

San Fang Chemical Industry Co.,
Ltd.

Standalone Financial Statements
and Independent Auditor's Report
2022 and 2021

Address: No. 120, Dihua St., Sanmin District,
Kaohsiung City, Taiwan
Tel: +886(7)371-2111

§Table of Contents§

Item	Page	Financial Statements Note No.
I. Cover Page	1	-
II. Table of Contents	2	-
III. Independent Auditor's Report	3~6	-
IV. Balance Sheet	7	-
V. Statement of Comprehensive Income	8~9	-
VI. Statement of Changes in Equity	10	-
VII. Cash Flow Statement	11~12	-
VIII. Notes to Financial Statements		
(1) Company History	13	1
(2) Date and Procedures of Approval of the Financial Statements	13	2
(III) Application of New Standards, Amendments, and Interpretations	13~14	3
(IV) Summarized Remarks on Significant Accounting Policies	14~24	4
(V) Significant Accounting Judgments, Estimates and Main Uncertainty Assumptions	24	5
(VI) Description of Significant Accounting Items	24~55	6~26
(VII) Related Party Transactions	55~60	27
(VIII) Pledged Assets	60	28
(IX) Significant Contingent Liabilities and Unrecognized Contractual Commitments	60	29
(X) Significant Disaster Loss	-	-
(XI) Major Subsequent Events	-	-
(XII) Other Matters	-	-
(XIII) Information on Foreign Currency Financial Assets and Liabilities with a Significant Impact	61	30
(XIV) Supplementary Disclosures		
1. Information on Major Transactions	61, 63~67	31
2. Information on Investees	62, 68	31
3. Information on Investments in China	62, 69	31
4. Information on Major Shareholders	62, 70	31
IX. Details of Significant Accounting Items	71~89	-

Independent Auditor's Report

To San Fang Chemical Industry Co., Ltd.:

Audit Opinion

We have audited the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes to financial statements (including a summary of major accounting policies) of San Fang Chemical Industry Co., Ltd. (hereinafter referred to as the "Company") for the years ended December 31, 2022 and 2021.

In our opinion, the standalone financial statements above were prepared, in all material aspects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and therefore are sufficient to present the financial position of the Company as at December 31, 2022 and 2021, as well as its financial performance and cash flow for the years ended December 31, 2022 and 2021.

Basis of Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. We will further explain our responsibilities under the regulations in the section on the independent auditor's responsibilities relating to standalone financial statements. Personnel of our firm who are required to maintain independence according to the Code of Professional Ethics have maintained independence from the Company, and also fulfill other responsibilities set forth by the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are the most important matters in the 2022 standalone financial statements of the Company determined based on our professional judgment. We have already responded to the matters in the process of auditing the standalone financial statements and forming an audit opinion, and will not express opinions on individual matters.

Key audit matters in the 2022 standalone financial statements of the Company are as follows:

Authenticity of sales revenue

The main source of revenue of San Fang Chemical Industry Co., Ltd. is the sales of artificial leather products and the sales revenue from specific customers had increased significantly compared with the previous year. Therefore, according to the provisions of the Statement of Auditing Standards on presetting revenue as a significant risk, the authenticity of sales revenue from such specific customers was thus listed as a key audit matter.

We have carried out the following audit procedures in response to the specific aspect described in Key Audit Matters above, including:

- I. Understanding and testing internal controls related to the authenticity of revenue recognition, including whether or not purchase order and delivery related internal controls are effective, and if sales revenue is recognized accordingly.
- II. Obtain detailed information on sales revenue of a specific customer, select appropriate samples, check shipping documents or attached customs clearance documents, etc., and check whether the amount and object of payment are consistent with the object of sales to confirm that the revenue has actually occurred.

Management and the Governance Department's Responsibility for the Standalone Financial Statements

The responsibility of management is to prepare fairly presented standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to maintain necessary internal controls related to the preparation of standalone financial statements, in order to ensure that the standalone financial statements are free of material misstatements, whether due to fraud or error.

When preparing the standalone financial statements, it is also the responsibility of management to evaluate the Company's ability to continue as a going concern, disclosures, and going concern basis of accounting, unless management intends to liquidate or permanently shut down the Company, or there are no feasible options other than liquidation or termination.

The governance department (including Audit Committee) of the Company is responsible for supervising the financial reporting process.

The Independent Auditor's Responsibility when Auditing the Standalone Financial Statements

The purpose for auditing the standalone financial statements is to obtain reasonable assurance about whether the standalone financial statements are free of material misstatement, whether due to fraud or error, and to issue an audit report. Reasonable assurance means high level of assurance. However, audits conducted according to auditing standards do not guarantee the detection of material misstatements in the standalone financial statements. Material misstatements may be due to fraud or error. A misstatement is deemed material if the individual amount or total amount can be reasonably expected to affect the economic decision made by users of the standalone financial statements.

We utilized our professional judgment and professional skepticism during the audit according to auditing standards. We also performed the following work:

- I. Identified and evaluated material misstatements in the standalone financial statements, whether due to fraud or error. Designed and implemented appropriate countermeasures for the risks that we evaluated. Obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion. Since fraud may involve conspiracy, falsification, intentional omission, false statements, or overriding internal controls, the risk of failing to detect material misstatements due to fraud is higher than the risk of failing to detect material misstatements due to error.
- II. Designed appropriate audit procedures to gain necessary understanding of internal controls for the audit. However, the purpose is not to express any opinions on the effectiveness of the Company's internal controls.
- III. Evaluated the appropriateness of management policies adopted by management, as well as the reasonableness of accounting estimates and related disclosures.
- IV. Based on the audit evidence we obtained, we reached a conclusion on the appropriateness of management's going concern basis of accounting, and whether or not there are material uncertainties that will lead to events or situations that are cause for serious concern about the Company's ability to continue as a going concern. If we believe there are material uncertainties about such events or situations, we are required to provide a reminder in the audit report for users of the standalone financial statements to pay attention to related disclosures, or modify our audit opinion when the disclosures are inappropriate. Our conclusion is based on the audit evidence we obtained as of the audit report date. However, future events or situations may cause the Company to no longer be able to continue as a going concern.
- V. Evaluated the overall presentation, structure, and contents of the standalone financial statements (including related notes), and whether or not the standalone financial statements fairly present related transactions and events.
- VI. Obtained sufficient and appropriate audit evidence of financial information on the Company, and expressed our opinion on the standalone financial statements. We are responsible for guidance, supervision, and implementation of the audit, and for forming an audit opinion on the Company.

Matters we communicated with the governance department include the scope and time of the audit, as well as major findings in the audit (including significant deficiencies in internal control identified in the audit process).

We also provided the governance department with a statement that personnel of our firm who are required to maintain independence according to the Code of Professional Ethics have maintained independence, and communicated all relationships and other matters (including related preventive measures) that may affect the independence of auditors with the governance department.

Among the matters we communicated with the governance department, we decided on key audit matters in the 2022 standalone consolidated financial statements of the Company. The matters are described in the audit report, unless they are specifically prohibited by law from being disclosed, or, under extremely rare circumstances, we decided not to disclose the matters in the audit report because the negative impact can reasonably be expected to be greater than the public benefit it will provide.

Deloitte Taiwan
CPA Chiu-Yen Wu

CPA Chia-Ling Chiang

Securities and Futures Commission
Approval No.
Tai-Cai-Zheng(6)-Zi No. 0920123784

Securities and Futures Commission Approval
No.
Tai-Cai-Zheng(6)-Zi No. 0920123784

March 9, 2023

San Fang Chemical Industry Co., Ltd.

Balance Sheet

December 31, 2022 and 2021

Unit: Thousand NTD

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 1,560,873	10	\$ 755,743	5
1110	Current financial assets at fair value through profit or loss (Note 4 and 7)	94,324	1	102,669	1
1150	Net notes receivable (Note 4 and 9)	14,387	-	11,009	-
1170	Net accounts receivable (Note 4 and 9)	704,915	5	588,967	4
1180	Net accounts receivable – related parties (Note 4, 9 and 27)	313,954	2	424,350	3
1200	Net other receivables (Note 4)	14,617	-	16,114	-
1210	Other receivables - related parties (Note 27)	223,527	1	206,101	2
130X	Inventories(Note 4, 5 and 10)	1,320,929	9	1,575,354	11
1410	Advance payments	84,600	1	128,359	1
1479	Other current assets	9,051	-	6,020	-
11XX	Total current assets	<u>4,341,177</u>	<u>29</u>	<u>3,814,686</u>	<u>27</u>
	Non-current assets				
1517	Non-current financial assets at fair value through other comprehensive income (Note 4 and 8)	57,215	-	57,013	-
1550	Investments recognized under the equity method (Note 4 and 12)	6,701,060	45	6,233,271	44
1600	Property, plant and equipment (Note 4, 13 and 28)	3,035,110	20	3,361,825	23
1755	Right-of-use assets (Note 4 and 14)	6,650	-	9,417	-
1760	Investment properties (Note 4, 15 and 28)	110,056	1	110,923	1
1801	Computer software – net (Note 4)	17,301	-	27,118	-
1840	Deferred income tax assets (Note 4 and 23)	81,172	1	94,360	1
1915	Advance payments for equipment	10,873	-	10,464	-
1920	Refundable deposits	12,782	-	12,782	-
1980	Other financial assets – noncurrent (Note 4 and 11)	595,350	4	536,610	4
15XX	Total non-current assets	<u>10,627,569</u>	<u>71</u>	<u>10,453,783</u>	<u>73</u>
1XXX	Total assets	<u>\$ 14,968,746</u>	<u>100</u>	<u>\$ 14,268,469</u>	<u>100</u>
	Liabilities and equity interests				
	Current liabilities				
2100	Short-term borrowing (Note 16 and 28)	\$ 1,530,000	10	\$ 1,370,000	10
2110	Short-term notes and bills payable (Note 16)	-	-	49,914	-
2130	Current contract liabilities (Note 4 and 21)	2,558	-	2,215	-
2170	Accounts payable (Note 17)	459,103	3	496,345	4
2180	Accounts payable - related parties (Note 17 and 27)	28,138	-	16,153	-
2219	Other payables (Note 18)	327,605	2	275,818	2
2220	Other payables - related parties (Note 18 and 27)	88,144	1	64,061	-
2230	Current income tax liabilities (Note 23)	106,765	1	90,411	1
2280	Current lease liabilities (Note 4 and 14)	3,838	-	4,818	-
2320	Current portion of long-term liabilities(Note 16 and 28)	915,000	6	725,000	5
2399	Other current liabilities	19,956	-	22,824	-
21XX	Total current liabilities	<u>3,481,107</u>	<u>23</u>	<u>3,117,559</u>	<u>22</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 16 and 28)	1,900,000	13	2,365,000	16
2570	Deferred income tax liabilities (Note 4, 5 and 23)	1,024,106	7	1,025,101	7
2580	Non-current lease liabilities (Note 4 and 14)	2,829	-	4,641	-
2640	Net defined benefit liability(Note 4 and 19)	74,388	-	96,596	1
2645	Guarantee deposits received	4,018	-	8,512	-
25XX	Total non-current liabilities	<u>3,005,341</u>	<u>20</u>	<u>3,499,850</u>	<u>24</u>
2XXX	Total liabilities	<u>6,486,448</u>	<u>43</u>	<u>6,617,409</u>	<u>46</u>
	Equity (Note 20)				
3110	Capital stock – common	3,978,181	27	3,978,181	28
3200	Capital surplus	145,330	1	142,438	1
	Retained earnings				
3310	Legal reserve	1,488,728	10	1,477,569	10
3320	Special reserve	648,571	4	513,828	4
3350	Undistributed earnings	2,320,928	16	2,187,615	15
3300	Total retained earnings	4,458,227	30	4,179,012	29
3400	Other equity interest	(99,440)	(1)	(648,571)	(4)
3XXX	Total equity	<u>8,482,298</u>	<u>57</u>	<u>7,651,060</u>	<u>54</u>
	Total liabilities and equity interests	<u>\$ 14,968,746</u>	<u>100</u>	<u>\$ 14,268,469</u>	<u>100</u>

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.
Statement of Comprehensive Income
Years ended December 31, 2022 and 2021

Unit: Thousand NTD, EPS in NTD

Code			2022		2021	
			Amount	%	Amount	%
4000	Net operating revenues	(Note 4, 21 and 27)	\$ 8,941,654	100	\$ 7,248,812	100
5000	Operating costs	(Note 10, 22 and 27)	<u>7,669,714</u>	<u>86</u>	<u>6,159,080</u>	<u>85</u>
5900	Operating margin		1,271,940	14	1,089,732	15
5910	Unrealized gains from subsidiaries		(<u>49,165</u>)	-	(<u>63,811</u>)	(<u>1</u>)
5950	Realized operating margin		<u>1,222,775</u>	<u>14</u>	<u>1,025,921</u>	<u>14</u>
	Operating expenses	(Note 9 and 22)				
6100	Selling expenses		296,265	3	233,486	3
6200	Administrative expenses		320,523	4	258,877	4
6300	Research and development expenses		227,555	3	221,952	3
6450	Expected credit impairment loss (reversals of impairment losses)		<u>1,836</u>	-	(<u>1,011</u>)	-
6000	Total operating expenses		<u>846,179</u>	<u>10</u>	<u>713,304</u>	<u>10</u>
6900	Operating net profit		<u>376,596</u>	<u>4</u>	<u>312,617</u>	<u>4</u>
	Non-operating income and expenses	(Note 22 and 27)				
7100	Interest income		10,357	-	907	-
7010	Other income		83,565	1	86,460	1
7020	Other profits and losses		183,405	2	(111,575)	(1)
7050	Financial costs		(55,692)	(1)	(47,247)	(1)
7070	Share of profits (losses) of subsidiaries accounted for using equity method		(<u>23,003</u>)	-	(<u>91,149</u>)	(<u>1</u>)
7000	Total non-operating income and expenses		<u>198,632</u>	<u>2</u>	(<u>162,604</u>)	(<u>2</u>)
7900	Pre-tax profit		575,228	6	150,013	2

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Code		2022		2021	
		Amount	%	Amount	%
7950	Income tax expense (Note 4 and 23)	\$ 105,114	1	\$ 34,080	-
8200	Net profit for the year	470,114	5	115,933	2
	Other comprehensive income				
	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of the net defined benefit (Note 19)	6,215	-	(4,501)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	202	-	12,802	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method	3,869	-	3,946	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	(1,243)	-	900	-
8310		9,043	-	13,147	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8380	Share of other comprehensive income of subsidiaries accounted for using equity method (Note 20)	548,098	6	(152,237)	(2)
8300	Other consolidated income (net income after tax)	557,141	6	(139,090)	(2)
8500	Total comprehensive income	\$ 1,027,255	11	(\$ 23,157)	-
	EPS (Note 24)				
9710	Basic	\$ 1.18		\$ 0.29	
9810	Diluted	\$ 1.18		\$ 0.29	

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.
Statement of Changes in Equity
Years ended December 31, 2022 and 2021

Unit: Thousand NTD

Code		Capital stock – common	Capital surplus	Retained earnings			Other equity interests		Subtotal	Total equity
				Legal reserve	Special reserve	Undistributed earnings	Exchange differences arising from the translation of the financial statements of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
A1	Balance as at January 1, 2021	<u>\$3,978,181</u>	<u>\$ 142,438</u>	<u>\$1,454,758</u>	<u>\$ 504,790</u>	<u>\$2,306,787</u>	<u>(\$ 524,649)</u>	<u>\$ 10,821</u>	<u>(\$ 513,828)</u>	<u>\$7,873,126</u>
	Appropriation and distribution of 2020 earnings (Note 20)									
B1	Legal reserve	-	-	22,811	-	(22,811)	-	-	-	-
B3	Allocation to special reserve	-	-	-	9,038	(9,038)	-	-	-	-
B5	Cash dividends	-	-	-	-	(198,909)	-	-	-	(198,909)
		-	-	<u>22,811</u>	<u>9,038</u>	<u>(230,758)</u>	-	-	-	<u>(198,909)</u>
D1	Net profit - 2021	-	-	-	-	115,933	-	-	-	115,933
D3	Other comprehensive income after tax - 2021	-	-	-	-	(4,347)	(152,237)	17,494	(134,743)	(139,090)
D5	Total comprehensive income - 2021	-	-	-	-	<u>111,586</u>	<u>(152,237)</u>	<u>17,494</u>	<u>(134,743)</u>	<u>(23,157)</u>
Z1	Balance as at December 31, 2021	<u>3,978,181</u>	<u>142,438</u>	<u>1,477,569</u>	<u>513,828</u>	<u>2,187,615</u>	<u>(676,886)</u>	<u>28,315</u>	<u>(648,571)</u>	<u>7,651,060</u>
	Appropriation and distribution of 2021 earnings (Note 20)									
B1	Legal reserve	-	-	11,159	-	(11,159)	-	-	-	-
B3	Allocation to special reserve	-	-	-	134,743	(134,743)	-	-	-	-
B5	Cash dividends	-	-	-	-	(198,909)	-	-	-	(198,909)
		-	-	<u>11,159</u>	<u>134,743</u>	<u>(344,811)</u>	-	-	-	<u>(198,909)</u>
C17	Dividends not collected by shareholders before the deadline	-	<u>2,892</u>	-	-	-	-	-	-	<u>2,892</u>
D1	Net profit - 2022	-	-	-	-	470,114	-	-	-	470,114
D3	Other comprehensive income after tax - 2022	-	-	-	-	8,010	548,098	1,033	549,131	557,141
D5	Total comprehensive income - 2022	-	-	-	-	<u>478,124</u>	<u>548,098</u>	<u>1,033</u>	<u>549,131</u>	<u>1,027,255</u>
Z1	Balance as at December 31, 2022	<u>\$3,978,181</u>	<u>\$ 145,330</u>	<u>\$1,488,728</u>	<u>\$ 648,571</u>	<u>\$2,320,928</u>	<u>(\$ 128,788)</u>	<u>\$ 29,348</u>	<u>(\$ 99,440)</u>	<u>\$8,482,298</u>

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.
Cash Flow Statement
Years ended December 31, 2022 and 2021

		Unit: Thousand NTD	
Code		2022	2021
	Cash flow from operating activities		
A10000	Net profit before tax	\$ 575,228	\$ 150,013
A20010	Revenues and expenses		
A20100	Depreciation expense	367,427	397,020
A20200	Amortization expense	9,817	9,993
A20300	Expected credit impairment loss (reversals of impairment losses)	1,836	(1,011)
A20400	Net losses on financial liabilities at fair value through profit or loss	8,345	3,123
A20900	Financial costs	55,692	47,247
A21200	Interest income	(10,357)	(907)
A21300	Dividend income	(2,300)	(4,010)
A22400	Share of profits (losses) of subsidiaries accounted for using equity method	23,003	91,149
A22500	Net losses on disposal of property, plant and equipment	84,840	2,232
A23700	Loss on inventory devaluation (gain on recovery)	(104,781)	19,884
A24100	Unrealized gains from subsidiaries	49,165	63,811
A29900	Loss (profit) on physical inventory	(595)	10,185
A29900	Loss by fire	-	70,217
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets for which the fair value is required to be measured through profit or loss	-	(102,735)
A31130	Notes receivable	(3,378)	9,836
A31150	Accounts receivable	(116,826)	(35,456)
A31160	Accounts receivable – related parties	110,396	(103,061)
A31180	Other receivables	1,451	(5,196)
A31190	Other receivables - related parties	82,574	(74,517)
A31200	Inventories	359,801	(449,323)
A31230	Advance payments	43,759	43,891
A31240	Other current assets	(3,031)	1,147
A32110	Financial liabilities held for trading	-	(7,900)
A32125	Contract liabilities	343	(15,199)
A32150	Accounts payable	(37,242)	(58,592)
A32160	Accounts payable - related parties	11,985	502
A32180	Other payables	55,762	(46,518)
A32190	Other payables - related parties	24,083	64,061

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Code		2022	2021
A32230	Other current liabilities	(\$ 2,868)	(\$ 18,603)
A32240	Net defined benefit liability	(15,993)	(70)
A33000	Cash generated from operating activities	1,568,136	61,213
A33100	Interest received	9,445	907
A33200	Dividend received	14,310	859,110
A33300	Interest paid	(55,620)	(47,778)
A33500	Income tax paid	(77,810)	(97,011)
AAAA	Net cash inflow from operating activities	<u>1,458,461</u>	<u>776,441</u>
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(124,208)	(149,499)
B04300	Other receivables - increase of related parties	(100,000)	-
B02800	Proceeds from disposal of property, plant and equipment	285	9,672
B04500	Acquisition of intangible assets	-	(9,670)
B06500	Increase of other financial assets	(58,740)	(536,610)
BBBB	Net cash outflow from investing activities	<u>(282,663)</u>	<u>(686,107)</u>
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	5,830,000	5,463,400
C00200	Decrease in short-term borrowings	(5,670,000)	(5,533,400)
C00600	Decrease in short-term notes and bills payable	(50,000)	-
C01600	Increase in long-term borrowing	660,000	350,000
C01700	Repayment of long-term borrowing	(935,000)	(380,000)
C03000	Increase in guarantee deposits	-	4,934
C03100	Decrease in guarantee deposits received	(4,494)	-
C04020	Repayments of lease liabilities	(5,157)	(5,849)
C04500	Distribution of cash dividends	(198,909)	(198,909)
C09900	Returned unclaimed dividends	<u>2,892</u>	<u>-</u>
CCCC	Net cash outflow from financing activities	<u>(370,668)</u>	<u>(299,824)</u>
EEEE	Increase (decrease) in cash and cash equivalents	805,130	(209,490)
E00100	Cash and cash equivalents at beginning of period	<u>755,743</u>	<u>965,233</u>
E00200	Cash and cash equivalents at end of period	<u>\$1,560,873</u>	<u>\$ 755,743</u>

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.
Notes to Financial Statements
Years ended December 31, 2022 and 2021
(All amounts are in thousand NTD, unless otherwise specified)

I. Company History

San Fang Chemical Industry Co., Ltd. (hereinafter referred to as the "Company") was established in June 1973, and main business items include the manufacturing and sales of artificial leather, synthetic resin, and other materials.

The Company was approved to be listed on the Taiwan Stock Exchange in November 1985.

The standalone financial statements are presented in the Company's functional currency NTD.

II. Date and Procedures of Approval of the Financial Statements

The standalone financial statements were approved by the Board of Directors on March 9, 2023.

III. Application of New Standards, Amendments, and Interpretations

- (1) Application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations (hereinafter collectively referred to as the "IFRSs") as endorsed and announced by the Financial Supervisory Commission (FSC) for the first time

The application of the IFRSs endorsed and announced by the FSC will not result in any major changes to the Company's accounting policy.

- (2) Application of the IFRSs as endorsed by the FSC in 2023

New, Revised or Amended Standards and Interpretations	Effective date of the International Accounting Standards Board (IASB)
Disclosure of Accounting Policies (Amendments to IAS 1)	January 1, 2023 (Note 1)
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023 (Note 2)
Amendments to IAS 12 "deferred tax related to assets and liabilities arising from a single transaction"	January 1, 2023 (Note 3)

Note 1: Application of the amendment in the annual reporting period starting after January 1, 2023.

Note 2: The amendment is applicable to changes in accounting estimates that occur after the beginning of the annual reporting period after January 1, 2023.

Note 3: The amendments shall apply to transactions occurring after January 1, 2022, except for the recognition of deferred income tax on temporary

differences in lease and decommissioning obligations on January 1, 2022.

As of the date the standalone financial statements were passed, the Company has determined that the abovementioned amendments to standards and interpretations will not have a material impact on its financial position and financial performance.

- (III) New standards, interpretations, and amendments were issued by IASB but not yet included in the IFRSs as endorsed and announced by the FSC

New, Revised or Amended Standards and Interpretations	Effective date of the IASB (Note 1)	
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Not determined	
Amendments to IFRS 16 "lease liability in a sale and leaseback"	January 1, 2024	(Note 2)
IFRS 17 Insurance Contracts	January 1, 2023	
Amendments to IFRS 17	January 1, 2023	
Amendments to IFRS 17 "initial application of IFRS 17 and IFRS 9 - comparative information"	January 1, 2023	
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024	
Amendments to IAS 1 "non-current liabilities with covenants"	January 1, 2024	

Note 1: Unless otherwise specified, the new, revised or amended standards and interpretations are effective at the beginning of the annual reporting period after the dates above.

Note 2: A seller-lessee applies the amendments of IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the standalone financial statements were passed, the Company had been continuing to evaluate the impact of the amendments to the abovementioned standards and interpretations on its financial position, financial performance, and the relevant impact will be disclosed when it is completed.

IV. Summarized Remarks on Significant Accounting Policies

- (1) Statement of compliance

The consolidated financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

- (2) Basis of preparation

Except for financial instruments measured at fair value and net defined benefit liability recognized at defined benefit liabilities less fair value of assets of the defined benefit plans, these standalone financial statements have been prepared based on historical cost.

Fair value measurement can be divided into levels 1 to 3 based on the observability and importance of input values:

1. Level 1 input values: Refers to quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
2. Level 2 input values: Refers to directly (i.e., prices) or indirectly (i.e., derived from prices) observable input values of assets or liabilities other than level 1 quoted prices.
3. Level 3 input values: Refers to unobservable input values of assets or liabilities.

The Company used the equity method for subsidiaries when preparing the standalone financial statements. For profit/loss, other comprehensive income, and equity in the current year in the standalone financial statements to match the profit/loss, other comprehensive income, and equity attributable to owners of the Company in the consolidated financial statements, "investments recognized under the equity method," "share of profits/losses of subsidiaries under the equity method," "share of other comprehensive income of subsidiaries under the equity method," and related equity items were adjusted for several accounting differences between the standalone and consolidated basis.

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

Current assets include:

1. Assets that are held mainly for trading purposes;
2. Assets that are expected to be realized within twelve months from the balance sheet date; and
3. Cash and cash equivalents (except those that are restricted as they will be swapped or used to repay liabilities more than 12 months after the balance sheet date)

Current liabilities include:

1. Liabilities that are held mainly for trading purposes;
2. Liabilities that are to be paid off within twelve months from the balance sheet date; and
3. Liabilities for which the repayment term cannot be extended unconditionally beyond 12 months after the balance sheet date.

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

(IV) Foreign currencies

When the Company was preparing the standalone financial statements, transactions denominated in currencies other than the functional currency (i.e., foreign currencies) are recorded after conversion into the functional currency using the exchange rate on the transaction date.

Foreign currency-denominated monetary items are converted using the closing rate on each balance sheet date. The currency translation difference resulting from settlement or conversion of monetary items is recognized as income or loss in the current period.

Foreign currency-denominated non-monetary items carried at fair value are converted at exchange rates on the date of fair value measurement.

Currency translation differences are also recognized in current profit or loss; for items that have fair value changes recognized in other comprehensive income, currency translation differences are recognized in other comprehensive income.

Foreign currency-denominated non-monetary items carried at historical costs are converted on the transaction date and are not re-converted.

When preparing the standalone financial statements, assets and liabilities of overseas operations (including country of operations and subsidiaries that use different currencies than the Company) are converted to NTD using the exchange rate on each balance sheet date. Revenues and expenses/losses are converted using average exchange rate of the current period, with currency translation differences recognized in other comprehensive income.

(V) Inventories

Inventory includes raw materials, raw materials, work in process, and finished goods. Inventories are measured at cost and net realizable value, whichever is lower. Unless the inventories are in the same category, the cost and net realizable value is compared for each individual item. Net realizable value is the estimated selling price under normal circumstances, less the estimated cost of completion and selling expenses. Inventories are usually calculated at standard cost, and then adjusted to its weighted average cost when settling accounts.

(VI) Investment subsidiary

The Company handles investments in subsidiaries using the equity method. A subsidiary refers to an entity in which the Company exercises control.

Under the equity method, investments are originally recognized at cost, and then its book value increases along with the Company's share of profits, losses and other comprehensive income of subsidiaries and profit distribution. Furthermore, changes to other equity interests of subsidiaries are recognized according to the Company's shareholding ratio.

Changes in the Company's ownership interest in a subsidiary that do not result in the loss of control over the subsidiary are equity transactions. The difference between the book value of investments and the fair value of the consideration paid or received is directly recognized in equity.

Unrealized gains from downstream transactions between the Company and subsidiaries are eliminated from the standalone financial statements. Gains/losses arising from upstream transactions between the Company and subsidiaries and transactions among subsidiaries were not within the scope of control exercised by the Company over subsidiaries, and were thus recognized in the standalone financial statements.

(VII) Property, plant and equipment

Property, plant and equipment are recognized at cost after accumulated depreciation.

Property, plant and equipment under construction are recognized at cost after accumulated impairment losses. Costs include professional service fees and borrowing costs that meet the conditions for capitalization. Such assets are measured at the cost or net realizable value until they reach the expected state

of use, whichever is lower, and their sales price and cost are recognized in profit or loss. When assets are completed and reach the expected state of use, they are classified to a suitable category under property, plant and equipment, and depreciation expenses are recognized.

Except for self-owned land, for which depreciation is not recognized, depreciation is separately recognized for each major part of property, plant and equipment on a straight line basis over its useful life. The Company reviews methods for estimating useful life in years, residual value, and depreciation, at a minimum, on the last day of each year, as well as the effect of prospective application of changes to accounting estimates.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and the book value is recognized as gains or losses.

(VIII) Investment properties

Investment properties are real estate properties held for rental income or capital gain, or both.

Self-owned investment property is initially measured at cost (including transaction cost), and is subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation of investment property is recognized on a straight-line basis.

When property under property, plant and equipment is no longer for self-use, its book value is transferred to investment property.

When derecognizing investment property, the difference between net disposal proceeds and the book value is recognized as gains or losses.

(IX) Intangible assets

1. Independently acquired

Independently acquired intangible assets (computer software) with a limited useful life is initially measured at cost, and subsequently measured at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis during their useful life. The Company reviews methods for estimating useful life in years, residual value, and amortization, at a minimum, on the last day of each year, as well as the effect of prospective application of changes to accounting estimates.

2. Internal production – R&D expenses

Research expenses are recognized as expenses when incurred.

3. Derecognition

When derecognizing intangible assets, the difference between net disposal proceeds and the book value is recognized as gains or losses in the current period.

(X) Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets

The Company evaluates if there are any signs of impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets on each balance sheet date. If any signs of impairment exist, then estimate the asset's recoverable amount. If the recoverable amount cannot be estimated on an individual basis, the Company will instead estimate

recoverable amounts for the entire cash-generating unit. Depreciation of corporate assets is allocated to the smallest identifiable cash-generating group with a reasonable and consistent basis.

Recoverable amounts are determined as the higher of "fair value less cost to sell" or the "utilization value." If the recoverable amount of an individual asset or cash-generating unit is expected to be lower than its book value, the Company will reduce the book value of the asset or cash-generating unit down to the recoverable amount and recognize impairment loss.

When impairment losses are reversed, the book value of the asset, cash-generating unit, or contract cost related asset is increased to the revised recoverable amount. However, the increased book value may not exceed the asset, cash-generating unit, or contract cost related asset's book value in the previous year before impairment loss was recognized (less depreciation and amortization). Reversal of impairment losses is listed in income.

(XI) Financial instruments

When the Company is a party to the contract, financial assets and financial liabilities are recognized in the standalone balance sheet.

If financial assets and financial liabilities being recognized for the first time are not measured at fair value through profit or loss, then they are measured at fair value plus transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities. Transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities are immediately recognized as profit or loss.

1. Financial assets

Regular transactions of financial assets are recognized and derecognized using transaction date accounting.

(1) Type of measurement

Financial assets held by the Company include financial assets at fair value through profit or loss, financial assets at amortized cost, and equity instruments measured at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets for which the fair value is required to be measured through profit or loss.

For "financial assets at fair value through profit or loss," any profit or loss from the remeasurement of fair value is listed in income.

B. Financial assets at amortized cost

Financial assets that the Company invests in are classified as financial assets at amortized cost if they meet both of the conditions below:

- a. Held under a certain business model that aims to collect cash flow from the financial asset; and

- b. The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After recognizing financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables, other financial assets, and refundable deposits), they are measured at book value determined using the effective interest rate method less any impairment losses. Any foreign exchange gains/losses are recognized in profit and loss. Interest income is calculated by multiplying the effective interest rate with the financial asset's total book value.

Cash equivalents include highly liquid time deposits and bonds issued under repurchase agreement that can be converted into a specific amount of cash with low risk of value change within 3 months after being acquired. Cash equivalents are used to meet short-term cash commitments.

Credit-impaired financial assets mean that the debtor has encountered major financial difficulties, defaulted, may very likely declare bankruptcy or other financial restructuring, or an active market for the financial asset has disappeared due to financial difficulties.

- C. Investments in equity instruments measured at fair value through other comprehensive income

The Company may make an irreversible decision during initial recognition to measure equity instruments, which are not held for trading and not recognized from mergers and acquisitions, at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, and subsequent changes to fair value are listed in other comprehensive income and accumulated in other equity. When disposing of investments, accumulated gains is directly transferred to retained earnings and not reclassified as income.

Dividends from equity instruments measured at fair value through other comprehensive income are recognized in income when the Company is determined to have the right to receive the dividends, unless the dividends clearly represent the recovery of partial investment costs.

- (2) Impairment of financial assets

The Company evaluates the impairment loss of financial assets at amortized cost (including accounts receivable) using ECL on each balance sheet date.

A loss provision is recognized for lifetime ECL for accounts receivables. For other financial assets, whether or not credit risk has significantly increased after the financial asset was recognized is first evaluated. If it has not significantly increased, then a loss

provision is recognized for 12-month ECL. If it has significantly increased, then a loss provision is recognized for lifetime ECL.

ECL is the weighted average credit loss using the risk of default as weights. 12-Month ECL is the ECL from potential default on the financial instrument within 12 months after the reporting date. Lifetime ECL is the ECL from potential default during the expected lifetime of the financial instrument.

For the purpose of internal credit risk management, the Company may deem a financial asset to be in default if there is internal or external information showing that the debtor is no longer able to repay debts without considering collateral.

The impairment loss on all financial assets is recognized by lowering the book value of the loss provision.

(3) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash inflow from the financial asset are terminated or when the Company transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

When derecognizing a financial asset at amortized cost, the difference between book value and consideration received is recognized in gains or losses. When derecognizing investments in equity instruments at fair value through other comprehensive income, accumulated gains is directly transferred to retained earnings and not reclassified as income.

2. Equity instruments

Equity instruments issued by the Company are recognized at the price amount obtained less the direct flotation costs.

3. Financial liabilities

(1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest rate method.

(2) Derecognition of financial liabilities

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

4. Derivatives

Contracts for derivatives signed by the Company include contracts for the purchase of foreign exchange options and FX swaps, and are used to manage the Company's foreign exchange risk.

When a contract is signed for derivatives, the derivatives are initially recognized at fair value, and then remeasured at fair value on the balance sheet date. Any gains or losses from the remeasurement are directly listed in income or loss. For derivatives that are designated as effective hedging tools, however, the time point for recognizing income

or loss will be determined based on the nature of the hedging relationship. Derivatives are listed as financial assets when their fair value is positive; Derivatives are listed as financial liabilities when their fair value is negative.

(XII) Revenue recognition

After the Company identifies its contractual obligations with each customer, it allocates the transaction price to each contractual obligation, and then recognizes revenue when each contractual obligation is fulfilled.

1. Income from sale of merchandise

Income from sale of merchandise comes from the sale of synthetic leather. According to the contract, when synthetic leather is delivered to customers, customers have the right to set prices and use the products, and bear the responsibility of sales and risk of products becoming obsolete. The Company recognizes accounts receivable upon delivery. Unearned revenues from sale of goods is recognized as contract liabilities.

2. Service revenue

Service revenues from leather processing for customers are recognized when the provision of services.

(XIII) Lease

On the date a contract is formed, the Company evaluates if the contract is (or includes) a lease.

1. Where the Company is the lessor

A lease arrangement is classified as a finance lease if the terms involve a transfer of virtually all risks and returns associated with ownership to the lessee. All other lease arrangements are classified as operating lease.

When the Company is sub-leasing right-of-use assets, the sub-lease category is determined based on the right-of-use asset (and not the underlying asset). However, if the primary lease is a short-term lease that the Company is exempted from recognition, then the sub-lease is classified as an operating lease.

Under an operating lease arrangement, the proceeds received are recognized as income on a straight-line basis over the lease tenor.

2. Where the Company is the lessee

Except for low value asset leases and short-term leases, for which lease payments are recognized as expenses on a straight-line basis over the lease tenor, other leases are all recognized as right-of-use assets and lease liabilities from the start date of the lease.

Right-of-use assets are initially measured at cost, and are subsequently measured at cost less accumulated depreciation and accumulated impairment loss, with adjustments made to the remeasurement of lease liabilities. Right-of-use assets are independently presented in the standalone balance sheet.

Depreciation of right-of-use assets is recognized on a straight-line basis from the start date of the lease until the expiry of its useful life or lease tenor, whichever is earlier.

Lease liabilities are initially measured at the present value of lease payments. If the interest rate implicit in a lease is easy to determine, then lease payments will be discounted using the interest rate. If the interest rate is not easy to determine, then the lessee's incremental borrowing rate of interest is used.

In subsequent periods, lease liabilities is measured at amortized cost using the effective interest rate method, and interest expense is recognized over the lease term. Lease liabilities are independently presented in the standalone balance sheet.

(XIV) Borrowing costs

Borrowing costs that can be directly attributed to the acquisition, construction, or production of qualified assets shall be recognized as a part of asset costs, until almost all necessary activities for the asset to reach its expected state of use or sale.

If a specific loan is used for a temporary investment and obtains investment gains before a qualified capital expenditure occurs, the gains shall be deducted from borrowing costs that qualify for capitalization.

All other borrowing costs are recognized as losses in the period they occur.

(XV) Government subsidies

Government grants shall not be recognized until there is reasonable assurance that the Company will comply with the attached conditions and that the grants will be received.

If income-related government subsidies are provided in the period that the costs they intend to cover are recognized by the Company as expenses, they are systematically recognized by reducing the costs or recognized in other income.

If the government subsidies are compensation for expenses or losses that have already occurred, or aim to provide the Company with immediate financial support and do not have any related costs in the future, then they are recognized as income in the period they are received.

(XVI) Employee benefits

1. Short-term employee benefits

Short-term employee benefits-related liabilities are measured at the undiscounted amount of the benefits expected to be paid in exchange for employee services.

2. Post-employment benefit

For defined contribution plans, pension contributions made by the Company over the course of employment are listed as expenses; net defined benefit liability is the deficit of contributions to defined benefit plans.

The cost of defined benefits (including service cost, net interest, and number of remeasurement) for defined benefit plans is calculated using the projected unit credit method. Service costs (including service costs in

the current period) and net interest accrued on net defined benefit liabilities (assets) are recognized as employee benefit expenses when they occur. The number of remeasurement (including calculation of income and losses, changes in asset limit effects, return on assets of the plans less interest) is recognized in other comprehensive income when it occurs and listed in retained earnings, and is not reclassified to profit or loss.

(XVII) Income tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current income tax

The Company determines current income (loss) according to the regulations enacted by the R.O.C. and calculates the income tax payable (recoverable) on this basis.

Income tax on undistributed earnings is calculated in accordance with the Income Tax Act of the R.O.C. and recognized in the year the resolution is adopted by the shareholders' meeting.

An adjustment to the income tax payable in the previous year is listed as the current income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities on the standalone financial statements from the taxable income that was calculated.

Deferred income tax liabilities are generally recognized based on the taxable temporary difference, and deferred income tax assets are recognized when there is likely to be taxable income to offset the temporary difference.

Taxable temporary differences relating to subsidiaries are recognized as deferred income tax liabilities, except in cases where the Company is able to control the timing of which temporary differences are reversed, and that such temporary differences are highly unlikely to reverse in the foreseeable future. Deductible temporary differences relating to these investments and equity are recognized as deferred income tax assets only to the extent that sufficient taxable income can be earned to offset the temporary differences, and that reversal is expected to occur in the foreseeable future.

The book value of deferred income tax assets is reexamined on each balance sheet date, and the book value is reduced if it is not very likely there will be sufficient taxable income to recover all or a part of the assets. Those that were not recognized as deferred income tax assets are also reexamined on each balance sheet date, and the book value is increased if it is very likely there will be sufficient taxable income to recover all or a part of the assets.

Deferred income tax assets and liabilities are measured using the tax rate in the period in which liabilities are expected to be paid off or assets are expected to be realized. The tax rate is based on the tax rate and tax law that has been enacted or substantially enacted on the balance sheet

date. The measurement of deferred income tax liabilities and assets reflects on the tax effects of the ways the Company expects to recover or pay off the book value of its assets or liabilities on the balance sheet date.

3. Current and deferred income tax

Current and deferred income tax are recognized in profit or loss, except for items that are bound to be recognized under other comprehensive income or directly as other equity items.

V. Significant Accounting Judgments, Estimates and Main Uncertainty Assumptions

When the Company adopts an accounting policy, management must make judgments, estimates, and assumptions based on historical experience and other factors for information that is difficult to obtain from other sources. Actual results may be different from estimates.

The Company took the recent development of COVID-19 pandemic and the possible impact on the economic environment into consideration of relevant major accounting estimates, and the management will continue to examine estimates and basic assumptions. If the adjustment to estimates only affects the current period, then the adjustment is recognized in the current period. If the adjustment to estimates affects the current period and future periods, then the adjustment is recognized in the current period and future periods.

(1) Inventory impairments

Net realizable value of inventory is the estimated selling price during normal business operations, less the estimated cost of completion and selling expenses. The estimates are made based on the current market situation and previous sales experience of similar products. Changes in the market situation may have a material impact on the estimates.

(2) Income tax

With regard to taxable temporary differences related to investments in subsidiaries that were not recognized as deferred income tax liabilities, the effect on income tax was both NT\$473,349,000 for the years ended December 31, 2022 and 2021. If the taxable temporary difference is reversed in the future, it may result in major income tax liabilities, which are recognized as income tax expenses during the period that reversal occurs.

VI. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and working capital	\$ 907	\$ 890
Bank check and demand deposits	1,304,184	741,877
Cash equivalents		
Time deposits within 3 months of its original maturity date	194,362	12,976
Bonds issued under repurchase agreement	61,420	-
	<u>\$ 1,560,873</u>	<u>\$ 755,743</u>

The market interest rate range for cash in banks and bonds issued under repurchase agreement on the balance sheet date is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash equivalents		
Time deposits within 3 months of its original maturity date (%)	2.2~4.8	0.06~2.45
Bonds issued under repurchase agreement	4.4~4.5	-
 VII. <u>Financial instruments at fair value through profit or loss - current</u>		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets for which the fair value is required to be measured through profit or loss		
Fund beneficiary certification	<u>\$ 94,324</u>	<u>\$102,669</u>
 VIII. <u>Non-current financial assets at fair value through other comprehensive income</u>		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Investments in equity instruments measured at fair value through other comprehensive income</u>		
Listed stock in Taiwan	\$ 52,662	\$ 52,356
Unlisted stock in Taiwan	<u>4,553</u>	<u>4,657</u>
	<u>\$ 57,215</u>	<u>\$ 57,013</u>
 IX. <u>Notes and accounts receivable</u>		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Arising from operation</u>		
Notes receivable – unrelated parties		
Measured at amortized cost		
Total book value	<u>\$ 14,387</u>	<u>\$ 11,009</u>
 <u>Arising from operation</u>		
Accounts receivable – unrelated parties		
Measured at amortized cost		
Total book value	\$709,691	\$592,865
Less: Loss provision	<u>4,776</u>	<u>3,898</u>
	<u>\$704,915</u>	<u>\$588,967</u>
Accounts receivable – related parties		
Measured at amortized cost		
Total book value	<u>\$313,954</u>	<u>\$424,350</u>

The Company's average credit period for sale of goods is open account 30~60 days. Designated personnel of the Company are responsible for deciding the credit limit, approval, and other monitoring procedures to mitigate credit risk and ensure that appropriate action has been taken to recover overdue receivables. Furthermore, the Company will verify the recoverable amount of receivables on the balance sheet date to ensure that unrecoverable receivables already properly listed as impairment losses. On this basis, management of the Company believes that its credit risk has significantly decreased.

The Company recognizes a loss provision for lifetime ECLs for accounts receivables. Lifetime expected credit losses are calculated using an provision matrix, which takes into consideration the customer's previous default record, current financial situation, industrial and economic trends, and industry outlook. Past experience of the Company relating to credit loss showed no significant difference in loss patterns between different customer groups. Hence, customers are not further divided into groups, and expected credit loss rate is only set by the number of days receivables are overdue.

The aging analysis of the Company's receivables based on the overdue date and the loss provision are as follows:

2022

	Not past due	1~90 days late	91~180 days late	181~360 days late	More than 361 days late	Total
Total book value	\$ 884,777	\$ 142,397	\$ 2,274	\$ 3,147	\$ 5,437	\$1,038,032
Loss provision (lifetime ECL)	-	(16)	(1)	(1,152)	(3,607)	(4,776)
Amortized cost	<u>\$ 884,777</u>	<u>\$ 142,381</u>	<u>\$ 2,273</u>	<u>\$ 1,995</u>	<u>\$ 1,830</u>	<u>\$1,033,256</u>

2021

	Not past due	1~90 days late	91~180 days late	181~360 days late	More than 361 days late	Total
Total book value	\$ 898,084	\$ 121,228	\$ 2,722	\$ 2,230	\$ 3,960	\$1,028,224
Loss provision (lifetime ECL)	(102)	(183)	(68)	(571)	(2,974)	(3,898)
Amortized cost	<u>\$ 897,982</u>	<u>\$ 121,045</u>	<u>\$ 2,654</u>	<u>\$ 1,659</u>	<u>\$ 986</u>	<u>\$1,024,326</u>

Information on changes to loss provision for receivables is as follows:

	2022			2021		
	Accounts receivable	Other receivables	Total	Accounts receivable	Other receivables	Total
Balance at beginning of period	\$ 3,898	\$ -	\$ 3,898	\$ 4,909	\$ -	\$ 4,909
Allocated (reversed) in the current period	878	958	1,836	(1,011)	-	(1,011)
Write-offs in this period	-	(958)	(958)	-	-	-
Closing balance	<u>\$ 4,776</u>	<u>\$ -</u>	<u>\$ 4,776</u>	<u>\$ 3,898</u>	<u>\$ -</u>	<u>\$ 3,898</u>

X. Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$ 687,875	\$ 815,447
Supplies	16,610	16,949
Work in process	454,306	542,219
Finished goods	153,722	198,693
Inventory in transit	8,416	2,046
	<u>\$1,320,929</u>	<u>\$1,575,354</u>

Losses on inventory devaluation for the years ended December 31, 2022 and 2021 were NT\$103,336,000 and NT\$208,117,000, respectively.

Inventory-related operating costs amounted to NT\$7,669,714,000 in 2022 and NT\$6,159,080,000 in 2021, including:

	<u>2022</u>	<u>2021</u>
Loss on inventory devaluation (gain on recovery)	(\$104,781)	\$ 19,884
Loss (profit) on physical inventory	(595)	10,185
Loss by fire (Note 22)	-	38,404
Income from sale of scraps	(7,765)	(20,710)
	<u>(\$113,141)</u>	<u>\$ 47,763</u>

The gain on recovery of inventory value was mainly due to the increase in net realizable value of inventory as a result of the increase in market price of inventory and the sales of inventory.

XI. Other financial assets – noncurrent

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Restricted bank deposits		
Time deposits	\$445,295	\$ -
Demand deposits	<u>150,055</u>	<u>536,610</u>
	<u>\$595,350</u>	<u>\$536,610</u>
Annual interest rate of time deposits (%)	4.35~4.9	-

Restricted bank deposits are deposited into a designated foreign currency deposits account by the Company in accordance with the "Management, Utilization, and Taxation of Repatriated Offshore Funds Act". The use of funds is restricted by such Act and investment plans shall be submitted to the Ministry of Economic Affairs.

XII. Investments recognized under the equity method

Investment subsidiary

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
		Shareholding ratio (%)		Shareholding ratio (%)
	Amount		Amount	
San Fang Development Co., Ltd.	\$ 1,515,492	100	\$ 1,575,959	100
Grand Capital Limited (GCL)	4,974,538	100	4,423,230	100
San Fang Financial Holdings Co., Ltd.	10,243	100	9,279	100
Forich Advanced Materials Co., Ltd.	103,975	100	106,432	100
Bestac Advanced Material Co., Ltd.	<u>96,812</u>	100	<u>118,371</u>	100
	<u>\$ 6,701,060</u>		<u>\$ 6,233,271</u>	

See Table 6 and Table 7 for a brief description of long-term investments. In addition, the subsidiary Forich Advanced Materials Co., Ltd. distributed NT\$12,010,000 of earnings in 2022.

Share of profits/losses and other comprehensive income of subsidiaries under the equity method were recognized based on the subsidiaries' 2022 and 2021 financial statements audited by an independent auditor.

XIII. Property, plant and equipment

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Self-use	\$ 2,941,932	\$ 3,262,421
Operating lease	<u>93,178</u>	<u>99,404</u>
	<u>\$ 3,035,110</u>	<u>\$ 3,361,825</u>

(1) Self-use

2022

Cost	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
Balance as at January 1, 2022	\$ 1,467,428	\$ 1,227,376	\$ 3,545,196	\$ 997,636	\$ 86,469	\$ 7,324,105
Addition	-	11,236	71,511	36,914	(18,005)	101,656
Disposal	-	(5,628)	(582,510)	(79,202)	(1,026)	(668,366)
Transferred to assets leased under an operating lease	-	(3,476)	(6,725)	(800)	-	(11,001)
Balance as at December 31, 2022	<u>\$ 1,467,428</u>	<u>\$ 1,229,508</u>	<u>\$ 3,027,472</u>	<u>\$ 954,548</u>	<u>\$ 67,438</u>	<u>\$ 6,746,394</u>
Accumulated depreciation						
Balance as at January 1, 2022	\$ -	\$ 803,318	\$ 2,640,611	\$ 617,755	\$ -	\$ 4,061,684
Disposal	-	(5,561)	(510,852)	(66,828)	-	(583,241)
Transferred to assets leased under an operating lease	-	(1,213)	(6,725)	(657)	-	(8,595)
Depreciation expense	-	42,388	216,904	75,322	-	334,614
Balance as at December 31, 2022	<u>\$ -</u>	<u>\$ 838,932</u>	<u>\$ 2,339,938</u>	<u>\$ 625,592</u>	<u>\$ -</u>	<u>\$ 3,804,462</u>
Net amount as at December 31, 2022	<u>\$ 1,467,428</u>	<u>\$ 390,576</u>	<u>\$ 687,534</u>	<u>\$ 328,956</u>	<u>\$ 67,438</u>	<u>\$ 2,941,932</u>

2021

	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
<u>Cost</u>						
Balance as at January 1, 2021	\$ 1,467,428	\$ 1,310,923	\$ 3,983,610	\$ 1,094,825	\$ 61,281	\$ 7,918,067
Addition	-	16,040	58,167	34,360	25,188	133,755
Disposal	-	(26,011)	(121,461)	(62,329)	-	(209,801)
Transferred to assets leased under an operating lease	-	(73,576)	(375,120)	(69,220)	-	(517,916)
Balance as at December 31, 2021	<u>\$ 1,467,428</u>	<u>\$ 1,227,376</u>	<u>\$ 3,545,196</u>	<u>\$ 997,636</u>	<u>\$ 86,469</u>	<u>\$ 7,324,105</u>
<u>Accumulated depreciation</u>						
Balance as at January 1, 2021	\$ -	\$ 842,415	\$ 2,899,054	\$ 646,544	\$ -	\$ 4,388,013
Disposal	-	(14,307)	(117,409)	(43,991)	-	(175,707)
Transferred to assets leased under an operating lease	-	(69,565)	(370,534)	(66,283)	-	(506,382)
Depreciation expense	-	44,775	229,500	81,485	-	355,760
Balance as at December 31, 2021	<u>\$ -</u>	<u>\$ 803,318</u>	<u>\$ 2,640,611</u>	<u>\$ 617,755</u>	<u>\$ -</u>	<u>\$ 4,061,684</u>
Net amount as at December 31, 2021	<u>\$ 1,467,428</u>	<u>\$ 424,058</u>	<u>\$ 904,585</u>	<u>\$ 379,881</u>	<u>\$ 86,469</u>	<u>\$ 3,262,421</u>

Depreciation of the Company's property, plant and equipment is recognized on a straight-line basis according to the following useful life in years:

Buildings and structures

Factory and office building	30-50 years
Construction system and enclosure wall	15-28 years
Other	7-10 years

Machinery and equipment

Embossing machine, grinding machine, and thermal oil boiler	20-30 years
Non-woven fabric machine and its auxiliary facilities	8-19 years
Other	3-9 years

Other facilities

Pond and gardening	30-34 years
Pipelines	20-28 years
Other	1-15 years

The Kaohsiung plant of the Company suffered a fire accident in August 2021, causing damage to part of the plant and equipment. Please refer to Note 22 for explanation.

Please refer to Note 28 for property, plant and equipment pledged by the Company as collateral for loans.

(2) Operating lease

2022

	Buildings and structures	Machinery and equipment	Other facilities	Total
Cost				
Balance as at January 1, 2022	\$ 201,849	\$ 831,531	\$ 178,096	\$1,211,476
From self-use assets	3,476	6,725	800	11,001
Addition	18,182	-	-	18,182
Disposal	(290)	(33,919)	-	(34,209)
Balance as at December 31, 2022	<u>\$ 223,217</u>	<u>\$ 804,337</u>	<u>\$ 178,896</u>	<u>\$1,206,450</u>
Accumulated depreciation				
Balance as at January 1, 2022	\$ 171,638	\$ 790,206	\$ 150,228	\$1,112,072
Disposal	(290)	(33,919)	-	(34,209)
From self-use assets	1,213	6,725	657	8,595
Depreciation expense	<u>4,980</u>	<u>15,735</u>	<u>6,099</u>	<u>26,814</u>
Balance as at December 31, 2022	<u>\$ 177,541</u>	<u>\$ 778,747</u>	<u>\$ 156,984</u>	<u>\$1,113,272</u>
Net amount as at December 31, 2022	<u>\$ 45,676</u>	<u>\$ 25,590</u>	<u>\$ 21,912</u>	<u>\$ 93,178</u>

2021

	Buildings and structures	Machinery and equipment	Other facilities	Total
Cost				
Balance as at January 1, 2021	\$ 128,273	\$ 456,411	\$ 105,321	\$ 690,005
From self-use assets	73,576	375,120	69,220	517,916
Addition	-	-	<u>3,555</u>	<u>3,555</u>
Balance as at December 31, 2021	<u>\$ 201,849</u>	<u>\$ 831,531</u>	<u>\$ 178,096</u>	<u>\$1,211,476</u>
Accumulated depreciation				
Balance as at January 1, 2021	\$ 97,141	\$ 396,800	\$ 77,238	\$ 571,179
From self-use assets	69,565	370,534	66,283	506,382
Depreciation expense	<u>4,932</u>	<u>22,872</u>	<u>6,707</u>	<u>34,511</u>
Balance as at December 31, 2021	<u>\$ 171,638</u>	<u>\$ 790,206</u>	<u>\$ 150,228</u>	<u>\$1,112,072</u>
Net amount as at December 31, 2021	<u>\$ 30,211</u>	<u>\$ 41,325</u>	<u>\$ 27,868</u>	<u>\$ 99,404</u>

The Company leased buildings, machinery and equipment, other equipment, and right-of-use assets - transportation equipment to related parties under operating leases (Note 27) with a lease term to December 2023. The tenant does not have preemptive rights over the asset when the lease term expires. The sum of lease payments for operating leases in the coming year is NT\$26,046,000.

Depreciation expenses is calculated on a straight-line basis over the useful years below:

Buildings and structures	
Plant	7-35 years
Machinery and equipment	6-21 years
Other facilities	1-28 years

Please refer to Note 28 for property, plant and equipment pledged by the Company as collateral for loans.

The increase in property, plant and equipment and adjustments to payment amounts on the cash flow statement are as follows:

	<u>2022</u>	<u>2021</u>
Investing activities that affect both cash and non-cash items		
Increase in property, plant and equipment	\$119,838	\$137,310
Decrease in payables on equipment	4,620	12,774
Increase in advance payments for equipment	409	-
Capitalization of interest	(<u>659</u>)	(<u>585</u>)
Payments in cash for the acquisition of property, plant and equipment	<u>\$124,208</u>	<u>\$149,499</u>

XIV. Lease agreement

(1) Right-of-use assets

2022

	Buildings and structures	Transportation equipment	Total
<u>Cost</u>			
Balance as at January 1, 2022	\$ 6,497	\$ 11,541	\$ 18,038
Addition	-	2,365	2,365
Disposal	-	(5,782)	(5,782)
Balance as at December 31, 2022	<u>\$ 6,497</u>	<u>\$ 8,124</u>	<u>\$ 14,621</u>
<u>Accumulated depreciation</u>			
Balance as at January 1, 2022	\$ 3,068	\$ 5,553	\$ 8,621
Disposal	-	(5,782)	(5,782)
Depreciation expense	<u>1,083</u>	<u>4,049</u>	<u>5,132</u>
Balance as at December 31, 2022	<u>\$ 4,151</u>	<u>\$ 3,820</u>	<u>\$ 7,971</u>
Net amount as at December 31, 2022	<u>\$ 2,346</u>	<u>\$ 4,304</u>	<u>\$ 6,650</u>

2021

	Buildings and structures	Transportation equipment	Total
<u>Cost</u>			
Balance as at January 1, 2021	\$ 6,497	\$ 13,205	\$ 19,702
Addition	-	5,367	5,367
Disposal	-	(7,031)	(7,031)
Balance as at December 31, 2021	<u>\$ 6,497</u>	<u>\$ 11,541</u>	<u>\$ 18,038</u>
<u>Accumulated depreciation</u>			
Balance as at January 1, 2021	\$ 1,985	\$ 7,785	\$ 9,770
Disposal	-	(7,031)	(7,031)
Depreciation expense	<u>1,083</u>	<u>4,799</u>	<u>5,882</u>
Balance as at December 31, 2021	<u>\$ 3,068</u>	<u>\$ 5,553</u>	<u>\$ 8,621</u>
Net amount as at December 31, 2021	<u>\$ 3,429</u>	<u>\$ 5,988</u>	<u>\$ 9,417</u>

(2) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Book value of lease liabilities		
Current	<u>\$ 3,838</u>	<u>\$ 4,818</u>
Noncurrent	<u>\$ 2,829</u>	<u>\$ 4,641</u>

The discount rate of lease liabilities is 1.2%.

(III) Sub-lease: See Note 13 for details.

(IV) Other lease information

	<u>2022</u>	<u>2021</u>
Short term lease expenses	<u>\$ 1,221</u>	<u>\$ 1,314</u>
Lease expenses of low value assets	<u>\$ 550</u>	<u>\$ 565</u>
Total cash outflow from leases	<u>\$ 7,019</u>	<u>\$ 7,836</u>

The Company chooses not to recognize right-of-use assets and lease liabilities from short-term leases and low value asset leases that the Company is exempted from recognizing.

XV. Investment properties

2022

	<u>Completed investment properties</u>
<u>Cost</u>	
Balance as at January 1 and December 31, 2022	<u>\$140,473</u>
<u>Accumulated depreciation</u>	
Balance as at January 1, 2022	\$ 29,550
Depreciation expense	<u>867</u>
Balance as at December 31, 2022	<u>\$ 30,417</u>
Net amount as at December 31, 2022	<u>\$110,056</u>

2021

	<u>Completed investment properties</u>
<u>Cost</u>	
Balance as at January 1 and December 31, 2021	<u>\$140,473</u>
<u>Accumulated depreciation</u>	
Balance as at January 1, 2021	\$ 28,683
Depreciation expense	<u>867</u>
Balance as at December 31, 2021	<u>\$ 29,550</u>
Net amount as at December 31, 2021	<u>\$110,923</u>

The lease term of investment property is 10 years. The tenant does not have right of first refusal over the investment property when the lease term expires.

The Company's investment properties consists of land, buildings, and structures in Songshan District, Taipei City. They are the Company's own equity, and depreciation of buildings and structures is recognized on a straight-line basis over a useful life of 60 years. Please refer to Note 28 for investment property provided as collateral for loans.

The sum of future lease payments for operating leases of investment property is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Year 1	\$ 9,351	\$ 9,351
Year 2	9,493	9,351
Year 3	9,634	9,493
Year 4	9,634	9,634
Year 5	9,634	9,634
Over 5 years	<u>15,029</u>	<u>24,663</u>
	<u>\$ 62,775</u>	<u>\$ 72,126</u>

The Company implements a general risk management policy to reduce the residual asset risk of buildings when the lease term expires.

The fair value of the Company's investment properties was approximately NT\$390 million and NT\$340 million for the years ended December 31, 2022 and 2021, in which the fair value was estimated by the Company's management after referring to transactions in the nearby housing market.

XVI. Borrowings

(1) Short-term borrowing

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured loans (Note 28)		
Bank borrowings	\$ 830,000	\$ 370,000
Unsecured loans		
Credit loans	<u>700,000</u>	<u>1,000,000</u>
	<u>\$1,530,000</u>	<u>\$1,370,000</u>
Annual interest rate (%)	1.07~1.8	0.40~0.98

(2) Short-term notes and bills payable - Only December 31, 2021

Details of commercial paper payable that have not yet matured are as follows:

<u>Guarantor/Acceptance agency</u>	<u>Face value</u>	<u>Discounted amount</u>	<u>Book value</u>	<u>Interest rate range (%)</u>
Mega Bills	<u>\$50,000</u>	<u>\$ 86</u>	<u>\$49,914</u>	0.59

(III) Long-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured loans (Note 28)		
Bank borrowings – Reaches maturity before May 2027	\$ 1,455,000	\$ 1,570,000
Unsecured loans		
Bank borrowings – Reaches maturity before July 2026	<u>\$1,360,000</u>	<u>\$1,520,000</u>
	2,815,000	3,090,000
Less: Current portion	<u>915,000</u>	<u>725,000</u>
	<u>\$1,900,000</u>	<u>\$2,365,000</u>
Annual interest rate (%)	1.37~2.18	1.03~1.297

XVII. Accounts payable

The Company's accounts payable are all derived from its business and transaction terms are separately negotiated. The Company established a financial risk management policy to ensure all payables are repaid within the credit period agreed to in advance.

XVIII. Other payables (including related parties)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wages and salaries payable	\$151,311	\$125,933
Processing expenses payable	87,382	64,061
Commissions payable	48,059	38,824
Employee bonuses and director remuneration payable	35,100	6,831
Payables on equipment	15,093	19,713
Compensated absences	11,116	13,146
Utilities and fuel costs payable	9,784	14,059
Labor insurance and National Health Insurance premiums payable	9,409	9,366
Other	48,495	47,946
	<u>\$415,749</u>	<u>\$339,879</u>

XIX. Post-employment benefits plan

(1) Defined contribution plan

The Company uses the defined contribution plan managed by the government according to the Labor Pension Act, and contributes 6% of employees' monthly salaries to their individual pension account at the Bureau of Labor Insurance.

(2) Defined benefit plan

The pension system implemented by the Company according to the Labor Standards Act of the R.O.C. is the defined benefit plan managed by the government. Payment of employee pensions is calculated based on the employee's years of service and 6-month average wage before the approved date of retirement. The Company makes monthly contributions equal to 4% of employees' monthly salaries and wages to the pension fund, which is then deposited into to a dedicated account at the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Reserve Fund. Before the end of each year, if the balance in the dedicated account is insufficient to pay the retirement benefits of employees who are eligible for retirement in the following year, the deficit will be funded in one appropriation before the end of March in the following year. The dedicated account is managed by the Bureau of Labor Funds, Ministry of Labor. The Company does not have any right to influence its investment management strategy.

The defined benefit plan amounts listed in the standalone balance sheet is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit liabilities	\$ 95,984	\$112,399
Fair value of assets of the plans	(21,596)	(15,803)
Net defined benefit liability	<u>\$ 74,388</u>	<u>\$ 96,596</u>

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit liabilities	Fair value of assets of the plans	Net defined benefit liability
Balance as at January 1, 2021	<u>\$ 115,166</u>	<u>(\$ 23,001)</u>	<u>\$ 92,165</u>
Service cost			
Service cost of the term	1,540	-	1,540
Interest expense (income)	<u>576</u>	<u>(122)</u>	<u>454</u>
Listed in income	<u>2,116</u>	<u>(122)</u>	<u>1,994</u>
Number of remeasurement			
Return on assets of the plans (except for amounts included in net interest)	-	(282)	(282)
Actuarial gains - Changes in financial assumption	(3,748)	-	(3,748)
Actuarial losses – experience adjustments	5,013	-	5,013
Actuarial loss – Changes in demographic assumptions	<u>3,518</u>	<u>-</u>	<u>3,518</u>
Recognized in other comprehensive income	<u>4,783</u>	<u>(282)</u>	<u>4,501</u>
Employer contributions	<u>-</u>	<u>(2,064)</u>	<u>(2,064)</u>
Benefits payment	<u>(9,666)</u>	<u>9,666</u>	<u>-</u>
Balance as at December 31, 2021	<u>112,399</u>	<u>(15,803)</u>	<u>96,596</u>
Service cost			
Service cost of the term	\$ 1,369	\$ -	\$ 1,369
Interest expense (income)	<u>843</u>	<u>(126)</u>	<u>717</u>
Listed in income	<u>2,212</u>	<u>(126)</u>	<u>2,086</u>
Number of remeasurement			
Return on assets of the plans (except for amounts included in net interest)	-	(1,450)	(1,451)
Actuarial gains - Changes in financial assumption	(3,317)	-	(3,317)
Actuarial gains – experience adjustments	<u>(1,448)</u>	<u>-</u>	<u>(1,448)</u>
Recognized in other comprehensive income	<u>(4,765)</u>	<u>(1,450)</u>	<u>(6,215)</u>

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Employer contributions	<u> - </u>	<u>(18,079)</u>	<u>(18,079)</u>
Benefits payment	<u>(13,862)</u>	<u>13,862</u>	<u> - </u>
Balance as at December 31, 2022	<u>\$ 95,984</u>	<u>(\$ 21,596)</u>	<u>\$ 74,388</u>

Summary of defined benefit plans recognized in income and loss by function:

	<u>2022</u>	<u>2021</u>
Operating costs	\$ 1,217	\$ 1,211
Selling expenses	172	159
Administrative expenses	433	393
Research and development expenses	<u>264</u>	<u>231</u>
	<u>\$ 2,086</u>	<u>\$ 1,994</u>

The Company is exposed to the following risks due to the pension system of the Labor Standards Act:

1. Investment risks

The Bureau of Labor Funds (BLF), Ministry of Labor (MOL) invests the labor pension fund in domestic (overseas) equity securities, bonds, and bank deposits at its own discretion and through mandated investments. However, the distributable amount of assets may not be lower than gains calculated using the interest rate for 2-year time deposits at local banks.

2. Interest rate risk

A decrease in bond interest rate will cause the present value of defined benefit liabilities to increase. However, the return on assets of defined benefit plans will also increase, and the effect of the two on defined benefit liabilities will offset each other.

3. Salary risk

Calculation of the present value of defined benefit liabilities takes into consideration the future salaries of members of defined benefit plans. Hence, an increase in salaries of members of defined benefit plans will increase the present value of defined benefit liabilities.

The present value of defined benefit liabilities of the Company is calculated by a qualified actuary, and major assumptions on the measurement date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate (%)	1.50	0.75
Estimated salary growth ratio (%)	2.50	2

If a reasonable change to a significant actuarial assumption occurs while all other assumptions remain the same, the amount of increase (decrease) in the present value of defined benefit liabilities is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increased 0.25%	(\$ 3,010)	(\$ 3,656)
Decreased 0.25%	<u>\$ 3,139</u>	<u>\$ 3,820</u>
Estimated salary growth ratio		
Increased 0.25%	<u>\$ 3,050</u>	<u>\$ 3,705</u>
Decreased 0.25%	(\$ 2,940)	(\$ 3,565)

Since actuarial assumptions may be related, it is unlikely that only one assumption will change at a time, so the sensitivity analysis above might not reflect on actual changes in present value of defined benefit liabilities.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Amount expected to be allocated within 1 year	<u>\$ 2,086</u>	<u>\$ 2,064</u>
Average time to maturity of defined benefit liabilities	12.9 years	13.3 years

XX. Equity

(1) Capital stock – common

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Authorized shares (thousand shares)	<u>460,000</u>	<u>460,000</u>
Authorized share capital	<u>\$4,600,000</u>	<u>\$4,600,000</u>
Current outstanding shares (thousand shares)	<u>397,818</u>	<u>397,818</u>
Issued capital	<u>\$3,978,181</u>	<u>\$3,978,181</u>

The Company's common shares have a face value of NT\$10. Each share is entitled to one voting right and the right to receive dividends.

(2) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contributed capital in excess of par	\$135,000	\$135,000
Gains on the disposal of fixed assets	2,497	2,497
Donated assets received	369	369
Other – Dividends not claimed by shareholders before the deadline	<u>7,464</u>	<u>4,572</u>
	<u>\$145,330</u>	<u>\$142,438</u>

Pursuant to the Company Act, capital surplus is from contributed capital in excess of par and donated assets received. Besides using capital surplus to offset losses, companies may also use capital surplus for distribution of cash dividends or capitalization. However, capitalization of capital surplus is limited to once a year. Capital surplus from gains on the disposal of fixed assets and unclaimed dividends may only be used to offset losses.

(III) Retained earnings and dividend policy

Pursuant to the earnings distribution policy set forth in the Company's Articles of Incorporation, if there is a profit after year-end closing, the Company shall first set aside ten percent of such profits as a legal reserve after losses have been covered and all taxes and dues have been paid, and then allowance or reversal of a special reserve should be made in accordance with the law or the Company's operational needs; If there is still a surplus, it shall be distributed together with accumulated undistributed earnings after the Board of Directors makes a proposal for distribution of earnings to distribute in new shares; the proposal shall be submitted to the shareholders' meeting for approval before distribution. Meanwhile, the Board of Directors is authorized to distribute all or part of dividends and bonuses in cash by a majority vote in a Board meeting with at least two thirds of directors in attendance, and the decision shall be reported during a shareholders' meeting. Please refer to Note 22(7) for the employee bonus and directors' remuneration policy set forth in the Articles of Incorporation.

The Company's dividend policy takes into consideration the Company's current and future investment environment, funding requirements, and financial plans, as well as the interests of shareholders and balanced dividends. At least 10% of distributable earnings is allocated for distribution. However, if the dividend per share is lower than NT\$0.5 when all distributable earnings is distributed, then the distributable earnings are retained and not distributed. Cash dividends may not be less than 10% of all dividends. However, cash dividends are not distributed when dividends per share is lower than NT\$0.3 (inclusive), and stock dividends are distributed instead.

Pursuant to the Company Act, the amount of legal reserve must, at a minimum, equal the Company's total capital. The legal reserve may be used to offset losses. When the Company does not have any losses, the amount of legal reserve that surpasses 25% of paid-up capital may be capitalized and may also be distributed in cash.

The Company's cash dividends were approved by the board of directors in meetings on March 2022 and March 2021 respectively, and the remaining earning distribution items were also approved by the annual shareholders' meeting on June 21, 2022 and August 18, 2021 respectively. The 2021 and 2020 earnings distribution proposal is as below:

	Dividend distribution proposal		Dividends per share (NTD)	
	2021	2020	2021	2020
Legal reserve	\$ 11,159	\$ 22,811		
Special reserve	134,743	9,038		
Cash dividends	198,909	198,909	\$ 0.5	\$ 0.5

The Company passed the 2022 earnings distribution below in the Board meeting on March 9, 2023:

	Dividend distribution proposal	Dividends per share (NTD)
Legal reserve	\$ 47,812	
Reversal of special reserve	(143,781)	
Cash dividends	318,255	\$ 0.8

The distribution of the above-mentioned cash dividends has been approved by the resolution of the board of directors, and the rest are yet to be resolved at the general meeting of shareholders, which is expected to be held in June 2023.

(IV) Special reserve

When the Company adopted the IFRSs for the first time, it allocated NT\$505,112,000 from unrealized upward revaluation and cumulative translation adjustments of retained earnings to special reserve due to the transition to IFRSs. The reason for allocation was eliminated due to the subsequent sale of property, plant and equipment and reversed NT\$322,000 of special reserve in 2013.

(V) Other equity interests

1. Exchange differences arising from the translation of the financial statements of foreign operations

	2022	2021
Opening balance	(\$676,886)	(\$524,649)
Share of translation difference of subsidiaries accounted for using equity method	548,098	(152,237)
Closing balance	<u>(\$128,788)</u>	<u>(\$676,886)</u>

2. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	2022	2021
Opening balance	\$ 28,315	\$ 10,821
Generated in the current year		
Equity instruments – unrealized gains	202	12,802
Share of subsidiaries accounted for using equity method	831	4,692
Closing balance	<u>\$ 29,348</u>	<u>\$ 28,315</u>

XXI. Revenues

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Revenue from merchandise sales	\$8,941,654	\$7,248,801
Service revenue	<u>-</u>	<u>11</u>
	<u>\$8,941,654</u>	<u>\$7,248,812</u>

(1) Contract balance

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Net notes and accounts receivable (Note 9)	<u>\$ 1,033,256</u>	<u>\$ 1,024,326</u>	<u>\$ 894,634</u>
Contract liabilities			
Merchandise sales	<u>\$ 2,558</u>	<u>\$ 2,215</u>	<u>\$ 17,414</u>

Changes to contract liabilities are mainly from the difference between the time contractual obligations are fulfilled and the customer makes payment. There are no other material changes.

The contract liabilities at the beginning of the year recognized as income of the current year are as follows:

	<u>2022</u>	<u>2021</u>
Contract liabilities at the beginning of the year		
Merchandise sales	<u>\$ 2,205</u>	<u>\$ 17,395</u>

(2) Detailed revenues from contracts with customers

	<u>2022</u>	<u>2021</u>
Revenue from main products and services		
Wet-processed synthetic leather	\$3,212,754	\$2,434,876
Dry-processed synthetic leather	1,980,231	1,463,954
Leather work in progress	1,369,966	1,457,207
Other	<u>2,378,703</u>	<u>1,892,775</u>
	<u>\$8,941,654</u>	<u>\$7,248,812</u>

XXII. Pre-tax profit

Net income from continuing operations includes the following item:

(1) Interest income

	<u>2022</u>	<u>2021</u>
Cash in banks	\$ 8,248	\$ 847
Other (Note 27)	<u>2,109</u>	<u>60</u>
	<u>\$ 10,357</u>	<u>\$ 907</u>

(2) Other income

	<u>2022</u>	<u>2021</u>
Rental income (Note 27)	\$ 36,472	\$ 44,549
Revenues from claims (Note)	35,883	-
Dividend income	2,300	4,010
Government grants revenue	338	24,708
Other	<u>8,572</u>	<u>13,193</u>
	<u>\$ 83,565</u>	<u>\$ 86,460</u>

Note: In August 2021, a fire accident occurred in the second plant of the Company's Kaohsiung plant, resulting in damage to part of the inventories, buildings, and equipment. The fire loss was approximately NT\$70,217,000 (respectively included in operating costs and non-operating expenses/losses of 2021). The Consolidated Entity received an insurance payout of NT\$35,883 thousand in March 2022, which was recognized as non-operating income.

(III) Other profits and losses

	<u>2022</u>	<u>2021</u>
Net foreign exchange gains (losses)	\$277,534	(\$ 74,287)
Losses on disposal of property, plant and equipment	(84,840)	(2,232)
Loss by fire	-	(31,813)
Net losses from financial instruments at fair value through profit or loss	(8,345)	(3,123)
Other	<u>(944)</u>	<u>(120)</u>
	<u>\$183,405</u>	<u>(\$111,575)</u>

(IV) Financial costs

	2022	2021
Interest on bank borrowings	\$ 56,260	\$ 47,724
Interest on lease liabilities	91	108
Less: Costs of qualifying assets listed	(<u>659</u>)	(<u>585</u>)
	<u>\$ 55,692</u>	<u>\$ 47,247</u>

Information on capitalization of interest is as follows:

	2022	2021
Amount of interest capitalized	\$ 659	\$ 585
Interest capitalization rate (%)	1.02~1.56	1.02~1.16

(V) Depreciation and amortization

	2022	2021
Property, plant and equipment	\$361,428	\$390,271
Right-of-use assets	5,132	5,882
Investment properties	867	867
Computer software	<u>9,817</u>	<u>9,993</u>
	<u>\$377,244</u>	<u>\$407,013</u>
Summary of depreciation expenses by function		
Operating costs	\$333,208	\$359,609
Operating expenses	<u>34,219</u>	<u>37,411</u>
	<u>\$367,427</u>	<u>\$397,020</u>
Summary of amortization expenses by function		
Operating costs	\$ 331	\$ 343
Operating expenses	<u>9,486</u>	<u>9,650</u>
	<u>\$ 9,817</u>	<u>\$ 9,993</u>

(VI) Employee benefit expenses

	2022	2021
Short-term employee benefits	\$710,217	\$581,997
Post-employment benefit plan		
Defined contribution	22,549	21,294
Defined benefit plan (Note 19)	<u>2,086</u>	<u>1,994</u>
	<u>\$734,852</u>	<u>\$605,285</u>
Summary by function		
Operating costs	\$399,795	\$344,160
Operating expenses	<u>335,057</u>	<u>261,125</u>
	<u>\$734,852</u>	<u>\$605,285</u>

(VII) Employee bonuses and directors' remuneration

Of the Company's pre-tax profit before distribution of employee bonuses and directors' remuneration, the Company allocates 3-5% as employee bonuses and no more than 3% as directors' remuneration.

2022 and 2021 employee bonuses were estimated at 3.7% and 3.5% of pre-tax profit mentioned above. The potential amount of director remuneration is estimated based on past experience. Employee bonuses and directors' remuneration in 2022 and 2021 will be distributed in cash according to resolutions adopted by the Board of Directors on March 9, 2023 and March 22, 2022:

	2022	2021
Employee bonuses	\$ 22,600	\$ 4,831
Directors' remuneration	12,500	2,000

Any changes to amounts after the standalone financial statements are passed and announced will be handled as changes to accounting estimates, and will be adjusted and recognized in the following year.

There were no deviations in the actual amount of employee bonuses and directors' remuneration distributed from the amounts recognized in the standalone financial statements in 2021 and 2020.

For information on Board resolutions relating to employee bonuses and directors' remuneration, please go to the Market Observation Post System of the Taiwan Stock Exchange.

(VIII) Foreign exchange gains (losses)

	2022	2021
Total foreign exchange gains	\$650,804	\$145,803
Total foreign exchange losses	(<u>373,270</u>)	(<u>220,090</u>)
Net gains (loss)	<u>\$277,534</u>	(<u>\$ 74,287</u>)

XXIII. Income tax from continuing operations

(1) Main income tax expenses recognized in profit or loss

	<u>2022</u>	<u>2021</u>
Current income tax		
Generated in the current year	\$107,489	\$167,089
Adjustments in the previous year	(<u>13,325</u>)	(<u>1,700</u>)
	<u>94,164</u>	<u>165,389</u>
Deferred income tax		
Generated in the current year	<u>10,950</u>	(<u>131,309</u>)
Income tax expense recognized in profit or loss	<u>\$105,114</u>	<u>\$ 34,080</u>

Adjustments to accounting income and income tax expense are as follows:

	<u>2022</u>	<u>2021</u>
Pre-tax profit from continuing operations	<u>\$575,228</u>	<u>\$150,013</u>
Income tax expense on pre-tax profit calculated at the statutory tax rate (20%)	\$115,046	\$ 30,003
Tax effect of adjustments		
Non-taxable income	(528)	(802)
Expenses not recognized for tax purposes	348	100
Earnings from investments in domestic subsidiaries not recognized as income	\$ 2,567	\$ 7,186
Other	1,006	(707)
Adjustments in the current year to current income tax expense of the previous year	(<u>13,325</u>)	(<u>1,700</u>)
Income tax expense recognized in profit or loss	<u>\$105,114</u>	<u>\$ 34,080</u>

In the first quarter of 2021, the Company's overseas subsidiaries transferred back the earnings; for the US\$27,001,000 transferred, the Company has applied for the applicable tax rate of 10% in accordance with the "Management, Utilization, and Taxation of Repatriated Offshore Funds Act" and has been approved by the National Taxation Bureau of Kaohsiung, MOF.

(2) Income tax recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
Deferred income tax expense (gain)		
Generated in the current year		
Remeasurements of the net defined benefit	<u>\$ 1,243</u>	<u>(\$ 900)</u>

(III) Current income tax liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current income tax liabilities		
Income tax payable	<u>\$106,765</u>	<u>\$ 90,411</u>

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2022

	<u>Opening balance</u>	<u>Listed in income</u>	<u>Recognized in other comprehensive income</u>	<u>Closing balance</u>
<u>Deferred income tax assets</u>				
Temporary difference				
Defined benefit plan	\$ 19,319	(\$ 3,198)	(\$ 1,243)	\$ 14,878
Inventory loss	38,829	(20,956)	-	17,873
Unrealized gains from subsidiaries	18,306	9,833	-	28,139
Other	<u>17,906</u>	<u>2,376</u>	<u>-</u>	<u>20,282</u>
	<u>\$ 94,360</u>	<u>(\$ 11,945)</u>	<u>(\$ 1,243)</u>	<u>\$ 81,172</u>
<u>Deferred income tax liabilities</u>				
Temporary difference				
Overseas investment gains recognized under the equity method	\$ 610,671	(\$ 1,027)	\$ -	\$ 609,644
Provision for land value increment tax	414,430	-	-	414,430
Other	<u>-</u>	<u>32</u>	<u>-</u>	<u>32</u>
	<u>\$1,025,101</u>	<u>(\$ 995)</u>	<u>\$ -</u>	<u>\$1,024,106</u>

2021

	Opening balance	Listed in income	Recognized in other comprehensiv e income	Closing balance
<u>Deferred income tax assets</u>				
Temporary difference				
Defined benefit plan	\$ 18,433	(\$ 14)	\$ 900	\$ 19,319
Inventory loss	34,852	3,977	-	38,829
Unrealized gains from subsidiaries	5,544	12,762	-	18,306
Other	9,472	8,434	-	17,906
	<u>\$ 68,301</u>	<u>\$ 25,159</u>	<u>\$ 900</u>	<u>\$ 94,360</u>
<u>Deferred income tax liabilities</u>				
Temporary difference				
Overseas investment gains recognized under the equity method	\$ 716,812	(\$ 106,141)	\$ -	\$ 610,671
Provision for land value increment tax	414,430	-	-	414,430
Other	9	(9)	-	-
	<u>\$1,131,251</u>	<u>(\$ 106,150)</u>	<u>\$ -</u>	<u>\$1,025,101</u>

- (V) Items and amounts of deferred income tax assets not recognized in the balance sheet

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences – International investment impairment losses	<u>\$ 31,369</u>	<u>\$ 31,369</u>

- (VI) Temporary difference in unrecognized deferred income tax liabilities related to investments in subsidiaries

The taxable temporary difference of unrecognized deferred income tax liabilities related to investments in subsidiaries was both NT\$2,366,744,000 as at December 31, 2022 and 2021.

- (VII) Approval of income tax

The Company's profit-seeking income tax returns up to 2020 have been approved by the tax authority.

XXIV. EPS

EPS and weighted average ordinary shares are calculated below:

- (1) Net profit for the year

	<u>2022</u>	<u>2021</u>
Basic and diluted EPS		
Net profit for the year	<u>\$470,114</u>	<u>\$115,933</u>

(2) Shares (thousand shares)

	<u>2022</u>	<u>2021</u>
Number of shares used to calculate basic EPS	397,818	397,818
Plus: Employee bonuses	<u>1,155</u>	<u>330</u>
Number of shares used to calculate diluted EPS	<u>398,973</u>	<u>398,148</u>

If the Company chooses to distribute employee bonuses in shares or cash, then it is assumed that all distribution will be in shares, which will dilute ordinary shares, and the diluted EPS is calculated based on the weighted-average number of ordinary shares outstanding. When calculating the diluted EPS before deciding to distribute employee bonuses in the following year, the potential dilution of ordinary shares will continue to be taken into consideration.

XXV. Capital risk management

The Company engages in capital management to ensure that it can maximize return for shareholders by optimizing the balance of liabilities and equity, under the premise that it is able to continue as a going concern.

The Company's capital structure consists of net liabilities (i.e., loans less cash and cash equivalents) and equity attributable to owners of the Company (i.e., share capital, capital surplus, retained earnings, and other equity interests).

The Company's management periodically examines the group's capital structure, and takes into consideration the cost of various capital and related risks. The Company will balance its overall capital structure via dividend distribution, issuance of new shares, borrowing new debt, and repaying old debt according to recommendations of management.

The Company is not required to comply with other external capital related regulations.

XXVI. Financial instruments

(1) Information on fair value – Financial instruments not measured at fair value

Management of the Company believes that the book value of financial assets and financial liabilities not measured at fair value is near the fair value.

(2) Information on fair value – Financial instruments measured at fair value on a recurring basis

1. Fair value level

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at fair value through profit or loss				
Fund beneficiary certification	<u>\$ 94,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,324</u>
Financial assets at fair value through other comprehensive income (all equity investments)				
Securities of public company in Taiwan	\$ 52,662	\$ -	\$ -	\$ 52,662
Securities of non-public company in Taiwan	<u>-</u>	<u>-</u>	<u>4,553</u>	<u>4,553</u>
	<u>\$ 52,662</u>	<u>\$ -</u>	<u>\$ 4,553</u>	<u>\$ 57,215</u>
<u>December 31, 2021</u>				
Financial assets at fair value through profit or loss				
Fund beneficiary certification	<u>\$ 102,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,669</u>
Financial assets at fair value through other comprehensive income (all equity investments)				
Securities of public company in Taiwan	\$ 52,356	\$ -	\$ -	\$ 52,356
Securities of non-public company in Taiwan	<u>-</u>	<u>-</u>	<u>4,657</u>	<u>4,657</u>
	<u>\$ 52,356</u>	<u>\$ -</u>	<u>\$ 4,657</u>	<u>\$ 57,013</u>

There was no transfer of level 1 and level 2 fair value measurements in 2022 and 2021.

2. Financial assets are adjusted at level 3 fair value measurement.

	<u>2022</u>	<u>2021</u>
<u>At fair value through other comprehensive income</u>		
Opening balance	\$ 4,657	\$ 5,030
Recognized in other comprehensive income	(<u>104</u>)	(<u>373</u>)
Closing balance	<u>\$ 4,553</u>	<u>\$ 4,657</u>

3. Valuation technique and input values for level 3 fair value

When the Company is measuring the fair value of stocks without a quoted price, the fair value is determined by management after referencing observable market prices or the company's net worth.

(III) Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$3,438,374	\$2,551,676
Financial assets for which the fair value is required to be measured through profit or loss	94,324	102,669
Financial assets at fair value through other comprehensive income (investment in equity instruments)	57,215	57,013
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	5,252,008	5,370,803

Note 1: The balance includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (excluding tax refunds receivable), other accounts receivable from related parties, other financial assets, refundable deposits, and other financial assets at amortized cost.

Note 2: The balance includes short-term borrowings, short-term notes and bills payable, accounts payable (including related parties), other accounts payable, long-term borrowings (including those that mature within one year), deposit received, and other financial liabilities at amortized cost.

(IV) The purpose and policy of financial risk management

The Company's main financial instruments include cash and cash equivalents, notes and accounts receivable, other receivables, accounts payable, short-term notes and bills payable, other payables, long-term and short-term borrowings, and lease liabilities. The Company's financial management department provides services to sales units, coordinates operations in domestic and international financial markets, and analyzes exposure based on the level and extent of risks, in order to supervise and manage financial risks related to the Company's operations. Risks include market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

1. Market Risk

The main financial risk of the Company due to business activities is the risk of changes in exchange rates (please refer to (1) below) and changes in interest rates (please refer to (2) below).

(1) Foreign exchange risk

The Company engages in sales and purchase of goods denominated in foreign currencies, which expose the Company to the risk of exchange rate changes. The Company manages its exposure to foreign exchange risk using FX options and swaps within the scope permitted by policy.

Please see Note 30 for the book value of the Company's monetary assets and liabilities not denominated in the functional currency on the balance sheet date.

Sensitivity analysis

The sensitivity analysis mainly calculates foreign currency-denominated monetary items during the financial reporting period. The Company is mainly affected by exchange rate fluctuations of USD.

The sensitivity ratio used in reports on foreign exchange risk for management of the Company is 1%, which also represents management's evaluation of the reasonable scope of fluctuations in exchange rates. The sensitivity analysis only includes outstanding foreign currency-denominated monetary items, and the conversion at the end of the year is adjusted using 1% change in exchange rates.

When NTD (functional currency) depreciates (appreciates) 1% against USD, the Company's 2022 and 2021 pre-tax profit will increase (decrease) by NT\$28,169,000 and NT\$21,613,000.

(2) Interest rate risk

The Company is exposed to interest rate risk when it finances using both fixed and floating interest rates at the same time. The Company manages its interest rate risk by maintaining an appropriate portfolio of fixed and floating interest rates.

The book value of the Company's financial assets and liabilities that are exposed to interest rate risk on the balance sheet date is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Has interest rate risk		
for cash flow		
Financial		
assets	\$ 1,442,855	\$ 1,269,127
Financial		
liabilities	3,015,000	3,290,000

The Company has also determined that the fair value risk of its fixed interest rate time deposits, bonds issued under repurchase agreement, short-term borrowings, short-term notes and bills payable, and lease liabilities is not material.

Sensitivity analysis

The following sensitivity analysis is determined based on the interest rate exposure of non-derivatives on the balance sheet date. The method for analyzing floating interest rate assets and liabilities assumes that the amount of assets and liabilities outstanding on the balance sheet date were outstanding throughout the reporting period.

The sensitivity ratio used in reports on interest rate risk for management of the Company is an increase or decrease of 1%, which also represents management's evaluation of the reasonable scope of fluctuations in interest rates.

If annual interest rate increases/decreases 1% while all other variables remain the same, the Company's pre-tax profit will decrease/increase NT\$15,721,000 and NT\$20,209,000 in 2022 and 2021, respectively, and is mainly due to the Company's floating interest rate bank deposits and loans.

(3) Other price risks

The Company is exposed to the risk of equity prices due to its investments in equity securities. The equity investments are strategic investments and not held for trading. The Company does not actively engage in such investments.

Sensitivity analysis

The following sensitivity analysis is conducted using the equity price on the balance sheet date.

If the price of equity increases/decreases by 1%, the net profit before tax in 2022 and 2021 will increase/decrease NT\$94,000 and NT\$103,000, respectively, due to the increase/decrease in fair value of financial assets at fair value through profit and loss.

If the price of equity increases/decreases by 1%, other comprehensive income in 2022 and 2021 will increase/decrease NT\$572,000 and NT\$570,000, respectively, due to the increase/decrease in fair value of financial assets at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by counterparties. As of the balance sheet date, the Company's greatest credit risk exposure to financial losses caused by transaction counterparties failing to fulfill their obligations is mainly from:

- (1) Book value of financial assets recognized on the standalone balance sheet.
- (2) Amount of contingent liabilities from guarantees provided by the Company.

The Company's policy is to only engage in transactions with counterparties that have a good reputation, and also uses other financial information available to the public along with transaction records to evaluate major customers. The Company continues to monitor its exposure to credit risk and evaluates the credit of transaction counterparties, using annual credit limits with transaction counterparties to control credit risk exposure.

The Company's credit risk is mainly concentrated in accounts receivables of the following companies:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Group A	\$ 77,541	\$ 94,847
Group B	82,152	87,010
Group C	65,928	64,988
Group D	<u>102,264</u>	<u>37,257</u>
	<u>\$327,885</u>	<u>\$284,102</u>

The abovementioned groups accounted for 32% and 28% of accounts receivable for the years ended December 31, 2022 and 2021, respectively.

3. Liquidity risk

The Company manages and maintains an adequate position of cash to support the group's operations and mitigate the effect of cash flow fluctuations. Management of the Company supervises the usage of bank credit limit and ensures compliance with terms of loan agreements. Bank borrowings are an important source of the Company's liquidity. Unused long-term and short-term credit limits of the Company was NT\$2,275,000,000 and NT\$2,155,000,000 for the years ended December 31, 2022 and 2021, respectively.

Non-derivative financial liabilities and interest rate risk

Maturity analysis of remaining non-derivative financial liabilities is prepared based on the non-discounted cash flow (including principal and estimated interest) of financial liabilities up to the earliest date that the liabilities may need to be repaid by the Company. Hence, bank borrowings that the Company may be required to immediately repay are listed in the earliest period in the table below without considering the probability that the bank immediately exercises the right. Maturity analysis of other non-derivative financial liabilities is prepared according to the agreed repayment date.

For cash flow from interests paid using floating interest rates, the non-discounted amount of interest is estimated using the interest rate on the balance sheet date.

	Within 6 months	6 months to 1 year	1 year and above	Total
<u>December 31, 2022</u>				
Non-derivative financial liabilities				
No interest-bearing				
debt	\$ 902,990	\$ -	\$ 4,018	\$ 907,008
Lease liabilities	2,194	1,701	2,848	6,743
Floating-rate tools	457,220	703,460	1,949,561	3,110,241
Fixed-rate tools	1,330,021	-	-	1,330,021
Guarantee liabilities	10,000	-	-	10,000
	<u>\$2,702,425</u>	<u>\$ 705,161</u>	<u>\$1,956,427</u>	<u>\$5,364,013</u>
<u>December 31, 2021</u>				
Non-derivative financial liabilities				
No interest-bearing				
debt	\$ 852,377	\$ -	\$ 8,512	\$ 860,889
Lease liabilities	2,803	2,099	4,690	9,592
Floating-rate tools	498,547	456,097	2,406,578	3,361,222
Fixed-rate tools	1,220,016	-	-	1,220,016
Guarantee liabilities	10,000	-	-	10,000
	<u>\$2,583,743</u>	<u>\$ 458,196</u>	<u>\$2,419,780</u>	<u>\$5,461,719</u>

XXVII. Related Party Transactions

Transactions between the Company and related parties are as follows:

(1) Name and relationship of related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
Pou Chen Corporation	Parent company of investor with significant influence
Yue Yuen Industrial (Holdings) Ltd.	Investor with significant influence
San Fang Development Co., Ltd.	Subsidiary
Grand Capital Limited (GCL)	Subsidiary
San Fang International Co., Ltd.	Subsidiary
Dongguan Baoliang Material Technology Co., Ltd.	Subsidiary
Grand International Investment Co., Ltd. (GII)	Subsidiary
San Fang Vietnam Corporation Limited(SFV)	Subsidiary
PT. San Fang Indonesia(PTS)	Subsidiary
Forich Advanced Materials Co., Ltd.	Subsidiary
Bestac Advanced Material Co., Ltd.	Subsidiary

(2) Business transaction

1. Operating revenue

General ledger account	Type/Name of related party	2022	2021
Sales revenue	Subsidiary		
	PTS	\$ 1,879,374	\$ 1,532,253
	Dongguan Baoliang	787,570	807,093
	Other	13,346	19,031
	Investor with significant influence		
	Yue Yuen Industrial (Holdings) Ltd.	906,309	636,224
	Parent company of investor with significant influence		
	Pou Chen Corporation	98,430	68,168
		<u>\$ 3,685,029</u>	<u>\$ 3,062,769</u>

The Company sells goods to the related parties mentioned above. Except for the fact that prices cannot be compared because subsidiaries do not sell the same types of goods to non-related parties, there are no significant differences when compared with non-related parties. The terms of payment for related parties is open account 30~120 days, and for regular customers it is open account 30~90 days.

2. Purchase of goods

Type/Name of related party	2022	2021
Subsidiary		
Forich Advanced Materials Co., Ltd.	\$149,458	\$151,903
PTS	54,872	8,152
Dongguan Baoliang	44,770	22,968
	<u>\$249,100</u>	<u>\$183,023</u>

The Company purchases goods from subsidiaries, but does not purchase the same types of goods from non-related parties, so prices cannot be compared. There are no significant differences in terms of payment compared with regular vendors.

3. Contracted processing

The Company commissions subsidiary SFV to process artificial leather, and processing expenses were NT\$1,079,419,000 and NT\$892,243,000 in 2022 and 2021, respectively, and are listed under operating costs. Prices cannot be compared because the Company does

not engage in similar transactions with non-related parties, and the terms of payment is open account 60 days. The Company began advance payments for processing from January to June 2021.

4. Purchase of raw materials

The amounts of raw materials purchased by the Company on for subsidiaries in 2022 and 2021 are as follows:

Type/Name of related party	2022	2021
Subsidiary		
PTS	\$131,934	\$108,024
Bestac Advanced Material Co., Ltd.	100,471	114,334
Dongguan Baoliang	56,429	78,179
Forich Advanced	<u>9,500</u>	<u>12,204</u>
Materials Co., Ltd.	<u>\$298,334</u>	<u>\$312,741</u>

The Company's profit earned and losses sustained from purchasing raw materials for subsidiaries was NT\$14,242,000 and NT\$6,603,000 in 2022 and 2021, and the profits and losses are listed as the cost of goods sold.

The credit period for the transactions above is 30~120 days, and is open account 60~120 days for sale of goods to regular customers.

5. Technology research expenses

The Company signed a technology transfer agreement with the subsidiary Forich Advanced Materials Co., Ltd. for the subsidiary to provide technical consulting services for resin production and paid a fee of NT\$5,400,000 in 2022, which was recognized as operating expenses.

6. Receivables from related parties (excluding loans to related parties)

General ledger account	Type/Name of related party	December 31, 2022	December 31, 2021
Accounts receivable related parties	Subsidiary		
	PTS	\$ 147,656	\$ 168,441
	Dongguan Baoliang	70,446	147,446
	Other	175	508
	Investor with significant influence		
	Yue Yuen Industrial (Holdings) Ltd.	77,541	94,847
	Parent company of investor with significant influence		
	Pou Chen Corporation	<u>18,136</u>	<u>13,108</u>
		<u>\$ 313,954</u>	<u>\$ 424,350</u>
Other receivables - Related party	Subsidiary		
	Bestac Advanced Material Co., Ltd.	\$ 58,537	\$ 127,359
	PTS	53,403	69,246
	Other	<u>11,587</u>	<u>9,496</u>
		<u>\$ 123,527</u>	<u>\$ 206,101</u>

Other receivables are mainly purchases of raw materials and payments on behalf of subsidiaries.

No collateral was collected for outstanding receivables from related parties.

7. Accounts payable to related parties

General ledger account	Type/Name of related party	December 31, 2022	December 31, 2021
Accounts payable - related parties	Subsidiary		
	Dongguan Baoliang	\$ 12,177	\$ 816
	PTS	11,164	2,193
	Forich	4,565	13,056
	Advanced Materials Co., Ltd.		
	Other	<u>232</u>	<u>88</u>
		<u>\$ 28,138</u>	<u>\$ 16,153</u>
Other payables - Related party	Subsidiary		
	SFV	\$ 87,382	\$ 62,711
	Other	<u>762</u>	<u>1,350</u>
		<u>\$ 88,144</u>	<u>\$ 64,061</u>

No collateral was provided for outstanding payables to related parties.

(III) Loans from related parties (including principal and interest)

General ledger account	Type/Name of related party	December 31, 2022
Other receivables	Subsidiary - Bestac Advanced Material Co., Ltd.	<u>\$ 100,000</u>
Interest income	Subsidiary - Bestac Advanced Material Co., Ltd.	<u>\$ 350</u>

The Company's loans are all unsecured loans. The loan period is from August 2022 to August 2023 and the interest is 1.12%. No expected credit losses were found in the evaluations of such loans.

(IV) Property, plant and equipment acquired - only 2021

Type/Name of related party	Price amount obtained
Subsidiary SFV	<u>\$ 3,532</u>

(V) Lease agreements

The Company leased buildings, machinery and equipment, and other equipment, and leased right-of-use assets – transportation equipment to subsidiary Bestac Advanced Material Co., Ltd. Under an operating lease (Note 13) with a lease term to December 2023. Rental income of NT\$26,873,000 and NT\$34,958,000 were recognized in 2022 and 2021.

(VI) Providing endorsements/guarantees to others

Type/Name of related party	December 31, 2022	December 31, 2021
Subsidiary		
Guarantee amount	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Actual amount drawn down	<u>\$ 10,000</u>	<u>\$ 10,000</u>

(VII) Compensation for management

	2022	2021
Short-term employee benefits	\$ 36,091	\$ 28,377
Post-employment benefit	<u>464</u>	<u>344</u>
	<u>\$ 36,555</u>	<u>\$ 28,721</u>

Remuneration of directors and management is decided by the Remuneration Committee based on individual performance and market trends.

XXVIII. Pledged Assets

The Company provided the following assets as collateral for bank borrowings:

	December 31, 2022	December 31, 2021
Property, plant and equipment – net	\$ 1,360,286	\$ 1,363,965
Investment properties – net	<u>110,056</u>	<u>110,923</u>
	<u>\$ 1,470,342</u>	<u>\$ 1,474,888</u>

XXIX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

In addition to those described in Note 27(6), the Company also has the following major commitments on the balance sheet date:

- (1) The Company's balance of issued but unutilized L/C for the purchase of raw materials is as follows:

	Unit: Foreign currency (in thousands)	
	December 31, 2022	December 31, 2021
USD	\$ -	\$ 193

- (2) Property, plant and equipment purchase contracts not listed by the Company are as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	<u>\$ 92,170</u>	<u>\$ 78,506</u>

XXX. Information on Foreign Currency Financial Assets and Liabilities with a Significant Impact

Information on non-functional currency-denominated financial assets and liabilities that have a significant impact on the Company is provided below:

Unit: Foreign currencies (in thousands); Exchange rate: NTD

	Foreign currencies	Exchange rate	Book value
December 31, 2022			
Monetary financial assets			
USD	\$ 98,805	30.71	\$ 3,034,297
Monetary financial liabilities			
USD	7,080	30.71	217,415
December 31, 2021			
Monetary financial assets			
USD	82,877	27.68	2,294,030
Monetary financial liabilities			
USD	4,795	27.68	132,726

The Company's foreign exchange net loss (including realized and unrealized) was a net gain of NT\$227,534,000 in 2022 and a net loss of NT\$74,287,000 and 2021. Due to the large number of foreign currencies used for transactions, foreign exchange gain/loss cannot be individually disclosed for foreign currencies with a material impact.

XXXI. Supplementary Disclosures

(1) Information on major transactions and investees

1. Lending to others: See Table 1 for details.
2. Providing endorsements or guarantees to others: See Table 2 for details.
3. Holding of marketable securities at the end of the period (excluding investments in subsidiaries): See Table 3 for details.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Purchase or sale of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: See Table 4 for details.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: See Table 5 for details.
9. Derivatives trading: None.
10. Information on the investee: See Table 6 and Table 7 for details.

(2) Information on Investments in China

1. Name of investee in China, main business items, paid-in capital, investment style, outward/inward remittance, shareholding ratio, income on investment, book value of investments at end of period, income on investment remitted back to Taiwan, and limit on investments in China: See Table 7 for details.

2. Direct or indirect material transactions with investees in China through a third region, and the price, terms of payment, and unrealized gains:

- (1) Amount and percentage of goods purchased and the ending balance and percentage of payables

	Purchase of goods		Accounts payable	
	Amount	As a percentage of the account	Amount	As a percentage of the account
		%		%
Dongguan Baoliang	<u>\$ 44,770</u>	<u>-</u>	<u>\$ 12,177</u>	<u>-</u>

- (2) Amount and percentage of goods sold and the ending balance and percentage of receivables

	Sales		Accounts receivable	
	Amount	As a percentage of the account	Amount	As a percentage of the account
		%		%
Dongguan Baoliang	<u>\$ 787,570</u>	<u>9</u>	<u>\$ 70,446</u>	<u>7</u>

- (3) Property transaction amount and the profit or loss amount: None.
 - (4) Ending balance and purpose of endorsements/guarantees or collateral: None.
 - (5) Highest balance, ending balance and interest rate range of financing and total interest in the current period: None.
 - (6) Other transactions, such as the providing or accepting services, that have a material impact on current profit or loss or financial position:

The income generated from purchasing raw materials for Dongguan Baoliang was NT\$4,276,000 in 2022, and other receivables from Dongguan Baoliang was NT\$9,804,000 as of December 31, 2022.

- (III) Information on major shareholders: Name of shareholder with 5% shareholding or above, number of shares held, and ratio: See Table 8 for details.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Lending to others
From January 1 to December 31, 2022

Table1

Unit: All amounts are in thousand NTD, unless otherwise specified

No.	Lender	Borrower	General ledger account	Is it a related party	Highest balance in the current period	Closing balance	Actual amount drawn down	Interest rate range (%)	Nature of loan	Amount of transaction	Reason for short-term financing	Provision for doubtful debts	Collateral		Limit on loans granted to a single party	Limit on total lending	Remarks
													Name	Value			
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced	Other receivables	Yes	\$ 100,000	\$ 100,000	\$ 100,000	1.12	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 848,230	\$ 3,392,919	Note 1 and
1	GII	SFV	Long-term accounts receivable	Yes	1,013,430	1,013,430	1,013,430	1	Short-term financing	-	Working capital	-	-	-	3,560,753	3,560,753	Note 1 and
1	GII	PTS	Long-term accounts receivable	Yes	307,100	307,100	307,100	1.15	Short-term financing	-	Working capital	-	-	-	3,560,753	3,560,753	Note 1 and

Note 1: Limit on lending to a single party: Lending due to business dealings may not exceed the total transaction amount in the most recent 1 year or in the current year up to the time the loan is approved. Lending to meet short-term financing needs may not exceed 10% of the company's net worth. If the Company directly or indirectly holds 100% of the overseas company's shares with voting rights, then the loan may not exceed the company's net worth.

Note 2: Limit on total lending: Total lending to a company may not exceed 40% of the company's net worth (lending due to business dealings may not exceed 30% of the company's net worth, short-term loans may not exceed 20% of the company's net worth). If the Company directly or indirectly holds 100% of the overseas company's shares with voting rights, then the loan may not exceed the company's net worth.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Providing endorsements/guarantees to others
From January 1 to December 31, 2022

Table 2

Unit: All amounts are in thousand NTD, unless otherwise specified

No.	Name of company	Entity for which the endorsement/guarantee is made		Limit on endorsements/guarantees to a single enterprise	Maximum outstanding balance of endorsements/guarantees during the current period	Closing balance of endorsements/guarantees	Actual amount drawn down	Endorsed/Guaranteed amount with property as collateral	Cumulative endorsed/guaranteed amount as a percentage of the net worth in the most recent financial statements (%)	Maximum endorsed/guaranteed amount	Endorsement/Guarantee provided by parent company to subsidiary	Endorsement/Guarantee provided by subsidiary to parent company	Endorsement/Guarantee provided to China	Remarks
		Company name	Relationship											
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	Subsidiary	\$ 397,818	\$ 50,000	\$ 50,000	\$ 10,000	\$ -	0.59	\$1,989,090	Y	N	N	Note 1 and Note 2

Note 1: The limit on guarantee to a single enterprise is paid-in capital × 10%.

Note 2: The limit on guarantees is paid-in capital × 50%.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Detailed list of securities held at the end of period
December 31, 2022

Table 3

Unit: All amounts are in thousand NTD, unless otherwise specified

Securities held by	Type and name of security	Relationship with securities issuer	General ledger account	End of period				Remarks
				Number of shares or units	Book value	Shareholding ratio (%)	Market price (net value of equity)	
San Fang Chemical Industry Co., Ltd.	Stock							
	Yuanta Financial Holding Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	550,879	\$ 11,954	-	\$ 11,954	
	Yeashin International Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,837,848	40,708	0.43	40,708	
	Liyu Venture Capital	The Company is an institutional director of Liyu Venture Capital	Non-current financial assets at fair value through other comprehensive income	558,255	4,553	4.76	4,553	
					<u>\$ 57,215</u>		<u>\$ 57,215</u>	
	Funds							
	PineBridge Global ESG Quantitative Bond Fund N9 Acc	-	Current financial assets at fair value through profit or loss	103,755.99	\$ 28,524	-	\$ 28,524	
	Nomura Global Financial Bond (N) Acc	-	Current financial assets at fair value through profit or loss	101,664.05	26,678	-	26,678	
	PineBridge Multi-Income Fund (N) Acc	-	Current financial assets at fair value through profit or loss	67,369.59	21,623	-	21,623	
	Allianz Global Investors Income and Growth Fund (N) Monthly Distribution Class	-	Current financial assets at fair value through profit or loss	68,323.30	17,499	-	17,499	
					<u>\$ 94,324</u>		<u>\$ 94,324</u>	
San Fang Financial Holdings Co., Ltd.	Stock							
	Yentai Wanhua Microfibre Co., Ltd.	-	Noncurrent financial assets at fair value through profit or loss	4,000,000	\$ -	8	\$ -	
	Taihuangdao Fusheng Chemical and Leather-making Co., Ltd.	-	Noncurrent financial assets at fair value through profit or loss	-	-	7.29	-	
					<u>\$ -</u>		<u>\$ -</u>	
Forich Advanced Materials Co., Ltd.	Stock							
	Yeashin International Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	810,771	<u>\$ 17,960</u>	0.19	<u>\$ 17,960</u>	

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Purchase or sale of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
From January 1 to December 31, 2022

Table 4

Unit: All amounts are in thousand NTD, unless otherwise specified

Purchaser/Seller	Counterparty	Relationship	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Remarks
			Purchases (sales)	Amount	Percentage of total purchases (sales) %	Credit period			Balance	Percentage of total notes/accounts receivable (payable)	
							Unit price	Credit period			
San Fang Chemical Industry Co., Ltd.	PTS	Subsidiary	Sales	(\$ 1,879,374)	(21)	Open account 30~75 days	There are no general transaction terms for price comparison	The general transaction term is open account 30~90 days	\$ 147,656	14	
	Dongguan Baoliang	Subsidiary	Sales	(787,570)	(9)	Open account 30~90 days	There are no general transaction terms for price comparison	General transaction terms	70,446	7	
	Yue Yuen (Group)	Investor with significant influence	Sales	(906,309)	(10)	Open account 30~90 days	General transaction terms	General transaction terms	77,541	8	-
PTS	San Fang Chemical Industry Co., Ltd.	Parent company	Purchase of goods	2,011,308	92	Open account 30~75 days	There are no general transaction terms for price comparison	The general transaction term is open account 30~90 days	(201,059)	(73)	Note
	Yue Yuen (Group)	Investor with significant influence	Sales	(603,309)	(23)	Open account 30~70 days	General transaction terms	The general transaction term is open account 30~75 days	137,796	36	-
Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	Parent company	Purchase of goods	843,999	67	Open account 30~90 days	There are no general transaction terms for price comparison	General transaction terms	(80,250)	(28)	Note
	Yue Yuen (Group)	Investor with significant influence	Sales	(220,061)	(14)	Open account 30~60 days	General transaction terms	The general transaction term is open account 30~90 days	40,239	23	-
Forich Advanced Materials Co., Ltd.	San Fang Chemical Industry Co., Ltd.	Parent company	Sales	(149,458)	(99)	Open account 30 days	There are no general transaction terms for price comparison	The general transaction term is open account 30~60 days	4,565	100	-
Bestac Advanced Material Co., Ltd.	San Fang Chemical Industry Co., Ltd.	Parent company	Purchase of goods	101,193	82	Open account 30~120 days	There are no general transaction terms for price comparison	The general transaction term is open account 30~90 days	(58,641)	(52)	Note

Note: Includes the amount of raw materials purchased.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2022

Table 5

Unit: All amounts are in thousand NTD, unless otherwise specified

Creditor	Counterparty	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Amount of receivables from related parties collected subsequent to the balance sheet date	Provision for doubtful debts
					Amount	Action taken		
San Fang Chemical Industry Co., Ltd.	PTS Bestac Advanced Material Co., Ltd.	Subsidiary Subsidiary	\$ 201,059 (Note 1)	13.75	\$ -	-	\$157,332	\$ -
			158,641 (Note 2)	1.63	-	-	-	-
PTS	Yue Yuen (Group)	Investor with significant influence	137,796	7.05	-	-	83,982	-
GII	SFV PTS	Subsidiary Subsidiary	1,037,998 (Note 3)	-	-	-	-	-
			307,110	-	-	-	-	-

Note 1: Includes NT\$147,656,000 in accounts receivables and NT\$53,403,000 in other receivables.

Note 2: Includes NT\$104,000 in accounts receivables, NT\$58,537,000 in other receivables, and NT\$100,000,000 in other receivables from loans.

Note 3: Includes NT\$1,013,430,000 in long-term accounts receivables and NT\$24,568,000 in other receivables.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Information on the investee
From January 1 to December 31, 2022

Table 6

Unit: All amounts are in thousand NTD, unless otherwise specified

Name of investment company	Name of investee	Location	Main business items	Initial investment amount		Shareholding at the end of period			Current profit (loss) of investee	Investment income (loss) recognized by the Company for the current period	Remarks
				End of the current year	End of last year	Number of shares	Percentage (%)	Book value			
San Fang Chemical Industry Co., Ltd.	San Fang Development	British Virgin Islands	Investment	\$ 687,435	\$ 687,435	20,000,000	100.00	\$ 1,515,492	(\$ 106,461)	(\$ 110,382)	Note 1
San Fang Chemical Industry Co., Ltd.	GCL	GCL	Investment	656,053	656,053	19,750,000	100.00	4,974,538	100,359	99,252	Note 1
San Fang Chemical Industry Co., Ltd.	San Fang Financial Holdings Co., Ltd.	British Virgin Islands	Investment	20,150	20,150	604,113	100.00	10,243	964	964	-
San Fang Chemical Industry Co., Ltd.	Forich Advanced Materials Co., Ltd.	Taiwan	Manufacturing and sales of chemical products	76,985	76,985	7,698,545	100.00	103,975	8,722	8,722	-
San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	Taiwan	Manufacturing and sales of chemical products	200,000	200,000	20,000,000	100.00	96,812	(21,559)	(21,559)	-
San Fang Development	San Fang International	British Virgin Islands	Investment	773,892	697,536	25,200,010	100.00	855,947	(66,800)	(66,800)	Note 2
San Fang Development	BBH	Hong Kong	Investment	522,070	470,560	17,000,000	100.00	477,823	(60,420)	(60,420)	Note 3
San Fang International	MPL	British Virgin Islands	Investment	276,390	249,120	9,000,001	100.00	320,222	(44,167)	(44,167)	Note 4
San Fang International	GTL	British Virgin Islands	Investment	195,994	176,656	1	100.00	106,607	(24,204)	(24,204)	Note 5
GCL	GII	GCL	Investment	620,342	559,136	20,200,000	100.00	3,560,753	68,837	68,837	Note 6
GCL	JOB	GCL	Investment	1,120,838	1,010,251	36,497,500	100.00	1,497,122	30,666	30,666	Note 7
JOB	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	1,074,773	968,731	34,997,500	99.99	1,314,886	30,685	30,685	Note 8
GII	SFV	Vietnam	Material processing	276,390	249,120	-	100.00	650,666	37,473	37,473	Note 9
GII	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	77	69	2,500	0.01	74	30,685	-	Note 10

Note 1: Investment gains (losses) recognized in the current period include unrealized investment gains from upstream transactions and adjustment of unrealized sales between intra-group companies according to the buyer's tax rate.

Note 2: The original investment amount was both US\$25,200,010 at the beginning and end of the current period.

Note 3: The original investment amount was both US\$17,000,000 at the beginning and end of the current period.

Note 4: The original investment amount was both US\$9,000,001 at the beginning and end of the current period.

Note 5: The original investment amount was both US\$6,382,096 at the beginning and end of the current period.

Note 6: The original investment amount was both US\$20,200,000 at the beginning and end of the current period.

Note 7: The original investment amount was both US\$36,497,500 at the beginning and end of the current period.

Note 8: The original investment amount was both US\$34,997,500 at the beginning and end of the current period.

Note 9: The original investment amount was both US\$9,000,000 at the beginning and end of the current period.

Note 10: The original investment amount was both US\$2,500 at the beginning and end of the current period.

Note 11: Please see Table 7 for information on investees in China.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Information on Investments in China
From January 1 to December 31, 2022

Table 7

Unit: All amounts are in thousand NTD, unless otherwise specified

Name of investee in China	Main business items	Paid-in capital	Investment method	Accumulated investment amount remitted from Taiwan at the beginning of the period	Investment amount remitted from/to Taiwan in the current period		Accumulated investment amount remitted from Taiwan at the end of the period	Current profit (loss) of investee	Percentage of shares held directly or indirectly by the Company (%)	Investment income (loss) recognized by the Company in the current period	Closing book value of investments	Investment gains remitted back to Taiwan as of the end of the period	Remarks
					Remitted from Taiwan	Remitted back to Taiwan							
Taihuangdao Fusheng Chemical and Leather-making Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	\$ 400,458	2	\$ 33,020	\$ -	\$ -	\$ 33,020	\$ -	7.29	\$ -	\$ -	\$ -	
Yentai Wanhua Microfibre Co., Ltd.	Production and sales of microfiber synthetic leather, PU synthetic leather, PU resin, and additives	219,600	2	21,174	-	-	21,174	-	8.00	-	-	-	
Dongguan Huangjiang Baoliang Shoe Factory	Material processing	58,936	2	62,893	-	-	62,893	-	-	-	-	-	Note 1, Note 2, and Note 4
Dongguan Baoliang Material Technology Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	829,170	2	-	-	-	-	(102,663)	100.00	(102,663)	792,138	88,801	Note 3 and Note 4

Name of investment company	Accumulated investment amount remitted from Taiwan to China at the end of the current period	Investment amount approved by the Investment Commission, MOEA	The Company's limit on investments in China (Note 5)
San Fang Chemical Industry Co., Ltd.	\$ 117,087	\$ 1,075,685	\$ -

Note 1: The Company reported in 2010 that Megatrade Profits Limited, its investee in the British Virgin Islands, has provided non-price setting machinery and equipment worth HKD14,966,000 to Dongguan Huangjiang Baoliang Shoes Material Factory since 1996, and gained approval from the Investment Commission, Ministry of Economic Affairs in March 2010.

Note 2: Megatrade Profits Limited holds 100% shares of Dongguan Huangjiang Baoliang Shoe Factory for its processing business, but it has not registered its shares.

Note 3: Megatrade Profits Limited (MPL) is an investee of San Fang International Co., Ltd., and then MPL invested US\$3,484,000 in cash and US\$5,516,000 in machinery to establish Dongguan Baoliang Material Technology Co., Ltd. Dongguan Baoliang acquired Dongguan Yuguo Shoe Materials Co., Ltd. in Q2 2018. Dongguan Yuguo then invested US\$6,182,000 in cash in Giant Tramp Limited (GTL), and indirectly obtained 100% shares of Dongguan Yuguo in China. The Investment Commission, MOEA approved the additional investment of US\$16,000,000 in Dongguan Baoliang in October 2019.

Note 4: Investment gains and losses are recognized in the Company's financial statements that were audited by a CPA.

Note 5: Pursuant to the amendment to Article 3 of the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China, which was announced in Order Shen-Zi No. 0970460680 from the MOEA dated August 29, 2008, the Company obtained documentation of its head office's scope of business (Letter Jing-Shou-Gong-Zi No. 11020426410 dated July 28, 2021) issued by the Industrial Development Bureau, MOEA, and therefore has no limit on investments in China.

San Fang Chemical Industry Co., Ltd.

Information on Major Shareholders

December 31, 2022

Table 8

Name of major shareholder	Shareholding	
	Shares Held (share)	Shareholding ratio (%)
i-Tech. Sporting Enterprise Ltd.	38,980,000	9.80
Pou Chien Enterprise Co., Ltd.	38,501,504	9.68
Yue Dean Technology Corporation	37,298,876	9.38
Pou Chien Technology Co., Ltd.	36,549,118	9.19
Investment account of Capital Securities Limited under the custody of Capital Securities Corporation	26,578,577	6.68
Mun-Jin Lin	26,239,427	6.60
Mun-Yon Lin	19,935,265	5.01

Note 1: Information on major shareholders in this table is based data from Taiwan Depository and Clearing Corporation, which calculated shareholders with 5% or more of the Company's non-physical ordinary shares on the last business day of the quarter. The share capital specified on the Company's standalone financial statements may be different from the actual number of non-physical shares due to different calculation basis.

Note 2: If the shareholder in the data above put shares into a trust, it is listed as a separate trust account of the shareholder opened by the trustee. For shareholders who are reported as insiders in accordance with Securities and Exchange Act for holding more than 10% of shares, the shareholdings include the shares held by the shareholder plus shares placed in a trust in which the shareholder has control over trust assets. Please refer to the Market Observation Post System for data on reporting insider shareholding.

§List of Significant Accounting Items§

Item	No./Index
Detailed list of assets, liabilities, and equity	
Detailed list of cash and cash equivalents	List 1
Financial assets at fair value through profit or loss - current	List 2
detailed list	
Detailed list of notes receivable	List 3
Detailed list of accounts receivable	List 4
Detailed list of other accounts receivable	List 5
Detailed list of inventories	List 6
Detailed list of advance payments	List 7
Detailed list of changes to non-current financial assets at fair value through other comprehensive income	List 8
Detailed list of changes to investments recognized under the equity method	List 9
Detailed list of changes to property, plant and equipment	Note 13
Detailed list of changes to accumulated depreciation of property, plant and equipment	Note 13
Detailed list of right-of-use assets	Note 14
Detailed list of deferred income tax assets	Note 23
Detailed list of other financial assets	List 10
Detailed list of short-term borrowings	List 11
Detailed list of accounts payable	List 12
Detailed list of other accounts payable	Note 18
Detailed list of long-term borrowings	List 13
Detailed list of deferred income tax liabilities	Note 23
Detailed list of income and losses	
Detailed list of operating revenue	List 14
Detailed list of operating costs	List 15
Detailed list of operating expenses	List 16
Detailed list of other net profits and losses	Note 22
Summary of employee benefits, depreciation and amortization expenses by function	Note 22 and list 17

San Fang Chemical Industry Co., Ltd.

Detailed list of cash

December 31, 2022

List 1

Unit: Unless otherwise specified
the unit is thousand NTD

Item	Amount
Cash on hand and working capital	\$ 907
Cash in banks	
Cheque deposits	11,384
Demand deposits	158,695
Foreign currency demand deposits	
USD 36,700,158	1,127,062
JPY 12,849,975	2,986
RMB 323,882	1,422
EUR 80,511	2,635
Cash equivalents	
Time deposits (RMB 2,300,000; Annual interest of 2.2%)	10,102
Time deposits (USD 10,500,000; Annual interest of 3.9%~4.8%)	184,260
Bonds issued under repurchase agreement (USD 2,000,000; Annual interest of 4.4%~4.5%)	<u>61,420</u>
	<u>\$1,560,873</u>

Note: USD 1 = NTD 30.71.

JPY 1 = NTD 0.2324.

RMB 1 = NTD 4.392.

EUR 1 = NTD 32.72.

San Fang Chemical Industry Co., Ltd.

Financial assets at fair value through profit or loss - current detailed list

December 31, 2022

List 2

Unit: Thousand NTD
(Unless otherwise specified)

Name	Summary	Unit (shares)	Initial investment amount	Unit price (USD)	Fair value
PineBridge Global ESG Quantitative Bond Fund N9 (Acc) (USD)	Open end funds	103,755.99	\$ 30,533	\$ 8.95	\$ 28,524
Nomura Financial Bond (N) Acc USD	Open end funds	101,664.05	28,880	8.55	26,678
PineBridge Multi-Income Fund (N) Acc USD	Open end funds	67,369.59	21,661	10.45	21,623
Allianz Investors Income and Growth Fund (N) Monthly Distribution Class USD	Open end funds	68,323.30	21,661	8.34	17,499
			<u>\$ 102,735</u>		<u>\$ 94,324</u>

San Fang Chemical Industry Co., Ltd.

Detailed list of notes receivable

December 31, 2022

List 3

Unit: Thousand NTD

Name of customer	Summary	Amount
Non-related party		
Peng Dar Industrial Co., Ltd.	Sales proceeds	\$ 10,482
Cortina United Corporation	Sales proceeds	806
Feng Tay Enterprise Co., Ltd.	Sales proceeds	2,394
Other (Note)	Sales proceeds	<u>705</u>
		<u>\$ 14,387</u>

Note: None of the balances exceed 5% of the balance for this item.

San Fang Chemical Industry Co., Ltd.

Detailed list of accounts receivable

December 31, 2022

List 4

Unit: Thousand NTD

<u>Name of customer</u>	<u>Summary</u>	<u>Amount</u>
Related party		
PTS	Sales proceeds	\$ 147,656
Dongguan Baoliang	Sales proceeds	70,446
Yue Yuen Industrial (Holdings) Ltd.	Sales proceeds	77,541
Other (Note 1)	Sales proceeds	<u>18,311</u>
Net accounts receivable – related parties		<u>313,954</u>
Non-related party		
Endutex Brasil Ltda	Sales proceeds	76,218
OIA Global Logistics Scm, Lnc.	Sales proceeds	47,788
Other (Note 1 and Note 2)	Sales proceeds	<u>585,685</u>
		709,691
Less: Loss provision		<u>4,776</u>
Net accounts receivable – non-related party		<u>704,915</u>
		<u>\$1,018,869</u>

Note 1: None of the balances exceed 5% of the balance for this item.

Note 2: The Company's accounts receivable that are overdue for one year or longer amount to NT\$5,437,000.

San Fang Chemical Industry Co., Ltd.
Detailed list of other accounts receivable
December 31, 2022

List 5

Unit: Thousand NTD

Name/Item	Amount
Related party	
Bestac Advanced Material Co., Ltd. (Note 1)	\$158,537
PTS (Note 2)	53,403
Other (Note 3)	<u>11,587</u>
	<u>223,527</u>
Non-related party	
Business tax refunds receivable	2,031
Income from sale of scrap receivable	5,957
Interest income receivable	912
Rents receivable	839
Other (Note 3)	<u>4,878</u>
	<u>14,617</u>
	<u>\$238,144</u>

Note 1: Loans, collections, payments, and purchases of raw materials for third parties.

Note 2: Purchase of raw materials.

Note 3: None of the balances exceed 5% of the balance for this item.

San Fang Chemical Industry Co., Ltd.

Detailed list of inventories

December 31, 2022

List 6

Unit: Thousand NTD

Item	Amount	
	Book value	Net realizable value (Note)
Raw materials	\$ 687,875	\$ 690,584
Supplies	16,610	16,610
Work in process	454,306	742,284
Finished goods	153,722	210,140
Inventory in transit	<u>8,416</u>	<u>8,416</u>
	<u>\$1,320,929</u>	<u>\$1,668,034</u>

Note: Please refer to Note 4 Summarized Remarks on Significant Accounting Policies for the method for determining net realizable value.

San Fang Chemical Industry Co., Ltd.

Detailed list of advance payments

December 31, 2022

List 7

Unit: Thousand NTD

Item	Amount
Advance payments to vendors	\$ 59,875
Prepaid sales tax	23,179
Other (Note)	<u>1,546</u>
	<u>\$ 84,600</u>

Note: None of the balances exceed 5% of the amount of this item.

San Fang Chemical Industry Co., Ltd.
Detailed list of changes to non-current financial assets at fair value through other comprehensive income
2022

List 8

Unit: All amounts are in thousand NTD, unless otherwise specified

Name	Opening balance		Increase in the current year (Note 1)		Decrease in the current year (Note 2)		Closing balance		Guarantee or collateral provided
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	
Stock									
Yuanta Financial Holding Co., Ltd.	534,834	\$13,531	16,045	\$ -	-	\$ 1,577	550,879	\$11,954	N/A
Yeashin International Development Co., Ltd.	1,688,042	38,825	149,806	1,883	-	-	1,837,848	40,708	N/A
Liyu Venture Capital	558,255	<u>4,657</u>	-	<u>-</u>	-	<u>104</u>	558,255	<u>4,553</u>	N/A
		<u>\$57,013</u>		<u>\$ 1,883</u>		<u>\$ 1,681</u>		<u>\$57,215</u>	

Note 1: Valuation of unrealized profit was adjusted to NT\$1,883,000.

Note 2: Unrealized losses was adjusted to NT\$1,681,000.

San Fang Chemical Industry Co., Ltd.
Detailed list of changes to investments recognized under the equity method
2022

List 9

Unit: All amounts are in thousand NTD, unless otherwise specified

Name of investee	Amount at beginning of year		Increase in the current year (Note 1)		Decrease in the current year (Note 2)		Closing balance			Net value of equity (Note 3)		Guarantee or collateral provided
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Shareholding %	Amount	Unit price (NTD)	Total Amount	
San Fang Development	20,000,000	\$1,575,959	-	\$ 64,824	-	\$ 125,291	20,000,000	100	\$1,515,492	\$ 78.22	\$1,564,490	N/A
Grand Capital Limited	19,750,000	4,423,230	-	585,563	-	34,255	19,750,000	100	4,974,538	256.52	5,066,687	N/A
San Fang Financial Holdings Co., Ltd.	604,113	9,279	-	964	-	-	604,113	100	10,243	16.96	10,244	N/A
Forich Advanced Materials Co., Ltd.	7,698,545	106,432	-	9,553	-	12,010	7,698,545	100	103,975	13.51	103,975	N/A
Bestac Advanced Material Co., Ltd.	20,000,000	<u>118,371</u>	-	<u>-</u>	-	<u>21,559</u>	20,000,000	100	<u>96,812</u>	4.84	<u>96,812</u>	N/A
		<u>\$6,233,271</u>		<u>\$ 660,904</u>		<u>\$ 193,115</u>			<u>\$6,701,060</u>		<u>\$6,842,208</u>	

Note 1: The increase this year includes investment gains in the amount of NT\$108,937,000, unrealized gains from financial assets measured at fair value through other comprehensive income in the amount of NT\$831,000, actuarial profit from the defined benefit plans in the amount of NT\$3,038,000, and foreign translation adjustment in the amount of NT\$548,098,000.

Note 2: The decrease this year includes investment losses in the amount of NT\$131,940,000, unrealized gains from subsidiaries of NT\$49,165,000, and cash dividends in the amount of NT\$12,010,000 from investees.

Note 3: The net value of equity is calculated based on the investee's financial statements audited by an independent auditor and the Company's shareholding ratio.

San Fang Chemical Industry Co., Ltd.
Detailed list of other financial assets
December 31, 2022

List 10

Unit: Thousand NTD
(Unless otherwise specified)

Name	Annual interest rate (%)	Period	Amount	Remarks
Other financial assets - noncurrent				
Restricted demand deposits			\$ 150,055	
CTBC Bank - time deposits	4.75~4.88	2022.12.22~2023.6.22	153,550	Note
Mizuho Bank, Ltd. (Japan) - time deposits	4.85~4.90	2022.12.20~2023.6.26	153,550	Note
Bank SinoPac - time deposits	4.35	2022.12.22~2023.3.22	76,775	Note
Mega International Commercial Bank - time deposits	4.40	2022.12.22~2023.3.22	61,420	Note
			<u>\$ 595,350</u>	

Note: Dedicated account for the remittance of offshore funds back to Taiwan.

San Fang Chemical Industry Co., Ltd.
Detailed list of short-term borrowings
December 31, 2022

List 11

Unit: Unless otherwise specified
the unit is thousand NTD

Type of borrowings and creditors	Loan period	Annual interest rate (%)	Balance	Credit limit	Collateral or guarantee
Secured loans					
Hua Nan Bank	2023.02	1.58	\$ 50,000	\$ 350,000	Land and buildings
Mega Bank	2023.01~2023.03	1.63	300,000	310,000	Land and buildings
CTBC Bank	2023.01~2023.03	1.21~1.3	200,000	350,000	Land and buildings
Bank of Taiwan	2023.02	1.80	<u>280,000</u> <u>830,000</u>	500,000	
Unsecured loans					
Bank SinoPac	2023.02	1.6	150,000	185,000	N/A
Mizuho Bank, Ltd.	2023.02	1.68~1.75	350,000	540,000	N/A
Export-Import Bank of the Republic of China	2023.06~2023.07	1.07~1.69	<u>200,000</u> <u>700,000</u> <u>\$ 1,530,000</u>	200,000	N/A

San Fang Chemical Industry Co., Ltd.

Detailed list of accounts payable

December 31, 2022

List 12

Unit: Thousand NTD

Name of Supplier	Amount
Related party	
Dongguan Baoliang	\$ 12,177
PTS	11,164
Forich Advanced Materials Co., Ltd.	4,565
Other (Note)	<u>232</u>
	<u>28,138</u>
Non-related party	
BASF	117,354
Eefa Steel & Pipe Supply Co., Ltd.	34,926
Nan Ya Plastics Corporation	28,689
Sun Yang Global Co., Ltd.	26,769
Other (Note)	<u>251,365</u>
	<u>459,103</u>
	<u>\$487,241</u>

Note: None of the balances exceed 5% of the balance for this account.

San Fang Chemical Industry Co., Ltd.

Detailed list of long-term borrowings

December 31, 2022

List 13

Unit: Thousand NTD

Creditor bank	Deadline and repayment rules	Annual interest rate (%)	Amount			Collateral or guarantee
			Expiring within one year	Expiring beyond one year	Total	
Unsecured loans						
Far Eastern International Bank	Repaid upon maturity in December 2023	2.18	\$ 300,000	\$ -	\$ 300,000	N/A
CHB	Repayment every six months from August 2020 to February 2023	1.75	50,000	-	50,000	N/A
FCB	Repayment every six months from February 2022 to August 2024	1.83	100,000	100,000	200,000	N/A
Bank SinoPac	Repayment every six months from August 2021 to February 2024	1.92	100,000	50,000	150,000	N/A
Bank SinoPac	Repayment every six months from February 2024 to August 2025	1.59	-	150,000	150,000	N/A
E.SUN Bank	Repaid upon maturity in December 2025	1.65	-	210,000	210,000	N/A
Taiwan Cooperative Bank	Repayment every six months from January 2024 to July 2026	1.60	-	300,000	300,000	N/A
			550,000	810,000	1,360,000	
Secured loans						
CTBC Bank	Repaid upon maturity in July 2026	1.37	-	350,000	350,000	Land and buildings
Taiwan Cooperative Bank	Repayment every six months from July 2021 to January 2024	1.53	100,000	50,000	150,000	Land and buildings
Bank of Taiwan	Repayment every six months from November 2024 to May 2027	1.74	-	300,000	300,000	Land and buildings
Mega Bank	Repayment every six months from December 2021 to December 2024	1.66	140,000	140,000	280,000	Land and buildings
Hua Nan Bank	Repayment every six months from March 2022 to September 2025	1.61	125,000	250,000	375,000	Land and buildings
			365,000	1,090,000	1,455,000	
			\$ 915,000	\$ 1,900,000	\$ 2,815,000	

San Fang Chemical Industry Co., Ltd.

Detailed list of operating revenue

2022

List 14

Unit: Thousand NTD

Item	Quantity	Amount
Total sales revenue		
Wet-processed synthetic leather	14,649,000 yards	\$ 3,291,673
Dry-processed synthetic leather	7,031,000 yards	2,041,824
Leather work in progress	10,200,000 yards	1,369,966
Other (Note)		<u>2,415,340</u>
		9,118,803
Less: Sales return	519,000 yards	125,291
Sales discounts		<u>51,858</u>
Net sales revenue		<u>\$8,941,654</u>

Note: None of the balances exceed 10% of the balance for this item.

San Fang Chemical Industry Co., Ltd.

Detailed list of operating costs

2022

List 15

Unit: Thousand NTD

Item	Amount
Direct raw materials	
Raw materials at the beginning of the year	\$ 815,447
Plus: Purchased in the current year	5,591,811
Less: Transferred to expenses	87,655
Other	2,250
Raw materials at the end of the year	<u>687,875</u>
	5,629,478
Direct labor	260,342
Manufacturing overhead	<u>1,129,433</u>
Manufacturing costs	7,019,253
Plus: Work in process at the beginning of the year	542,219
Purchased in the current year	472,045
Less: Transferred to expenses	29,577
Other	4,295
Work in process at the end of the year	<u>454,306</u>
Costs of finished goods	7,545,339
Plus: Finished goods at the beginning of the year	198,693
Purchased in the current year	171,254
Less: Other	69,248
Finished goods at the end of the year	<u>153,722</u>
Cost of production and sales	7,692,316
Profit on physical inventory	(595)
Income from sale of scraps	(7,765)
Raw materials plus profit (Note 27)	(<u>14,242</u>)
Operating costs	<u>\$7,669,714</u>

San Fang Chemical Industry Co., Ltd.

Detailed list of operating expenses

2022

List 16

Unit: Thousand NTD

Item	Selling expenses	Administrative expenses	Research and development expenses	Total
Payroll expenses (including director's remuneration)	\$ 52,819	\$ 162,135	\$ 78,308	\$ 293,262
Advertising	89,935	85	-	90,020
Laboratory materials	-	-	80,501	80,501
Commission expenses	62,756	-	-	62,756
Depreciation	4,605	15,799	13,815	34,219
Travel expenses	15,184	8,356	1,097	24,637
Miscellaneous expenses	5,922	18,326	369	24,617
Taxes	24,368	(555)	161	23,974
Information related fees	551	19,014	200	19,765
Other	<u>40,125</u>	<u>97,363</u>	<u>53,104</u>	<u>190,592</u>
Subtotal	<u>\$ 296,265</u>	<u>\$ 320,523</u>	<u>\$ 227,555</u>	844,343
Expected credit impairment loss				<u>1,836</u>
				<u>\$ 846,179</u>

San Fang Chemical Industry Co., Ltd.

Summary of employee benefits, depreciation and amortization expenses by function
2022 and 2021

List 17

Unit: Thousand NTD

		2022			2021		
		Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee expenses	benefit						
	Salary expenses	\$341,138	\$278,077	\$619,215	\$284,272	\$218,362	\$502,634
	Labor and health insurance premiums	29,774	20,141	49,915	30,558	18,655	49,213
	Pension expenses	13,730	10,905	24,635	13,860	9,428	23,288
	Director's remuneration	-	15,185	15,185	-	4,685	4,685
	Other employee benefit expenses	<u>15,153</u>	<u>10,749</u>	<u>25,902</u>	<u>15,470</u>	<u>9,995</u>	<u>25,465</u>
		<u>\$399,795</u>	<u>\$335,057</u>	<u>\$734,852</u>	<u>\$344,160</u>	<u>\$261,125</u>	<u>\$605,285</u>
Depreciation expense		\$333,208	\$ 34,219	\$367,427	\$359,609	\$ 37,411	\$397,020
Amortization expense		331	9,486	9,817	343	9,650	9,993

Note 1: The Company had an average of 734 and 752 employees in 2022 and 2021, respectively, as well as 7 directors who were not concurrently employees in both periods.

- Note 2:
1. Average employee benefit expenses [(Total employee benefit expenses – Total director's remuneration)/(Number of employees - Number of directors who not concurrently employees)] were NT\$990,000 and NT\$806,000 in 2022 and 2021, respectively.
 2. Average employee salary expenses [(Total employee salary expenses/Number of employees – Number of directors who not concurrently employees)] were NT\$852,000 and NT\$675,000 in 2022 and 2021, respectively.
 3. Adjustments and changes to average employee salary expenses [(Average employee salary expenses in the current year – Average employee salary expenses in the previous year)/Average employee salary expenses in the previous year]: 26.22%.
 4. The Company does not have any supervisors.
 5. The Company's remuneration policy (including directors, managers, and employees) is as follows:
 - (1) Ensure that the Company's overall remuneration policy is in compliance with the law and sufficient to attract outstanding talent needed for the Company's development.
 - (2) Set the percentage allocated as directors' remuneration each year after referencing shareholders' equity, the Company's dividends over the years, and industry standards.
 - (3) The remuneration policy for the president, vice presidents, and managers in equivalent positions is recommended by the Remuneration Committee after taking into consideration the Company's business strategy, profitability, performance, and the individual's contribution, as well as salary levels in the market and offered by competitors. The remuneration policy is implemented after being approved by the Board

of Directors.

- (4) The remuneration policy for employees is designed to encourage employees to achieve better work performance. In addition to salaries, the individual performance of employees is evaluated based on the production, business, and other performance goals set by the Company, and various performance bonuses are distributed to personnel who serve specific functions, such as production, business, and R&D. Depending on the profits each year, year-end bonuses and other bonuses are distributed to reward employees.
- (5) The remuneration of directors, managers, and employees must be strongly correlated with business performance or results.