

Stock Code : 4755

San Fu Chemical Co., Ltd.

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
San Fu Chemical Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of San Fu Chemical Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2021 and 2020, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies (collectively referred to as the "parent company only financial statements").

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matter for the Company's parent company only financial statements for the year ended December 31, 2021 are as follows:

Measurement of Inventories

Inventories amounted to 10% (NT\$ 641,599 thousand) of the Company's parent company only total assets as of December 31, 2021. Please refer to Notes 4 and 10 for the accounting policies and the related disclosures of inventories. The inventories could be slow-moving or outdated due to the fluctuation in the demand market and the advancement in technology, which may result in impairment loss on inventories. The Company estimated the impairment loss of inventories based on the assessed net realized value and the evaluated aging of inventories quarterly. The estimation of net realized value and inventories aging assessment mainly depended on subjective management judgments and may affect the amount of impairment loss. As a result, the evaluation of inventories for impairment loss is determined to be a key audit matter.

This is the translation of the parent company only financial statements. CPAs do not audit or review on this translation.

We performed the following procedures to evaluate the measurement of inventories:

1. We obtained an understanding of the Company's accounting policies related to inventory write-down and the characteristics of inventory.
2. We obtained a summary table of net realizable value of inventory prepared by the management, inspected the supporting document of the latest market price, and re-calculated the net realizable value of inventory to evaluate the basis and reasonableness of the net realizable value estimated by the management.
3. We obtained the inventory aging table prepared by the management, and inspected supporting documents of recent sales, purchases and picking lists of selected samples to evaluate the accuracy of the inventory aging table.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Shioh-Ming Shue and Ya-Ling Wong.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 04, 2021

This is the translation of the parent company only financial statements. CPAs do not audit or review on this translation.

Notice to Readers

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

For the convenience of readers, the auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. The English financial report was not audited by the engagement partners. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and parent company only financial statements shall prevail.

This is the translation of the parent company only financial statements. CPAs do not audit or review on this translation.

SAN FU CHEMICAL CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (Expressed in thousands of New Taiwan Dollars)

Code		2021		2020	
ASSETS					
CURRENT ASSETS					
		Amount	%	Amount	%
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 257,022	4	\$ 606,487	12
1136	Financial assets at amortized cost-current (Note 8)	222,400	3	222,400	4
1140	Contract asset - current (Notes 4 and 19)	8,200	-	8,730	-
1150	Notes receivable, net (Notes 4 and 9)	15,543	-	17,950	-
1170	Accounts receivable, net Notes 4 and 9)	1,437,810	23	1,004,409	19
1180	Receivable from related parties (Notes 4 and 28)	96,993	2	28,660	1
130X	Inventories (Notes 4 and 10)	641,599	10	337,063	7
1410	Prepayments	230,556	4	77,435	2
1470	Other current assets	<u>45,432</u>	<u>1</u>	<u>13,494</u>	-
11XX	Total current assets	<u>2,955,555</u>	<u>47</u>	<u>2,316,628</u>	<u>45</u>
NONCURRENT ASSETS					
1517	Financial asset at fair value through other comprehensive income - noncurrent (Notes 4 and 7)	33,996	-	103,025	2
1550	Investments accounted for using the equity method (Notes 4 and 11)	1,938,397	31	1,349,077	26
1560	Contract asset - noncurrent (Notes 4 and 19)	-	-	5,941	-
1600	Property, plant and equipment (Notes 4 and 12)	1,159,071	18	1,225,180	24
1755	Right-of-use asset (Notes 4 and 13)	57,045	1	57,252	1
1840	Deferred tax assets (Notes 4 and 21)	34,784	1	26,916	-
1915	Prepayments for equipment	108,259	2	100,381	2
1920	Refundable deposits	<u>2,792</u>	-	<u>3,040</u>	-
15XX	Total noncurrent assets	<u>3,334,344</u>	<u>53</u>	<u>2,870,812</u>	<u>55</u>
1XXX	TOTAL	<u>\$ 6,289,899</u>	<u>100</u>	<u>\$ 5,187,440</u>	<u>100</u>
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
2100	Short-term borrowings (Note 14)	\$ 885,000	14	\$ 480,000	9
2130	Contract liabilities - current (Notes 4 and 19)	203,231	3	156,922	3
2170	Notes and accounts payable (Note 15)	388,115	6	191,176	4
2180	Accounts payable - related parties (Note 28)	8,161	-	5,295	-
2200	Other payables (Note 16)	274,629	4	182,504	4
2230	Current tax liabilities (Notes 4 and 21)	102,991	2	60,493	1
2280	Lease liabilities-current (Notes 4 and 13)	15,226	-	12,588	-
2300	Other current liabilities	539	-	999	-
2320	Long-term liabilities due within one year (Note 14)	<u>90,572</u>	<u>2</u>	<u>38,072</u>	<u>1</u>
21XX	Total current liabilities	<u>1,968,464</u>	<u>31</u>	<u>1,128,049</u>	<u>22</u>

(Continued)

SAN FU CHEMICAL CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (Expressed in thousands of New Taiwan Dollars)

Code		2021		2020	
NONCURRENT LIABILITIES					
2540	Long-term borrowings (Note 14)	103,930	2	194,501	4
2570	Deferred tax liabilities (Notes 4 and 21)	-	-	108	-
2580	Lease liabilities-noncurrent (Notes 4 and 13)	42,557	1	45,222	1
2640	Net defined benefit liabilities – noncurrent (Notes 4 and 17)	27,791	-	24,538	-
2670	Other noncurrent liabilities	<u>2,454</u>	-	<u>2,363</u>	-
25XX	Total noncurrent liabilities	<u>176,732</u>	<u>3</u>	<u>266,732</u>	<u>5</u>
2XXX	Total liabilities	<u>2,145,196</u>	<u>34</u>	<u>1,394,781</u>	<u>27</u>
EQUITY (Notes 4 and 18)					
Capital Stock					
3110	Common stock	<u>1,007,060</u>	<u>16</u>	<u>1,007,060</u>	<u>20</u>
3200	Capital surplus	<u>960,750</u>	<u>15</u>	<u>1,056,191</u>	<u>20</u>
Retained earnings					
3310	Legal reserve	291,281	5	250,297	5
3320	Special reserve	103,348	2	56,293	1
3350	Unappropriated earnings	<u>1,907,058</u>	<u>30</u>	<u>1,526,166</u>	<u>29</u>
3300	Total retained earnings	<u>2,301,687</u>	<u>37</u>	<u>1,832,756</u>	<u>35</u>
Other equity					
3410	Exchange differences on translating foreign operations	(90,099)	(1)	(127,821)	(2)
3420	Unrealized evaluation gains and losses of the Equity instrument investment benefit measured at fair value through other comprehensive gains and losses	(<u>34,695</u>)	(<u>1</u>)	<u>24,473</u>	-
3400	Total other equity	(<u>124,794</u>)	(<u>2</u>)	(103,348)	(2)
3XXX	Total equity	<u>4,144,703</u>	<u>66</u>	<u>3,792,659</u>	<u>73</u>
TOTAL		<u>\$ 6,289,899</u>	<u>100</u>	<u>\$ 5,187,440</u>	<u>100</u>

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

SAN FU CHEMICAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan Dollars, Except Earnings per Share)

Code		2021		2020	
		Amount	%	Amount	%
4000	OPERATING REVENUE (Notes 4, 19 and 28)	\$4,481,607	100	\$3,616,758	100
5000	OPERATING COST (Notes 10, 20 and 28)	<u>3,335,571</u>	<u>74</u>	<u>2,789,687</u>	<u>77</u>
5900	GROSS PROFIT	<u>1,146,036</u>	<u>26</u>	<u>827,071</u>	<u>23</u>
	OPERATING EXPENSES (Notes 20 and 28)				
6100	Selling and marketing expenses	213,345	5	173,247	5
6200	General and administrative expenses	141,834	3	134,234	4
6300	Research & Development Expenses	38,615	1	40,907	1
6450	Expected credit impairment losses	<u>5,710</u>	=	=	=
6000	Total operating expenses	<u>399,504</u>	<u>9</u>	<u>348,388</u>	<u>10</u>
6900	PROFIT FROM OPERATIONS	<u>746,532</u>	<u>17</u>	<u>478,683</u>	<u>13</u>
	NON-OPERATING INCOME AND EXPENSES				
7010	Other income (Notes 20 and 28)	19,532	-	21,697	1
7020	Other gains and losses (Notes 12 and 20)	4,644	-	(9,519)	-
7050	Financial Cost (Note 20)	(7,462)	-	(5,663)	-
7070	Share of profit or loss of associates and joint ventures Recognized by Equity Method (Notes 4 and 11)	56,099	1	10,079	-
7100	Interest income	572	-	160	-
7140	Bargain purchase gain- acquiring a subsidiary (Note 23)	<u>372</u>	=	=	=
7000	Total non-operating income and expenses	<u>73,757</u>	<u>1</u>	<u>16,754</u>	<u>1</u>

(Continued)

SAN FU CHEMICAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Code	2021		2020		
	Amount	%	Amount	%	
7900	PROFIT BEFORE INCOME TAX	\$820,289	18	\$495,437	14
7950	INCOME TAX EXPENSE (Notes 4 and 21)	(146,646)	(3)	(95,964)	(3)
8200	NET PROFIT FOR THE YEAR	<u>673,643</u>	<u>15</u>	<u>399,473</u>	<u>11</u>
	OTHER COMPREHENSIVE GAIN/(LOSS)				
8310	Items not be reclassified subsequently to profit or loss:				
8311	Re-measured quantity of defined benefit plan	(4,125)	-	(2,183)	-
8316	Unrealized loss on financial assets at fair value through other comprehensive income (Note 7)	(69,029)	(2)	10,836	-
8349	Income tax related to items that are not reclassified	<u>10,686</u>	=	<u>1,716</u>	=
		(<u>62,468</u>)	(2)	<u>10,369</u>	=
8360	Items that may be reclassified to profit and loss in the future				
8380	Share of the other comprehensive loss of associates and joint ventures using the equity method	<u>37,722</u>	<u>1</u>	(<u>59,170</u>)	(<u>1</u>)
		<u>37,722</u>	<u>1</u>	(<u>59,170</u>)	(<u>1</u>)
8300	Other comprehensive loss for the year, net of income tax	(<u>24,746</u>)	(<u>1</u>)	(<u>48,801</u>)	(<u>1</u>)
8500	TOTAL COMPREHENSIVE INCOME FOR THIS PERIOD	<u>\$648,897</u>	<u>14</u>	<u>\$350,672</u>	<u>10</u>
	EARNINGS PER SHARE (Note 22)				
9710	Basic EPS	<u>\$6.69</u>		<u>\$4.36</u>	
9810	Diluted EPS	<u>\$6.68</u>		<u>\$4.36</u>	

(Concluded)

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

SAN FU CHEMICAL CO., LTD.

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

(Expressed in thousands of New Taiwan Dollars)

	<u>Capital Stock (Note 18)</u>		<u>Equity attributable to the Owners of the Company</u>				<u>Other equity</u>		<u>Total Equity</u>
	<u>Shares</u>		<u>Capital Surplus</u>	<u>Legal</u>	<u>Special Capital</u>	<u>Unappropriated</u>	<u>Exchange</u>	<u>Unrealized</u>	
	<u>(In Thousands)</u>								
	<u>Amount</u>	<u>Amount</u>				<u>Translating</u>	<u>On Financial</u>		
						<u>Foreign Operations</u>	<u>Assets at Fair</u>	<u>Value Through</u>	
							<u>Other</u>	<u>Other</u>	
							<u>Comprehensive</u>	<u>Income</u>	
A1 BALANCE AT JANURAY 1, 2020	90,706	90,706	\$670,626	\$217,850	\$6,442	\$1,410,290	(\$68,651)	\$12,358	\$ 3,155,975
Appropriation of 2019 Earnings									
B1 Recognized Legal Reserve	-	-	-	32,447	49,851	(32,447)	-	-	-
B3 Recognized Special Reserve	-	-	-	-	-	(49,851)	-	-	-
B5 Cash Dividend Distributed to Shareholders	-	-	(27,212)	-	-	(199,553)	-	-	(226,765)
Other Changes in Equity:									
C3 Donations from Shareholders	-	-	6,746	-	-	-	-	-	6,746
E1 Cash Capital Increase	10,000-	10,000-	387,000	-	-	-	-	-	487,000
N1 Share-based Payment	-	-	19,031	-	-	-	-	-	19,031
D1 NET PROFIT FOR 2020	-	-	-	-	-	399,473	-	-	399,473
D3 Other Comprehensive Profit & Loss After Tax for 2020	-	-	-	-	-	(1,746)	(59,170)	12,115	(48,801)
D5 Total Comprehensive Income for 2020	-	-	-	-	-	397,727	(59,170)	12,115	350,672
Z1 BALANCE AT DECEMBER 31, 2020	100,706	1,007,060	1,056,191	250,297	56,293	1,526,166	(127,821)	24,473	3,792,659
Distribution of Available Earnings for 2020									
B1 Recognized Legal Reserve	-	-	-	40,984	-	(40,984)	-	-	-
B3 Recognized Special Reserve	-	-	-	-	47,055	(47,055)	-	-	-
B5 Cash Dividend Distributed to Shareholders	-	-	(100,706)	-	-	(201,412)	-	-	(302,118)
M7 Changes in Equity of Subsidiaries	-	-	(859)	-	-	-	-	-	-
Other Changes in Capital Surplus	-	-	-	-	-	-	-	-	(859)
C3 Donations from Shareholders	-	-	6,124	-	-	-	-	-	6,124
D1 Net Income in 2021	-	-	-	-	-	673,643	-	-	673,643
D3 Other comprehensive income (loss) in 2021	-	-	-	-	-	(3,300)	37,722	(59,168)	(24,746)
D5 Total Comprehensive Income (loss) in 2021	-	-	-	-	-	670,343	37,722	(59,168)	648,897
Z1 BALANCE DECEMBER 31, 2021	<u>100,706</u>	<u>\$ 1,007,060</u>	<u>\$960,750</u>	<u>\$ 291,281</u>	<u>\$ 103,348</u>	<u>\$ 1,907,058</u>	<u>(\$ 90,099)</u>	<u>(\$ 34,695)</u>	<u>\$ 4,144,703</u>

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

SAN FU CHEMICAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan Dollars)

C o d e		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
A10000	Net income before income tax	\$ 820,289	\$ 495,437
A20010	Adjustments for:		
A20100	Depreciation expenses	248,856	230,089
A20300	Expected credit impairment losses	5,710	-
A20900	Finance costs	7,462	5,663
A21200	Interest income	(572)	(160)
A21300	Investment Income - Dividend	(1,593)	(1,092)
A21900	Shared-based compensation Cost	1,716	19,031
A22400	Gain/Loss of associates and joint ventures using equity method	(56,099)	(10,079)
A22500	Loss from disposal of property, plant and equipment	(274)	40
A22600	Transfer fee from property, plant and equipment	142	-
A22900	Profit gained from disposal of subsidiaries	(424)	-
A23200	Disposal of investment interest recognized by equity method of accounting	(22,797)	-
A23700	Loss for market price decline and obsolete and slow-moving inventories	60	(5,961)
A24100	Unrealized foreign currency exchange (gain) loss	635	(2,242)
A29900	Bargain purchase Gain	(372)	-
A29900	Lease modification benefits	(6)	-
A30000	Change in operating assets and liabilities		
A31125	Contract Assets - Current	530	(2,108)
A31130	Notes receivable	2,407	(2,936)
A31150	Accounts receivable	(438,888)	(120,927)
A31160	Accounts receivable – related parties	(68,429)	134,112
A31200	Inventories	(304,596)	75,457
A31230	Prepayments	(153,121)	(39,890)
A31240	Other current assets	(31,938)	6,497
A31260	Contract asset – noncurrent	5,941	8,676
A32125	Contract liability	46,309	146,667
A32150	Accounts receivable	196,718	(11,215)
A32160	Accounts payable - related parties	2,868	(6,769)
A32180	Other payables	80,353	23,461
A32230	Other current liabilities	(460)	(32)
A32240	Net defined benefit liabilities - noncurrent	(872)	(15,559)
A32990	Other noncurrent liabilities	91	(497)
A33000	Cash generated from operations	\$ 339,646	\$ 925,663
A33100	Interest received	572	160
A33200	Dividend received	1,593	1,092
A33300	Interest paid	(7,348)	(5,738)

(Continued)

SAN FU CHEMICAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan Dollars)

C o d e	2021	2020.
A33500	(<u>101,438</u>)	(<u>40,296</u>)
AAAA	<u>233,025</u>	<u>880,881</u>
	(<u>101,438</u>)	(<u>40,296</u>)
	CASH FLOWS FROM INVESTING ACTIVITIES	
B00010	-	(30,466)
B00040	-	(216,115)
B02200	(486,275)	(385,741)
B02700	(123,539)	(176,833)
B02800	543	472
B03700	248	(1,756)
B07100	(38,344)	(93,242)
B07600	<u>11,793</u>	=
BBBB	(<u>635,574</u>)	(<u>903,681</u>)
	CASH FLOWS FROM FINANCING ACTIVITIES	
C00100	405,000	30,000
C01600	240,000	240,000
C01700	(278,071)	(7,427)
C04020	(17,309)	(17,649)
C04500	(302,118)	(226,765)
C04600	-	487,000
C09900	<u>6,124</u>	<u>6,746</u>
CCCC	<u>53,626</u>	<u>511,905</u>
DDDD	(<u>542</u>)	<u>470</u>
EEEE	(349,465)	489,575
E00100	<u>606,487</u>	<u>116,912</u>
E00200	<u>\$ 257,022</u>	<u>\$ 606,487</u> (Concluded)

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

SAN FU CHEMICAL CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(All Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

San Fu Chemical Co., Ltd. (the “Company”) was incorporated in the Republic of China (“ROC”) on March 17, 2003. The Company mainly manufactures and sales of various chemical products. The major shareholders are as follows: San Fu Global Co., Ltd. (owned 23.89%), Pilot Keymark SDN. BHD. (owned 19.78%), and other domestic individual shareholders.

The Company’s shares have been listed on the Taiwan Stock Exchange (“TWSE”) since November 27, 2013.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved and authorized for issue by the board of directors of the Company on February 25, 2021.

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

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

The initial application of the amended “Interest Rate Benchmark Reform - Phase 2” (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) and the Amendment to the IFRS 16 “Covid-19-Related Rent Concessions after June 30, 2021” endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. The International Financial Reporting Standards (IFRS) recognized by FSC applicable in 2022

New, Amended and Revised Standards and Interpretations	Effective Date Issued by IASB
“Annual Improvements to IFRS Standards 2018-2020” Cycle	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note4)

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

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

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

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

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

c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17" Comparison information between initial application of IFRS 17 and IFRS 9"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2022 (Note 4)

Note 1: Unless Specified Otherwise, the above New, Amended and Revised Standards and Interpretations of the IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

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

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

Note 4: Except for the recognition of deferred income tax on temporary differences between lease and decommissioning obligations on January 1, 2022, the amendment is applicable to transactions that occur after January 1, 2022. The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the accompanying parent company only financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance from the initial adoption of the aforementioned standards or interpretations and related applicable period. The related impact will be disclosed when the Company completes its evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of Preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

When preparing its financial statements, the Company's accounts for subsidiaries, associates and joint ventures are using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries, associates and joint ventures, and share of other comprehensive income of subsidiaries, associates and joint ventures in the parent company only financial statements.

c. Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- 1) Assets expected to be realized within 12 months after the reporting period; and
- 2) Cash and cash equivalents unless the assets are restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities due to be settled within 12 months after the reporting period; and
- 2) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

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

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net amount of identifiable assets acquired and liabilities assumed on acquisition date still exceeds the aggregate of the consideration for transfer and the fair value of the acquirer's previously held interest in the acquiree on the acquisition date, the difference is a bargain purchase benefit and immediately recognized as profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests were directly disposed of by the Company.

e. Foreign Currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the parent company only financial statements, the functional currencies of the Company and the Company entities (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, semi-finished goods, work-in-process, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the

estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss. When the Company acquires a subsidiary that does not constitute a business, the Company appropriately allocates the cost of acquisition to the Company's share of the amounts of the identifiable assets acquired (including intangible assets) and liabilities assumed, and the transaction does not give rise to goodwill nor gains.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

h. Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate and joint venture. The Company also recognizes the changes in the Company's share of the equity of associates and joint ventures.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate and a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate and joint venture. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate and joint venture), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

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

i. Property, plant and equipment

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

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

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

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

j. Impairment of property, plant and equipment, right-of-use asset, and assets related to contract costs

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

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

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost - current, notes and accounts receivable, and receivable from related parties, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable), as well as contract assets.

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method except the interest from accounts payable and other payables which measured at amortized cost using the effective interest method is not significant.

b) Derecognition of financial liabilities

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

1. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of fine chemicals and basic chemicals. Sales of fine chemicals and basic chemicals are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped because it is the time when the customer [has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers. Accounts receivable are recognized concurrently.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from the operating management consulting services and is recognized when services are complete.

3) Construction contract revenue

Customers control properties while they are construction in progress, and thus, the Company recognizes revenue over time. The Company measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to accounts receivable at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Company recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Company adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Company satisfies its performance obligations.

When it is not able to reasonably measure the Company's progress toward satisfaction of the performance obligation but expects to recover costs, the Company recognizes revenue only to the extent of costs incurred.

m. Leases

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

The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily

determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

n. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that, which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Share-based payment arrangements

1) Employee stock options granted to employees and others providing similar services

The fair value at the grant date of the employee stock options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee stock options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the board of directors approves the transaction.

At the end of each reporting period, the Company revises its estimate of the number of employee stock options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee stock options.

2) Issuance ordinary shares for cash which retains portion for employee stock options

The fair value of the stock option is calculated on the date of the grant, and is recognized as an increase in salary expenses and capital surplus. If the employee stock options do not reach the original share reserved for employee to subscribe, the Company will only make adjustment to the capital surplus since the share option has been vested.

q. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2021	2020
Cash on hand	\$ 330	\$ 330
Demand deposits	256,692	336,157
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	-	270,000
	<u>\$ 257,022</u>	<u>\$ 606,487</u>

The market rate intervals of cash in the bank, at the end of the reporting period were as follows:

	<u>December 31</u>	
	2021	2020
Demand deposits	0.001%-0.04%	0.001%-0.05%
Time deposits	-	0.06%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Domestic investments		
Listed shares	\$ 27,298	\$ 47,020
Unlisted shares	<u>6,698</u>	<u>6,698</u>
	<u>33,996</u>	<u>53,718</u>
Foreign investments		
Unlisted shares	<u>-</u>	<u>49,307</u>
	<u>\$ 33,996</u>	<u>\$ 103,025</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments of equity instruments were classified as financial assets at fair value through other comprehensive income.

The Company holds 1.42% of the ordinary shares of Global Graphene Group, whose main operating activity is the research and development of graphene-related product technologies. The management of the Company assessed the delay in the commercialization of Global Graphene Group's graphene technology and the failure to improve its profitability, and recognized the unrealized evaluation loss of financial assets measured at fair value through other comprehensive gains and losses of RMB 49,307,000.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	<u>\$ 222,400</u>	<u>\$ 222,400</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.06% ~ 0.28% and 0.06 ~ 0.41% per annum as of DECEMBER 31, 2021 AND 2020, respectively.

Refer to Note 29 for information related to investments in financial assets at amortized cost pledge as security.

9. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 15,543</u>	<u>\$ 17,950</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,444,010	1,004,980
Less: Allowance for impairment loss	(6,200)	(571)
	<u>\$ 1,437,810</u>	<u>\$ 1,004,409</u>

The average credit period of sales of goods was 30 to 120 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to

ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position.

The Company writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has declared bankruptcy and also reported to the court. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The aging of receivables was as follows:

December 31, 2021

	Not Past Due	1 to 90 Days	90 to 180 Days	181 to 365 Days	Over 365 Days	Indication of Default	Total
Expected credit loss rate	-	-	-	50%	100%	100%	-
Gross carrying amount	\$1,428,166	\$ 9,644	\$ -	\$ 5,710	\$ 490	\$ -	\$1,444,010
Loss allowance (Lifetime ECL)	-	-	-	(5,710)	(490)	-	(6,200)
Amortized cost	<u>\$1,428,166</u>	<u>\$ 9,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,437,810</u>

December 31, 2020

	Not Past Due	1 to 90 Days	90 to 180 Days	181 to 365 Days	Over 365 Days	Indication of Default	Total
Expected credit loss rate	-	-	-	50%	100%	100%	-
Gross carrying amount	\$1,003,716	\$ 693	\$ -	\$ -	\$ 571	\$ -	\$1,004,980
Loss allowance (Lifetime ECL)	-	-	-	-	(571)	-	(571)
Amortized cost	<u>\$1,003,716</u>	<u>\$ 693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,004,409</u>

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, Beginning of year	\$ 571	\$ 571
Add : Impairment losses for the year	5,710	-
Less : Actual write-offs for the year	(81)	-
Balance, Ending of year	<u>\$ 6,200</u>	<u>\$ 571</u>

10. INVENTORIES

	December 31	
	2021	2020
Merchandise	\$ 8,633	\$ 6,392
Finished goods	191,032	113,789
Work in progress	11,032	11,261
Semi-finished goods	1,393	1,875
Supplies and Spare Parts	24,655	18,816
Raw materials	<u>404,854</u>	<u>184,930</u>
	<u>\$ 641,599</u>	<u>\$ 337,063</u>

The cost of inventories recognized as cost of goods sold (including construction cost) for the years ended December 31, 2021 and 2020 was \$3,335,571 thousand and \$2,789,687 thousand, respectively.

The cost of goods sold included inventory write-downs reserved \$60 thousand and inventory write-downs \$5,961 thousand for the years ended December 31, 2021 and 2020, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 1,886,909	\$ 1,290,128
Investments in associates	<u>51,488</u>	<u>58,949</u>
	<u>\$ 1,938,397</u>	<u>\$ 1,349,077</u>

a. Investments in subsidiaries

	December 31	
	2021	2020
San Fu Specialty Chemicals Investments Limited	\$ 489,631	\$ 413,192
San Fu Food Additives Investments Limited	-	344
VinaSanFu Industrial Gas Company Limited	354,117	310,601
VinaSanFu Material Company Limited	\$ 312,691	\$ 269,074
International Nitto Technology Co., Ltd.	383,192	148,365
San Fu Biotech Co., Ltd.	251,151	148,552
Lifu Carbonate Co., Ltd.	<u>96,127</u>	<u>-</u>
	<u>\$ 1,886,909</u>	<u>\$ 1,290,128</u>

Name of Subsidiaries	Proportion of Ownership and Voting Rights		
	December 31		
	2021	2020	Remarks
San Fu Specialty Chemicals Investments Limited	100%	100%	
San Fu Food Additives Investments Limited	-	100%	Note 1
San Fu Biotech Co., Ltd.	93%	100%	Note 3
VinaSanFu Industrial Gas Company Limited	100%	100%	
VinaSanFu Material Company Limited	100%	100%	
International Nitto Technology Co., Ltd.	100%	100%	
Lifu Carbonate Co., Ltd.	87%	25%	Note 2

Note 1: This subsidiary was liquidated and dissolved in May 2021.

Note 2: On May 5, 2021, the board of directors of the Company resolved to acquire 62% equity of Lifeng Carbon Co., Ltd. originally held by Lifong Carbon Dioxide Co., Ltd., and the Company completed the

relevant transactions in the second quarter of 2021. Since May 10, 2021, the Company's shareholding ratio in Lifu Carbonic Acid Co., Ltd. has increased from 25% to 87%. Therefore, the investment-related enterprises that were originally evaluated by the equity method were converted into subsidiaries and recognized as disposal investments. The benefit was RMB 22,797,000.

Note 3: On December 20, 2021, the Company did not subscribe for the cash capital increase of Sanfu Biotech Co., Ltd. in proportion to its shareholding, resulting in a decrease in the shareholding ratio from 100% to 93%.

b. Investments in associates

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Associates that are not individually material	<u>\$ 51,488</u>	<u>\$ 58,949</u>
<u>Aggregate information of associates that are not individually material</u>		
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
The Company's share of:		
Net profit for the year	(\$749)	(\$2,590)
Other comprehensive (loss) income	<u>2,132</u>	(<u>1,563</u>)
Total comprehensive income for the year	<u>\$ 1,383</u>	(<u>\$4,153</u>)

Except for one associate that are not individually material, other investments of associates that are not individually material accounted for using equity method and the Company's share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been audited. The Company's management believes there will be no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of those investments which have not been audited.

12. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Equip- ment</u>	<u>Transpor- tation</u>	<u>Other Equip- ment</u>	<u>Property under Construc- tion</u>	<u>Total</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 63,707	\$ 804,868	\$ 1,933,075	\$ 343,530	\$ 348,557	\$ 64,067	\$ 3,557,804
Reclassifications	-	7,182	69,819	-	8,905	(55,582)	30,324
Additions	-	5,252	42,856	2,293	32,095	52,701	135,197
Disposals	-	-	(<u>33,615</u>)	(<u>359</u>)	(<u>3,201</u>)	-	(<u>37,175</u>)
Balance at Dec. 31, 2021	<u>\$ 63,707</u>	<u>\$ 817,302</u>	<u>\$ 2,012,135</u>	<u>\$ 345,464</u>	<u>\$ 386,356</u>	<u>\$ 61,186</u>	<u>\$ 3,686,150</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ -	\$ 383,786	\$ 1,407,838	\$ 282,991	\$ 258,009	\$ -	\$ 2,332,624
Depreciation expenses	-	42,673	128,256	18,409	42,023	-	231,361
Disposals	-	-	(<u>33,341</u>)	(<u>359</u>)	(<u>3,206</u>)	-	(<u>36,906</u>)
Balance at Dec. 31, 2021	<u>\$ -</u>	<u>\$ 426,459</u>	<u>\$ 1,502,753</u>	<u>\$ 301,041</u>	<u>\$ 296,826</u>	<u>\$ -</u>	<u>\$ 2,527,079</u>

(Continued)

	Land	Buildings	Equip- ment	Transpor- tation	Other Equip- ment	Property under Construc- tion	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 63,707	\$ 786,320	\$ 1,937,519	\$ 343,558	\$ 294,907	\$ 64,768	\$ 3,490,779
Reclassifications	-	11,826	40,968	55	37,358	(76,556)	13,651
Additions	-	6,722	35,826	2,211	24,781	75,855	145,395
Disposals	-	-	(81,238)	(2,294)	(8,489)	-	(92,021)
Balance at Dec. 31, 2020	\$ 63,707	\$ 804,868	\$ 1,933,075	\$ 343,530	\$ 348,557	\$ 64,067	\$ 3,557,804
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 340,762	\$ 1,366,304	\$ 265,083	\$ 239,751	\$ -	\$ 2,211,900
Depreciation expenses	-	43,024	122,772	19,762	26,675	-	212,233
Disposals	-	-	(81,238)	(1,854)	(8,417)	-	(91,509)
Balance at Dec. 31, 2020	\$ -	\$ 383,786	\$ 1,407,838	\$ 282,991	\$ 258,009	\$ -	\$ 2,332,624
Carrying amounts at December 31, 2020	\$ 63,707	\$ 421,081	\$ 525,237	\$ 60,539	\$ 90,548	\$ 64,067	\$ 1,225,180 (Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings

Main building	3-38 years
Employee dormitory	25-50 years
Firefighting, air-conditioning and other systems	1-8 years
Engineering system	3-38 years

Transportation

Equipment	1-27 years
Other equipment	1-25 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 29.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Land	\$ 42,773	\$ 46,673
Buildings	6,687	2,101
Transportation equipment	<u>7,585</u>	<u>8,478</u>
	<u>\$ 57,045</u>	<u>\$ 57,252</u>
 <u>For the Year Ended December 31</u>		
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 19,781</u>	<u>\$ 11,037</u>
Depreciation charge for right-of-use assets		
Land	\$ 8,093	\$ 8,253
Buildings	5,821	5,755
Transportation equipment	<u>3,581</u>	<u>3,848</u>
	<u>\$ 17,495</u>	<u>\$ 17,856</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Current	\$ 15,226	\$ 12,588
Non-current	<u>42,557</u>	<u>45,222</u>
	<u>\$ 57,783</u>	<u>\$ 57,810</u>

Range of discount rates for lease liabilities are as follows:

	December 31	
	2021	2020
Land	1.03%	1.03%
Buildings	1.03%	1.03%
Transportation equipment	1.03%	1.03%

c. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 4,705</u>	<u>\$ 4,098</u>
Expenses relating to low-value asset leases	<u>\$ 903</u>	<u>\$ 1,012</u>
Total cash outflow for leases	(<u>\$ 23,538</u>)	(<u>\$ 23,418</u>)

The Company leases certain transportation equipment and buildings which qualify as short-term leases and certain photocopiers which qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
<u>Secured borrowings (Note 29)</u>		
Bank loans	\$ 280,000	\$ 250,000
<u>Unsecured borrowings</u>	<u>605,000</u>	<u>230,000</u>
Bank loans	<u>\$ 885,000</u>	<u>\$ 480,000</u>

The range of weighted average effective interest rates on bank loans was 0.78%-0.91% and 0.83%-0.99% per annum as of December 31, 2021 and 2020, respectively.

b. Long-term borrowings

	<u>December 31</u>	
	2021	2020
<u>Unsecured borrowings</u>		
Bank loans	\$ 194,502	\$ 232,573
Less: Current portion matured within a year	(<u>90,572</u>)	(<u>38,072</u>)
Long-term borrowings	<u>\$ 103,930</u>	<u>\$ 194,501</u>

The range of weighted average effective interest rates on bank loans was 1.175%-1.25% per annum as of December 31, 2021 and 2020, respectively.

15. NOTES AND ACCOUNTS PAYABLE

	<u>December 31</u>	
	2021	2020
Notes payable	\$ 479	\$ 479
Accounts payable	<u>387,636</u>	<u>190,697</u>
	<u>\$ 388,115</u>	<u>\$ 191,176</u>

The average payment period of purchasing raw materials and supplies was two months. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

16. OTHER PAYABLES

	<u>December 31</u>	
	2021	2020
Other payables		
Payable for accrued expenses	\$ 234,843	\$ 154,376
Payable for constructions	16,935	16,512
Payable for purchases of equipment	<u>22,851</u>	<u>11,616</u>
	<u>\$ 274,629</u>	<u>\$ 182,504</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts

equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plans were as follows:

	Years Ended December 31	
	2021	2020
Present value of defined benefit obligation	\$ 132,399	\$ 127,837
Fair value of plan assets	(104,608)	(103,299)
Net defined benefit liabilities	<u>\$ 27,791</u>	<u>\$ 24,538</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	\$ 125,533	(\$ 87,619)	\$ 37,914
Service cost			
Current service cost	666	-	666
Net interest expense (income)	<u>941</u>	(711)	<u>230</u>
Recognized in profit or loss	<u>1,607</u>	(711)	<u>896</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,679)	(2,679)
Actuarial loss			
Changes in financial assumptions	3,812	-	3,812
Experience adjustments	<u>1,050</u>	<u>-</u>	<u>1,050</u>
Recognized in other comprehensive income	<u>4,862</u>	(2,679)	<u>2,183</u>
Contributions from the employer	-	(16,455)	(16,455)
Benefits paid	(4,165)	<u>4,165</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 127,837</u>	(\$ 103,299)	<u>\$ 24,538</u>
Balance at January 1, 2021	\$ 127,837	(\$ 103,299)	\$ 24,538
Service cost			
Current service cost	621		621
Net interest expense (income)	<u>475</u>	(385)	<u>90</u>
Recognized in profit or loss	<u>1,096</u>	(385)	<u>711</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	2,993	(1,419)	1,574
Actuarial loss			
Changes in financial assumptions	(2,458)	-	(2,458)
Experience adjustments	<u>5,009</u>	<u>-</u>	<u>5,009</u>
Recognized in other comprehensive income	<u>5,544</u>	(1,419)	<u>4,125</u>
Contributions from the employer	-	(1,583)	(1,583)
Benefits paid	(2,078)	<u>2,078</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 132,399</u>	(\$ 104,608)	<u>\$ 27,791</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	Years Ended December 31	
	2021	2020
Operating costs	\$ 431	\$ 539
Selling and marketing expenses	76	109
General and administrative expenses	196	236
Research and development expenses	<u>8</u>	<u>12</u>
	<u>\$ 711</u>	<u>\$ 896</u>

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

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

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

	December 31	
	2021	2020
Discount rates	0.625%	0.375%
Long-term averaged pay rates	2.000%	2.000%

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

	December 31	
	2021	2020
Discount rate(s)		
0.25% increase	(\$ 2,426)	(\$ 2,561)
0.25% decrease	<u>\$ 2,501</u>	<u>\$ 2,645</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 2,423</u>	<u>\$ 2,556</u>
0.25% decrease	(\$ 2,363)	(\$ 2,489)

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

	<u>December 31</u>	
	2021	2020
Expected contributions to the plans for the next year	\$ <u>1,583</u>	\$ <u>16,455</u>
Average duration of the defined benefit obligation	7.4 years	8.1 years

18. EQUITY

a. Capital stock

Ordinary shares

	<u>December 31</u>	
	2021	2020
Number of shares authorized (in thousands)	<u>120,000</u>	<u>120,000</u>
Shares authorized	\$ <u>1,200,000</u>	\$ <u>1,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>100,706</u>	<u>100,706</u>
Shares issued	\$ <u>1,007,060</u>	\$ <u>1,007,060</u>

On August 6, 2020, the Company's board of directors resolved to issue 10,000 thousand ordinary shares with a par value of \$10, for a consideration of \$48.7 per share which increased the Capital stock issued and fully paid to \$1,007,060 thousand. On October 8, 2020, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be December 1, 2020.

b. Capital surplus

	<u>December 31</u>	
	2021	2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to Capital stock (1)</u>		
Issuance of ordinary shares	\$ 870,611	\$ 971,317
Donations (Note 28)	34,043	27,919
<u>May be used to offset a deficit only</u>		
Exercised employee stock options (2)	54,804	54,804
Expire employee stock options (2)	2,151	2,151
Recognition of changes in ownership interests in subsidiaries (3)	(<u>859</u>)	<u>-</u>
	\$ <u>960,750</u>	\$ <u>1,056,191</u>

1. Capital surplus in excess of par or from donations may be used to offset a deficit. When the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred once a year to Capital stock within a certain percentage of the Company's paid-in capital.
2. The capital surplus resulting from exercised or expired employee stock options shall only be used to offset a deficit.
3. This type of capital surplus is the amount of equity transaction impact recognized due to changes in the company's equity when the company has not actually acquired or disposed of equity in a subsidiary company, or the adjusted amount recognized by the company as a subsidiary's capital surplus using the equity method.

c. Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on June 13, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the proposal for profit distribution or offsetting of losses should be made on a

quarterly basis after close of each quarter. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be the basis for proposing the dividend distribution plan. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 20-e.

The distribution of the Company's dividends depends on the current year's surplus and the principle of distribution is to keep dividends stable. As the Company is currently growing, the Company takes into consideration of the its future capital demand and long-term financial planning while allocating dividends. In principle, cash dividends should be no less than 5% of the total dividends distributed. However, shareholders may adjust the percentage of appropriation depending on the Company's actual profit and capital situation.

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

Items referred to under Rule No. 1010012865, and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. For the subsequent reversal of the other shareholders' equity deductions, the Company may distribute the surplus limited to the reversal.

The appropriations of earnings for 2020 and 2019 were approved in the shareholders' meetings on July 5, 2021 and June 16, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Legal reserve	<u>\$ 40,984</u>	<u>\$ 32,447</u>
Special reserve	<u>\$ 47,055</u>	<u>\$ 49,851</u>
Cash dividends	<u>\$ 201,412</u>	<u>\$ 199,553</u>
Cash dividends per share	<u>\$ 2.0</u>	<u>\$ 2.2</u>

The appropriations of 2020 quarterly earnings have been approved by the Company's Board of Directors in its meeting, respectively. The appropriations and cash dividends per share were as follows:

	Fourth Quarter of 2020	Third Quarter of 2020	Second Quarter of 2020	First Quarter of 2020
	February 26, 2021	November 8, 2020	August 9, 2020	May 5, 2020
Resolution Date of the Company's Board of Directors in its Meeting				
Cash dividends to shareholders	<u>\$ 201,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash dividends per share (NT\$)	<u>\$ 2.0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Company's shareholders' meeting approved distributing cash dividends \$100,706 thousand and 27,212 thousand (\$ 1.0 and \$0.3 dollars per share) with capital reserves on July 5, 2021 and June 16, 2020 respectively.

The appropriation of earnings for 2021 had been approved by the Company's Board of Directors on February 25, 2022 were as follows:

	For the Year Ended December 31, 2021
Legal reserve	\$ 67,034
Special reserve	\$ 21,446
Cash dividends	\$ 302,118
Cash dividends per share	\$ 3.0

The appropriations of 2021 quarterly earnings have been approved by the Company's Board of Directors in its meeting, respectively. The appropriations and cash dividends per share were as follows:

Resolution Date of the Company's Board of Directors in its Meeting	Fourth Quarter of 2021	Third Quarter of 2021	Second Quarter of 2021	First Quarter of 2021
	February 25, 2022	November 5, 2021	August 6, 2021	May 5, 2021
Cash dividends to shareholders	\$ 302,118	\$ -	\$ -	\$ -
Cash dividends per share (NT\$)	\$ 3.0	\$ -	\$ -	\$ -

d. Special reserve

	For the Year Ended December 31	
	2021	2020
Beginning at January 1	\$ 56,293	\$ 6,442
Appropriations in respect of Debits to other equity items	47,055	49,851
Balance at December 31	<u>\$ 103,348</u>	<u>\$ 56,293</u>

19. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from sale of goods	\$ 4,343,029	\$ 3,192,735
Construction contract revenue	138,578	424,023
	<u>\$ 4,481,607</u>	<u>\$ 3,616,758</u>

Contract Balances

	December 31	
	2021	2020
Contract assets		
Properties construction - current	\$ 8,200	\$ 8,730
Properties construction - non-current	-	5,941
	<u>\$ 8,200</u>	<u>\$ 14,671</u>

Contract liabilities		
Properties construction - current	\$ 182,441	\$ 154,478
Sale of goods- current	<u>20,790</u>	<u>2,444</u>
	<u>\$ 203,231</u>	<u>\$ 156,922</u>

20. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2021	2020
Dividends	\$ 1,593	\$ 1,092
Rendering of services	3,692	6,384
Subsidies	3,500	-
Others	<u>10,747</u>	<u>14,221</u>
	<u>\$ 19,532</u>	<u>\$ 21,697</u>

b. Other gains and losses

	For the Year Ended December 31	
	2021	2020
(Losses) gains from disposal of property, plant and equipment	\$ 274	(\$ 40)
Gains from disposal of subsidiaries	424	-
Gains from disposal of investment using equity method	22,797	-
Net foreign exchange losses	(12,973)	(9,281)
Others	<u>(5,878)</u>	<u>(198)</u>
	<u>\$ 4,644</u>	<u>(\$ 9,519)</u>

c. Depreciation

	For the Year Ended December 31	
	2021	2020
Properties, plants and equipment	\$ 231,361	\$ 212,233
Right-of-use assets	<u>17,495</u>	<u>17,856</u>
	<u>\$ 248,856</u>	<u>\$ 230,089</u>
 An analysis of depreciation by function		
Operating costs	\$ 221,672	\$ 208,745
Operating expenses	<u>27,184</u>	<u>21,344</u>
	<u>\$ 248,856</u>	<u>\$ 230,089</u>

d. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 11,693	\$ 10,879
Defined benefit plans (Note 17)	711	896
Share-based payments compensation costs	1,716	19,031
Short-term benefits		
Salaries	317,470	288,364
Labor and health insurance	26,927	23,795
Others	<u>52,860</u>	<u>45,224</u>
Total employee benefits expense	<u>\$ 411,377</u>	<u>\$ 388,189</u>

An analysis of employee benefits expense by function

Operating costs	\$ 210,753	\$ 191,284
Operating expenses	<u>200,624</u>	<u>196,905</u>
	<u>\$ 411,377</u>	<u>\$ 388,189</u>

e. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of 1%-3% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on February 25, 2022 and February 26, 2021, respectively, are as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Employees' compensation	1.95%	1.90%
Remuneration of directors and supervisors	1.95%	1.90%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 16,600	\$ 9,800
Remuneration of directors and supervisors	16,600	9,800

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

The Company held board of directors' meetings on February 25, 2022, February 26, 2021 and February 25, 2020, and those meetings resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2021, 2020 and 2019 to differ from the amounts recognized in the parent company only financial statements for the years ended December 31, 2021, 2020 and 2019, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2022, 2021 and 2020, respectively.

	<u>For the Year Ended December 31</u>					
	<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>Employees, Compensation</u>	<u>Remuneration of Directors and Supervisors</u>	<u>Employees, Compensation</u>	<u>Remuneration of Directors and Supervisors</u>	<u>Employees, Compensation</u>	<u>Remuneration of Directors and Supervisors</u>
Amounts approved in the board of directors' meeting	<u>\$ 16,588</u>	<u>\$ 16,588</u>	<u>\$ 10,547</u>	<u>\$ 10,547</u>	<u>\$ 9,424</u>	<u>\$ 9,424</u>
Amounts recognized in the annual parent company only financial statements	<u>\$ 16,600</u>	<u>\$ 16,600</u>	<u>\$ 9,800</u>	<u>\$ 9,800</u>	<u>\$ 7,540</u>	<u>\$ 7,540</u>

Information on the employees' compensation and remuneration of directors and supervisors approved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 6,841	\$ 5,004
Interest on lease liabilities	<u>621</u>	<u>659</u>
	<u>\$ 7,462</u>	<u>\$ 5,663</u>

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2021	2020
Foreign exchange gains	\$ 18,416	\$ 15,904
Foreign exchange losses	(<u>31,389</u>)	(<u>25,185</u>)
Net losses	<u>(\$ 12,973)</u>	<u>(\$ 9,281)</u>

21. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	Years Ended December 31	
	2021	2020
Current tax		
In respect of the current period	\$ 147,523	\$ 89,024
Adjustments for prior periods	(<u>3,587</u>)	(<u>2,304</u>)
	<u>143,936</u>	<u>86,720</u>
Deferred tax		
In respect of the current period	<u>2,710</u>	<u>9,244</u>
Income tax expense recognized in profit or loss	<u>\$ 146,646</u>	<u>\$ 95,964</u>

Adjustments of accounting profit and income tax expense are as follows:

	Years Ended December 31	
	2021	2020
Profit before tax	<u>\$ 820,289</u>	<u>\$ 495,437</u>
Income tax expense calculated at the statutory rate	\$ 164,058	\$ 99,087
Nondeductible expenses in determining taxable income	1,213	66
Tax-exempt income	(7,250)	(3,128)
Additional income for tax purpose	1,225	1,349
Unrecognized deductible temporary differences	(9,013)	894
Adjustments for prior years' tax	(<u>3,587</u>)	(<u>2,304</u>)
Income tax expense recognized in profit or loss	<u>\$ 146,646</u>	<u>\$ 95,964</u>

b. Income tax expense recognized in other comprehensive income

Deferred Income Tax

	<u>Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Related to unrealized gain/loss on investments in equity instruments at FVTOCI	\$ 9,861	\$ 1,279
Related to remeasurement of defined benefit plan	825	437
	<u>\$ 10,686</u>	<u>\$ 1,716</u>

c. Current tax liabilities

	<u>Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current tax liabilities		
Income tax payable	<u>\$ 102,991</u>	<u>\$ 60,493</u>

Prepaid income tax of \$44,532 thousand and \$28,530 thousand has been deducted from the income tax payable for 2021 and 2020, respectively.

d. Deferred income tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehen sive Income	Acquired from business combinatio n	Balance, End of Year
<u>Deferred income tax assets</u>					
Temporary differences					
Defined benefit plan	\$ 4,907	(\$ 174)	\$ 825	\$ -	\$ 5,558
Property, plant and equipment	3,804	(773)	-	-	3,031
Investments accounted for using the equity method	3,460	(3,460)	-	-	-
Payables for annual leave	1,165	194	-	-	1,359
Allowance for impairment loss	\$ 1,429	\$ 221	\$ -	\$ -	\$ 1,650
Unrealized exchange loss	994	127	-	-	1,121
FVOCI financial assets	2,544	-	9,861	-	12,405
Others	8,613	1,047	-	-	9,660
	\$ 26,916	(\$ 2,818)	\$ 10,686	\$ -	\$ 34,784
<u>Deferred income tax liabilities</u>					
Temporary differences					
Others	108	(108)	-	-	-

(Continued)

For the year ended December 31, 2020

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensiv e Income	Balance, End of Year
<u>Deferred income tax assets</u>				
Temporary differences				
Defined benefit obligations	\$ 7,582	(\$ 3,112)	\$ 437	\$ 4,907
Property, plant and equipment	7,000	(3,196)	-	3,804
Investments accounted for using the equity method	3,460	-	-	3,460
Payables for annual leave	1,049	116	-	1,165
Allowance for impairment loss	1,627	(198)	-	1,429
Unrealized exchange loss	1,442	(448)	-	994
FVOCI financial assets	1,265	-	1,279	2,544
Others	<u>10,911</u>	<u>(2,298)</u>	<u>-</u>	<u>8,613</u>
	<u>\$ 34,336</u>	<u>(\$ 9,136)</u>	<u>\$ 1,716</u>	<u>\$ 26,916</u>
 <u>Deferred tax liabilities</u>				
Temporary differences				
Others	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ 108</u> (Concluded)

- e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2021, and 2020, the taxable temporary differences associated with investments in subsidiaries and associates for which no deferred tax liabilities have been recognized were \$62,330 thousand and \$53,318 thousand, respectively.

- f. Income tax assessments

Income tax returns of the Company for the year 2019 have been assessed by the tax authorities.

22. EARNINGS PER SHARE (EPS)

Unit: NT\$ Per Share

	<u>Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share		
Basic earnings per share	<u>\$ 6.69</u>	<u>\$ 4.36</u>
Diluted earnings per share		
Diluted earnings per share	<u>\$ 6.68</u>	<u>\$ 4.36</u>

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

Net Profit for the Year

	<u>Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Profit for the year	<u>\$ 673,643</u>	<u>\$ 399,473</u>

The weighted average number of ordinary shares outstanding (in thousand shares) is as follows:

Number of ordinary shares

	<u>Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	100,706	91,553
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>121</u>	<u>151</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>100,827</u>	<u>91,704</u>

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. MERGER (BUSINESS COMBINATION)

a. Acquisition of Subsidiary

	<u>Major Operating Activity</u>	<u>Acquisition Date</u>	<u>Ownership with Voting Rights/ Acquisition Ratio (%)</u>	<u>Transfer Consideration</u>
Lifu Carbon Acid Co., Ltd.	Carbon dioxide manufacturing plant	May 10, 2021	62%	<u>\$ 70,060</u>

The main purpose of this acquisition is to increase the company's customer base and operate carbon dioxide business, which will bring performance growth, increase profits and create more value to the company's merger.

b. Assets Acquired and Liabilities Assumed on the Acquisition Date

	<u>Lifu Carbon Acid Co., Ltd.</u>
Current assets	
Cash and cash equivalents	\$ 13,283
Other	59
Non-current assets	
Real estate, plant and equipment	112,426
Other	17
Current liabilities	
Other	(323)
Non-current liabilities	
Deferred income tax liabilities	(<u>8,474</u>)
	<u>\$ 116,988</u>

c. Non-controlling Interests (Minority Interests)

The non-controlling interest (13% ownership interest) of Lifu Carbon Acid Co., Ltd. was measured at the fair value of the identifiable net assets at the acquisition date of NT\$ 116,988 thousand

d. Bargain Purchase Gain Arising from Acquisitions

	Lifu Carbon Acid Co., Ltd.
Transfer consideration	\$ 70,060
Add: Measure the original equity of Lifu Carbonic Acid based on fair value (*Note)	31,348
Add: Non-controlling interests	15,208
Less: The fair value of the identifiable net assets obtained	(116,988)
Cheap purchase benefits arising from acquisitions	(<u>372</u>)

The bargain purchase gain arising from the acquisition of Lifu Carbonic Acid Co., Ltd. was the difference between the transfer consideration and the fair value of the identifiable net assets obtained from the acquisition, and this bargain purchase gain was recognized as the current profit and loss.

*Note: The fair value was estimated using the income method, and the main assumptions used to determine the fair value were as follows:

1. The discount rate was 7.2%;
2. The long-term sustained growth rates were 4.2% to 5.5%; and
3. Make adjustment to factors considered by market participants (including the lack of market liquidity of the stock, etc.).

e. Net Cash Outflow from Acquiring Subsidiaries

	Lifu Carbon Acid Co., Ltd.
Cash payment consideration	(\$ 70,060)
Less: cash obtained and cash equivalent balance	<u>13,283</u>
	(\$ <u>56,777</u>)

f. The impact of business mergers on business results

Since the acquisition date, the operating results from the acquired company were as follows:

	Lifu Carbon Acid Co., Ltd.
Operating revenue	<u>\$ -</u>
Net loss for the period	(<u>\$ 6,498</u>)

If business combinations occurred on the beginning of the fiscal year to which the acquisition date belongs, the proposed operating revenue and proposed net profit of the Company from January 1 to December 31, 2021 will be NT\$4,776,980 thousand and NT\$ 671,572 thousand respectively. Such amounts cannot reflect the actual revenue and operating results of the Company if the business combination was completed on the start date of the acquisition year, and should not be used to predict future operating results.

24. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee restricted stock awards

The compensation costs due to issuance of ordinary shares for cash granted by employee in October 2020 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<u>October 2021</u>
Grant-date share price	\$69.00
Exercise price	\$48.70
Expected volatility	39.75%
Expected life (in days)	29
Expected dividend yield	-
Risk-free interest rate	0.14%

Expected volatility is based on the back calculation of the grant-date which uses the Company's daily annualized standard deviation of returns as hypotheses.

Compensation costs recognized were \$19,031 thousand for the year ended December 31, 2020.

b. Cash-settled share-based payment arrangements

On October 12, 2021, the board of directors' meeting of Sanfu Biotech Co., Ltd. passed the resolution to issue new shares in 2021. According to the Company Law, 1,500,000 shares of 15% of the total number of new shares were reserved for subscription by employees of the Company who met certain conditions. If employees have undersubscribed or given up the subscribed shares, the chairman shall be authorized to contact a specific person to subscribe for them.

The compensation costs due to issuance of ordinary shares for cash granted by employee in November 2021 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<u>November 2021</u>
Grant-date share price	\$11.43
Exercise price	\$ 10
Expected volatility	8.02%
Expected life (in years)	0.15
Expected dividend yield	-
Risk-free interest rate	0.177%

The expected volatility used in the evaluation of stock options for employees is based on the average volatility of the company's stock price by reversing the duration of the period as the basis for forecasting.

Compensation costs recognized were \$1,716 thousand for the year ended December 31, 2021.

25. NON-CASH TRANSACTION

For the years ended December 31, 2021 and 2020, except information disclosed elsewhere in the other notes, the Company entered into the following non-cash investing and financing activities which were not reflected in the parent company only statements of cash flows:

The Company reclassified and paid for property, plant and equipment partly during 2021 and 2020 (Notes 12 and 16).

	<u>Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Prepayments for equipment transferred (reclassification)	<u>\$ 30,324</u>	<u>\$ 13,651</u>
Purchase of property, plant and equipment	\$ 135,197	\$ 145,395
(Increase)/Decrease in payable of construction payment and purchases of equipment	(<u>11,658</u>)	<u>31,438</u>
Paid in cash by acquiring property, plant and equipment	<u>\$ 123,539</u>	<u>\$ 176,833</u>

26. CAPITAL MANAGEMENT

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

As for the strategy of the Company's capital structure management, the Company sets its suitable market share according to its industry scale, the growth of the industry and the blueprint of the product development. The Company estimates the required capacity, the equipment and related capital expenditure to be used. Then the Company calculates working capitals and cash on the basis of the industry character to support a complete plan for its long-term development. Finally, the Company estimates not only the possible contribution margin, operating profit ratio and cash flows according to the product competitiveness but also risk factors such as the fluctuation of the business circle and the life circle of the product to decide the suitable capital structure. The management inspects capital structures periodically and considers the possible costs and risks taken by different capital structures. In general, the Company adopts a prudent risk management strategy.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The Company considers that the carrying amounts of financial assets and liabilities not measured at fair value approximate their fair values or the fair values cannot be reliably estimated.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 27,298	\$ -	\$ -	\$ 27,298
Domestic unlisted shares	-	-	6,698	6,698
Total	<u>\$ 27,298</u>	<u>\$ -</u>	<u>\$ 6,698</u>	<u>\$ 33,996</u>
	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 27,298	\$ -	\$ -	\$ 27,298
Domestic unlisted shares	-	-	6,698	6,698
Foreign unlisted shares	-	-	49,307	49,307
Total	<u>\$ 47,020</u>	<u>\$ -</u>	<u>\$ 56,005</u>	<u>\$ 103,025</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

2) Financial Instruments Applied for Level 3 Adjustment at FVTOCI

	Financial assets at FVTOCI	
	Through other comprehensive income	
	2021.1.1-12.31	2020.1.1.-12.31
<hr/>		
<u>Financial assets – Equity instrument</u>		
Beginning balance	\$ 56,005	\$ 31,937
Purchase	-	30,466
Foreign exchange difference	-	(6,398)
Recognized in other comprehensive profit or loss (unrealized appraisal profit or loss of financial assets measured at fair value through other comprehensive profit or loss)	(<u>49,307</u>)	<u>-</u>
Ending balance	<u>\$ 6,698</u>	<u>\$ 56,005</u>

3) Valuation Techniques and Assumptions Used in Fair Value Measurement

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices.
- b) Valuation techniques and inputs applied for Level 3 fair value measurement
 - i. The fair values of unlisted equity securities in Taiwan were determined using the income approach. Under this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs are listed in the table below. Decrease in discount for the lack of marketability or non-controlling interests discount would result in increase in the fair value.

	2021.12.31	2020.12.31
Discount for lack of marketability	25%	25%
Non-controlling interests discount	20%	20%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

	2021.12.31	2020.12.31
Discount for lack of marketability		
1% decrease	<u>\$ 77</u>	<u>\$ 81</u>
Non-controlling interests discount		
1% decrease	<u>\$ 73</u>	<u>\$ 76</u>

- ii. The foreign unlisted (over the counter) equity investment adopts the market method, and its fair value is mainly assessed with reference to the recent financing activities of the invested target or the market transaction price and market conditions of similar targets. The evaluation method chosen by the Company after careful evaluation, therefore, the fair value measurement is reasonable, but the use of different evaluation models or fair value may lead to different evaluation results.

c. Categories of Financial Instruments

	2021.12.31	2020.12.31
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 2,029,768	\$ 1,879,906
Financial assets at FVTOCI	33,996	103,025
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	1,750,407	1,091,548

Note 1):

The balances include loans and receivables at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, account and notes receivables, and receivables from related parties. Those reclassified to held-for-sale disposal groups are included.

Note 2):

The balances include financial liabilities at amortized cost, which comprise short-term borrowings, notes payables, account payables - related parties, long-term liabilities due within one year, others payable and long-term borrowings. Those reclassified to held-for-sale disposal groups are included.

d. Financial Risk Management Objectives and Policies

The Company's major financial instruments include financial assets at amortized cost, equity investments, short-term loans, notes and account payables, account payables - related parties, others payable, long-term loans due within one year, and long-term loans. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Board of Directors is solely responsible for established and monitored the framework of risk management of the Company, the Board of Directors authorized the chairman develop and monitored the risk management policy of the Company with the operation center of the Company, and regularly reported the situation to the Board of Directors.

The Company's financial risk management policies are developed for identifying and analyzing the financial risks to the Company, evaluating the impacts of the financial risks, and executing the financial-risk aversion policies. The financial risk management is periodically reviewed to reflect changes to the market and the operations. Through the internal controls, such as training and setting up managing requirements and procedures, the Company are engaged in developing a disciplined and constructive control environment, in order to have all employees understand own responsibilities.

The Company's Board of Directors monitors the management on managing the compliance to the financial risk management policies and procedures and reviews the appropriateness of risk management structure.

1) Market Risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see a) below), interest rates (see b) below), and another price risk (see c) below).

a) Foreign Currency Risk

The Company has assets and liabilities not recorded in the same functional currency as that of the Company, thus, it is exposed to risks due to exchange rate fluctuation.

To manage risks within an acceptable level, the Company use the natural hedge against its currency

risk. The Company monitor and evaluate the movements of exchange rates and the weakness or strength of a currency's performance in line with natural hedging.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities which were not in the same functional currency as the Company's entity at the end of the reporting period are shown in Note 30.

Sensitivity Analysis

The Company were mainly exposed to the U.S. dollar.

The following table shows the Company's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency of the Company) against the relevant foreign currencies. A 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and was adjusted at the end of the reporting period for a 5% change in foreign currency rates. The number in the table indicates the change in pretax profit associated with the 5% appreciation of the New Taiwan dollar against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be positive.

	Unit: Thousand NT\$	
	Currency USD Impact	
	Years Ended December 31	
	2021	2020
Profit or loss	<u>\$ 15,731</u> (i)	<u>\$ 11,074</u> (i)

(i) This was mainly attributable to the exposure on outstanding receivables and payables in Currency USD which were not hedged at the end of the reporting period.

b) Interest Rate Risk

The Company are exposed to interest rate risk because entities in the Company borrow funds at both fixed and floating interest rates. The financial costs for the period from January 1 to December 31 in the fiscal years 2021 and 2020 were NT\$7,462 thousand and NT\$ 5,663 thousand respectively, which only constitute 0.17% and 0.16% of parent company only net sales revenue. Therefore, the interest rate risk has no significant impact on the Company.

The carrying amounts of the Company's financial liabilities with exposure to interest rates at the end of the balance sheet reporting period were as follows:

	Unit: Thousand NT\$	
	Currency USD Impact	
	Years Ended December 31	
	2021	2020
Fair value interest rate risk		
Financial liabilities	\$ 922,783	\$ 537,810
Cash flow interest rate risk		
Financial liabilities	214,502	232,573

Sensitivity Analysis

The sensitivity analysis was determined based on the Company's exposure to interest rate changes for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period had been outstanding for the whole period. If interest rates had been five basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the

one-year period from January 1 to December 31 in the fiscal years 2021 and 2020 would decrease/increase by NT\$ 107 thousand and NT\$ 116 thousand, respectively.

c) Other Price Risks

The Company are exposed to price risk due to equity securities investment of domestic listed companies. The Company has established an immediate control mechanism and are therefore not expected to have significant price risk.

Sensitivity Analysis

If equity prices had been 5% higher/lower, pre-tax other comprehensive income for the one-year period from January 1 to December 31 in the fiscal years 2021 and 2020 would have increased/decreased by NT\$ 1,700 thousand and NT\$ 5,151 thousand respectively, because of the changes in fair value of financial assets at FVTOCI.

2) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. As of the end of the reporting period, the Company's maximum exposure to credit risk, which will cause a financial loss to the Company because of the counterparties' failure to discharge their obligations, could arise from the carrying amount of the financial assets recognized in the balance sheets. The policies adopted by the Company are to trade with reputable objects only, and continue to supervise the credit risk insurance and the credit rating of the counterparty

Apart from the companies A, B and C of the Company, the Company has no significant credit risk exposure from any single counterparty or any group of counterparties with similar characteristics. Apart from the companies A, B and C, the concentration of credit risk to other clients did not exceed 10% of total accounts receivable. The credit risk is expected to be immaterial as the companies A, B and C are all reliable and trustworthy counterparties.

3) Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2021, and 2020, the Company had available unutilized short-term bank loan facilities in the amount of NT\$651,415 thousand, NT\$ 996,147 thousand, respectively.

The following table shows the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay.

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
Lease liabilities	\$ 1,530	\$ 2,954	\$ 11,676	\$ 22,108	\$ 21,938
Variable interest rate liabilities	-	42,643	67,929	103,930	-
Fixed interest rate liabilities	<u>595,000</u>	<u>250,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 596,530</u>	<u>\$ 295,597</u>	<u>\$ 99,605</u>	<u>\$ 126,038</u>	<u>\$ 21,938</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	\$ <u>16,160</u>	\$ <u>22,108</u>	\$ <u>21,938</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
Lease liabilities	\$ 1,288	\$ 2,577	\$ 9,169	\$ 21,182	\$ 26,117
Variable interest rate liabilities	-	5,143	20,429	207,001	-
Fixed interest rate liabilities	<u>300,000</u>	<u>180,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 301,288</u>	<u>\$ 187,720</u>	<u>\$ 29,598</u>	<u>\$ 228,183</u>	<u>\$ 26,117</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	\$ <u>13,034</u>	\$ <u>21,182</u>	\$ <u>26,117</u>

28. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and the other related parties are disclosed below.

a. Related Party Name and Category

<u>Related Party Name</u>	<u>Related Party Category</u>
San Fu Global Ltd.	Investors with significant influence over the Company
Zhang Chun Ming	Investors with significant influence over the Company
San Fu Tech Co., Ltd.	Subsidiary
International Nitto Technology Co., Ltd.	Subsidiary
Shian Yun Joint Stock Company (Vietnam)	Associates
Lifu Carbonate Co., Ltd.	Associates (Acquisition Subsidiary on May 10, 2021)
Hongchong Enterprise Co., Ltd.	Associates
China Fangda (International) Investment Development Corporation	Associates
Sanfuming Electronic Material Co., Ltd.	Joint venture
Fulu Cultural Foundation	Other related parties

b. Sales of Goods

	<u>Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Sales</u>		
Subsidiaries	\$ 44,158	\$ 56,461
Joint ventures	23,527	11,744
Associate	<u>60</u>	<u>-</u>
	<u>\$ 67,745</u>	<u>\$ 68,205</u>
<u>Purchase</u>		
Subsidiaries	\$ 17,434	\$ 15,615
Joint ventures	1,024	88
Associates	<u>10,975</u>	<u>13,216</u>
	<u>\$ 29,433</u>	<u>\$ 28,919</u>

	<u>Years Ended December 31</u>	
	2021	2020
<u>Service expense (recognized as other income)</u>		
Joint ventures		
Sanfuming Electronic Material Co., Ltd.	\$ 3,692	\$ 6,017
Associates	<u>-</u>	<u>367</u>
	<u>\$ 3,692</u>	<u>\$ 6,384</u>
 <u>Service expense (recognized as other expense)</u>		
Investors with significant influence over the Company	<u>\$ 1,143</u>	<u>\$ 1,279</u>
 <u>Entertainment expense (recognized as sales cost and expense)</u>		
Subsidiaries	<u>\$ 578</u>	<u>\$ 446</u>
 <u>Donation expense</u>		
Others		
Fulu Cultural Foundation	<u>\$ -</u>	<u>\$ 1,000</u>
 <u>Management service revenue (recognized as an offset to operating expenses and cost of goods sold) (Note 1)</u>		
Subsidiaries	(<u>\$ 18,744</u>)	(<u>\$ 16,060</u>)

Note 1: The Company entered into an operation management contract with San Fu Biotech Co., Ltd., whereas San Fu Biotech Co., Ltd. appoints the Company to manage its administrative work. Pursuant to the contract, San Fu Biotech Co., Ltd agreed to bear a portion of the manufacturing costs and employment expenses incurred by the Company on a monthly basis.

Transactions with related parties were not materially different from those non-related parties with third parties unless otherwise agreed.

	<u>Years Ended December 31</u>	
	2021	2020
<u>Accounts receivable - related party</u>		
Subsidiary		
San Fu Biotech Co., Ltd.	\$ 18,260	\$ 12,363
Joint ventures	15,935	3,573
 <u>Other receivable - related party</u>		
Subsidiary		
San Fu Biotech Co., Ltd.	9,301	6,412
Sanfu Vietnam Gas Co., Ltd.	49,805	-
<u>Others</u>	-	295
Joint ventures	<u>3,692</u>	<u>6,017</u>
	<u>\$ 96,993</u>	<u>\$ 28,660</u>
 <u>Accounts payable - related party</u>		
Investors with significant influence over the Company	\$ 300	\$ -
Subsidiary	4,391	3,248
Associates	<u>3,470</u>	<u>2,047</u>
	<u>\$ 8,161</u>	<u>\$ 5,295</u>

The outstanding accounts payable from related parties are unsecured and the outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for accounts receivable from related parties.

c. Lease arrangements - Group is lessee

Line Item	Related Party Category/Name	Years Ended December 31		
		2021	2020	
Lease liabilities	Investors with significant influence over the Company			
		Sanfu Global Co., Ltd.	\$ 43,159	\$ 45,387
		Others	1,019	-
			<u>\$ 44,178</u>	<u>\$ 45,387</u>
		Years Ended December 31		
		2021	2020	
<u>Interest expense</u>				
Investors with significant influence over the Company				
	Sanfu Global Co., Ltd.	\$ 453	\$ 518	
	Others	16	6	
		<u>\$ 469</u>	<u>\$ 524</u>	

d. Others

Investors with significant influence signed a trust agreement of marketable securities with CTBC Bank on September 29, 2016. The Company is a beneficiary of interest. The trust interest revenue was \$6,124 thousand and \$6,746 thousand in 2021 and 2020, respectively, and the revenue was credited in capital surplus-donations.

e. Compensation of key management personnel

The compensation to directors and other key management personnel were as follows:

	Years Ended December 31	
	2021	2020
Short-term employee benefits	\$ 33,882	\$ 33,795
Post-employment benefits	1,718	1,402
	<u>\$ 35,600</u>	<u>\$ 35,197</u>

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

29. PLEDGED ASSETS

The following assets were provided as collateral for bank borrowings and obligations under the sales agreement:

	Years Ended December 31	
	2021	2020
Pledged deposits (classified as financial assets at amortized cost)	\$ 222,400	\$ 222,400
Land	40,349	40,349
Buildings, net	45,443	49,054
	<u>\$ 308,192</u>	<u>\$ 311,803</u>

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities of each individual group entity of the Company denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2021

	Foreign Currencies	Exchange Rate		Carrying Amount
<u>Foreign Currency Assets</u>				
<u>Monetary items</u>				
USD	\$ 13,099	27.630	(USD: NTD)	\$ 361,925
JPY	656,637	0.239	(JPY: NTD)	156,608
<u>Non-monetary items</u>				
Investments in subsidiaries and associates using the equity method				
USD	17,689	27.680	(USD: NTD)	489,361
VND	588,942,259	0.0012	(VND: NTE)	703,786
<u>Foreign Currency Liabilities</u>				
<u>Monetary items</u>				
USD	\$ 1,706	27.730	(USD: NTD)	\$ 47,307
JPY	149,248	0.243	(JPY: NTD)	36,193

December 31, 2020

	Foreign Currencies	Exchange Rate		Carrying Amount
<u>Foreign Currency Assets</u>				
<u>Monetary items</u>				
USD	\$ 10,162	28.430	(USD: NTD)	\$ 288,906
<u>Non-monetary items</u>				
Investments in subsidiaries and associates using the equity method				
USD	14,508	28.480	(USD: NTD)	413,536
VND	554,570,270	0.0011	(VND: NTD)	615,461
<u>Foreign Currency Liabilities</u>				
<u>Monetary items</u>				
USD	2,363	28,530	(USD: NTD)	67,416

The significant unrealized foreign exchange gains (losses) were as follows:

	<u>For the Year Ended December 31, 2021</u>		<u>For the Year Ended December 31, 2020</u>	
<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>
USD	27.800 (USD: NTD)	\$ 1,366	28.430 (USD: NTD)	\$ 2,242
JPY	0.247 (JPY: NTD)	(2,001)	0.274 (JPY: NTD)	-

31. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

1) Financing provided to others: See Table 1 attached;

2) Endorsements/guarantees provided: See Table 2 attached;

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures: See Table 3 attached;

- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$ 300 million or 20% of the paid-in capital See Table 4 attached;
 - 5) Acquisition of individual real estate at costs of at least NT\$ 300 million or 20% of the paid-in capital: None;
 - 6) Disposal of individual real estate at prices of at least NT\$ 300 million or 20% of the paid-in capital: None;
 - 7) Total purchases from or sales to related parties amounting to at least NT\$ 100 million or 20% of the paid-in capital: None;
 - 8) Receivables from related parties amounting to at least NT\$ 100 million or 20% of the paid-in capital: None;
 - 9) Information about the derivative financial instrument transaction: None;
- b. Information on investees: See Table 5 attached;
- c. Information on investments in Mainland China
- 1) Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the Mainland China area: See Table 6 attached;
 - 2) Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders
List all shareholders with ownership of 5% or greater showing the name of the shareholder and the number of shares and percentage of ownership held by of each shareholder: See Table 7 attached;

SAN FU CHEMICAL CO., LTD.

FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

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

TABLE 1

No. (Note 1)	Financing Company	Counter- party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
0	San Fu Chemical Co., Ltd.	San Fu Biotech Co., Ltd.	Other receivables	Y	\$ 250,000	\$ 250,000	\$ -	-	The need for Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 414,470	\$ 1,657,881	(Note 3)
0	San Fu Chemical Co., Ltd.	International Nitto Technology Co., Ltd.	Other receivables	Y	250,000	250,000	-	-	The need for Short-term financing	-	Operating capital	-	-	-	414,470	1,657,881	(Note 3)
0	San Fu Chemical Co., Ltd.	VinaSanFu Industrial Gas Company Limited	Other receivables	Y	300,000	300,000	49,824 (USD 1,800,000) (Note 4)	1%	The need for Short-term financing	-	Operating capital	-	-	-	414,470	1,657,881	(Note 3)
0	San Fu Chemical Co., Ltd.	VinaSanFu Material Company Limited	Other receivables	Y	300,000	300,000	-	-	The need for Short-term financing	-	Operating capital	-	-	-	414,470	1,657,881	(Note 3)

Note 1: The items are numbered as follows:

- a. Issuer is numbered as "0".
- b. Investee companies are numbered from "1".

Note 2: The maximum amount for financing provided to others:

- a. The maximum amount of financing provided by the Company shall not exceed 40% of the Company's net worth.
- b. The maximum amounts of financing provided by the Company and its subsidiaries are as follows:
 - i. The maximum amount of financing provided to all businesses shall not exceed 10% of the Company's net worth. The maximum amount of financing provided to an individual shall not exceed 10% of the Company's net worth, and the gross transaction amount (the higher of purchase amount or sales amount between the two parties) for the past year.
 - ii. In the case of financing companies with short-term financing needs, the maximum amount of financing provided to such companies shall not exceed 30% of their net worth, the maximum amount of financing provided to an individual shall not exceed 10% of the Company's net worth.

Note 3: Other receivables have been eliminated when preparing the parent company only financial statements.

Note 4: Calculated based on the foreign currency exchange rate dated December 31, 2021 (USD\$1 = NT\$ 27.68)

SAN FU CHEMICAL CO., LTD.

ENDORSEMENTS/GURANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

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

TABLE 2

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limit on Endorsement/ Guarantee Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actual Drawn	Amount of Endorsement /Guarantee Collateralize d by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	San Fu Chemical Co., Ltd.	San Fu Biotech Co., Ltd.	A subsidiary in which the Parent Company holds directly and indirectly over 90% of an equity interest.	\$ 414,470	\$ 250,000	\$ 250,000	\$ 140,000	\$ -	6.03%	\$ 1,657,881	Y	N	N	
0	San Fu Chemical Co., Ltd.	VinaSanFu Industrial Gas Company Limited	A subsidiary in which the Parent Company holds directly and indirectly over 90% of an equity interest.	414,470	300,000	300,000	83,040	-	7.24%	1,657,881	Y	N	N	
0	San Fu Chemical Co., Ltd.	VinaSanFu Material Company Limited	A subsidiary in which the Parent Company holds directly and indirectly over 90% of an equity interest.	414,470	300,000	300,000	166,080	-	7.24%	1,657,881	Y	N	N	

Note 1: The items are numbered as follows:

- a. Issuer is numbered as "0".
- b. Investee companies are numbered from "1".

Note 2: The maximum amount for guarantees provided to others:

- a. The maximum amount of guarantee provided by the Company shall not exceed 40% of the Company's net worth.
- b. The maximum amount of guarantee provided to all subsidiaries not exceeds 10% of the Company's net worth. The maximum amount of guarantee provided to an individual shall not exceed 10% of the Company's net worth.

SAN FU CHEMICAL CO., LTD.

MARKETABLE SECURITIES HELD

FOR THE YEAR ENDED DECEMBER 31, 2021

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

TABLE 3

Holding Company Name	Marketable Securities Type and Name	Nature of Relationship	Financial Statement Account	As of December 31, 2021				Note
				Number of Shares (in Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
San Fu Chemical Co., Ltd.	E'Dale Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	642,060	\$ 6,698	3.45%	\$ 6,698	Note 2
	Savior Lifetec Corporation	-	Financial assets at fair value through other comprehensive income	1,356,989	27,297	0.45%	27,297	
	Global Graphene Group	-	Financial assets at fair value through other comprehensive income	18,490	-	1.42%	-	
Sino Star Holding Limited	Hubei Xingfu Electronic Material Co., Ltd.	-	Financial assets at fair value through other comprehensive income	-	52,917	2.40%	52,917	

Note 1: The information for investments in subsidiaries, associates and joint venture is included in Tables 5 and 6.

Note 2: The fair value is calculated based on closing prices on December 31, 2021.

SAN FU CHEMICAL CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$ 300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 4

Securities Purchased/ Sold by	Marketable Securities Type & Name	Line Item	Trading Purpose	Nature of Relationship	Beginning Balance		Acquisition		Adjustment (Note 1)	Sale				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount		Shares/Units	Selling Price	Carrying costs	Gain (Loss) of Disposal	Shares/Units	Amount
San Fu Chemical Co., Ltd.	International Nitto Technology Co., Ltd.	Investments accounted for using Equity Method	Cash Capital Increase	Subsidiary	15,000,000	\$ 148,365	25,000,000	\$ 250,000	(\$ 15,173)	-	\$ -	\$ -	\$ -	-	\$ 383,192

Note 1: Including the carrying amount of profits and losses of subsidiaries recognized by the equity method and shareholder adjustment items.

Note 2: The above subjects have been written off when preparing the parent company only financial statements.

SAN FU CHEMICAL CO., LTD.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2021

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

TABLE 5

Investor Company	Investee Company (Note 2)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares (Thousands)	%	Carrying Amount			
San Fu Chemical Co., Ltd.	San Fu Specialty Chemicals Investments Limited	Samoa	Investment activities	\$2,351 thousand	\$2,351 thousand	2,350,840	100%	\$ 489,631	\$ 81,326	\$ 81,326	Note 1
	San Fu Food Additives Investments Limited	Samoa	Investment activities	552 thousand	552 thousand	552,198	100%	-	-	-	Note 4
	VinaSanFu Industrial Gas Company Limited	Vietnam	Engaged in industrial gas production	13,650 thousand	12,285 thousand	-	100%	354,117	(17,443)	(17,443)	Note 1
	VinaSanFu Material Company Limited	Vietnam	Engaged in the production of chemical materials	12,200 thousand	10,700 thousand	-	100%	312,691	(17,883)	(17,883)	"
	San Fu Biotech Co., Ltd.	Taiwan	Engaged in the manufacture and sale of food additives	210,000	125,000	21,500,000	100%	251,151	31,585	31,674	Notes 1 and 5 "
	International Nitto Technology Co., Ltd	Taiwan	Engaged in electronic component manufacturing business	477,904	227,904	40,000,000	100%	383,192	(15,173)	(15,173)	"
	Hongchong Enterprise Co., Ltd.	Taiwan	Liquid oxygen, oxygen, liquid nitrogen and other gas trading business	10,527	10,527	1,200,000	50%	14,510	2,051	1,026	
	Lifu Carbonate Co., Ltd.	Taiwan	Engaged in carbon dioxide gas, carbonic acid fire extinguisher, dry ice manufacturing and its sales and marketing	7,7253	7,193	2,240	87%	96,127	(9,837)	(6,488)	Notes 1 and 3
	Shian Yun Joint Stock Company	Vietnam	Engaged in industrial gas production	1,232 thousand	1,232 thousand	2,659,974	33.33%	36,978	(2,820)	(940)	
San Fu Specialty Chemicals Investments Limited	Sanfuming Electronic Material Co., Ltd.	Shanghai, China	Engaged in the operation of international trade business	2,151 thousand	2,151 thousand	-	50%	404,839	165,972	82,986	
	Sino Star Holding Limited	Samoa	Investment activities	1,868 thousand	1,868 thousand	1,867,838	100%	53,876	-	-	Note 1
San Fu Food Additives Investments Limited	Fangda International (SAMOA) Ltd.	Samoa	Investment activities	1,300 thousand	1,300 thousand	1,300,000	41.94%	-	-	-	Note 4

Note 1: When the parent company only financial statements are prepared, they were all written off.

Note 2: Information of investments in Mainland China is included in Table 6.

Note 3: Lifu Carbonic Acid Co., Ltd. began to be included as an entity affiliated to the Company for preparing the parent company only financial report since the acquisition date, May 10, 2021

Note 4: The company "San Fu Food Additives Investments Limited" was dissolved and deregistered after liquidation is completed in May 2021.

Note 5: On December 20, 2021, the company did not subscribe for the cash capital increase of Sanfu Biotech Co., Ltd. according to the shareholding ratio, so the shareholding ratio dropped from 100% to 93.48%

SAN FU CHEMICAL CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
 In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 6

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3 and)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Sanfuming Electronic Material Co., Ltd.	Engaged in the operation of international trade business	\$ 249,120 (US\$ 9,000,000) (Notes 1 and 4)	Through the third company reinvest in mainland companies	\$ 18,020 (US\$ 651,000)	\$-	\$-	\$ 18,020 (US\$ 651,000)	\$165,972	50	\$82,986	\$404,839 (US\$14,626,000)	\$ -
Hubei Xingfu Electronic Material Co., Ltd.	Engaged in manufacturing and selling chemical products	\$ 2,250,560 (CNY 520,000,000) (Note 2)	Through the third company reinvest in mainland companies	\$ 51,651 (US\$ 1,866,000)	-	-	\$ 51,651 (US\$ 1,866,000)	294,820	2.4	-	\$ 52,917 (US\$ 1,912,000)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$161,485 (US\$ 5,834,000) (Notes 5 and 6)	\$264,593 (9,559,000)	\$2,486,822

Note 1: The exchange rate on December 31, 2021 was USD\$1=NT\$ 27.68

Note 2: The exchange rate on December 31, 2021 was RMB\$1=NT\$ 4.328

Note 3: The average exchange rate was based on the USD\$1=NT\$ 28.009 for the 12-month period from January 1, 2021 to December 31, 2021.

Note 4: In April 2021, the company raised US\$ 651,000 of capital (all new shares were subscribed by Hubei Xingfu Electronic Materials Co., Ltd.). In October 2012, the Company converted US\$ 1,698,000 of retained earnings into capital stock. In April 2013, the Company increased its capital by US\$3,000,000, and in July 2018, the Company transferred US\$3,000,000 of retained earnings into capital.

Note 5: This includes accumulated outward remittance for investments in Keyron Top Chemical (Shanghai) Co., Ltd. (US\$ 2,017,000). The company was liquidated in August 2006.

Note 6: The investment in Shandong Fangda Jinke Additive Co., Ltd. was remitted from Taiwan (US\$1,300,000). The company was liquidated in January 2017.

SAN FU CHEMICAL CO., LTD.

INFORMATION OF MAJOR SHAREHOLDERS

BASED ON THE INFORMATION REPORTED AS OF DECEMBER 31, 2021

TABLE 7

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sanfu Global Co., Ltd.	24,067,315	23.89%
Pilot Keymark SDN. BHD.	19,929,000	19.78%

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the MOPS (Market Observation Post System) of Taiwan Stock Exchange.

SAN FU CHEMICAL CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Item	Statements Index
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash and cash equivalents	1
Statement of accounts receivable, net	2
Statement of inventories	3
Statement of long-term equity changes using equity method	4
Statement of changes in property, plant and equipment	Note 12
Statement of short-term loans	5
Statement of accounts payables	6
Statement of other payables	Note 16
Major accounting items in profit or loss	
Statement of revenues	7
Statement of operating costs	8
Statement of operating expenses	9
Statement of employee benefit, depreciation and amortization by function	10

STATEMENT 1

SAN FU CHEMICAL CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		\$ <u>330</u>
Cash in banks		
Checking accounts and demand deposits		200,652
Foreign currency deposits	Including US\$510 thousand @27.63; JPY175,859 thousand @0.2385 and Euro 0.5 thousand@31.12	<u>56,040</u>
		<u>256,692</u>
Total		\$ <u><u>257,022</u></u>

STATEMENT 2

SAN FU CHEMICAL CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLE, NET DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount
Client A	\$ 661,390
Client B	224,018
Client C	208,891
Others (Note)	<u>349,711</u>
	1,444,010
Less: Allowance for doubtful accounts	(6,200)
Total	\$ 1,437,810

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT 3

SAN FU CHEMICAL CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Merchandise	\$ 8,811	\$ 8,633
Finished goods	225,031	191,032
Work in process	12,311	11,032
Semi-finished goods	1,393	1,393
Raw materials	406,664	404,854
Supplies	<u>25,432</u>	<u>24,655</u>
Sub-Total	679,642	<u>\$ 641,599</u>
Less: Inventory write-downs (Note 1)	(<u>38,043</u>)	
Net Value	<u>\$ 641,599</u>	

Note: Inventory write-downs include \$178 thousand for merchandise, \$33,999 thousand for finished goods, \$1,279 thousand for work in process, \$1,810 thousand for raw materials and \$777 thousand for supplies.

STATEMENT 4

SAN FU CHEMICAL CO., LTD.

**STATEMENT OF LONG-TERM EQUITY CHANGES USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	<u>Balance, January 1, 2021</u>		<u>Increase in Equity</u>		<u>Decrease in Equity</u>		<u>Investment Gain (Loss)</u>	<u>Cumulative Exchange Adjustment</u>	<u>Dividends received</u>	<u>Other Adjustment</u>	<u>Balance, December 31, 2021</u>			<u>Collateral</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>					<u>Shares</u>	<u>Ownership %</u>	<u>Amount</u>		<u>Equity Net</u>
Unlisted & Non-OTC companies															
San Fu Specialty Chemicals Investments Limited	2,350,840	\$ 413,192	-	\$ -	-	\$ -	\$ 81,326	(\$ 4,887)	\$ -	\$ -	2,350,840	100	\$ 489,631	\$ 489,631	Nil
San Fu Food Additives Investments Limited	552,198	344	-	-	(552,198)	(345)	-	(423)	-	424	-	-	-	-	Nil
VinaSanFu Industrial Gas Company Limited	-	310,601	-	38,859	-	-	(17,443)	22,100	-	-	-	100	354,117	354,117	Nil
VinaSanFu Material Company Limited	-	269,074	-	42,700	-	-	(17,883)	18,800	-	-	-	100	312,691	312,691	Nil
San Fu Biotech Co., Ltd.	12,500,000	148,552	9,000,000	85,000	-	-	31,674	-	(11,500)	(2,575)	21,500,000	93.48	251,151	251,151	Nil
International Nitto Technology Co., Ltd.	15,000,000	148,365	25,000,000	250,000	-	-	(15,173)	-	-	-	40,000,000	100	383,192	383,192	Nil
Lifu Carbonic Acid Co., Ltd.	1,000	9,386	1,240	93,229	-	-	(6,488)	-	-	-	2,240	87	96,127	96,127	Nil
Hong Cheng Enterprise Co., Ltd.	1,200,000	13,777	-	-	-	-	1,026	-	(293)	-	1,200,000	50	14,510	14,510	Nil
Shian Yun Joint Stock Company	2,659,974	<u>35,786</u>	-	<u>-</u>	-	<u>-</u>	(<u>940</u>)	<u>2,132</u>	<u>-</u>	<u>-</u>	2,659,974	33.33	<u>36,978</u>	<u>29,404</u>	Nil
		<u>\$1,349,077</u>		<u>\$ 509,788</u>		(<u>\$ 345</u>)	<u>\$ 56,099</u>	<u>\$ 37,722</u>	(<u>\$ 11,793</u>)	(<u>\$ 2,151</u>)			<u>\$1,938,397</u>	<u>\$1,930,823</u>	

STATEMENT 5

SAN FU CHEMICAL CO., LTD.

STATEMENT OF SHORT-TERM LOANS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Type	Contract Period	Range of Interest Rates (%)	Balance, End of Year	Loan Commitments	Collateral
<u>Secured borrowings</u>					
First Commercial Bank	2021.11~2022.01	0.80%	<u>\$ 280,000</u>	\$ 350,000	Guarantee
<u>Bank credit loan</u>					
First Commercial Bank	2021.12~2022.01	0.80%	85,000	240,000	Nil
Bank of Taiwan	2021.10~2022.01	0.80%	80,000	100,000	Nil
Citi Bank	2021.10~2022.02	0.78%	250,000	285,104	Nil
Cathay United Bank	2021.11~2022.02	0.91%	20,000	60,000	Nil
Taipei Fubon Bank	2021.08~2022.02	0.78%	150,000	150,000	Nil
Mega Bank	2021.10~2022.04	0.85%	<u>20,000</u>	150,000	Nil
			<u>605,000</u>		
Short-term Loan total			<u>\$ 885,000</u>		

STATEMENT 6

SAN FU CHEMICAL CO., LTD.

**STATEMENT OF NOTES AND ACCOUNTS PAYABLES
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Amount
Vendor A	\$ 41,788
Vendor B	50,737
Vendor C	22,517
Vendor D	56,456
Vendor E	35,403
Others (Note)	<u>181,214</u>
	<u>\$ 388,115</u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

STATEMENT 7

SAN FU CHEMICAL CO., LTD.

**STATEMENT OF REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Shipments (KG)	Amount
Stripper	17,854,990	\$ 1,177,289
Etchant	16,759,680	702,986
Developer	8,619,700	683,311
TMAM - recycle	19,122,900	485,781
Others (Note)		<u>1,462,640</u>
Sub-Total		4,512,007
Less: Sales returns		(15,562)
Sales discounts		(<u>14,838</u>)
Total		<u>\$ 4,481,607</u>

Note: The amount of each item in others does not exceed 10% of the total revenue.

STATEMENT 8

SAN FU CHEMICAL CO., LTD.

STATEMENT OF OPERATING COSTS FOR THE YEAR ENDED DECEMBER 31, 2021 (In Thousands of New Taiwan Dollars)

Item	Amount
Merchandise balance, beginning of year	\$ 6,571
Merchandise purchased	129,924
Merchandise balance, end of year	(8,811)
Cost of contract revenue and merchandise sales	<u>127,684</u>
Raw materials, beginning of year	185,763
Raw materials purchased	2,689,491
Raw materials balance, end of year	(406,664)
Sales of raw materials	(905,618)
Transferred to expenses	(9,534)
Raw materials used	1,553,438
Supplies, beginning of year	19,474
Supplies purchased	94,690
Supplies, end of year	(25,432)
Sales of supplies	(10,396)
Transferred to expenses	(32,871)
Supplies used	45,465
Direct labor	139,618
Manufacturing expenses	<u>585,324</u>
Manufacturing cost	2,323,845
Work in process, beginning of year	11,261
Work in process, end of year	(12,311)
Semi-finished goods, beginning of year	1,875
Semi-finished goods purchased	45,186
Semi-finished goods, end of year	(1,393)
Cost of finished goods	2,368,463
Finished goods, beginning of year	150,102
Other adjustments for finished goods	1,357
Finished goods, end of year	(225,030)
Transferred to other accounts	(3,079)
Cost of goods sold	2,291,813
Reversal of write-downs of inventories	60
Other cost of goods sold	<u>916,014</u>
Operating costs	<u>\$ 3,335,571</u>

STATEMENT 9

SAN FU CHEMICAL CO., LTD.

STATEMENT OF OPERATING EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021 (In Thousands of New Taiwan Dollars)

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll	\$ 56,280	\$ 67,236	\$ 20,488	\$ 144,004
Freight	96,296	-	-	96,296
Travel expenses	11,061	1,119	336	12,516
Utilities fee	326	316	2,450	3,092
Depreciation expense	9,705	8,305	9,174	27,184
Others (Note)	<u>45,387</u>	<u>64,858</u>	<u>6,167</u>	<u>116,412</u>
	<u>\$ 219,055</u>	<u>\$ 141,834</u>	<u>\$ 38,615</u>	<u>\$ 399,504</u>

Note: Expected credit loss is included and the amount of each item in others does not exceed 5% of the account balance.

STATEMENT 10

SAN FU CHEMICAL CO., LTD.

**STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit						
Salaries	\$ 173,501	\$ 135,748	\$ 309,249	\$ 156,340	\$ 124,022	\$ 280,362
Labor and health insurance	16,362	10,565	26,927	14,461	9,334	23,795
Pension	6,938	5,466	12,404	6,495	5,280	11,775
Board compensation	-	24,345	24,345	-	15,950	15,950
Share-based payments compensation costs	-	1,716	1,716	-	19,031	19,031
Others	13,953	22,783	36,736	13,988	23,288	37,276
Depreciation	221,672	27,184	248,856	208,745	21,344	230,089

Note 1: As of December 31, 2021, and 2020, the Company had 356 and 348 employees, respectively. There were 7 and 6 non-employee directors respectively for both years and their calculation basis is consistent with employee benefit.

Note 2: Listed Company at Taiwan Stock Exchange and over-the-counter company at Taipei Exchange should disclose additional information below:

- The average amount of labor cost for the years ended December 31, 2021 and 2020 was NT\$1,106 thousand and NT\$1,088 thousand, respectively.
(“Total labor cost - Total board compensation”/“Total employee count - Total non-employee director count”)
- The average amount of salary and bonus for the years ended December 31, 2021 and 2020 was NT\$891 thousand and NT\$875 thousand, respectively.
(Total salary and bonus/“Total employee count - Total non-employee director count”)
- The average salary and bonus decreased by 1.6% year over year.
(“Average salary and bonus in current year - Average salary and bonus in previous year”/Average salary and bonus in previous year)
- The compensation to the supervisor for the years ended December 31, 2021 and 2020 was NT\$2,150 thousand and NT\$2,262 thousand, respectively.
- The remuneration of directors and managers is determined by the Remuneration Committee in accordance with individual performance and market trends. Staff remuneration is based on individual performance and market trends

Explanations:

- The number of employees stated in the notes to this table should be calculated based on the same employee benefit expenses.
- According to International Accounting Standards No. 19 (IAS 19), employees may provide services on a full-time, part-time, permanent, irregular or temporary basis, including directors and other management personnel, so the term “employees” in this table includes Directors, managers, general employees and contract employees, etc., but not including supervisors, dispatched manpower, labor contracting or business outsourcing personnel.
- The term "director's remuneration" refers to the remuneration received by all directors, retirement pension, director's remuneration and business execution expenses, etc., but does not include salaries, labor and health insurance, pensions and other welfare expenses received by concurrent employees.