foreign operations, the relevant cumulative exchange differences are re-attributed to non-controlling interests on a pro-rata basis. In the event of a partial disposal of an investment involving an associate or a joint venture of a foreign operation, the relevant cumulative exchange differences are reclassified to profit or loss on a pro rata basis.

If there is no repayment plan for the monetary receivables or payables of an foreign operation and it is impossible to settle the receivables or payables in the foreseeable future, the foreign exchange gains and losses incurred shall be regarded as a part of the net investment in the foreign operation and recognized in other comprehensive income.

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

Assets that meet one of the following criteria are classified as current assets; all other assets that are not current assets are classified as non-current assets:

1. Assets expected to be realized or intended for sale or consumption within the normal business cycle (typically longer than one year for the construction business)
2. Assets held primarily for the purpose of trading;
3. Assets expected to be realized within 12 months after the balance sheet date; or
4. Cash or cash equivalents unless to be exchanged or used to repay liabilities or restricted in other ways in twelve months(at least) after the reporting period

Liabilities that meet one of the following criteria are classified as current liabilities; all other liabilities that are not current liabilities are classified as non-current liabilities:

1. Expected to be repaid within the normal business cycle (typically longer than one year for the construction business)
2. Liabilities held primarily for the purpose of trading;
3. Liabilities expected to be settled within 12 months after the balance sheet date; or
4. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issue of equity instruments do not affect its classification.

(VI) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents refer to short-term and highly liquid investments that can be converted into a certain amount of cash at any time and the risk of value changes is very small. Time deposits that meet the aforementioned definition and whose purpose is to satisfy short-term cash commitments in operations are classified as cash equivalents.

(VII) Financial instruments

Accounts receivable and debt securities issued are initially recognized when incurred. Any other financial assets and financial liabilities are initially recognized when the consolidating company becomes one of the contract parties for the financial instruments. Financial assets (except receivables that do not contain significant financial components) or financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value plus transaction costs directly attributable to the acquisition or issuance. Accounts receivable that do not contain significant financial components are initially measured at transaction prices.

1. Financial assets

For the buying and selling transactions meet common trading practice. The consolidating company adopts consistent accounting treatments based on transaction days or settlement days for all the financial assets classified in the same way.

Financial assets are classified as financial assets at amortized cost and equity instrument investments at fair value through other comprehensive income upon initial recognition. The consolidating company only reclassifies the financial assets affected by the change of the way of managing the financial assets starting on the first day of the next reporting period.

(1) Financial assets at amortized cost

If the financial assets are in alignment with the following criteria and not designated as at fair value through profit or loss, such assets are measured at amortized cost:

- Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets.
- The cash flows on specific dates specified in the contractual terms are solely payments for the principal and interest on the principal amount outstanding.

Such assets are subsequently measured at amortized cost by the initially recognized amount, plus or less the amortization by the effective interest method using the effective interest method, and adjusted for the allowance for losses. Interest income, foreign exchange gains or losses, and impairment losses are recognized in profit or loss. Upon derecognition, the gain or loss is included in profit or loss.

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

The investment in debt instruments meeting the following conditions and not designated at fair value through profit or loss are measured at fair value through other comprehensive income.

- Financial assets are held for the purpose of collecting contracted cash flows and for sale.
- The cash flows on specific dates specified in the contractual terms are solely payments for the principal and interest on the principal amount outstanding.

The consolidating company may make an irrevocable choice at the original recognition to designate the equity investment instruments not for trading to subsequently measure at fair value through other comprehensive income. The foregoing selection is made by per each instrument.

The equity investment instruments are subsequently measured at fair value. Dividend income (unless it clearly represents a recovery of part of the investment) is recognized in profit or loss. The remaining net gain or loss is recognized in other comprehensive income and is not to be reclassified to profit or loss.

Dividend Income of equity investments are recognized when the day the consolidating company becomes entitled to the dividends (usually the ex-dividend dates).

(3) Impairment of financial assets

The consolidating company recognizes allowance for losses for expected credit losses of financial assets measured at amortized cost (including cash and cash equivalents), note receivables, accounts receivables, other receivables, refundable deposits and other financial assets), debt investment instruments measured at fair value through other comprehensive income and contract assets.

The allowance for losses for the financial assets below are measured at 12-month expected credit losses, and the allowance for losses for the rest are measured at the lifetime expected credit losses:

- Debt securities are judged to be of low credit risk on the balance sheet date; and
- The credit risk of other debt securities and bank deposits (i.e. the risk of default during the expected duration of the financial instruments) has not increased significantly since the initial recognition.

Allowance for losses on accounts receivable and contract assets are measured at lifetime expected credit losses.

In determining whether credit risks have significantly increased after initial recognition, the consolidating company takes into consideration reasonable and supportable information (available without excess risks or inputs), including qualitative and quantitative information, and the consolidating company's own experience, credit assessments and forward-looking information.

If the credit rating of a financial asset is equivalent to the investment grade globally designed (BBB- by S&P, Baa3 by Moody's or twA by Taiwan Ratings or better), the consolidating company considers the credit risk of the fixed income security is low.

If a contract payment is overdue for more than 30 days, the consolidating company assumes the credit risk of this financial asset has significantly increased.

If a contract payment is overdue for more than 360 days or the borrower is unlikely to honor the credit obligation to pay the full amount to the consolidating company, the consolidating company considers the financial asset is in default.

Lifetime expected credit losses refer to the expected credit losses arising from all possible default events during the expected duration of a financial instrument.

Twelve-month expected credit losses are expected credit losses on a financial instrument arising from possible default events within 12 months after the balance sheet date (or a shorter period if the expected duration of the financial instrument is less than 12 months).

The maximum period for measuring expected credit losses is the maximum contract period when the consolidating company is exposed to credit risks.

Expected credit losses are an estimate of weighted probability of credit losses over the expected lifetime of a financial instrument. Credit losses are measured at the present value of cash flow shortages, i.e., the difference between the cash flows collectable by the consolidating company according to contracts and the cash flows expected to be collected by the consolidating company. Expected credit losses are discounted at the effective interest rate on the financial asset.

The consolidating company assesses whether there are credit losses with the financial assets measured at amortized cost on each reporting day. A financial asset is credit-impaired when one or more events have occurred with an adverse effect on the estimated future cash flows of the financial asset. Evidence that indicates a financial asset is credit-impaired includes the observable information below:

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

- The borrower or issuer encountered significant financial difficulties;
- Default, such as delayed or overdue payment for more than 360 days;
- Concessions previously not considered but granted by the consolidating company to the borrower due to the borrower's economic or contractual reason caused by financial difficulties
- The borrower is likely to file for bankruptcy or other financial restructuring; or
- The active market for the financial asset disappears due to financial difficulties.

The allowance for losses for a financial asset measured at amortized cost is deducted from the carrying amount of the asset. The allowance for losses on investment in debt instruments at fair value through other comprehensive income is with profit or loss adjusted and recognized in other comprehensive income (without reducing the carrying amount of the asset)

The consolidating company directly reduces the total carrying amount value of a financial asset when the recoverable amount of the financial asset in all or in part cannot be reasonably expected. Based on the experience of recovering similar assets, the consolidating company's policy with private customers is to write-off the entire carrying amount value of the financial asset overdue for more than 360 days. The consolidating company determines the timing and the amount of write-offs for corporate customers according to the individual analysis of reasonably expected recoverability. The consolidating company does not expect material reversals of written-off amounts. However, compulsory execution may still be sought for written-off financial assets, in line with the consolidating company's procedures in recovering overdue amounts.

(4) Derecognition of financial assets

The consolidating company can only derecognize a financial asset when the right to contracted cash flows from the asset terminates; or the financial asset has been transferred and almost full risks and returns of financial asset ownership have been transferred to other companies; or the asset has not been transferred but almost full risks and returns of ownership are not retained and the control over financial asset is not retained.

In the signing of a contract to transfer a financial asset, if all or almost full risks and returns of ownership of the transferred asset are retained, the asset will continue to be recognized on the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities and equity

The debts and equity instruments issued by the consolidating company are recognized as financial liabilities or equity according to the substance of contracts and the definitions of financial liabilities and equity instruments.

(2) Equity transactions

Equity instruments refer to any contract that represents the remaining equity of the consolidating company after assets are deducted from liabilities. Equity instruments issued by the consolidating company are recognized at the amount of proceeds less direct issuance costs.

(3) Financial liabilities

Financial liabilities are classified as those at amortized cost or at fair value through profit or loss. Financial liabilities are classified at fair value through profit or loss if they are held for trading, derivatives, or designated upon initial recognition. Financial

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

liabilities at fair value through profit or loss are measured at fair value and the relevant net gain and loss, including any interest expense, is recognized in profit or loss.

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

(4) Derecognition of financial liabilities

Financial liabilities are recognized when the consolidating company's contractual obligations have been performed, canceled or expired. When the terms of financial liabilities are revised and the cash flow of the revised liabilities is significantly different, the initial financial liabilities are derecognized, and new financial liabilities are recognized at fair value as per the revised terms.

When a financial liability is derecognized, the difference between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Offset of financial assets and liabilities

Financial assets and financial liabilities can only be recognized on the balance sheet with the net value after netting off when the consolidating company has the legal right to exercise the netting off, and has the intention to deliver at the net value or concurrently realizes the asset to pay off the liabilities.

(VIII) Inventory

The initial cost of inventories is the expenditure necessary to bring inventories to a condition and location ready for sale or construction. Development costs of property include construction, land, borrowing, and project costs incurred during the development period. Upon completion, the construction in progress will be reclassified to the buildings and land held for sale, and the operating costs will be reclassified as per the proportion of sales to the development costs of the property. Subsequently, it will be measured at the lower of cost or net realizable value. When the cost of inventory is higher than the net realizable value, the cost should be written down to the net realizable value, and the amount written down should be recognized in cost of sales in the current period. The methods for determining the net realizable value are as follows:

1. Construction land: Net realizable value is calculated based on replacement cost or estimated selling price (as per the market condition at the time) less estimated selling expenses.
2. Construction in progress: The net realizable value is calculated based on the estimated selling price (according to the market condition at the time) less the costs and selling expenses required till completion.
3. Buildings and land held for sale: Net realizable value is calculated based on estimated selling price (as per the market condition at the time) less estimated selling expenses.

(IX) Investment property

Investment property refers to property held for earning rents or asset appreciation or both, but not for sale, production, provision of goods or services, or for administrative purposes in normal business activities. Investment properties are measured initially at costs and subsequently with costs less accumulated depreciation and accumulated impairments. The depreciation methods, service lives and residuals are accounted for in the same way as for property, plant and equipment.

Gains or losses from disposal of investment properties are recognized as profits or losses (at the difference between the net proceeds and the carrying amounts of the properties).

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

Rent income from investment property is recognized in operating income on a straight-line basis over the lease term. The lease incentives are recognized as part of the rent income over the lease term.

(X) Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

When the useful lives of material components of property, plant and equipment are different, they are treated as separate items (major components) of property, plant and equipment.

Gain or loss on disposal of property, plant and equipment is recognized as profit or loss.

2. Subsequent cost

Subsequent expenses are only capitalized when future economic benefits are likely to flow into the consolidating company.

3. Depreciation

Depreciation is calculated at the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful life of each component.

Land is not depreciated.

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

Leasehold improvement 5 years

The consolidating company reviews depreciation methods, service lives and residual values on each reporting day and makes appropriate adjustments when necessary.

4. Reclassification to investment property

When the property for self-use is changed into investment property, the property is reclassified as investment property at the carrying amount upon the change of use.

(XI) Lease

The consolidating company assesses whether a contract is about or including leasing on the day when the contract is established. If the contract entails the transfer of the control for use of the identifiable asset over a period of time for specific compensation, the contract is about or including leasing.

1. Lessee

The consolidating company recognizes right-of-use assets and lease liabilities on the day when the lease commences. Right-of-use assets are measured initially at costs. The costs include the original measured value of the lease liabilities. These are adjusted with any lease payments at or before the commencement of the lease, added with any initial direct cost incurred and the estimated cost in dismantling and removing the underlying asset, restoring the site it is located or restoring the underlying asset and less any lease incentive received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the lease commencement date to the end of the useful life of the right-of-use asset or the end of the lease term, whichever is earlier. Meanwhile, the consolidating company periodically assesses whether the right-of-use assets are impaired and handles any impairment losses already incurred. Adjustments to the right-of-use assets are made when the lease liabilities are remeasured.

The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. If it is easy to ascertain the interest rate implicit in the lease, the discount rate shall be that interest rate. If it is not easy to ascertain the interest rate, the

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

consolidating company's incremental borrowing rate shall be used. In general, the consolidating company uses the incremental borrowing rate as the discount rate.

Lease payments included in the lease liability measurement include:

- (1) Fixed payments, including substantive fixed payments;
- (2) The lease payment depends on the change in an index or rate, and the index or rate on the lease commencement date is adopted for the initial measurement;
- (3) The residual value guarantee amount expected to be paid; and
- (4) The exercise price or penalty to be paid when it is reasonably ascertain that the purchase or lease termination will be executed.

Interest on lease liabilities is subsequently accrued using the effective interest method, and the amount is re-measured under each of the circumstances below:

- (1) Changes in the index or rate used to determine lease payments result in changes in future lease payments;
- (2) There is a change in the residual value guarantee amount expected to be paid;
- (3) There is a change in the evaluation of the option of purchasing the asset;
- (4) A change in the evaluation of whether to extend or terminate a lease has resulted in a change in the evaluation of the lease term;
- (5) The subject leased, scope of lease, or other terms are modified.

When the lease liability is re-measured due to the aforementioned changes in the index or rate used to determine the lease payment, changes in the residual value guarantee amount, and changes in the evaluation of the purchase, extension, or termination, the carrying amount of the right-of-use asset is adjusted accordingly. When the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications with a reduced scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between said amount and the remeasured amount of the lease liability is recognized in profit or loss.

The consolidating companies present the right-of-use assets and lease liabilities not meeting the definition for investment properties separately on the balance sheet.

The consolidating companies choose not to recognize the short-term leases of houses, buildings and transportation equipment and low-value underlying assets as right-of-use assets and lease liabilities. Payments for such leases are expensed with the straight line method during the lease periods.

2. Lessor

If the consolidating company is the lessor, the lease contract will be classified on the lease inception date according to whether almost full risks and returns of the underlying asset ownership are transferred. If yes, it is classified as a finance lease. If not, it is an operating lease. During assessments, the consolidating company should take into consideration metrics such as whether the lease period covers the main part of the economic lives of underlying assets.

If the consolidating company is an intermediate lessor, the head lease and the sublease are accounted for separately. The right-of-use asset created by the head lease is used for the classification of the sublease. If a headlease is a short-term lease to which recognition exemption applies, the sublease transaction derived therefrom should be classified as an operating lease.

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

For those contracts contains lease and nonlease components, the consolidating company adopts International Financial Reporting Standards No. 15 for the separation of a contract into lease and nonlease components.

(XII) Intangible assets

1. Recognition and measurement

Other intangible assets (including computer software) the consolidating company acquires with a definite service life are measured at costs less accumulated depreciation and accumulated impairments.

2. Subsequent expenditure

Subsequent expenditure is capitalized only to the extent that the future economic benefits of a specific asset will increase. All other expenditures are recognized in profit or loss as incurred.

3. Amortization

Amortization is calculated at the cost of the asset less the estimated residual value and is recognized in profit or loss using the straight-line method over the estimated useful life from when an intangible asset becomes available for use.

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

Computer software 3 years

The consolidating company reviews amortization methods, service lives and residual values on each reporting day and makes appropriate adjustments when necessary.

(XIII) Impairment of non-financial assets

The consolidating company assesses on each reporting day where there is an indication of impairments to the carrying amount of non-financial assets. The Company estimates the recoverable amount of such assets with a sign of impairment. Impairment tests are conducted on goodwill each year.

Impairment testing aims at the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units that is expected to benefit from the synergies of the combination.

The recoverable amount is the higher of the fair value of the individual asset or cash-generating unit less cost of disposal and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects present market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognized when the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount thereof.

An impairment loss is recognized immediately in profit or loss. The carrying amount of goodwill allocated for the cash-generating unit is reduced first. Then the carrying amounts of other assets in the cash-generating unit are reduced pro rata.

Goodwill impairment losses are not reversed. Non-financial assets other than goodwill are reversed only when it does not exceed the carrying amount (less depreciation or amortization) that would have been determined if such assets had not been recognized for impairment losses in prior years.

(XIV) Provision for warranty liability

Liability reserves are recognized for present obligations due to past events. In this instance, the consolidating company is likely to be required to repay the obligation with an outflow of assets with economic benefits and the amount of the obligation can be reliably estimated. The



**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

provision is discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, and the amortization of the discount is recognized in interest expense.

Provision for warranty liability is recognized when goods or services are sold and is measured based on historical warranty information and all probable outcomes weighted by respective probabilities.

(XV) Revenue recognition

1. Revenue from customer contracts

Revenue is measured as the consideration to which the transfer of goods or services is expected to be entitled. Income are recognized by the consolidating company when the control of products or services is transferred to customers and the contractual obligation is performed. The consolidating company's primary Income are as follows:

(1) Land development and property sales

The consolidating company develops and sells residential properties and often performs pre-sale during or before construction. The consolidating company recognizes Income when the control of properties is transferred. Due to contracted restrictions, such properties typically serve no other purposes to the consolidating company. However, only after the legal ownership of properties has been transferred to customers can the consolidating company access the funds for the completed contracts. Hence, the consolidating company recognizes Income when the legal ownership of properties is transferred to customers or the properties are handed over. Revenue is measured at the transaction price in the contractual agreement. If it is a sale of a finished property project, the consideration, in most cases, can be collected when the legal ownership of property is transferred. In a few cases, the payment can be deferred as per the contractual agreement but cannot be deferred for over 12 months. Thus, transaction prices are not adjusted to reflect the effect of significant financial components. In the case of a pre-sale property project, the payment is usually collected in installments during the period from when the contract is signed to when the property is transferred to a customer. If the contract contains a significant financial component, the transaction price is adjusted as per the borrowing rate for the project during said period to reflect the effect of time value of money. Advance receipts are recognized in contract liabilities, and interest expenses and contract liabilities are recognized when it is determined that the effect of the time value of money needs to be adjusted. The cumulative contract liabilities are reclassified to revenue when the property is transferred to a customer.

Some contracts include multiple items to be delivered, such as the sale of residential property and interior design services, which are regarded as a separate performance obligation and the transaction price is amortized on a stand-alone selling price basis. If no directly observable price is available, the stand-alone selling price is estimated based on expected cost plus margin. The interior design service is recognized in revenue when the service is completed.

(2) Real estate agency services

The consolidating company serves as a real estate agency to sell properties for external parties. Relevant Income are recognized during the financial reporting period when the service is rendered. Service Income under fixed-price contacts are recognized according to services actually provided as of the reporting date. Contracts include fixed and variable prices. Customers pay fixed amounts according to contracted schedules. Certain variable fees (such as bonuses above the threshold) are estimated

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

with the most likely amounts. The consolidating company only recognizes Income within the range where the accumulated Income are highly unlikely to be significantly reversed. If the income recognized is not yet invoiced, a corresponding contract asset is recognized. When there is an unconditional right to the amount, the contract asset is transferred to the account receivable.

Customers pay the fixed amounts according to agreed schedules. When the service rendered exceeds the paid amount, a contract asset is recognized. When the paid amount exceeds the service rendered, a contract liability is recognized.

When the consolidating company expects the unavoidable cost for performing the obligation of a service contract exceeds the economic benefit from the contract, a liability reserve is recognized for the loss-making contract.

(3) Construction supervision services

The consolidating company provides construction supervision services for the construction of solar generation equipment and recognizes relevant Income for such services during the reporting periods. Income recognition under fixed-price contracts is based on the services rendered and the contract performance obligation met already as of the reporting date or based on the services already rendered as a percentage of total services expected.

If the circumstance changes, the estimates of Income, costs and degrees of completion will be modified and the resulting increase/decrease will be reflected in profit or loss during the period when management becomes aware of circumstance changes.

Under the fixed price contracts, customers pay fixed amounts according to agreed schedules. When the service rendered exceeds the paid amount, a contract asset is recognized. When the paid amount exceeds the service rendered, a contract liability is recognized.

(4) Management services

The consolidating company offers hotel management services. Profit or loss and fixed management fees are recognized each quarter according to contracts during the period of hotel management. If the income recognized is not yet invoiced, a corresponding contract asset is recognized. When there is an unconditional right to the amount, the contract asset is transferred to the account receivable.

Customers pay the fixed amounts according to agreed schedules. When the service rendered exceeds the paid amount, a contract asset is recognized. When the paid amount exceeds the service rendered, a contract liability is recognized.

(5) Significant financing component - Advance real estate receipts

Revenue is measured at the transaction price in the contractual agreement. If it is a sale of a finished property project, the consideration, in most cases, can be collected when the legal ownership of property is transferred. In a few cases, the payment can be deferred as per the contractual agreement but cannot be deferred for over 12 months. The payments for pre-sale real estate projects are typically collected in installments during the period from contract signing to property transfer to customers. The consolidating company assesses whether the promised price is different from the sold price for each contract and whether the prepayment collected contains financing elements. Prepayments are collected by the consolidating company to provide guarantee in contract performance by customers. As the purpose is for the consolidating company to mitigate the risks and compensations required for reselling in case of the customer's not fulfilling the contract, it is not a significant financing

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

component obtained mainly from customers. Thus, the time value of money of the transaction consideration is not adjusted.

2. Cost of customer contracts

(1) Incremental cost of obtaining contracts

If the consolidating company expects to recover the incremental cost of obtaining contracts, the cost is recognized as an asset. Incremental costs of obtaining a contract are costs incurred when a customer contract is obtained that would not have been incurred if the contract had not been obtained. Costs of obtaining a contract that will be incurred regardless of whether the contract is obtained are recognized in expenses when incurred, unless such costs are clearly chargeable to customers regardless of whether a contract has been obtained.

The consolidating company recognizes the incremental cost of obtaining contracts expected to recover through real estate marketing activities as an asset and applies systematic amortization consistent with transfer of pre-sale properties to customers.

(2) Cost of fulfilling contracts

If the cost of fulfilling the contract is not covered by standards such as International Accounting Standards (IAS) 2 Inventories, IAS 16 Property, Plant and Equipment, or IAS 38 Intangible Assets, the consolidating company only recognizes such cost as an asset when the cost is directly related to a contract or a specific identifiable expected contract, may generate or enhance the resource to be used in fulfilling (or continuing to fulfill) contract obligations and is expected to be recovered.

General and administrative costs; raw materials, labor or other resource costs wasted for contract fulfillment but not reflected on contract prices; costs related to performed (or partially performed) contract obligations; and costs not identifiable as to contract obligations not yet performed or performed (or partially performed) are recognized as expenses when incurred.

(XVI) Government subsidies

When relevant government subsidies can be received without terms attached, the consolidating company recognizes the subsidies as other gains. When government subsidies in relation to assets can be received with the attached terms the consolidating company can reasonably believe it will adhere to, the subsidies are recognized at fair value as deferred Income and systematically converted to other gains within the service life of the assets. The government subsidies in compensation for the expense or loss incurred by the consolidating company are systematically recognized in profit and loss in conjunction with the corresponding expenses.

(XVII) Employees' benefits

1. Defined contribution plan

Contribution obligations to the defined contribution plan are recognized in expenses in the period during which the employee provides service.

2. Short-term employee benefits

Short-term employee benefits are recognized as expenses when the relevant services are provided. If the services already provided by employees constitute the consolidating company a current statutory or presumed payment obligation and such obligation can be reliably estimated, the amount is recognized as a liability.

(XVIII) Income taxes

Income tax includes current income and deferred taxes. Current income tax and deferred tax are recognized in profit or loss, except in relation to business combinations or items directly recognized in equity or other comprehensive income.

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

Current income tax includes the expected income tax payable or tax refund receivable based on the taxable income (loss) for the year and any adjustments to income tax payable or tax refund receivable in prior years. The amount is the best estimate of the amount expected to be paid or received based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized based on the temporary differences between the carrying amounts of an asset and liability for financial reporting purposes and its tax bases. Temporary differences arising from the circumstances below are not recognized in deferred tax:

1. Assets or liabilities are initially recognized for a transaction that is not a business combination, and such assets or liabilities does not affect accounting profit and taxable income (loss) at the time of the transaction;
2. Temporary differences due to investments in subsidiaries, associates and joint ventures, the timing of reversal of such temporary differences controlled by the consolidating company and the reversal unlikely to be in the foreseeable future; and
3. Taxable temporary differences arises from the initial recognition of goodwill.

Deferred tax is measured at the tax rate at which the temporary difference is expected to reverse, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date, with tax-related uncertainties reflected.

The consolidating company only offsets deferred income tax assets and deferred income tax liabilities when the following conditions are met at the same time:

1. Has the statutory enforcement power to offset current income tax assets and current income tax liabilities; and
2. Deferred tax assets and deferred tax liabilities are related to one of the following taxpayers with income tax levied by the same tax authority:
  - (1) The same taxpayer; or
  - (2) Different taxpayers but each taxpayer intends to settle the current tax liabilities and assets on a net basis or to realize both in each future period, in which significant amounts of deferred tax assets are expected to be recovered and deferred tax liabilities are expected to be settled.

Unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized, as well as deductible temporary differences are recognized in deferred tax assets. It is reassessed at each balance sheet date to reduce the relevant income tax benefits to the extent that it is not probable that they will be realized; or to reverse the previously reduced amount to the extent that it becomes probable that sufficient taxable income will be available.

**(XIX) Earnings per share**

The consolidating company presents the basic earnings per share and the diluted earnings per share attributable to shareholders of its common stocks. The basic earnings per share of the consolidating company are calculated with the profit or loss attributable to holders of the company's common shares divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by having the profit or loss attributable to the equity holders of the Company's common shares and the weighted average number of common shares outstanding adjusted for the effect of all potential dilutive common shares. The potential dilutive common shares of the consolidating company include convertible corporate bonds.

**(XX) Department information**

Operating departments as the segments of the consolidating company are engaged in operating activities that generate Income and incur expenses (including the Income and expenses with

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

the consolidating company's other segments). The operating results of all operating departments are reviewed periodically by key decision-makers of the consolidating company, in order to formulate decisions on resource allocations and evaluate the performance of individual departments. All operating departments have independent financial information.

**V. Critical Accounting Judgements and Key Sources of Estimation and Uncertainty**

When preparing these consolidated financial statements according to the Regulations Governing the Preparation of Financial Reports and the International Financial Reporting Standards endorsed and issued into effect by the Financial Supervisory Commission, management must make judgements, estimates and assumptions. Such judgements, estimates and assumptions have influence on the adoption of accounting policies and the reported numbers of assets, liabilities, Income and expenses. Actual results may differ from estimates.

The management continues to review estimates and basic assumptions, and changes in accounting estimates are recognized in the period in which they are changed and future periods affected.

Accounting policy involved material judgements and significant influence on recognized numbers in these consolidated financial statements: none

The uncertainties in the following assumptions and estimates with significant risks of causing the carrying amount of assets and liabilities to be adjusted significantly in the next fiscal year and the impact of the COVID-19 pandemic has been reflected. The relevant information is as follows:

**Inventory valuation**

Inventory is recognized at the lower of costs or net realizable values. The consolidating company evaluates the net realizable value of inventory on the reporting date based on estimates of future selling prices and construction costs, subject to the influence of political and economic environments. Therefore, the net realizable value may experience material changes. Please refer to Note 6(4) for details of inventory valuation.

**VI. Summary of Significant Accounting Items**

**(I) Cash and cash equivalents**

	<u>2021.12.31</u>	<u>2020.12.31</u>
Cash on hand	\$ 371	423
Checking deposit	32	6,008
Demand deposit	<u>57,886</u>	<u>26,542</u>
	<u><b>\$ 58,289</b></u>	<u><b>32,973</b></u>

Please refer to Note 6 (20) for interest rate risks and the sensitivity analysis of the consolidating company's financial assets and liabilities.

**(II) Financial assets at fair value through other comprehensive income (FVTOCI)**

	<u>2021.12.31</u>	<u>2020.12.31</u>
Equity instrument at fair value through other comprehensive income:		
Domestic unlisted stock - Tech Alliance Corp.	\$ 3,667	3,784
Domestic unlisted stock - Technology Associates Corporation	274	612
Domestic unlisted stock - Shin Kong Real Estate Management Co., Ltd.	1,890	2,300
Foreign unlisted stock - World Join International Ltd.	12,113	11,932
Total	<u><b>\$ 17,944</b></u>	<u><b>18,628</b></u>

1. Equity instrument investments at fair value through other comprehensive income:

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

The consolidating company holds the equity instruments as a long-term strategic investment, not for trading purposes. Hence, these instruments have been designated at fair value through other comprehensive income.

The annual shareholders' meetings of Teh An Venture Investment Co., Ltd. and Technology Associates Corp. (the consolidating company's investees) approved capital reductions on July 6, 2021 and June 30, 2020, respectively, and set up the capital reduction basis dates on August 2, 2021 and September 1, 2020, respectively, to return capital by NT\$4,098 thousand and NT\$2,820 thousand, respectively.

The consolidating company did not dispose any strategic investment in 2021 or 2020. There was no transfer within equity for accumulated profit or loss during these periods.

2. Please refer to Note 6 (20) for market risk information.
3. None of the consolidating company's financial assets abovementioned has been pledged as collateral.

**(III) Notes and accounts receivable**

	<u>2021.12.31</u>	<u>2020.12.31</u>
Notes receivable - from operations	\$ 5,760	1,269
Accounts receivable at amortized cost	66,845	9,387
Less: Allowance for losses	(8,689)	(8,689)
	<u><u>\$ 63,916</u></u>	<u><u>1,967</u></u>

The consolidating company adopts the simplified approach for the estimates of expected credit losses for all notes receivable and accounts receivables. This approach measures lifetime expected losses. To achieve the measurement purposes, notes receivable and accounts receivable are categorized on the basis of similar credit risk characteristics in terms of customers' ability to pay all due amounts according to contract terms and conditions. Forward-looking information is incorporated. The expected credit loss analysis on the consolidating company's notes receivable and accounts receivable is as follows:

	<u>2021.12.31</u>		
	<u>Carrying amounts of notes and accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Allowance for lifetime expected credit losses</u>
<b>Not past due</b>	\$ 63,916	-	-
Overdue for more than 360 days	8,689	100%	8,689
	<u><u>\$ 72,605</u></u>		<u><u>8,689</u></u>

	<u>2020.12.31</u>		
	<u>Carrying amounts of notes and accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Allowance for lifetime expected credit losses</u>
<b>Not past due</b>	\$ 1,967	-	-
Overdue for more than 360 days	8,689	100%	8,689
	<u><u>\$ 10,656</u></u>		<u><u>8,689</u></u>

Change in loss allowance for the consolidating company's notes receivable and accounts receivable is as follows:

	<u>2021</u>	<u>2020</u>
Opening balance (ending balance)	<u><u>\$ 8,689</u></u>	<u><u>8,689</u></u>

None of the consolidating company's notes receivable and accounts receivables was pledged for collateral as of December 31, 2021 and 2020.

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

(IV) Inventories

	<u>2021.12.31</u>	<u>2020.12.31</u>
Construction business:		
Buildings and land held for sale	\$ 622,620	709,920
Construction in progress	213,896	49,296
Land held for construction site	-	131,003
	<u>\$ 836,516</u>	<u>890,219</u>
Inventory expected to be recovered after more than 12 months	<u>\$ 441,049</u>	<u>559,943</u>

Cost of goods sold is detailed below:

	<u>2021</u>	<u>2020</u>
Buildings and land held for sale reclassified after sold	\$ 130,332	190,102
Cost related to real estate agency services	15,778	6,295
Others	7,381	2,591
	<u>\$ 153,491</u>	<u>198,988</u>

1. Please refer to Note 6 (19) for the interest capitalization of the consolidating company.
2. Please refer to Note 8 for the consolidating company's pledges on inventory as collateral as of December 31, 2021 and 2020.

(V) Prepayments

	<u>2021.12.31</u>	<u>2020.12.31</u>
Construction business - Sample house interior design and decoration cost	\$ 7,029	21,746
Construction business - Pre-construction development costs	52,422	53,993
Others	2,265	728
	<u>\$ 61,716</u>	<u>76,467</u>

(VI) Property, plant and equipment

The change in the consolidating company's property, plant and equipment in 2021 and 2020 is as follows:

	<u>Land</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Construction work in progress</u>	<u>Total</u>
Cost or deemed cost:					
Balance on January 1, 2021	\$ 82,029	14,673	38	6,400	103,140
Addition	-	-	205	-	205
Reclassification to investment property	(76,647)	-	-	(6,400)	(83,047)
Disposal	-	(1,191)	-	-	(1,191)
Effects of changes in foreign exchange rates	-	(106)	-	-	(106)
Balance on December 31, 2021	<u>\$ 5,382</u>	<u>13,376</u>	<u>243</u>	<u>-</u>	<u>19,001</u>
Balance on January 1, 2020	\$ 82,029	1,185	38	6,400	89,652
Addition	-	13,368	-	-	13,368
Effects of changes in foreign exchange rates	-	120	-	-	120
Balance on December 31, 2020	<u>\$ 82,029</u>	<u>14,673</u>	<u>38</u>	<u>6,400</u>	<u>103,140</u>
Depreciation and impairment losses:					
Balance on January 1, 2021	\$ 17,169	1,351	38	-	18,558
Depreciation during the year	-	1,956	9	-	1,965
Impairment loss reversed	(11,787)	-	-	-	(11,787)
Disposal	-	(986)	-	-	(986)

Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)

	Land	Leasehold improvements	Other equipment	Construction work in progress	Total
Effects of changes in foreign exchange rates	-	(15)	-	-	(15)
Balance on December 31, 2021	<u>\$ 5,382</u>	<u>2,306</u>	<u>47</u>	-	<u>7,735</u>
Balance on January 1, 2020	\$ 17,169	587	38	-	17,794
Depreciation during the year	-	752	-	-	752
Effects of changes in foreign exchange rates	-	12	-	-	12
Balance on December 31, 2020	<u>\$ 17,169</u>	<u>1,351</u>	<u>38</u>	-	<u>18,558</u>
Book value:					
December 31, 2021	<u>\$ -</u>	<u>11,070</u>	<u>196</u>	-	<u>11,266</u>
January 1, 2020	<u>\$ 64,860</u>	<u>598</u>	-	<u>6,400</u>	<u>71,858</u>
December 31, 2020	<u>\$ 64,860</u>	<u>13,322</u>	-	<u>6,400</u>	<u>84,582</u>

1. Please refer to Note 8 for details of the collateral for bank loans and financing facilities as of December 31, 2021 and 2020.
2. Ownership transfer and acquisition of certain agricultural land is only possible after the change of land use according to law. Hence, some land was registered under personal names. An authorization agreement and a trust contract have been signed with the nominee account holder for the land registration. The land will be transferred to the consolidating company at the right time. Said agricultural land has been partially reclassified to investment property.
3. Reclassification to investment property  
The consolidating company entered a land lease contract with the lessee on November 25, 2021 for the development of a solar farm. Upon the change of this property use, the carrying amount was reclassified into an investment property. As the fair value was higher than the carrying amount on the day of land use change, the previously recognized impairment was reversed for NT\$11,787 thousand. The fair value was estimated primarily with the comparison method and supported by the analysis of land development. Based on the prices of underlying properties for the comparison, analysis and adjustment were made. This is a Level 3 fair value.

(VII) Investment property

Investment properties include the land the consolidating company rents out to the lessee via an operating lease. The initial period of the leased investment property is 20 years. At the end of a lease term, the Company will negotiate subsequent lease terms with a lessee.

The change in the consolidating company's investment properties in 2021 is as follows:

	Land and improvements	Total
Cost or deemed cost:		
Balance on January 1, 2021	\$ -	-
Transferred from property, plant and equipment	83,047	83,047
Balance on December 31, 2021	<u>\$ 83,047</u>	<u>83,047</u>
Depreciation and impairment losses:		
Balance on January 1, 2021	\$ -	-
Balance on December 31, 2021	<u>\$ -</u>	<u>-</u>
Carrying amount:		
December 31, 2021	<u>\$ 83,047</u>	<u>83,047</u>
Fair value:		
December 31, 2021		<u>\$ 208,099</u>



**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

The fair value of investment property is based on independent appraisers' valuation (who possess relevant recognized professional qualifications and recent experience related to the investment property valued in terms of location and type). The input used in the fair value valuation technique is level 3 input.

To enhance the benefits of land use, the consolidating company decided to rent out the land for the installation of solar generation systems. Hence, this property was transferred from "property, plant and equipment" into "investment property" (Note 6 (6)). Said lease contract includes the initial lease term, and the subsequent lease term is negotiated with the lessee, and no contingent rent is charged.

Please refer to Note 8 for the pledged on the consolidating company's investment properties as collateral.

**(VIII) Right-of-use assets**

The costs and depreciation of the consolidating company's rented land, houses and buildings, machinery and transportation equipment are detailed as follows:

	<b>Land</b>	<b>Buildings</b>	<b>Transportation equipment</b>	<b>Office equipment</b>	<b>Total</b>
<b>Cost of right-of-use assets:</b>					
Balance on January 1, 2021	\$ 547	45,040	1,106	225	46,918
Addition	-	13,198	-	-	13,198
Less	(547)	(16,386)	-	-	(16,933)
Effects of changes in foreign exchange rates	-	(215)	-	-	(215)
Balance on December 31, 2021	<u>\$ -</u>	<u>41,637</u>	<u>1,106</u>	<u>225</u>	<u>42,968</u>
Balance on January 1, 2020	\$ 681	19,973	3,162	234	24,050
Addition	-	28,418	1,106	-	29,524
Less	-	-	(3,162)	-	(3,162)
Lease modification	(134)	(3,587)	-	(9)	(3,730)
Effects of changes in foreign exchange rates	-	236	-	-	236
Balance on December 31, 2020	<u>\$ 547</u>	<u>45,040</u>	<u>1,106</u>	<u>225</u>	<u>46,918</u>
<b>Depreciation and impairment losses of right-of-use assets:</b>					
Balance on January 1, 2021	\$ 221	10,961	15	92	11,289
Depreciation	46	6,606	368	45	7,065
Less	(267)	(9,956)	-	-	(10,223)
Effects of changes in foreign exchange rates	-	(40)	-	-	(40)
Balance on December 31, 2021	<u>\$ -</u>	<u>7,571</u>	<u>383</u>	<u>137</u>	<u>8,091</u>
Balance on January 1, 2020	\$ 136	4,015	1,620	47	5,818
Depreciation	108	6,916	1,557	45	8,626
Less	-	-	(3,162)	-	(3,162)
Lease modification	(23)	-	-	-	(23)
Effects of changes in foreign exchange rates	-	30	-	-	30
Balance on December 31, 2020	<u>\$ 221</u>	<u>10,961</u>	<u>15</u>	<u>92</u>	<u>11,289</u>
<b>Book value:</b>					
December 31, 2021	<u>\$ -</u>	<u>34,066</u>	<u>723</u>	<u>88</u>	<u>34,877</u>
January 1, 2020	<u>\$ 545</u>	<u>15,958</u>	<u>1,542</u>	<u>187</u>	<u>18,232</u>
December 31, 2020	<u>\$ 326</u>	<u>34,079</u>	<u>1,091</u>	<u>133</u>	<u>35,629</u>

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

(IX) Short-term loans

The consolidating company's short-term loans are as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Unsecured bank borrowings	\$ -	10,000
Secured bank borrowings	423,053	596,684
Total	<u>\$ 423,053</u>	<u>606,684</u>
Facilities not yet drawn	<u>\$ 415,207</u>	<u>290,576</u>
Interest rate range	<u>1.85%~2.09%</u>	<u>1.85%~2.12%</u>

Please refer to Note 8 for the pledged on the consolidating company's assets as collateral for bank loans.

(X) Short-term notes and bills payable

The consolidating company's short-term notes and bills payable are as follows:

	<u>2020.12.31</u>		
	<u>Guarantee or acceptance institution</u>	<u>Interest rate range</u>	<u>Amount</u>
Commercial papers payable	Bills Company A	1.94%	\$ 27,000
Less: Discounted short-term notes payable			(11)
Total			<u>\$ 26,989</u>

Please refer to Note 8 for the pledged on the consolidating company's assets as collateral for short-term notes and bills.

(XI) Corporate bonds payable

The information on the consolidating company's corporate bonds payable is as follows:

	<u>2021.12.31</u>
Amount of ordinary corporate bonds issued	\$ 300,000
Unamortized balance of discounted corporate bonds payable	(23,970)
Cumulative amount of redemption	-
Cumulative amount of conversion	-
Balance of corporate bonds payable at the end of the period	<u>\$ 276,030</u>

Equity components — conversion rights (under capital reserve — subscription rights): Please refer to Note 6 (15).

Interest expenses: Please refer to Note 6 (19).

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

The primary rights and obligations of the company's secured convertible bonds outstanding are as follows:

Item	The first issue of secured convertible corporate bonds in 2021
Total issue amount	NT\$300,000,000
Issue date	2021.9.24
Issue period	2021.9.24~2024.9.24
Coupon rate	0%
Trustee	Land Bank of Taiwan Co., Ltd.
Repayment method	Unless the bondholders apply for conversion into the Company's ordinary shares as per the Company's conversion method, or the Company redeems them in advance as per the conversion method, or the Company buy them back through securities firms and cancel them, the Company will redeem the bonds in cash in a lump sum upon maturity.
Redemption method	From the day following the full three months after the issue of the convertible corporate bonds (December 25, 2021) to 40 days before the end of the issue period (August 15, 2024), if the closing price of the Company's ordinary shares exceeds the current conversion price by 30% or higher for 30 consecutive business days, or when the balance of the outstanding convertible corporate bonds is lower than 10% of the initial total issue amount, the Company may redeem the bonds in advance.
Conversion method	Conversion period From the day following the full three months after the issue date of the convertible corporate bonds (December 25, 2021) to the maturity date (September 24, 2024), the bondholders shall convert the bonds into the Company's ordinary shares as per the conversion method.
Conversion price	NT\$15.8

**(XII) Lease liabilities**

The consolidating company's lease liabilities are as follows:

	2021.12.31	2020.12.31
Current	\$ 5,957	6,424
Non-current	\$ 30,900	30,824

Please refer to Note 6 (20) Financial Instruments for maturity analysis.

The amounts recognized in profit or loss are as follows:

	2021	2020
Interest expense on lease liabilities	\$ 1,544	1,859
Gains from sublease of right-of-use assets	\$ 8,772	1,121
Expense on short-term leases	\$ 882	746

Amounts recognized in the statements of cash flows are as follows:

	2021	2020
Total cash outflow from leases	\$ 8,718	9,956

The consolidating company rents houses and buildings for office spaces and business premises. The leases for office spaces are between one and five years. The leases for business premises are eight years. Meanwhile, the consolidating company's leases for car parking spaces and transportation equipment are between one and three years.

Part of the aforesaid lease agreements are accompanied with the option of lease extensions. Such rights are only exercisable by the consolidating company, not by lessors. When it is not reasonably certain that an option to extend the lease term will be exercised, payments related to the period covered by the option are not included in the lease liabilities.

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

In addition, some of the transportation equipment leased by the consolidating company is for three years. As this is short-term lease, the consolidating company applies for recognition exemption without recognizing the relevant right-of-use assets and lease liabilities.

(XIII) Employees' benefits

Defined contribution plan

The consolidating company's defined contribution plans adhere to the regulations stipulated by the Labor Pension Act in Taiwan and the Pension Law in China by contributing certain percentages of monthly wages to labor pension personal accounts operated by the Bureau of Labor Insurance and the Social Security Agency, respectively. The consolidating company has no additional statutory or presumed obligations for additional contributions under this plan after contributing the fixed amounts to the Bureau of Labor Insurance or the Social Security Agency.

The consolidating company recognized pension expenses of NT\$1,067 thousand and NT\$1,021 thousand for defined contributions in 2021 and 2020, respectively. The contributions were made to the accounts designated by local laws.

(XIV) Income taxes

1. Income tax expense

The consolidating company's income tax expenses for 2021 and 2021 are detailed as follows:

	<u>2021</u>	<u>2020</u>
Current income tax expense	\$ -	-
Land value increment tax	1,122	-
Deferred tax expense	-	-
	<u>\$ 1,122</u>	<u>-</u>

The adjustments of the consolidating company's income tax expenses and earnings before tax for 2021 and 2021 are as follows:

	<u>2021</u>	<u>2020</u>
Net loss before tax	\$ (32,555)	(61,775)
Income tax calculated at the domestic tax rate where the Company is located	(6,735)	(12,355)
Effects of tax rate differences in foreign jurisdictions	(93)	(423)
Land value increment tax	1,122	-
Book-tax difference	639	410
Book-tax difference in capitalized interest	1,109	1,347
Current tax losses on unrecognized deferred tax assets	9,283	9,384
Changes in unrecognized temporary differences	(4,920)	(108)
Others	717	1,745
Total	<u>\$ 1,122</u>	<u>-</u>

2. Deferred income tax assets and liabilities

Unrecognized deferred tax assets

The consolidating company's unrecognized deferred income tax assets are as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Deductible temporary differences	\$ 10,832	3,536
Tax loss	118,538	108,990
	<u>\$ 129,370</u>	<u>112,526</u>

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

Taxable losses are determined in accordance with the Income Tax Act, and the losses for the previous ten years may be deducted from the net income for the year after being approved by the tax authority before the income is taxed. The item is not recognized as a deferred income tax asset because the consolidating company is not very likely to generate sufficient taxable Income for deduction of the temporary difference.

As of December 31, 2021, the deduction deadline for the tax loss of deferred income tax assets yet to be recognized by the consolidating company is as follows:

<u>Year</u>	<u>Losses yet to be deducted by the Company</u>	<u>Losses yet to be deducted by subsidiaries</u>	<u>Last valid year</u>
Approved amount in 2013	\$ 62,773	323	2023
Approved amount in 2014	53,343	2,482	2024
Approved amount in 2015	78,675	9,850	2025
Approved amount in 2016	75,403	56,763	2026
Tax assessed for 2017	-	15,169	2027
Approved amount in 2018	80,915	8,434	2028
Approved amount in 2019	48,108	5,796	2029
Amount filed in 2020	40,580	7,773	2030
Estimated amount in 2021	37,524	8,778	2031
	<b><u>\$ 477,321</u></b>	<b><u>115,368</u></b>	

3. Income tax assessments

(1) The Company's business income taxes were assessed by the tax authority up to the year 2019.

(2) The business income tax filings from the Company's subsidiaries in Taiwan were assessed by the tax authority for the following years:

<u>Assessment years</u>	<u>Company name</u>
2019	Better Life Green Energy Technology Co., Ltd.
2019	Bao Lai Real Estate Co., Ltd.
2019	Better Life Group Travel Service Co., Ltd.

(3) The subsidiaries in China have filed income taxes to the local tax authorities for the years up to 2020.

(XV) Capital and other equity

The total amount of the Company's authorized capital as of December 31, 2021 and 2020 was both NT\$6,750,000 thousand, divided into 675,000 thousand shares in both years, with a par value of NT\$10 per share. The paid-in capital is NT\$1,002,654 thousand, with a par value of NT\$10 per share, and all the capital funds for the outstanding shares have been received.

1. Issue of ordinary shares

On August 4, 2021, the shareholders' meeting of the consolidating company resolved and approved a rights issue via private placement to boost working capital and future developments. The board of directors was authorized to issue no more than 30,000 thousand ordinary shares within one year after the resolution from the shareholders' meeting, at one or two tranches via private placement.

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

2. Capital surplus

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

	<u>2021.12.31</u>	<u>2020.12.31</u>
Gain on disposal of assets	\$ 110	110
Stock options - issue of convertible corporate bonds	21,828	-
	<u>\$ 21,938</u>	<u>110</u>

Pursuant to the Company Act, the Company shall issue new shares or pay out cash in proportion to the existing shareholders' shares from the realized capital surplus after the capital surplus is used to compensate the deficit first. The realized capital surplus referred to in the preceding paragraph includes the premium from the shares issued at par and the income from gifts. Pursuant to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital surplus to be used as capital shall not exceed 10% of the paid-in capital.

3. Retained earnings

Under the earnings distribution policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first used for paying taxes, offsetting the cumulative deficit, setting aside 10% of the remaining profit as a legal reserve unless it has reached the total amount of the Company's paid-in capital, setting aside an amount for or reversing a special reserve in accordance with operational needs and the laws and regulations, and then any remaining profit, together with any undistributed retained earnings at the beginning of the period, shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolved before distribution.

(1) Legal reserve

When the Company suffers no losses, it may, upon a resolution by the shareholders' meeting, issue new shares or pay out cash from the legal reserve, but only to the extent that such reserve exceeds 25% of the paid-in capital.

(2) Earnings distribution

The shareholders' meeting of the Company was resolved on August 4, 2021 and June 18, 2020 to offset the losses for 2020 and 2019, respectively.

4. Other interests (net of tax)

	<b>Exchange difference on translation of financial statements of foreign operations</b>	<b>Unrealized valuation profit or loss from financial assets measured at fair value through other comprehensive income</b>	<b>Total</b>
Balance on January 1, 2021	\$ 90	(19,796)	(19,706)
Exchange differences in translation of net assets of foreign operations	(76)	-	(76)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	3,414	3,414
Balance on December 31, 2021	<u>\$ 14</u>	<u>(16,382)</u>	<u>(16,368)</u>
Balance on January 1, 2020	\$ (435)	(19,796)	(20,231)
Exchange differences in translation of net assets of foreign operations	525	-	525
Balance on December 31, 2020	<u>\$ 90</u>	<u>(19,796)</u>	<u>(19,706)</u>

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

(XVI) Loss per share

The Company's basic earnings per share in 2021 and 2020 were calculated based on the net loss attributable to the equity holders of the Company's ordinary shares and the weighted average number of outstanding ordinary shares. The relevant numbers are as follows:

1. Basic loss per share

(1) Net loss attributable to equity holders of the Company's ordinary shares

	<u>2021</u>	<u>2020</u>
Net loss attributable to equity holders of the Company's ordinary shares for the current period	\$ <u>(33,677)</u>	<u>(61,775)</u>

(2) Weighted average number of outstanding ordinary shares

	<u>2021</u>	<u>2020</u>
Weighted average number of outstanding ordinary shares	<u>100,265</u>	<u>100,265</u>
Basic loss per share (NTD)	\$ <u>(0.34)</u>	<u>(0.62)</u>

2. Diluted loss per share

The Company's diluted earnings per share in 2021 and 2020 were calculated based on the net income attributable to the equity holders of the Company's ordinary shares and the weighted average number of outstanding ordinary shares, adjusted for the effect of all potential dilutive ordinary shares. The relevant numbers are as follows:

(1) Net loss attributable to equity holders of the Company's ordinary shares (diluted)

	<u>2021</u>	<u>2020</u>
Net loss attributable to equity holders of the Company's ordinary shares (basic)	\$ (33,677)	(61,775)
Interest expense on convertible corporate bonds	(Note)	-
Net loss attributable to equity holders of the Company's ordinary shares (diluted)	\$ <u>(33,677)</u>	<u>(61,775)</u>

(2) Weighted average number of outstanding ordinary shares (diluted)

	<u>2021</u>	<u>2020</u>
Weighted average number of outstanding ordinary shares (basic)	100,265	100,265
Effect of conversion of convertible corporate bonds	(Note)	-
Weighted average number of outstanding ordinary shares (diluted)	<u>100,265</u>	<u>100,265</u>
Loss per share (NTD)	\$ <u>(0.34)</u>	<u>(0.62)</u>

Note: It is not included in the calculation of diluted earnings per share due to its anti-dilution effect.

(XVII) Income from contracts with customers

1. Details of revenue

The consolidating company's income breakdown is as follows:

	<u>2021</u>	<u>2020</u>
Revenue from customer contracts recognized	\$ 176,692	218,596
Rental Income (Note)	8,782	1,166
	\$ <u>185,474</u>	<u>219,762</u>

Note: International Financial Reporting Standards No. 16 are applicable to the consolidating company's rental Income in 2021 and 2020.

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

2. Details of revenue

	<u>2021</u>	<u>2020</u>
Main region/market:		
Taiwan	<u>\$ 176,692</u>	<u>218,596</u>
Main product/service line:		
Housing and land sales	\$ 136,276	205,141
Service income	40,416	13,455
	<u>\$ 176,692</u>	<u>218,596</u>
Contract type:		
Fixed-price contract	<u>\$ 176,692</u>	<u>218,596</u>
Time point of revenue recognition:		
Transfer of goods or services at a certain time point	<u>\$ 176,692</u>	<u>218,596</u>

3. Contract balance

	<u>2021.12.31</u>	<u>2020.12.31</u>	<u>2020.1.1</u>
Notes receivable	\$ 5,760	1,269	2,119
Accounts receivable	66,845	9,387	8,689
Less: Allowance for losses	(8,689)	(8,689)	(8,689)
	<u>\$ 63,916</u>	<u>1,967</u>	<u>2,119</u>

	<u>2021.12.31</u>	<u>2020.12.31</u>	<u>2020.1.1</u>
Contract liability — housing and land sales	\$ 48,776	21,934	15,799
Contract liability — prepaid Income	4,000	500	-
Total	<u>\$ 52,776</u>	<u>22,434</u>	<u>15,799</u>

Please refer to Note 6(3) for the information on notes receivable, accounts receivable, and impairment thereof.

NT\$500 thousand and NT\$6,565 thousand were recognized as Income for 2021 and 2020, respectively,

from the opening balance of contract liabilities on January 1, 2021 and 2020.

The change in contract liabilities is primarily due to the timing difference between the consolidating company's transfer of goods or services to customers to fulfill contract obligations (i.e. recognition of Income from contract liabilities) and the payment from customers. The refunds were NT\$0 and NT\$2,576 thousand and the transfer into default penalty Income was NT\$0 and NT\$765 thousand in 2021 and 2020, respectively, due to the cancelation of contracts by customers and the resulting change in contract liabilities.

(XVIII) Remunerations to employees and directors

According to the Company's Articles of Incorporation, no less than 4% and no more than 4% of any profits for the year should be distributed as employees' remuneration and directors' remuneration, respectively. However, when the Company still has a cumulative deficit, it shall reserve an amount in advance to compensate it. The subjects for the issuance of remunerations may include employees of a holding or subordinate company satisfy certain criteria, and the board of directors is authorized to specify such criteria.

The Company reported losses before tax in both 2021 and 2020 and hence there was no need to distribute remunerations to employees or directors. Relevant information is available at the Market Observation Post System.



**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

(XIX) Non-operating Income and expenses

1. Interest income

The consolidating company's interest income is detailed as follows:

	<u>2021</u>	<u>2020</u>
Interest income		
Interest on bank deposits	\$ 16	38
Imputed interest on security deposits	9	25
Guarantee deposits paid	3,147	3,340
Other interest income	30	62
	<u>\$ 3,202</u>	<u>3,465</u>

2. Other income

The consolidating company's other Income are detailed below:

	<u>2021</u>	<u>2020</u>
Management fees income	\$ 4,024	929
Rent income	50	614
Income of liquidated damages	-	765
Other income	542	419
	<u>\$ 4,616</u>	<u>2,727</u>

3. Other gains and losses

The consolidating company's other Income and losses are detailed as follows:

	<u>2021</u>	<u>2020</u>
Exchange loss	\$ (23)	(202)
Gain on lease modifications	400	1
Gain on reversal of impairment of property, plant and equipment	11,787	-
Others	(2,644)	(19)
	<u>\$ 9,520</u>	<u>(220)</u>

4. Financial costs

The consolidating company's financial costs are detailed below:

	<u>2021</u>	<u>2020</u>
Interest on bank borrowings and bills and notes	\$ 11,841	9,022
Interest on lease liabilities	1,544	1,859
Financial costs	1,374	3,800
Discounted and amortized convertible corporate bonds	2,858	-
Less: Capitalized interest	(1,626)	(8)
	<u>\$ 15,991</u>	<u>14,673</u>
Capitalized interest rate	<u>1.85%~2.01%</u>	<u>1.91%~2%</u>

(XX) Financial instruments

1. Credit risk

(1) Maximum exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk.

(2) Credit concentration risk

The consolidating company has a wide clientele, without trading significantly concentrated with a single customer. Hence, the credit risk of accounts receivable is not significantly concentrated.

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

(3) Credit risk of receivables and debt securities

Please refer to Note 6 (3) for credit risk exposure of notes receivable and accounts receivable.

Other financial assets measured at amortized cost include other receivables (other financial assets – current). All the aforesaid financial risks have low credit risks and hence the loss allowance is measured with the 12-month expected credit loss. (Please refer to Note 4 (7) for how the consolidating company determines low credit risks.)

2. Liquidity risk

The table below shows the maturity dates of contractual financial liabilities, including estimated interest but excluding the effect of netting arrangement.

	Carrying amount	Contractual cash flow	Within 6 months	6–12 months	1–2 years	2–5 years	More than 5 years
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Floating-rate instruments	\$ 423,053	434,835	139,195	2,736	201,655	91,249	-
Fixed-rate instruments	276,030	300,000	-	-	-	300,000	-
Non-interest bearing liabilities	46,653	46,653	46,653	-	-	-	-
Lease liabilities	36,857	40,995	3,380	3,833	7,650	21,675	4,457
	<b>\$ 782,593</b>	<b>822,483</b>	<b>189,228</b>	<b>6,569</b>	<b>209,305</b>	<b>412,924</b>	<b>4,457</b>
<b>December 31, 2020</b>							
Non-derivative financial liabilities							
Floating-rate instruments	\$ 606,684	623,887	350,246	2,473	179,919	91,249	-
Fixed-rate instruments	26,989	27,436	262	27,174	-	-	-
Non-interest bearing liabilities	58,512	58,512	58,512	-	-	-	-
Lease liabilities	37,248	42,609	3,795	4,173	8,347	17,312	8,982
	<b>\$ 729,433</b>	<b>752,444</b>	<b>412,815</b>	<b>33,820</b>	<b>188,266</b>	<b>108,561</b>	<b>8,982</b>

The consolidating company does not expect the timing of cash flows to be significantly early or the amount to be significantly different from the maturity analysis.

3. Interest rate analysis

Interest rate exposure of the consolidating company's financial assets and financial liabilities is explained in this note on liquidity risk management.

The sensitivity analysis below is based on the exposure of derivative and non-derivative instruments to interest rate risk at the balance sheet date. For floating-rate liabilities, the analysis is based on an assumption that the amount of a liability outstanding at the balance sheet date is outstanding throughout the year. The consolidating company's internal reporting to management regarding interest rates is based on 1% increase or decrease. It also represents the management's assessment of the possible and reasonable range of changes in interest rates.

All other variables being equal, any 1% increase (decrease) in interest rates would result in a decrease (increase) by NT\$3,379 thousand and NT\$5,711 thousand in the consolidating company's earnings before tax in 2021 and 2020, respectively. This would be primarily due to the consolidation of company loans in variable interest rates.

4. Information on fair value

(1) Valuation process of fair value of financial instruments

The consolidating company's accounting policies and disclosure include financial and non-financial assets and liabilities measured at fair value. The consolidating company establishes relevant internal control systems for the measurement of fair values. Of them, a valuation team has been established to be responsible for reviewing all significant fair value measurements (including Level 3 fair value) and reporting directly to the Chief Financial Officer. The team regularly reviews significant unobservable inputs and adjustments. If an input used to measure fair value is based on external third-party information (such as a broker or pricing service institution),

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

the valuation team will assess the evidence provided by the third party in support of the input to confirm that the valuation and its fair value level are aligned with the requirements of IFRS.

In the measurement of assets and liabilities, the consolidating company uses inputs observable from the market as much as possible. The fair value levels are based on the inputs used in the valuation techniques and are classified as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 inputs are not based on observable inputs (unobservable inputs) for the asset or liability.

(2) Types and fair values of financial instruments

The consolidating company measures recurring fair values of the financial assets at fair value through other comprehensive Income. The carrying amounts and the fair values of all types of financial assets and financial liabilities are listed below: (including fair value levels) (It is not necessary to disclose fair value information if the carrying amount of a financial instrument is not measured at fair value is a reasonable approximation of fair value and if it is a lease liability.)

		<b>2021.12.31</b>				
		<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
			<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through other comprehensive income						
Domestic and foreign unlisted stocks		<b>\$ 17,944</b>	-	-	<b>17,944</b>	<b>17,944</b>
		<b>2020.12.31</b>				
		<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
			<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through other comprehensive income						
Domestic and foreign unlisted stocks		<b>\$ 18,628</b>	-	-	<b>18,628</b>	<b>18,628</b>

(3) Fair value valuation techniques for financial instruments not at fair value

The methods and assumptions used by the consolidating company for the instruments not measured at fair value are as follows:

(3.1) Financial assets and liabilities at amortized cost

If there is information on quoted prices from transactions or market makers, the latest transaction price and quoted price should be adopted as the basis for valuating the fair value. If there is no information on market prices for reference, the valuation method is adopted for estimation. The estimates and assumptions used in the valuation method are the discounted value of cash flows to estimate the fair value.

(4) Fair value valuation techniques for financial instruments at fair value

(4.1) Non-derivative financial instruments

When a financial instrument is quoted in an active market, the quoted price in the active market is the fair value. Market prices of liquid securities on major

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

exchanges and the prices published by the trading center of central government bonds are the basis for fair values of equity instruments listed on TWSE/TPEX and fixed income instruments with active markets and open quotes.

A financial instrument is deemed to be with quoted prices in the active markets if its quoted prices can be obtained from exchanges, brokers, underwriters, industry associations, pricing services institutions, or competent authorities in a timely and regular manner, and the prices represent the prices in actual fair market transactions that occur frequently. If the above criteria are not met, the market is deemed inactive. Generally speaking, a large bid-ask spread, a significant increase in the bid-ask spread, or a low trading volume are all indicators of an inactive market.

Except for the above financial instruments with active markets, the fair values of other financial instruments are obtained through valuation techniques or with reference to the quoted prices by counterparties. The fair value obtained through valuation techniques may be calculated and obtained with reference to the present fair value of other financial instruments with substantively similar criteria and characteristics, discounted cash flow method, or other valuation techniques, including the use of models based on market information available at the balance sheet date.

If there is no active market for the financial instruments held by the consolidating company, the asset-based approach is used for the estimation of fair values of equity instruments without open quoted prices according to different categories and characteristics. The primary assumptions are based on the balance sheet of investees. The estimate has been adjusted for the effect of the discount on the control premium and liquidity of the equity securities.

- (5) Transfer between Levels 1 and 2: None.  
 (6) Details of changes in Level 3

	<u>At fair value through other comprehensive income</u>
	<u>Equity instruments without quoted prices</u>
<b>January 1, 2021</b>	\$ 18,628
Total gain or loss	
Recognized in other comprehensive income	3,414
Capital refunded for capital reduction	(4,098)
December 31, 2021	<u>\$ 17,944</u>
January 1, 2020	\$ 21,448
Capital refunded for capital reduction	(2,820)
December 31, 2020	<u>\$ 18,628</u>

- (7) Quantitative information on measurement of significant unobservable fair value input (Level 3)

The consolidating company's level 3 fair value measurements are primarily for financial assets measured at fair value through other comprehensive income – equity securities investment.

Most of the fair values classified as level 3 by the consolidating company only contain single, material and unobservable inputs. Only the equity instruments without an active market depend on multiple material and unobservable inputs. Significant

Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)

unobservable inputs for investments in equity instruments with no active market are independent of each other and therefore do not correlate.

Quantitative information on significant unobservable inputs is listed as follows:

Item	Valuation technique	Significant unobservable input	Significant unobservable input and relations with fair value
Financial assets at FVTOCI – investments in equity instruments without active markets	Asset method	<ul style="list-style-type: none"> <li>• Discount on liquidity (32.30% on both December 31, 2021 and 2020)</li> <li>• Discount on non-controlling interests (6.45% on December 31, 2021 and 17.87% on December 31, 2020)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the liquidity discount, the lower the fair value</li> <li>• The higher the non-controlling interest discount, the lower the fair value</li> </ul>

(8) Analysis of sensitivity of Level 3 fair value to reasonably possible alternative assumptions

The consolidating company's fair value measurements of financial instruments are reasonable. However, the use of different valuation models or parameters may result in different valuation outcomes. For financial instruments classified as Level 3, if the valuation parameters change, the effect on the current profit or loss or other comprehensive income is as follows:

	Input	Up/down movements	Changes in fair value reflected in other comprehensive income	
			Favorable change	Unfavorable change
<b>December 31, 2021</b>				
Financial assets at fair value through other comprehensive income				
<b>Investment in equity instruments without active markets</b>	<b>Non-controlling interest discount</b>	+10%	-	(1,870)
	<b>Non-controlling interest discount</b>	-10%	1,870	-
	Liquidity discount	+10%	-	(2,583)
	Liquidity discount	-10%	2,583	-
<b>December 31, 2020</b>				
Financial assets at fair value through other comprehensive income				
<b>Investment in equity instruments without active markets</b>	<b>Non-controlling interest discount</b>	+10%	-	(2,186)
	<b>Non-controlling interest discount</b>	-10%	2,186	-
	Liquidity discount	+10%	-	(2,652)
	Liquidity discount	-10%	2,652	-

The favorable and unfavorable movements referred to by the consolidating company indicate the volatility of fair values. Fair values are calculated with valuation techniques with different levels of unobservable inputs. If the fair value of a financial instrument is affected by more than one input, the above table only reflects the effect of changes in a single input without taking into account the correlation and variability between the inputs.

(XXI) Financial risk management

1. Summary

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

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

This note represents the consolidating company's exposure to the aforesaid risks, as well as its target, policy and procedures for measuring and managing these risks. Please refer to individual notes to the consolidated financial statements for further quantitative disclosure.

2. Risk management framework

The board of directors is fully responsible for the establishment and supervision of the consolidated company's risk management structure. The board of directors has fully authorized the management of the development and control of the consolidating company's risk management policy. Management is required to report periodically to the board accordingly.

The consolidating company's risk management policies are put in place to identify and analyze the risks the consolidating company is faced with, set up appropriate risk limits and control, monitor risks and supervise the compliance with risk limits. Risk management policies and systems are periodically reviewed, to reflect market conditions and the change in the consolidating company's operation. The consolidating company develops a disciplined and constructive control environment through training, management guidelines and operational procedures, so that all employees understand their roles and obligations.

The Audit Committee of the consolidating company oversees how management monitors the compliance of risk management policies and procedures and reviews the appropriateness of the consolidating company's risk management structure in relation to risks it faces. Internal auditors assist the Audit Committee of the consolidating company in the oversight. These personnel conduct regular and exception reviews of risk management controls and procedures and report the review results to the Board and Audit Committee.

3. Credit risk

Credit risks are the risks of financial losses due to customers or counterparties in financial instrument transactions unable to fulfill contractual obligations and mainly come from the consolidating company's accounts receivable.

(1) Accounts receivable and other receivables

The internal control system of the consolidating company has established a credit policy. The consolidating company adheres to this policy by individually analyzing new customers and assigning credit ratings before providing standard terms and conditions in payments and delivery. The review and control mechanism of the consolidating company consists of the record of customers' transactions and communication with banks regarding external ratings. Maximum procurement amounts are set on a customer-by-customer basis and represent the maximum outstanding amount that does not require the management team's approval. Such maximum amounts are under regular review.

The consolidating company has a wide clientele and a diversified geographic market for its construction business. There is no significant concentration in transactions with a single customer. Credit risks of accounts receivable are not significantly

## Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)

concentrated either. Most of the dealings for real estate development and sales are for private individuals. Payment collections are primarily via remittances, checks and mortgage loans. Therefore, relevant credit risks are relatively low.

Meanwhile, the consolidating company adheres to the internal regulations on engineering contracting construction works. The contractors are all reputable companies meeting the requirements for construction techniques. Therefore, the consolidating company can stay on top of construction quality and progress. If necessary, contractors are required to deposit guarantees to ensure construction quality. Other receivables are mainly from land owners and other joint developers. Debtors are assessed to have the repayment capability. Hence, there are no material credit risks with the consolidating company's other receivables.

### (2) Investment

The credit risks associated with bank deposits, fixed income investments and other financial instruments are measured and monitored by the finance department of the consolidating company. For transactions and contract performance, the consolidating company deals with reputable banks, financial institutions and companies rated as investment grade and government agencies. Hence, there are no material risks in contract performance or credit risks.

### (3) Guarantee

Please refer to Note 13 for the mutual endorsements and guarantees in 2021 and 2020 as required by the contracts between the consolidating company and joint builders for joint investment, construction or development.

## 4. Liquidity risk

Liquidity risks refer to the risks of the consolidating company being unable to pay in cash or with other financial assets to repay financial liabilities or fulfill relevant obligations. The consolidating company manages liquidity in order to ensure, as much as possible, sufficient and liquid capital to fund debts due in general and stressed circumstances, so that there will be no unacceptable loss or reputation risks to the consolidating company.

For each development project, the consolidating company calculates the cost and the capital required, installment payments from customers before delivery, and construction financing from banks, in order to properly plan for payments and receipts and ensure adequate working capital to fund the debts due. The funding required for project development and construction is partially reliant on bank loans. Upon the ownership transfer to customers, most of the payments are from mortgage loans. Hence, the consolidating company is unlikely to incur material losses or reputation risks.

## 5. Market risk

Market risks refer to the risks of price changes (e.g., exchange rates, interest rates, prices of equity instruments) that may affect the consolidating company's Income or values of financial instruments held. The purpose of market risk management is to control the exposure to market risks within a range of tolerance and optimize return on investment. The consolidating company does not engage in transactions of financial instruments (including derivatives) for the purpose of speculation.

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

(1) Exchange rate risk

The Group's functional currency is mainly in NTD. The Company's main business transactions (including receivables, payables, loans, or financing) are mainly denominated in NTD, so there is no risk of significant fluctuations in foreign exchange rates.

(2) Interest rate risk

The consolidating company's management reviews and controls the optimal blended interest rate of financial liabilities, in order to manage the risks of interest rate fluctuations.

The consolidating company's interest rate risks are mainly from its bank loans. According to the consolidating company's assessment of its business environment, the interest rates over recent years have been relatively stable. Hence, material interest rate risks are unlikely.

(XXII) Capital management

The objective of capital management by the consolidating company is to ensure operations as a going concern, in order to continue to create returns for shareholders and benefits to other stakeholders, maintain the optimal capital structure and lower the cost of capital.

To maintain or modify its capital structure, the consolidating company may adjust dividends to shareholders, make payments to shareholders to reduce share capital, issue new shares or sell assets to repay debts.

The consolidating company manages and control capital based on the debt to capital ratio. The ratio is calculated with net debt divided by total capital. Net debt is the total debt on the balance sheet less cash and cash equivalents. Total capital refers to all components of equity (i.e. share capital, capital surplus, retained earnings, and other equity) plus net debt.

The consolidating company's capital management strategy in 2021 was largely consistent with 2020: maintenance of the debt to capital ratio to ensure financing at a reasonable cost.

The debt-to-equity ratios as of December 31, 2021 and 2020 were as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Total liabilities	\$ 862,777	772,934
Less: Cash and cash equivalents	(58,289)	(32,973)
Net liability	\$ 804,488	739,961
Total equity	596,326	604,837
Adjusted capital	<u>\$ 1,400,814</u>	<u>1,344,798</u>
Debt-to-equity ratio	<u>57.43%</u>	<u>55.02%</u>

(XXIII) Financing activities with non-cash transactions

The consolidating company's financing activities with non-cash transactions in 2021 and 2020 are as follows:

1. Please refer to Note 6 (8) for acquisition of right-of-use assets via leases.
2. The reconciliation of liabilities from financing activities is as follows:

	<u>2021.1.1</u>	<u>Cash flows</u>	<u>Non-cash movement</u>		<u>2021.12.31</u>
			Exchange rate change	<u>Others</u>	
Short-term borrowings	\$ 606,684	(183,631)	-	-	423,053
Short-term notes payable	26,989	(27,304)	-	(Note 1) 315	-
Corporate bonds payable	-	295,000	-	(Note 4)(18,970)	276,030
Lease liabilities	37,248	(6,292)	(187)	(Note 2) 6,088	36,857
Total amount of liabilities from financing activities	<u>\$ 670,921</u>	<u>77,773</u>	<u>(187)</u>	<u>(12,567)</u>	<u>735,940</u>



**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

	<b>2020.1.1</b>	<b>Cash flows</b>	<b>Non-cash movement</b>		<b>2020.12.31</b>
			Exchange rate change	Others	
Short-term borrowings	\$ 229,260	377,424	-	-	606,684
Short-term notes payable	484,485	(459,594)	-	(Note 1) 2,098	26,989
Lease liabilities	18,567	(7,351)	216	(Note 3) 25,816	37,248
Total amount of liabilities from financing activities	<b>\$ 732,312</b>	<b>(89,521)</b>	<b>216</b>	<b>27,914</b>	<b>670,921</b>

Note 1: It is the discounted amortized short-term notes payable.

Note 2: An increase of NT\$13,198 thousand and a reduction in rent by NT\$7,110 thousand.

Note 3: An increase of NT\$29,524 thousand and a reduction in rents by NT\$3,708 thousand.

Note 4: It is the stock options for convertible corporate bonds recognized in the amount of NT\$21,828 thousand less discount amortization of NT\$2,858 thousand.

**VII. Related Party Transactions**

(I) Name of related party and relations

The related parties who transacted with the consolidating company during the periods covered by these consolidated financial statements are as follows:

<b>Name of related party</b>	<b>Relation with the consolidating company</b>
Puyuan Development Co., Ltd.	A supervisor at the company is a member of the key management personnel of the Company
Puyuan Advertising Co., Ltd.	A director at the company is a member of the key management personnel of the Company
Puqun Advertising Co., Ltd.	A director at the company is a member of the key management personnel of the Company
Puyuan Construction Co., Ltd.	A director at the company is a member of the key management personnel of the Company
Puyi Indoor Decoration Co., Ltd.	A director at the company is a member of the key management personnel of the Company
Puxu Advertising Co., Ltd.	A director at the company is a member of the key management personnel of the Company
Pushi Construction Co., Ltd.	A director at the company is a member of the key management personnel of the Company
Puquan Advertising Co., Ltd.	A director at the Company
Pucheng Construction Co., Ltd.	Substantive related party
Chang, Chia-Sheng	Substantive related party
Chang, Chun-Kuei	First degree relative with the Company's director

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

(II) Significant transactions with related parties

1. Purchase of goods from related parties

(1) The consolidating company's purchases from other related parties are as follows:

	<u>2021</u>	<u>2020</u>
Puyuan Advertising Co., Ltd.	\$ 14,190	5,909
Pucheng Construction Co., Ltd.	28,108	22,640
Belongs to other related parties	2,285	1,739
	<u>\$ 44,583</u>	<u>30,288</u>

The consolidating company's purchase prices from related parties are based on price comparisons and negotiations from both parties and payments according to contract terms and conditions. Please refer to Note 9 for the engineering contracts entered into by the consolidating company and related parties as of December 31, 2021 and 2020.

(2) The consolidating company purchased land from other related parties in June 2020 for its development business. The contract price was NT\$130,800 thousand. Ownership transfer was completed on November 30, 2020. The property was recognized as construction in progress. Said acquisition price is based on a real property appraisal report.

2. Payables to related parties

<u>Account</u>	<u>Related party category</u>	<u>2021.12.31</u>	<u>2020.12.31</u>
Notes payable	Pucheng Construction Co., Ltd.	\$ 6,100	8,871
Accounts payable	Puqun Advertising Co., Ltd.	10,361	-
Accounts payable	Pucheng Construction Co., Ltd.	-	8,872
Accounts payable	Puyuan Advertising Co., Ltd.	4,605	1,672
Accounts payable	Belongs to other related parties	200	200
		<u>\$ 21,266</u>	<u>19,615</u>

3. Leases

The consolidating company rented from related parties in the headquarter office building in June 2018 and November 2021 by signing a two-year lease contract and a five-year lease contract, respectively and in reference to rentals for offices in the neighborhood area. The interest expenses recognized for 2021 and 2020 were NT\$256,000 and NT\$40,000 as well as NT\$448,000 and NT\$0, respectively. As of December 31, 2021 and 2020, the balance of lease liabilities was NT\$12,612,000 and NT\$9,401,000, respectively. In addition, the guarantee deposits paid due to the above leases as of December 31, 2021 and 2020 were NT\$0 and NT\$579,000, respectively.

4. Others

(1) The consolidating company signed real estate agency contracts with Puqun Advertising Co., Ltd. and Puyuan Advertising Co., Ltd. for marketing of development projects in 2021 and 2020. The agency service fees were recognized as an operating expense for NT\$2,922 thousand and NT\$5,040 thousand, respectively. The incremental cost for contract acquisitions recognized on December 31, 2021 and 2020 was NT\$12,069 thousand and NT\$1,398 thousand, respectively.

(2) The consolidating company obtained from Pucheng Construction Co., Ltd. a guarantee check of NT\$28,612 thousand as of December 31, 2021 and 2020 for construction and engineering works.

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

- (3) The consolidating company provided the related party Chang, Chun-Kuei with a guarantee deposit of NT\$24,500 thousand and a guarantee check of NT\$24,500 thousand as of December 31, 2021, for the joint development and separate sale of the project on the land at Guishan Hwa-Ya Section. In addition, it engaged in a joint investment in a construction project with Puyuan Development Co., Ltd. and Pushi Construction Co., Ltd.
- (4) The consolidating company and Puyuan Construction Co., Ltd. jointly invested in the development of the project at Mei-Ren section, Songshan District.

(III) Transactions with key management personnel

Key management personnel's remuneration includes:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	<u>\$ 9,824</u>	<u>9,559</u>

**VIII. Assets Pledged**

The carrying amounts of the assets pledged by the consolidating company as collateral are detailed below:

<u>Name of asset</u>	<u>Asset pledged as collateral</u>	<u>2021.12.31</u>	<u>2020.12.31</u>
Inventory – construction industry	Bank borrowings and short-term notes payable	\$ 836,516	890,219
Other financial assets -current	Reserve account	5,890	9,037
Other financial assets -current	Trust account	21,347	-
Investment property (previously recognized as Property, plant and equipment)	Bank deposits and corporate bonds payable	83,047	-
		<u>\$ 946,800</u>	<u>899,256</u>

**IX. Significant Contingent Liabilities and Unrecognized Commitments**

(I) Significant unrecognized commitments:

1. The contracts and commitments not recognized by the consolidating company are as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
<u>Signed contracts</u>		
Housing and land sales	\$ 304,292	68,248
Contract for solar installations and change of land use	15,000	-
<u>Payments collected or priced</u>		
Housing and land sales	48,776	21,934
Contract for solar installations and change of land use	4,000	-

2. The contracting by the consolidating company for engineering works of development projects is as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Payables not yet priced as per contract	<u>\$ 225,247</u>	<u>277,474</u>
Payables to related parties that have not been priced as per contract	<u>\$ 221,999</u>	<u>257,917</u>

**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

3. The joint development contracts and joint investment and construction contracts signed by the consolidating company and landowners are as follows:

Project name or land lot	Joint construction method	Joint construction deposits paid (construction deposits paid)	
		2021.12.31	2020.12.31
Xinyi Section, Xinyi District	Joint investment in construction and joint construction and allocation of housing units	\$ 195,317	192,170
Huaya Section, Guishan District	Joint investment in construction and joint construction and separate sale	24,500	-
Zhongshan Section, Zhongshan District	Joint investment in construction and joint construction and allocation of housing units	-	-
Meiren Section, Songshan District	Joint investment in construction and joint construction and allocation of housing units	-	-
		<b>\$ 219,817</b>	<b>192,170</b>

4. The consolidating company provided guarantee checks for NT\$24,500 thousand and NT\$0 as of December 31, 2021 and 2020 for business requirements.
5. The consolidating company rented out its land in Miaoli to a non-related party on November 25, 2021 for solar system installations. According to the contract, the consolidating company will collect a special service fee of NT\$36,000 thousand upon the project completion and subsequently monthly rentals at the agreed percentage. Meanwhile, a contract was signed with the non-related party for the planning, development and installation of solar systems. The total contract price was NT\$35,000 thousand. As of December 31, 2021, NT\$6,400 thousand was paid. The aforesaid land was transferred from “property, plant and equipment” to “investment property”. Please refer to Note 6 (7).
6. The consolidating company collected a prepayment of NT\$20,000 thousand and recognized this as part of other current liabilities as of December 31, 2021 for authorizing third parties in the integration and disposal of projects under development.

**X. Major Disaster Loss: None.**

**XI. Material Events After the Balance Sheet Date: None.**

**XII. Others**

Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)

The statement of employee benefits, depreciation, depletion, and amortization expenses of the year by function is as follows:

By function	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
<b>By nature</b>						
Employee benefit expenses						
Salary and wages	-	23,083	23,083	285	24,976	25,261
Labor and health insurance	-	1,591	1,591	34	1,651	1,685
Pension	-	1,067	1,067	17	1,004	1,021
Directors' remuneration	-	3,960	3,960	-	3,695	3,695
Other employee benefit expenses	-	847	847	22	846	868
Depreciation expense	5,420	3,610	9,030	1,941	7,437	9,378
Amortization expense	-	179	179	-	135	135

### XIII. Additional Disclosures

#### (I) Information on significant transactions

The material transactions to be disclosed by the consolidating company in 2021 according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers are as follows:

- Loans to others: None.
- Endorsements/Guarantees provided to others:

Unit: In Thousand New Taiwan Dollars

Code	Endorser / Guarantor	Endorsed / Guaranteed party		Maximum endorsement/guarantee amount to a single enterprise	Maximum endorsement/guarantee balance for the current period	Endorsement/ Guarantee balance at the end of the period	Amount drawn	Endorsement/ Guarantee amount with assets pledged	Ratio of cumulative endorsement/ guarantee to net worth as in the latest financial statements	Maximum limit of endorsement/guarantee amount	Endorsement/ guarantee form parent to subsidiary	Endorsement/ guarantee form subsidiary to parent	Endorsement/ guarantee to entity in mainland China
		Company name	Relations										
0	The Company	Yunpeng Construction Co., Ltd.	5	596,326	388,800	388,800	203,094	-	65.20%	1,192,652	N	N	N
0	The Company	Tianyi Construction Co., Ltd.	5	596,326	453,600	453,600	236,943	-	76.07%	1,192,652	N	N	N

Note 1: The Company is coded "0".

Note 2: There are 7 types of relations between the endorser/guarantor and the endorsed/guaranteed party as follows; just indicate the type:

- Companies with business dealings.
- A company in which the Company directly or indirectly holds more than 50% of the voting shares.
- A company directly or indirectly holds more than 50% of the voting shares of the Company.
- A company in which the Company directly or indirectly holds more than 90% of the voting shares.
- Companies that need to endorse and guarantee for each other in the same industry or as co-builders in accordance with contractual provisions based on the needs for contracting construction projects.
- A company that is endorsed and guaranteed by all shareholders of the Company based on their ownership percentage due to a joint investment relationship.
- The companies that are engaged in joint and several guarantees for the performance of a pre-sale property contract in accordance with the Consumer Protection Act.

Note 3: The maximum amount of all endorsements/guarantees shall not exceed 40% of the net worth as in the most recent financial statements; the maximum amount of the endorsement/guarantee to a single enterprise shall not exceed 10% of the net worth as in the most recent financial statements except for subsidiaries that directly hold more than 90% of the Company's ordinary shares, to which the maximum amount of the endorsement/guarantee shall not exceed 20% of the net worth of the net

## Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)

worth as in the most recent financial statements. The net worth in the most recent financial statements audited or reviewed by the CPAs shall prevail.

Note 4: For joint investment in construction or joint construction, the Company and co-builders should provide endorsements and guarantees to each other as per contracts; mutual endorsements and guarantees are required for contracting of construction projects as per contracts; however, for a joint-and-several guarantor engaging in the performance of a pre-sale housing project contract with a partner as per the Consumer Protection Act, when the total amount of endorsement/guarantee may not exceed 200% of the net worth in the current period and the total amount of endorsement/guarantee to a single enterprise may not exceed 100% of the net worth in the current period, the restrictions in the preceding paragraph does not apply.

3. Securities held at the end of the period (excluding investment in subsidiaries, associates, and joint ventures):

Unit: In Thousand New Taiwan Dollars

Holding company	Type and name of securities	Relations with holding company	Account	End of period			Highest holding or investment during the period	Remarks
				Number of shares	Carrying amount	Shareholding		
The Company	Stock - Technology Associates Corporation	-	Financial assets at fair value through other comprehensive income - non-current	482,505	3,667	4.95 %	3,667	4.95%
The Company	Stock - Tech Alliance Corp.	-	"	100,000	274	2.50 %	274	2.50%
The Company	Stock - Nexcell Battery Co., Ltd.	-	"	200,000	-	0.20 %	-	0.20%
The Company	Stock -Umay International Development Co., Ltd.	-	"	15	-	%	-	%
The Company	Stock - World Join International Ltd.	-	"	547,103	12,113	7.50 %	12,113	7.50%
The Company	Stock -Shin Kong Real Estate Management Co., Ltd.	-	"	500,000	1,890	1.67 %	1,890	1.67%

4. Securities acquired or sold amounting to at least NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of real estate amounting to 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. Business dealings and important transactions between the parent company and subsidiaries:

Code	Name of the counterparty	Counterparty	Relation with the counterparty	Transactions in 2021			As % of total revenues or total assets
				Item	Amount	Transaction terms and conditions	
0	The Company	Better Life Real Estate Co., Ltd.	1	Incremental cost of obtaining contracts	3,403	Comparable to the industry level	0.23%
0	The Company	Better Life Real Estate Co., Ltd.	1	Operating expenses	5,073	Comparable to the industry level	2.74%
0	The Company	Better Life Green Energy Technology Co., Ltd.	1	Accounts payable	6,400	Comparable to the industry level	-%
1	Better Life Real Estate Co., Ltd.	The Company	2	Operating revenue	10,246	Comparable to the industry level	5.52%
1	Better Life Real Estate Co., Ltd.	The Company	2	Operating costs	3,727	Comparable to the industry level	2.01%
1	Better Life Green Energy Technology Co., Ltd.	The Company	2	Other receivables	6,400	Comparable to the industry level	-%

Note 1: indication by numbers

1. 0: the parent company
2. Subsidiaries numbered from 1

Note 2: indication of the relations with counterparties

1. Parent company to a subsidiary
2. Subsidiary to the parent company
3. Subsidiary to a subsidiary

Note 3: offset for the preparation of consolidated financial statements

Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)

(II) Information on investees:

The consolidating company's investees (excluding the investees in China) in 2021 were as follows:

Unit: In Thousand New Taiwan Dollars

Investor	Investee	Region	Principal business	Initial investment amount		Holdings at the end of period			Highest holding or investment during the period	Profit or loss on investee for the current period	Profit or loss recognized for the current period	Remarks
				End of the current period	Last year	Number of shares	Percentage	Carrying amount				
The Company	Better Life Green Energy Technology Co., Ltd.	Taiwan	Trade	91,000	91,000	9,100,000	100.00%	9,537	100.00%	(17)	(17)	Subsidiaries
The Company	Better Life Real Estate Co., Ltd.	Taiwan	Marketing agency for the sale of real estate	110,000	110,000	11,000,000	100.00%	33,333	100.00%	16,741	15,372	Subsidiaries
The Company	Better Life Group Travel Service Co., Ltd.	Taiwan	Travel agency	9,000	9,000	-	100.00%	1,740	100.00%	(1,337)	(1,337)	Subsidiaries

Note: offset for the preparation of consolidated financial statements

(III) Information on investments in mainland China

1. The name of the investee in mainland China, principal business, and other relevant information:

Unit: In Thousand New Taiwan Dollars

Investee	Principal business	Paid-in capital	Investment method	Cumulative investment remitted from Taiwan at the beginning of period	Cumulative amount of investment remitted or recovered in current period		Cumulative outward remittance from Taiwan at the end of current period	Profit or loss on investee for the current period	Shareholding in direct or indirect investment	Highest holding or investment during the period	Investment profit or loss for the period	Carrying amount of investment at the end of period	Cumulative repatriation of investment income at the end of current period
					Outward remitted	Repatriated							
Better Life Jinxia (Xiamen) Tourism Management Service Co., Ltd.	Metal (non-metal) product wholesale and tourism management services	29,064 (USD1,050)	(Note 1)	29,064 (Note 2) (USD1,050)	-	-	29,064 (Note 2) (USD1,050)	(1,864) (RMB427)	100.00%	100.00%	(1,864) (Note 3) (RMB427)	9,076 (RMB2,089)	-

Note 1: The investment method used is direct investment in Mainland China.

Note 2: It is translated with the investment amount in subsidiary in the original currency multiplied by the exchange rate at the end of the period.

Note 3: The basis for recognition of investment income and losses is the financial statements audited by CPAs appointed by the parent company in Taiwan.

2. Maximum investment amount in mainland China:

Company name	Cumulative outward remittance for investment in mainland China at the end of current period	Investment amount authorized by Investment Commission, MOEA	Maximum investment amount stipulated by Investment Commission, MOEA
The Company	29,064 (USD1,050)	248,428 (USD8,975)	357,796 (Note 4)

Note 4: Maximum amount: Net worth of equity for current period × 60% = NT\$596,326,000 × 60% = NT\$357,796,000.

3. Significant transactions with investees in mainland China: None.

(IV) Information on major shareholders:

Unit: Shares

Name of major shareholder	Shares	Number of shares held	Shareholding
Puquan Advertising Co., Ltd.		9,067,200	9.04%
Sant Law International Corporation		8,626,910	8.60%
Tsai, Hung-Chien		8,458,744	8.43%
Liao, Heng-I		6,496,000	6.47%

Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)

**XIV. Information on Operating Segments**

(I) General information

The consolidating company has three reporting segments described below. These segments are the consolidating company's strategic and operating units. Each strategic and operating unit provides different products and services. They are managed separately because of different techniques and marketing strategies required. The key decision-makers of the consolidating company review the internal management reports of each strategic and operating unit at least on a quarterly basis. The operations of the consolidating company's reporting segments are summarized below:

1. Construction Department: development, construction, letting and sale of residential and other properties
2. Real Estate Agency Department: third-party marketing service for leasing and sale of residential properties

The information and adjustment of the consolidating company's operating segments are as follows:

	2021				Total
	Construction Department	Real Estate Agency Department	Other departments	Adjustment and elimination	
Income					
Income from external customers	\$ 136,286	38,366	10,822	-	185,474
Inter-department Income	92	10,242	-	(10,334)	-
Interest income	3,197	1	4	-	3,202
<b>Total income</b>	<b>\$ 139,575</b>	<b>48,609</b>	<b>10,826</b>	<b>(10,334)</b>	<b>188,676</b>
Interest expense	\$ 14,776	-	1,215	-	15,991
Depreciation and amortization	\$ 3,789	-	5,420	-	9,209
Share of profit or loss of associates and joint ventures under the equity method	\$ 12,155	-	-	(12,155)	-
<b>Earnings before tax of reporting segments</b>	<b>\$ (32,555)</b>	<b>16,741</b>	<b>(3,218)</b>	<b>(13,523)</b>	<b>(32,555)</b>

	2020				Total
	Construction Department	Real Estate Agency Department	Other departments	Adjustment and elimination	
Income					
Income from external customers	\$ 205,186	13,429	1,147	-	219,762
Inter-department Income	91	8,099	-	(8,190)	-
Interest income	3,864	-	3	(402)	3,465
<b>Total income</b>	<b>\$ 209,141</b>	<b>21,528</b>	<b>1,150</b>	<b>(8,592)</b>	<b>223,227</b>
Interest expense	\$ 13,311	170	1,594	(402)	14,673
Depreciation and amortization	\$ 5,302	-	4,211	-	9,513
Share of profit or loss of associates and joint ventures under the equity method	\$ (14,071)	-	-	14,071	-
<b>Earnings before tax of reporting segments</b>	<b>\$ (61,775)</b>	<b>(4,249)</b>	<b>(11,718)</b>	<b>15,967</b>	<b>(61,775)</b>

(II) Products and services

Please refer to Note 6 (17) for the consolidating company's products and services that generate income from external customers.



**Notes to the consolidated financial statements of Better Life Group Co., LTD. and the Subsidiaries (continued)**

(III) Region

The consolidating company's region information is as follows:

<b>By region</b>	<b>2021</b>	<b>2020</b>
Income from external customers		
Taiwan	\$ 176,702	218,641
China	8,772	1,121
Total	<b>\$ 185,474</b>	<b>219,762</b>
<b>By region</b>	<b>2021.12.31</b>	<b>2020.12.31</b>
Non-current assets:		
Taiwan	\$ 116,302	104,071
China	32,770	38,560
Total	<b>\$ 149,072</b>	<b>142,631</b>

(IV) Major customers

	<b>2021.12.31</b>	<b>2020.12.31</b>
Customer A of Construction Department	\$ 57,400	-
Customer B of Construction Department	40,024	-
Customer C of Construction Department	38,852	-
Customer D of Construction Department	-	59,305
Customer E of Construction Department	-	52,226
Customer F of Construction Department	-	50,762
Customer G of Construction Department	-	41,404
Total	<b>\$ 136,276</b>	<b>203,697</b>