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2021 ANNUAL REPORT

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This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting.
If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

三芳化學工業股份有限公司
SAN FANG CHEMICAL INDUSTRY CO., LTD.

I. The title, telephone number, and e-mail of the Company's spokesperson and acting spokesperson:

Spokesperson:	Acting spokesperson:
Name: Hsin-Hung Lin	Name: Wei-Chu Chen
Title: Financial officer	Title: Human resources officer
Telephone: (07)3712111	Telephone: (07)3712111
E-mail: lhh@sanfang.com.tw	E-mail: cvg@sanfang.com.tw

II. Address and telephone of the head office and branches:

Company:	
No. 120, Dihua St., Sanmin District, Kaohsiung City	(07)3712111
Taipei Office:	
7F, No. 20, Lane 768, Sec. 4, Bade Rd., Nangang District, Taipei City	(02)27155441
Taichung Office:	
33F, No. 213, Chaofu Rd., Xitun District, Taichung City	(04)4632028
Kaohsiung Office:	
No. 402, Fengren Rd., Renwu District, Kaohsiung City	(07)3712111
Kaohsiung Factory:	
No. 402, Fengren Rd., Renwu District, Kaohsiung City	(07)3712111

III. Name, address, website, and telephone number of the stock transfer agency:
CTBC Bank Stock Affairs Department
Address: 5F, No. 83, Sec. 1, Chongqing S. Rd., Taipei City
Telephone: (02)66365566
Website: http://www.ctbcbank.com

IV. CPA who audited the financial statements for the most recent year
Name of CPA: CPA Chiu-Yen Wu and Chia-Ling Chiang
CPA firm name: Deloitte Taiwan
Address: 3F, No. 88, Chengkung 2nd Rd., Qianzhen District, Kaohsiung City
Telephone: (07)5301888
Website: http://www.deloitte.com.tw

V. Name of overseas stock exchange for overseas negotiable securities:

No overseas negotiable securities were issued

Method for accessing information on overseas negotiable securities: N/A

IV. Company website: http://www.sanfang.com.tw

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Chapter 1. Letter to Shareholders

Dear shareholders:

Due to the continuous raging of the COVID-19 virus, the recovery of the global labor force is slow, the transportation system is seriously blocked, the supply chain is not smooth, and inflation is accelerated. The Russian-Ukrainian war disrupted the international supply of crude oil and natural gas, resulting in high raw material prices and increased operating costs, affecting the profitability of various companies and the global economic development.

In the third quarter of 2021, the shoe factories clustered in South Vietnam were unable to produce due to the impact of the lockdown, which relatively delayed the shipment and market expansion of the San Fang Vietnam factory. Furthermore, due to the continuous increase in the price of upstream raw materials, which could not be smoothly passed on to brand customers immediately, resulting in a decline in the Company's revenue and net profit compared with the same period last year.

Summary of Business Plan and Implementation Results

Unit: Thousand NTD

Year / Item	2021		2020		Rate of change
	Amount	Ratio	Amount	Ratio	
Net operating revenues	8,384,007	100%	8,441,756	100%	(0.68%)
Operating margin	1,474,240	18%	1,863,671	22%	(20.90%)
Operating net profit	240,999	3%	498,351	6%	(51.64%)
Pre-tax profit	146,348	2%	344,253	4%	(57.49%)
Net profit after tax	115,933	2%	218,012	3%	(46.82%)
Earnings per share (NTD)	0.29		0.55		

Solid R&D capabilities

To respond to the rising labor costs and shortage of manpower, and international brands' demand for certification of related material technologies such as environmental protection, recycling, and sustainable development, operations will face more challenges. Based on this, various overseas factories continue to promote labor-saving, leveling and modularization of production processes; meanwhile, the Kaohsiung parent factory is moving towards automated monitoring processes, developing the production of upstream key basic raw materials to supply the production needs of overseas factories, and at the same time enhancing the added value of functional products, expanding the application in different markets to enhance international competitiveness.

San Fang is the main supplier of artificial leather and film for international sports brands. In response to the global trend of carbon reduction, San Fang designs film recycling and reuse, reduces waste output, increases green recycling economic benefits, and develops environmentally friendly non-toxic materials to enter the supply chain of electric vehicle seats and panels. It is expected that the diversified development strategy will bring us more forward-looking products.

Influence from the Macro Environment, External Competition, and Regulatory Environment

The global economic and trade environment is still unstable, and with industry status including the rising awareness of environmental protection, stricter environmental laws, and the entry of potential competitors, the overall business environment will face severe challenges.

Environmental protection, social responsibility and corporate governance are important global trends. Large index companies around the world have announced carbon neutrality commitments one after another and require each supply chain to implement carbon reduction actions. The Company will strive to protect our symbiotic global environment and strengthen our ability to understand trends and adapt quickly.

Vision and Outlook

In the face of the delaying impact of the pandemic on the operation of the global supply chain, the supply of raw materials has been tightened and prices have fluctuated sharply. Therefore, international brands attach great importance to the dispersion of production bases, production capacity scale, inventory management and environmental sustainability issues of each supplier. We have the advantages of meeting all the needs of the brands, and will continue to grasp the growth trend of the brands to expand the market.

The spread of the pandemic has warned of the problems brought about by globalization, which will accelerate the transformation of enterprises in various countries. Looking forward to the future, the Company will flexibly allocate resources and improve the integrated performance of the organization, invest in the research and development of new technologies and new products, and strengthen cooperation opportunities with strategic partners to gain more opportunities in niche markets.

The Company will continue to improve in response to market changes, adhere to laws and regulations with a prudent attitude, strengthen risk management mechanisms and reinforce corporate governance, and be brave to take responsibilities and make innovation to achieve the vision of sustainable growth.

Finally, I would like to thank shareholders for your care and support for San Fang, and express my deepest gratitude to shareholders, directors, and all employees. I respectfully wish you and your family good health and safety.

Mun-Jin Lin

Chairman

June 21, 2022

Chapter 2. Company Overview

I. Date of Establishment: June 16, 1973.

II. Company History:

The Company was founded in Kaohsiung City on June 16, 1973, and mainly aimed to construct a PU synthetic leather factory using new production methods. Construction began in 1974, a trial run was carried out in April 1975, and formal production began in June the same year.

The Company was founded over forty years ago, and its capital increase is briefly described below:

1. When the Company was first established, it was located at No. 402, Fengren Rd., Renwu District, Kaohsiung City with a capital of NT$30,000,000.
2. The Company increased its capital by NT$30,000,000 million in cash in January 1975 to improve its financial structure, and its registered capital was NT$100,000,000.
3. The Company increased its capital by NT$40,000,000 in cash in December 1975 in coordination with its business expansion, and the full amount of its registered capital was NT$100,000,000 was paid in.
4. The Company began to diversify in coordination with its business policy to accelerate its growth, and purchased equipment from two companies Qinsheng and Lixin in October 1977. The Company began to relocate the equipment in December the same year and completed installation in February 1978. Production using the equipment began in March the same year, and significantly lowered production cost, resulting in higher profits each year.
5. The annual shareholders' meeting approved a cash capital increase in the amount of NT$45,000,000 in April 1980, and capitalized profits in the amount of NT$55,000,000. The capital was used to add a new factory, coating machine, and auxiliary processing equipment. The registered capital was changed to NT$200,000,000.
6. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$100,000,000 in April 1982 to add raising and dyeing equipment. The registered capital was changed to NT$300,000,000.
7. The annual shareholders' meeting adopted the resolution to capitalize profits in the amount of NT$189,000,000 in April 1984, and added new tape machine and non-woven fabric machine. Of the Company's capital surplus, NT$21,000,000 was capitalized and total capital was changed to NT$510,000,000. The Company was approved to become publicly traded starting on November 23, 1985.
8. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$61,200,000 in April 1986, and the capital was used to add DMF recycling and wet coating machine. The registered capital was changed to NT$571,200,000.
9. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$91,392,000 in April 1987, and the capital was used to add a factory, dry coating machine,

and tape machine. The registered capital was changed to NT$662,592,000.

10. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$93,388,800 million in April 1988, and the capital was used to add natural leather production equipment. The registered capital was changed to NT$761,980,800.
11. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$78,198,038 in April 1989, and the capital was used to add extruders. The registered capital was changed to NT$838,178,880.
12. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$71,245,200 in May 1990, and the capital was used to add non-woven fabric machines. Capital surplus in the amount of NT$12,572,690 was capitalized. The registered capital was changed to NT$921,996,070.
13. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$79,291,720 in May 1991, and the capital was used to add microfiber fabric and microfiber artificial leather equipment. Capital surplus in the amount of NT$12,907,950 was capitalized. The registered capital was changed to NT$1,014,196,440.
14. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$121,703,580 in April 1992, continuing the capital increase for adding microfiber fabric and microfiber artificial leather equipment. The registered capital was changed to NT$1,135,900,020.
15. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$136,308,000 in May 1993, and the capital was used to add wet coating machines and DMF wastewater recycling equipment. The registered capital was changed to NT$1,272,208,020.
16. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$165,387,050 in April 1994, continuing the capital increase in 1993 and registered capital was NT$1,900,000,000. Paid-in capital was NT$1,437,595,070.
17. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$143,759,510 in May 1995, and the capital was used to add microfiber manufacturing equipment. The paid-in capital was NT$1,581,354,580.
18. The Board of Directors adopted the resolution to issue 30,000,000 new shares at NT$14.5 for capital increase by cash. The shares were issued at a premium and raised NT$435,000,000 in total. Along with the capitalization of profits to purchase microfiber equipment and repay loans in 1995, paid-in capital was NT$1,881,354,580.
19. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$188,135,460 in April 1998, and the capital was used to purchase non-woven fabric machines. The paid-in capital was NT$2,069,490,040. It is an indirect investment in China. The Company invested in and holds 100% shares of San Fang Financial Holdings Co., Ltd., and indirectly invested in Taihuangdao Fusheng Chemical and Leather-making Co., Ltd.

through San Fang Financial Holdings Co., Ltd. this year, holding 7.29% shares.

20. To expand into the North China market in 1999, the Company indirectly invested in Taihuangdao Sanfeng Chemical and Leather-making Co., Ltd. through San Fang Financial Holdings Co., Ltd. in 1999, indirectly holding 100% shares.
21. The Company invested in and holds 100% shares of San Fang Development Co., Ltd. in 2000 for global development. The Company indirectly invested in and holds 100% shares of San Fang International Co., Ltd. Through San Fang Development Co., Ltd.
22. The Company indirectly invested in 8% shares of Yentai Wanhua Microfibre Co., Ltd. through San Fang Financial Holdings Co., Ltd. for its business development in 2001. The Company established San Fang International Co., Ltd. for investment purposes, and renamed it Forich Advanced Materials Co., Ltd. in November 2012 due to business needs. Capital increase and reduction was carried out in January 2014 and the Company currently holds 100% shares of Forich Advanced Materials Co., Ltd.
23. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$206,949,000 in May 2003, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$2,276,439,040. The Company established Grand International Investment Co., Ltd. (GII) through San Fang Development Co., Ltd. for global development, and indirectly invested in San Fang Vietnam Co., Ltd., a processing plant in Vietnam, through GII.
24. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$227,643,900 in May 2004, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$2,504,082,940. Organizational restructuring was carried out for the convenience of management, and GII shares original held by San Fang Development went through capital reduction and became held by the newly established wholly-owned subsidiary Grand Capital Limited.
25. The Company established Bestac Advanced Material Co., Ltd. in 2005 to engage in the development of new businesses and sale of new products, so as to enhance the Company's competitiveness.
26. The Company established Foretrol Precision Materials Co., Ltd. in 2007 to expand its scope of business and engage in the development, manufacturing, and sales of new businesses and new products.
27. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$125,204,150 in June 2008, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$2,629,287,090.
28. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$341,807,330 in June 2009, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$2,971,094,420.
29. GLC invested in and holds 100% shares of Java Ocean Business Limited (JOB) in September

2009 for global development, and then JOB invested in P.T. San Fang, which established a processing plant in Indonesia.

30. SFD invested in and holds 100% shares of Brave Business Holding Limited (BBH) in November 2010 for global development, and then BBH established Dongguan Fucang Shoe Materials Co., Ltd. in April 2010.
31. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$148,554,730 in June 2010, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$3,119,649,150.
32. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$311,964,920 in June 2011, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$3,431,614,070.
33. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$102,948,430 in June 2012, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$3,534,562,500.
34. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$106,036,880 in June 2013, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$3,640,599,380. The subsidiary Sanfeng Chemical originally leased land and plant from the local development zone for its production and sales activities. Sanfeng Chemical received a notice in July 2010 that the local government passed the policy to change Qinhuangdao Development Zone into a commercial district, and that it needed to terminate its lease agreement and handover land and equipment before September 2010. Sanfeng Chemical terminated production at the end of September 2010 and completed liquidation procedures in July 2013. De-registration was approved by the local competent authority in September 2013. The subsidiary GCL increased its investment by NT$470,793,000 in November 2013.
35. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$109,217,990 in June 2014, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$3,749,817,370. Subsidiary San Fang Financial Holdings Co., Ltd. reduced capital by US$1,550,000 in August 2014 and refunded payments for shares.
36. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$112,494,530 in June 2015, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$3,862,311,900. Subsidiary GCL reduced capital and refunded payment for shares in the amount of NT$433,580,000 in July 2015.
37. Subsidiary Foretrol Precision Materials Co., Ltd. increased capital by NT$50,000,000 in March 2016, and paid-in capital was NT$300,000,000.
38. Subsidiary San Fang International Co., Ltd. Invested in Megatrade Profits Limited (MPL) in

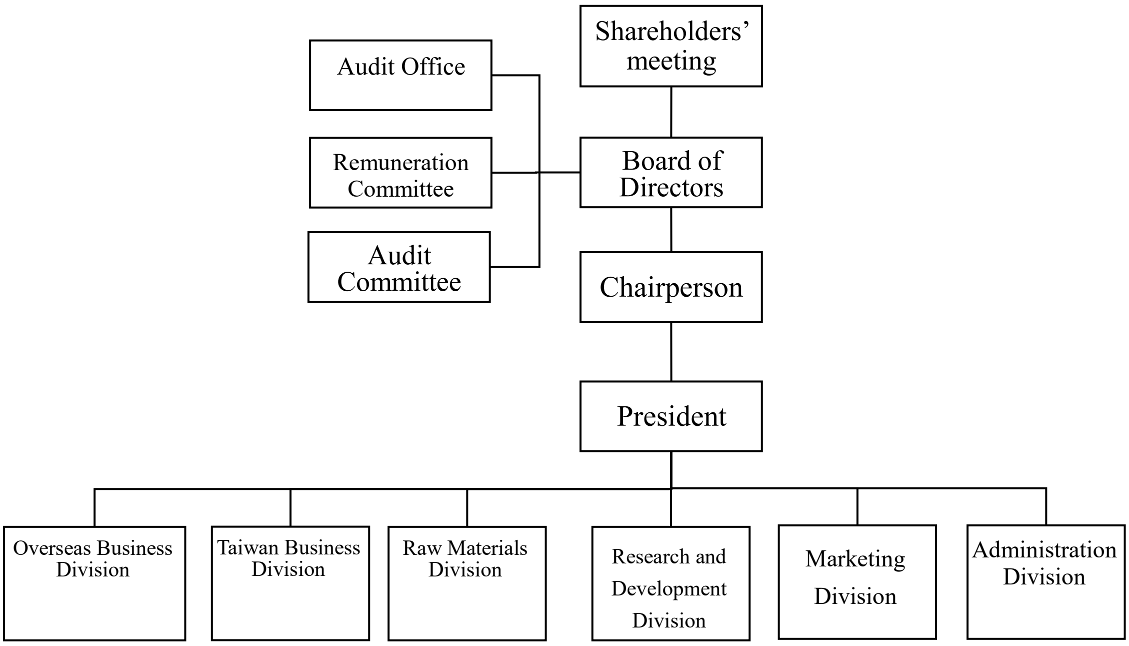
2016, and then MPL invested US$3,484,104 in cash and US$5,515,896 in machinery and equipment in Dongguan Baoliang Material Technology Co., Ltd. (BAL). BAL's paid-in capital was US$9,000,000.

39. The annual shareholders' meeting approved the capitalization of profits in the amount of NT$115,869,360 in June 2016, and the capital was used to replenish working capital in coordination with business needs. The paid-in capital was NT$3,978,181,260.
40. The Company acquired shares of Giant Tramp Limited (GTL) in October 2017 and indirectly obtained 100% shares of Dongguan Yuguo Shoe Materials Co., Ltd.
41. The Company merged BAL and Dongguan Yuguo Shoe Materials Co., Ltd. in April 2018 to integrate resources.
42. The Company merged BAL and Dongguan Fucang Shoe Materials Co., Ltd. in November 2018 to integrate resources.
43. The Company merged Bestac Advanced Material Co., Ltd. and Foretrol Precision Materials Co., Ltd. in October 2019 to integrate resources.
44. The company are certified by IATF16949 in 2019.
45. The company are honored with the successful manufacturer in Epidemic Prevention by The Ministry of Economic Affairs and won the Epidemic Prevention Medal by Ministry of Health and Welfare in 2020.
46. Passes GRS certification in 2020.

Chapter 3. Corporate Governance Report

I. Organization

Organizational structure:



Business operations of major departments:

(1) Audit Office: Responsible for regular and irregular audits of operations and systems.

(2) Administration Division: Responsible for matters related to finance, information, human resources, quality assurance, materials, and cost performance.

(3) Research and Development Division: Responsible for research and development of new products and production technologies and modifications.

(4) Raw Materials Division: Responsible for the manufacturing of synthetic resin and microfiber.

(5) Marketing Division: Responsible for marketing, price setting, customer development, product sales, sales contract signing, customer services, and account management.

(6) Taiwan Business Division: Responsible for manufacturing of artificial leather products and film/fiber products, expansion of production machinery and equipment, maintenance and repair, factory environment maintenance, and industrial safety.

(7) Overseas Business Division: Responsible for the manufacturing and marketing of artificial leather products.

II. Information on directors, president, vice presidents, assistant vice presidents, and department and branch directors

(I) Information on Directors

April 23, 2022

Title	Nationality or place of registration	Name	Gender/Age	Date of election (appointment)	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Experience (Education)	Other positions at the Company or elsewhere	Other managerial officer, director or supervisor who is the			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairperson	ROC	Sanfang Investment Co., Ltd.		2021.8.18	2021.8.18～2024.8.17	2012.6.6	1,143,574	0.29%	1,143,574	0.29%					N/A	N/A	N/A			N/A
Representative of institutional chairperson	ROC	Representative: Mun-Jin Lin	Male/60~65	2021.8.18	2021.8.18～2024.8.17	2006.5.24	26,239,427	6.60%	26,239,427	6.60%	155,559	0.04%	1,143,574	0.29%	Graduate program					
Director	ROC	Pou Chien Technology Co., Ltd.		2021.8.18	2021.8.18～2024.8.17	2015.6.9	36,549,118	9.19%	36,549,118	9.19%	0	0	0	0	N/A	Director of Pou Chen Corporation	N/A			N/A
Representative of institutional director	ROC	Representative: Chin-Chun Lu	Male/65~70	2021.8.18	2021.8.18～2024.8.17	2000.5.17	0	0	0	0	0	0	0	0	Graduate program					
Director	ROC	Pou Chien Technology Co., Ltd.		2021.8.18	110.8.18～2024.8.17	2015.6.9	36,549,118	9.19%	36,549,118	9.19%	0	0	0	0	N/A	Pou Chen Corporation Vice President	N/A			N/A
Representative of institutional director	ROC	Representative: Chia-Li Chang	Male/60~65	2021.8.18	2021.8.18～2024.8.17	2017.2.9	0	0	0	0	0	0	0	0	Undergraduate program					

Director	ROC	Pou Chien Technology Co., Ltd.		2021.8.18	2021.8.18～2024.8.17	2015.6.9	36,549,118	9.19%	36,549,118	9.18%	0	0	0	0	N/A	Tah Kong Fine Chemical (Kun-Shan) Co., Ltd. Chairperson	N/A	N/A
Representative of institutional director	ROC	Representative: Chia-Hui Teng	Male/60~65	2021.8.18	2021.8.18～2024.8.17	2018.6.12	5,368,891	1.35%	5,368,891	1.35%	20,442	0.01%	0	0	Graduate program			
Independent director	ROC	Li-Syuan Lin	Male/60~65	2021.8.18	2021.8.18～2024.8.17	2015.6.9	0	0	0	0	0	0	0	0	Graduate program	Executive Director of Acosta Ventures (BVI) Limited, Independent Director of Fong-Chien Construction Co., Ltd.	N/A	N/A
Independent director	ROC	Wan-Lin Hsu	Male/75~80	2021.8.18	2021.8.18～113.8.17	2015.6.9	0	0	0	0	0	0	0	0	Undergraduate program	Member of the Company's Remuneration Committee	N/A	N/A
Independent director	ROC	Chih-Long Chou	Male/55~60	2021.8.18	2021.8.18～113.8.17	2018.6.12	0	0	0	0	0	0	0	0	Graduate program	Member of the Company's Remuneration Committee	N/A	N/A

Note: The Company's chairperson and president are not the same person.

Major shareholders of institutional shareholders April 23, 2022

Name of institutional shareholder	Major shareholders of institutional shareholders	
Sanfang Investment Co., Ltd.	Mun-Jin Lin	100%
Pou Chien Technology Co., Ltd.	Pou Chien Chemical (Holdings) Ltd.	96.31%

Main shareholders of institutional shareholders April 23, 2022

Name of Institution	Major shareholders of institution
Pou Chien Chemical (Holdings) Ltd.	Key International Co., Ltd. 100%

Disclosure of professional qualifications of directors and independence of independent directors

Qualifications / Name	Professional qualifications and experience	Meet the independence criteria												Number of other public companies in which the individual is concurrently serving as an independent director
		1	2	3	4	5	6	7	8	9	10	11	12	
Director Mun-Jin Lin	1. As the President of the Company for about 12 years, having the work experience required for the Company's business 2. Expertise in business administration, strategic planning, and corporate development 3. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act						✓	✓		✓	✓	✓		0
Director Chin-Chun Lu	1. President of Pou Chen Corporation for more than 10 years and Chairman of the Board of directors and Executive Director of Yue Yuen Industrial (Holdings) Ltd., with about 40 years of experience in the production of footwear and shoe materials 2. Expertise in production management, operation management and corporate development 3. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act			✓				✓		✓	✓	✓		0

Qualifications / Name	Professional qualifications and experience	Meet the independence criteria												Number of other public companies in which the individual is concurrently serving as an independent director
		1	2	3	4	5	6	7	8	9	10	11	12	
Director Chia-Li Chang	1. As the Vice President of Pou Chen Corporation for more than 8 years, having the work experience required for the Company's business 2. Expertise in operation management and business development 3. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act			✓				✓		✓	✓	✓		0
Director Chia-Hui Teng	1. As the Chairman of Tah Kong Chemical Industrial Corp. for more than 25 years, having the work experience required for the Company's business 2. Expertise in corporate management, corporate development and accounting and auditing 3. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act	✓			✓			✓		✓	✓	✓		0

Qualifications / Name	Professional qualifications and experience	Meet the independence criteria												Number of other public companies in which the individual is concurrently serving as an independent director
		1	2	3	4	5	6	7	8	9	10	11	12	
Independent director Li-Syuan Lin	1. Former President of King's Town Bank 2. Former Vice President of Chase Bank 3. Executive Director of Acosta Ventures(BVI) Limited. 4. As the member of the Audit Committee of the Company, having the expertise in finance 5. Current Independent Director of Fong-Chien Construction Co., Ltd. 6. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Qualifications / Name	Professional qualifications and experience	Meet the independence criteria												Number of other public companies in which the individual is concurrently serving as an independent director
		1	2	3	4	5	6	7	8	9	10	11	12	
Independent director Wan-Lin Hsu	1. Partner of KPMG Taiwan for 25 years 2. Former assistant auditor of the Executive Yuan Tax Reform Committee 3. As the member of the Audit Committee of the Company, having the expertise in accounting and auditing 4. Former Independent Director and Remuneration Committee member of JMC Electronics Co., Ltd. 5. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent director Chih-Long Chou	1. Accountant, Pragmatic CPA Firm 2. As the member of the Audit Committee of the Company, having the expertise in accounting and auditing 3. Former supervisor of St.Shine Optical Co., Ltd. 4. Not having any of the situations set forth in Subparagraphs of Article 30 of the Company Act	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office"✓".

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one

percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holders 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

(6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

(7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

(8) Not a director, supervisor, or managerial officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.

(11) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

(12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C.

Board diversity and independence:

Board diversity:

The Company set forth its Board diversity policy in Article 23 of the Corporate Governance Best Practice Principles, including the basic qualifications and values (e.g., gender, age, nationality, and culture) and professional knowledge and skills (e.g. Law, accounting, industry, finance, marketing, or technology) of Board members. The abilities that the Board of Directors shall have as a whole to achieve the ideal goals of corporate governance include the ability to make operational judgments, ability to manage a business, ability to handle crisis management, knowledge of the industry, and financial accounting. For the specific management goals of the Company’s board diversity policy, the achievement status of the goals and the implementation status of the policy, It has been achieved by now and disclosed on the Company’s website that the members of the board of directors have rich experience in the fields of manufacturing, operation and management, and the goal of board diversity of having more than two directors with accounting and auditing expertise.

Core items of diversification Name of director	Gender	Age	Number years served as independent director	Highest degree	Industry experience	Academic experience	Field of expertise
Sanfang Investment Co., Ltd. Representative: Mun-Jin Lin	Male	Mostly between 55 and 65 years old		Master, Johns Hopkins University	v		Business administration, strategic planning, and corporate development
Pou Chien Technology Co., Ltd. Representative: Chin-Chun Lu	Male			Master, College of Management, National Chung Hsing University	v		Production management and business administration
Pou Chien Technology Co., Ltd. Representative: Chia-Hui Teng	Male			Master of Accounting, New York University	v		Business administration, accounting, and auditing

Core items of diversification Name of director	Gender	Age	Number years served as independent director	Highest degree	Industry experience	Academic experience	Field of expertise
Pou Chien Technology Co., Ltd. Representative: Chia-Li Chang	Male			SOUTH FIELDS COLLEGE, United Kingdom	v		Business management and business development
Independent Director Li-Hsuan Lin	Male		6～7 years	Master, University of California	v		Finance
Independent Director Wan-Lin Hsu	Male		6～7 years	Bachelor of Business Administration, National Taiwan University	v		Accounting and auditing
Independent Director Chih-Lung Chou	Male		3～4 years	Master of Financial Management, National Kaohsiung First University of Science and Technology	v	v	Accounting and auditing

Board independence:

The Company has a total of 7 directors in the 17th Board of Directors, in which 43% are directors who are not concurrently employees of the Company and independent directors. In addition, there is no spousal relationships or kinship within the second degree among the directors. As stated above, the independence goals have all been achieved.

(II) President, Vice Presidents, Assistant Vice Presidents, and Department and Branch Directors

April 23, 2022

Title	Nationality	Name	Gender	Date of election (appointment)	Shares held		Shares held by spouse and underage children		Shares held in the name of others		Experience (Education)	Concurrently held positions in other companies	Other manager who is the spouse or a relative within the second degree			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
President	ROC	Chih-I Lin	Male	2018.6.22	0	0.00%	0	0.00%	0	0.00%	Undergraduate program	N/A	N/A			N/A
Vice President	ROC	Chin-Fa Chiu	Male	2015.7.1	0	0.00%	0	0.00%	0	0.00%	Senior High School	N/A	N/A			N/A
Vice President	ROC	Wei-Chu Chen	Male	2015.7.1	10,566	0.00%	0	0.00%	0	0.00%	Graduate program	N/A	N/A			N/A
Vice President	ROC	Kuo-Kuang Cheng	Male	2015.7.1	1,156	0.00%	0	0.00%	0	0.00%	Ph.D	N/A	N/A			N/A
Vice President	ROC	Li-Chuan Li	Male	2015.7.1	0	0.00%	0	0.00%	0	0.00%	Undergraduate program	N/A	N/A			N/A
Vice President and Financial Officer	ROC	Hsin-Hung Lin	Male	2007.9.1	0	0.00%	0	0.00%	0	0.00%	Graduate program	N/A	N/A			N/A
Senior Manager	ROC	Yi-Cheng Chang	Male	2019.7.1	2,108	0.00%	0	0.00%	0	0.00%	Junior college	N/A	N/A			N/A
Senior Manager	ROC	Jin-Liang Yi	Male	2019.7.1	0	0.00%	0	0.00%	0	0.00%	Junior college	N/A	N/A			N/A

Senior Manager	ROC	Chen-Tai Cheng	Male	2021.5.1	0	0.00%	0	0.00%	0	0.00%	Undergraduate program	N/A	N/A	N/A
Head of accounting	ROC	Hua-Hsing Wang	Male	2015.8.7	0	0.00%	0	0.00%	0	0.00%	Undergraduate program	N/A	N/A	N/A

Note 1: The Company's managers did not work for the certifying accounting firm or its affiliated enterprises in the past year.
Note 2: The Company's chairperson and president are not the same person.

(III) The chairperson and president or equivalent position (highest level managerial officer) is the same person, the spouse, or a first-degree relative: N/A.

III. Remunerations to directors, president, and vice presidents in the most recent year

(I) Director's remuneration

Unit: Thousand NTD

Title	Name	Director's remuneration								Ratio of total remuneration (A+B+C+D) to net income after tax		Pay received as an employee								Ratio of total compensation (A + B+ C+ D+ E+ F+ G) to net income after tax		Remuneration received from investee companies other than subsidiaries or the parent company
		Remuneration (A)		Severance pay and pension (B)		Directors' remuneration (C)		Business expense (D)				Salary, bonus and special allowance (E)		Severance pay and pension (F)		Employee bonuses (G)						
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairperson	Sanfang Investment Co., Ltd. Representative: Mun-Jin Lin																					
Director	Pou Chien Enterprise Co., Ltd. Representative: Chin-Chun Lu																					
Director	Pou Chien Technology Co., Ltd. Representative: Chin-Chun Lu	806	806	0	0	2,000	2,000	720	720	3.0414	3.0414	0	0	0	0	0	0	0	0	3.0414	3.0414	N/A
Director	Yue Dean Technology Corporation Representative: Chia-Li Chang																					
Director	Pou Chien Technology Co., Ltd. Representative: Chia-Hui Teng																					
Independent director	Li-Syuan Lin																					
Independent director	Wan-Lin Hsu	1,560	1,560	0	0	0	0	0	0	1.3456	1.3456	0	0	0	0	0	0	0	0	1.3456	1.3456	N/A
Independent director	Chih-Long Chou																					

Note 1: On August 18, 2021, the 17th board of director was re-elected, and the new director, representative of Pou Chien Technology Co., Ltd.: Chin-Chun Lu and representative of Pou Chien Technology Co., Ltd.: Chia-Li Chang

Note 2: The policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:
The Company's institutional director receives a fixed transportation allowance and the Company's independent directors do not participate in the distribution of directors' remuneration to maintain their independence, and received fixed monthly salaries instead, regardless of their responsibilities, risks, time invested and other factors. The remuneration of the Audit Committee's convener is 1.25 times that of independent directors because the convener is responsible for convening and handling related matters of the Audit Committee and for approving audit reports

Note 3: The remuneration of directors providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the past year: N/A

Note 4: No individual director received remuneration exceeding NT$15 million.

Note 5: No directors pledged more than 50% shares in the most recent year.

Note 6: The amount to be distributed was approved by the Board of Directors on March 22, 2022.

Note 7: The Company ranked in the top 21% to 35% among public companies in the 8th Corporate Governance Evaluation.

Note 8: The average annual salary of the Company's full time non-managerial employees was higher than NT$500,000 in the most recent year.

Range of remuneration chart

Remuneration scale applicable to the Company's directors	Name of director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All Consolidated Entities H	The Company	All Consolidated Entities I
Less than NT$1,000,000	Pou Chien Enterprise Co., Ltd.; Representative: Chin-Chun Lu Yue Dean Technology Corporation; Representative: Chia-Li Chang Pou Chien Technology Co., Ltd.; Representative: Chin-Chun Lu Pou Chien Technology Co., Ltd.; Representative: Chia-Li Chang Pou Chien Technology Co., Ltd.; Representative: Chia-Hui Teng Li-Syuan Lin, Wan-Lin Hsu, Chih-Long Chou	Pou Chien Enterprise Co., Ltd.; Representative: Chin-Chun Lu Yue Dean Technology Corporation; Representative: Chia-Li Chang Pou Chien Technology Co., Ltd.; Representative: Chin-Chun Lu Pou Chien Technology Co., Ltd.; Representative: Chia-Li Chang Pou Chien Technology Co., Ltd.; Representative: Chia-Hui Teng Li-Syuan Lin, Wan-Lin Hsu, Chih-Long Chou	Pou Chien Enterprise Co., Ltd.; Representative: Chin-Chun Lu Yue Dean Technology Corporation; Representative: Chia-Li Chang Pou Chien Technology Co., Ltd.; Representative: Chin-Chun Lu Pou Chien Technology Co., Ltd.; Representative: Chia-Li Chang Pou Chien Technology Co., Ltd.; Representative: Chia-Hui Teng Li-Syuan Lin, Wan-Lin Hsu, Chih-Long Chou	Pou Chien Enterprise Co., Ltd.; Representative: Chin-Chun Lu Yue Dean Technology Corporation; Representative: Chia-Li Chang Pou Chien Technology Co., Ltd.; Representative: Chin-Chun Lu Pou Chien Technology Co., Ltd.; Representative: Chia-Li Chang Pou Chien Technology Co., Ltd.; Representative: Chia-Hui Teng Li-Syuan Lin, Wan-Lin Hsu, Chih-Long Chou
NT$1,000,000 (inclusive) to NT$2,000,000 (exclusive)	Pou Chien Enterprise Co., Ltd., Yue Dean Technology Corporation, Pou Chien Technology Co., Ltd.	Pou Chien Enterprise Co., Ltd., Yue Dean Technology Corporation, Pou Chien Technology Co., Ltd.	Pou Chien Enterprise Co., Ltd., Yue Dean Technology Corporation, Pou Chien Technology Co., Ltd.	Pou Chien Enterprise Co., Ltd., Yue Dean Technology Corporation, Pou Chien Technology Co., Ltd.
NT$2,000,000 (inclusive) to NT$3,500,000 (exclusive)	Sanfang Investment Co., Ltd. Representative: Mun-Jin Lin	Sanfang Investment Co., Ltd. Representative: Mun-Jin Lin	Sanfang Investment Co., Ltd. Representative: Mun-Jin Lin	Sanfang Investment Co., Ltd. Representative: Mun-Jin Lin
NT$3,500,000 (inclusive) to NT$5,000,000 (exclusive)				
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)				
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)				
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)				
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)				
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)				
NT$100,000,000 and above				
Total	7	7	7	7

Note 1: The Company's 3 independent directors have not served for more than 9 years and do not concurrently hold the position of director and supervisor of more than 5 TWSE/TPEx-listed companies.
Note 2: The Company has 0 executive directors, which does not exceed 1/3 of all director seats.

(II) Remuneration to supervisors: The Company does not have any supervisors.

(III) Remunerations to the president and vice presidents Unit: Thousand NTD

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances, etc. (C)		Employee bonuses (D)				Ratio of total remuneration (A+B+C+D) to net income after tax		Remuneration received from investee companies other than subsidiaries or the parent company
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Chih-I Lin	5,932	6,638	353	353	10,243	10,243	96	0	96	0	14.34%	14.95%	N/A
Vice President	Chin-Fa Chiu													
Vice President	Hsin-Hung Lin													
Vice President	Wei-Chu Chen													
Vice President	Kuo-Kuang Cheng													
Vice President	Li-Chuan Li													

Note 1: All amounts for severance pay and pension are the amount allocated.

Note 2: The Company did not have any net loss after tax and was not ranked in the lowest bracket of the Corporate Governance Evaluation in the past three years. Hence, the Company does not need to disclose its top five highest paid managers.

Information on highest paid managers

Note 3: Connection between performance evaluations and the remuneration of the managers: With regard to the remuneration policy for the president and vice presidents, reasonable remuneration is determined based on the position's scope of authority and responsibility, contribution to the Company's business goals, the decision-making risk borne by the position, achievement of departmental performance, risk of unable to achieve business goals, and risk of non-compliance with policies, laws, and regulations.

Range of remuneration chart

Range of remuneration paid to presidents and vice presidents	Names of president and vice presidents	
	The Company	All Consolidated Entities
Less than NT$1,000,000		
NT$1,000,000 (inclusive) to NT$2,000,000 (exclusive)		
NT$2,000,000 (inclusive) to NT$3,500,000 (exclusive)	Chin-Fa Chiu, Hsin-Hung Lin, Wei-Chu Chen, Kuo-Kuang Cheng, Li-Chuan Li	Chin-Fa Chiu, Hsin-Hung Lin, Wei-Chu Chen, Kuo-Kuang Cheng, Li-Chuan Li
NT$3,500,000 (inclusive) to NT$5,000,000 (exclusive)	Chih-I Lin	Chih-I Lin
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)		
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)		
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)		
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)		
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)		
NT$100,000,000 and above		
Total	6	6

(IV) Names of managerial officers that received employee bonuses and status of the distribution

May 10, 2022

Unit: Thousand NTD

	Title	Name	Stock amount	Cash amount	Total	Ratio of total amount to net income (%)
Managers	President	Chih-I Lin	No stock dividend were distributed	162	162	0.10%
	Vice President	Chin-Fa Chiu				
	Vice President	Wei-Chu Chen				
	Vice President	Kuo-Kuang Cheng				
	Vice President	Li-Chuan Li				
	Vice President and Financial Officer	Hsin-Hung Lin				
	Senior Manager	Yi-Cheng Chang				
	Senior Manager	Jin-Liang Yi				
	Senior Manager	Chen-Tai Cheng				
	Head of accounting	Hua-Hsing Wang				

(V) Compare the percentage of after-tax net profit distributed by the Company and all companies on the consolidated financial statements as remuneration to the Company's directors, supervisors, president, and vice presidents in the most recent two years, and describe the policy, standard, and composition of remuneration, procedures to determining remuneration, and the connection to business performance and future risks.

The difference in remuneration to directors, supervisors, president and vice president in 2021 compared to 2020 is as follows:

	2021		2020	
Title	The total amount of remuneration to the Company's directors, supervisors, president, and vice presidents from the Company as a percentage of net profit after tax	The total amount of remuneration to the Company's directors, supervisors, president, and vice presidents from all Consolidated Entities as a percentage of net profit after tax	The total amount of remuneration to the Company's directors, supervisors, president, and vice presidents from the Company as a percentage of net profit after tax	The total amount of remuneration to the Company's directors, supervisors, president, and vice presidents from all Consolidated Entities as a percentage of net profit after tax
Director Supervisors President and vice presidents	18.73%	19.34%	12.01%	12.28%

Note: The Company established the Audit Committee on 2018.6.12 to replace the role of the supervisors.

The Company's remuneration policy and standards for directors, president, and vice presidents are in accordance with the Articles of Incorporation and Board resolutions. With regard to the remuneration policy for the president and vice presidents, reasonable remuneration is determined based on the position's scope of authority and responsibility, contribution to the Company's business goals, the decision-making risk borne by the position, risk of unable to achieve business goals, and risk of non-compliance with policies, laws, and regulations. Review of the remuneration above references Article 5 of the Remuneration Committee Charter:

Article 5. The Committee shall perform its duties in the preceding article according to the following principles:

1. Ensure that the Company's overall remuneration is in compliance with the law and sufficient to attract outstanding talent.
2. Performance evaluations and remuneration of directors and managerial officers should take into consideration industry standards, and the reasonableness of the connection with individual performance, the Company's business performance, and future risks.
3. Do not guide directors and managers to engage in actions that exceed the Company's risk appetite for higher remuneration.
4. The percentage of remuneration distributed for the short-term performance of directors and senior executives and the time of payment for variable compensation shall be determined after considering industry characteristics and the nature of the Company's business.
5. Committee members may not participate in discussions and voting on decisions

regarding their individual remuneration.

Remuneration in this Charter includes cash compensation, stock options, bonuses, retirement benefits or severance pay, allowances, and other incentive measures. The scope of remuneration must be consistent with the remuneration to directors and managerial officers in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

The Board of Directors shall comprehensively consider the amount of remuneration, payment method, and the Company's future risks when discussing recommendations of the Committee.

A Board resolution to not accept or to revise the Committee's recommendations shall be adopted by a majority vote in a Board meeting attended by more than two thirds of all directors, and the resolution must explain whether or not the remuneration passed after comprehensive considerations in the preceding paragraph is higher than that recommended by the Committee.

If the remuneration passed by the Board of Directors is higher than that recommended by the Committee, besides specifying the difference and reason in the meeting minutes, it shall be announced and reported on the reporting website designated by the competent authority on the date the resolution is adopted by the Board of Directors.

If the remuneration of directors and managerial officers of the Company's subsidiaries requires approval from the Company's Board of Directors in accordance with the subsidiary's delegation of authority, the Committee shall first be requested to make a recommendation submitted to the Board of Directors for discussion.

Payment of remuneration to directors shall be in accordance with the Articles of Incorporation.

Article 21: The Board of Directors is authorized to determine the regular earnings of directors based on their participation in the Company's operations, value of contributions, and industry standards. Transportation allowance for directors shall be determined by the Board of Directors.

Only directors receive a transportation allowance. Independent directors received fixed compensation and do not receive any variable compensation.

The payment of remuneration to managerial officers is based on the resolution in the 10th meeting of the 11th-term Board of Directors on March 8, 2005.

Agenda content: To formulate regulations on regular earnings of the Company's managerial officers.

Description: (1) Handled according to Article 29 of the Company Act and Letter Tai-Zheng-Shang-Zi No. 0940100293 from Taiwan Stock Exchange Corporation dated February 1, 2005.

(2) To authorize the chairperson to determine the regular earnings of managerial officers based on their participation in the Company's operations, value of contributions, and industry standards, and the same shall apply to any adjustments.

IV. Implementation of Corporate Governance

(I) Status of Board Operations

Information on Status of Board Operations

A total of 9 Board meetings were held in the most recent year. The attendance was as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance in person (%)	Remarks
Chairperson	Sanfang Investment Co., Ltd. Representative: Mun-Jin Lin	9	0	100%	Re-elected
Director	Pou Chien Enterprise Co., Ltd. Representative: Chin-Chun Lu	5	0	100%	Existing
Director	Pou Chien Technology Co., Ltd. Representative: Chin-Chun Lu	4	4	100%	Newly elected on 2021.8.18
Director	Yue Dean Technology Corporation Representative: Chia-Li Chang	4	1	80%	Existing
Director	Pou Chien Technology Co., Ltd. Representative: Chia-Li Chang	3	1	75%	Newly elected on 2021.8.18
Director	Pou Chien Technology Co., Ltd. Representative: Chia-Hui Teng	9	0	100%	Newly elected on 2018.6.12
Independent director	Li-Syuan Lin	9	0	100%	Re-elected
Independent director	Wan-Lin Hsu	9	0	100%	Re-elected
Independent director	Chih-Long Chou	9	0	100%	Re-elected

Other disclosures:

I. If any of the following circumstances occurs in the operation of the Board of Directors, the date, period, content of the motions, the opinions of all independent directors, and the Company's handling of independent directors' opinions shall be stated:

(I) Matters referred to in Article 14 -3 of the Securities and Exchange Act:

Date of Board meeting	Session	Agenda content	All independent directors' opinions	The Company's handling of independent directors' opinions
2021.3.16	17th meeting of the 16th-term	1. Proposed amendment to the Company and subsidiaries' "Procedures for Extending Loans to Others". 2. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries. 3. Proposed 2020 Statement on Internal Control.	No dissenting or unqualified opinions	Approved as proposed
2021.5.11	18th meeting of the 16th-term	1. Remuneration of the Company's accountants.	No dissenting or unqualified opinions	Approved as proposed
2021.8.10	20th meeting of the 16th-term	1. Report on the Company's 2021 1st half financial statements.	No dissenting or unqualified opinions	Approved as proposed
2021.8.26	2nd meeting of the 17th-term	1. The Company's appointment of the fifth Remuneration Committee members and	1.Discussion on the appointment of independent director Wan-	1. All attending directors agreed to appoint Mr. Po-Jen Hu as a

		their remuneration.	Lin Hsu as a member of the Company's Remuneration Committee. Independent director Hsu is an interested party and he recused himself. With the consent of all other attending directors, the appointment of director Wan-Lin Hsu as a member of the Company's 5th Remuneration Committee and his remuneration have been approved. 2.Discussion on the appointment of independent director Chih-Long Chou as a member of the Company's Remuneration Committee and his remuneration. Independent director Chou is an interested party and he recused himself. With the consent of all other attending directors, the appointment of director Chih-Long Chou as a member of the Company's 5th Remuneration Committee and his remuneration have been approved.	member of the 5th Remuneration Committee of the Company. 2.Discussion on the appointment of independent director Wan-Lin Hsu as a member of the Company's Remuneration Committee. Independent Director Hsu is an interested party and he recused himself. With the consent of all other attending directors, the appointment of Director Wan-Lin Hsu as a member of the Company's 5th Remuneration Committee and his remuneration have been approved. 3.Discussion on the appointment of independent director Chih-Long Chou as a member of the Company's Remuneration Committee and his remuneration. Independent director Chou is an interested party and he recused himself. With the consent of all other attending directors, the appointment of director Chih-Long Chou as a member of the Company's 5th Remuneration Committee and his remuneration have been approved.
2021.8.26	3rd meeting of the 17th-term	1. Discussion and review of the "distribution of remuneration to directors and managerial officers in 2020", "manager's annual salary adjustment", and "remuneration of the Company's independent director holding a concurrent post of Audit Committee member" proposed by the Remuneration Committee.	1.No dissenting or qualified opinions 2.When discussing the remuneration of the Company's independent directors who also serve concurrently as Audit Committee members, the three independent directors voluntarily recused themselves due to their own interests	1. For the discussion of the 2020 distribution of remuneration to directors and managerial officers and the manager's annual salary adjustment, after inquiry by the chairman of all directors present, the proposal was passed without objection. 2. For the discussion of the remuneration of the Company's independent directors who also serve concurrently in the Audit Committee, after inquiry by the chairman to all directors present, all directors agreed to pass the proposed, except that the interested parties of the proposal, independent director Wan-Lin Hsu, independent director Li-Syuan Lin and independent director Chih-Long Chou, had voluntarily recused themselves from the resolution.

2021.11.9	4th meeting of the 17th-term	1.Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries. 2. Proposal to evaluate the CPA's independence and competence in 2021.	No dissenting or unqualified opinions	Approved as proposed
2021.3.22	6th meeting of the 17th-term	1. Proposed amendment to the Company's "Articles of Incorporation". 2. Proposed amendment to the Company and subsidiaries' "Procedures for the Acquisition or Disposal of Assets". Proposed 3.2021 Statement on Internal Control.	No dissenting or unqualified opinions	Approved as proposed
2021.5.10	7th meeting of the 17th-term	1. Proposal to evaluate the CPA's independence and competence in 2022.	No dissenting or unqualified opinions	Approved as proposed

(II) In addition to the aforementioned matters, other Board meeting resolutions with independent directors' dissenting and unqualified opinions in records or written statements.

N/A

II. Specify the name of the director, agenda item, reason for recusal, and participation in voting of directors who recused themselves from agenda items they have a conflict of interest.

Name of director	Agenda content	Reason for recusal	Voting situation
Independent Director Wan-Lin Hsu Independent Director Chih-Long Chou	The Company's appointment of the fifth Remuneration Committee members and their remuneration	When discussing the appointment of Company's independent directors as Remuneration Committee members and their remuneration, they voluntarily recused themselves due to their own interests	1. Discussion on the appointment of independent director Wan-Lin Hsu as a member of the Company's Remuneration Committee and his remuneration. Independent director Hsu is an interested party and he recused himself. With the consent of all other attending directors, the proposal has been passed. 2. When discussing the appointment of independent director Chih-Long Chou as a member of the Company's Remuneration Committee and his remuneration, except for independent director Chou, who is an interested party and has recused himself, with the consent of all other attending directors, the proposal has been passed.
Independent Director Wan-Lin Hsu Independent Director Li-Syuan Lin Independent Director Chih-Long Chou	Discussion on the remuneration of the Company's independent directors who also serve concurrently as Audit Committee members	When discussing the remuneration of the Company's independent directors who also serve concurrently as Audit Committee members, they voluntarily recused themselves due to their own interests	All directors agreed to pass the proposed, except that the interested parties of the proposal, independent director Wan-Lin Hsu, independent director Li-Syuan Lin and independent director Chih-Long Chou, had voluntarily recused themselves from the resolution.

III. TWSE/TPEx-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors, and to fill out the implementation of Board of Directors and Functional committees evaluations (Table 2).

The implementation status of the 2021 Board of Directors evaluation was reported in the 5th meeting of the 17th-term Board of Directors on January 19, 2022. Please see Table 2 (2) for the implementation status of Board of Directors and Functional committees evaluations.

IV. Goals for enhancing Board functions in the current year and most recent year (such as establishing an Audit Committee and increasing information transparency) and evaluation of implementation status.

1. The Company's Board of Directors operates according to the Rules of Procedure for Board of Directors Meetings and complies with related laws and regulations. Independent directors all personally attended Board meetings for supervision, in order to understand the Company's financial position, business performance, and implementation of major business plans.
2. The Company elected three independent directors during the 2021 shareholders' meeting to participate in Board operations to improve corporate governance and strengthen Board functions. The independent directors formed an Audit Committee.
3. The three independent directors have not served consecutive terms for over nine years as of December 31, 2021.

(II) Evaluation of the board of directors' and functional committees' implementation status and the evaluation results

Evaluation of the board of directors' implementation status and the evaluation results:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items	Evaluation results
Once a year	2021.1.1~ 2021.12.31	Board of Directors	Board of Directors	A. Participation in the operation of the Company B. Improving the quality of Board decisions C. Board composition and structure D. Selection and continuing education of directors E. Internal control	Items to be improved 1. The board of directors continues to promote corporate governance 2. Strengthen the management and control of various risks by the board of directors Improvement plan 1. According to Corporate Governance 3.0, we will continue to strengthen the implementation of corporate governance to enhance the medium and long-term competitiveness and

					sustainable operation of enterprises. 2. Monitor and improve the accuracy of risk management activities by implementing risk detection or risk analysis.
Once a year	2021.1.1~ 20211.12.31	Individual Board members	Self-evaluation by directors	A. Understanding of the Company's goals and mission B. Understanding of directors' duties C. Participation in the operation of the Company D. Maintaining internal relationships and communication E. The professional and continuing education of directors F. Internal control	Items to be improved 1. Increase the actual attendance rate of directors 2. Continue to strengthen professional knowledge and skills of the directors Improvement plan 1. One month before the meeting, first contact the directors on the date of the next board meeting, so to facilitate the arranging to attend the board meeting of the directors. 2. It is expected that appropriate and diversified education and training information will be provided to directors on a quarterly basis, and by means of prior notification and planning of intensified education and training, directors' continuing education will be enhanced and have diversified courses.

Evaluation of the functional committees' implementation status and the evaluation results:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items	Evaluation results
Once a year	2021.1.1~ 2021.12.31	Audit Committee	Self-evaluation by directors	A. Participation in the operation of the Company B. Understanding of the committee's duties C. Improvement of committee decision-making quality D. Composition of committee and member selection E. Internal control	Items to be improved 1. The Audit Committee can really assess and supervise the Company's various existing or potential risks Improvement plan 1. Monitor and improve the accuracy of risk management activities by implementing risk detection or risk analysis.
Once a year	2021.1.1～ 2021.12.31	Remuneration Committee	Committee members' self-evaluation	A. Participation in the operation of the Company B. Understanding of the committee's duties C. Improvement of committee decision-making quality D. Composition of committee and member selection E. Internal control	Items to be improved 1. The Remuneration Committee regularly reviews the Company's director performance evaluation criteria Improvement plan 1. The performance of directors is assessed every year and the adequacy of its standards is reviewed.

(III) Operation of the Audit Committee

Information on Operations of the Audit Committee

Key work items of the Audit Committee in 2021:

1. Review of financial statements.
2. Amendment to the Company and subsidiaries' "Procedures for Extending Loans to Others."
3. Assessment of the effectiveness of the internal control system.
4. Remuneration review of the CPAs.
5. Review the evaluation of the CPA's independence and competence.

Operation of the Audit Committee in 2021:

Date of Audit Committee meeting	Session	Agenda content	Resolution	The Company's handling of Audit Committee opinions:
2021.3.15	12th meeting of 1st-term	1. Proposed 2020 business report and financial statements. 2. 2020 Dividend distribution proposal. 3. Proposed amendment to the Company and subsidiaries' "Procedures for Extending Loans to Others". 4. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries. 5. Proposed 2020 Statement on Internal Control.	No dissenting or unqualified opinions	Approved as proposed
2021.5.10	13th meeting of 1st-term	1. Proposed 2021 Q1 financial statements. 2. Proposal to revise the Company's internal control system.	No dissenting or unqualified opinions	Approved as proposed
2021.8.9	14th meeting of 2nd-term	1. Proposed 2021 2H financial statements.	No dissenting or unqualified opinions	Approved as proposed
2021.8.18	2nd meeting of 1st-term	1. Appointment of the Convener of the Audit Committee.	No dissenting or unqualified opinions	Approved as proposed Independent director Wan-Lin Hsu serves as the convener of the current term
2021.11.8	2nd meeting of 2nd-term	1. 2021 Q3 financial statements. 2. Proposed 2022 audit plan. 3. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries. 4. Evaluation of the CPA's independence and competence in 2021.	No dissenting or unqualified opinions	Approved as proposed

The Audit Committee convened 5 meetings (A) in the most recent year, and the attendance of independent directors in the meetings is as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Remarks
Convener	Wan-Lin Hsu	5	0	100%	Re-elected on 2021.8.18
Committee Member	Li-Syuan Lin	5	0	100%	Re-elected on 2021.8.18
Committee Member	Chih-Long Chou	5	0	100%	Re-elected on 2021.8.18

Other disclosures

I. Where any of the following circumstances occurs with respect to the operations of the Audit Committee, the date of the Audit Committee meeting, the term, the content of the proposals, the content of independent directors' objections, reservations or major suggestions, the resolutions from the Audit Committee, and the Company's handling of the Audit Committee's opinions, shall be specified.

(I) Items specified in Article 14-5 of the Securities and Exchange Act:

Date of Board meeting	Session	Agenda content	Resolutions of the Audit Committee	The Company's handling of Audit Committee members' opinions
2021.3.16	17th meeting of the 16th-term	1. Proposed 2020 business report and financial statements. 2. 2020 Dividend distribution proposal. 3. Amendment to the Company and subsidiaries' "Procedures for Extending Loans to Others". 4. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries. 5. Proposed 2020 Statement on Internal Control.	2021.3.15 12th meeting of the 1st-term Independent directors have no objections Approved as proposed	No opinion, submitted to the Company's Board of Directors and passed
2021.5.11	18th meeting of the 16th-term	1. Remuneration of the Company's accountants.	2021.5.10 13th meeting of the 1st-term Independent directors have no objections Approved as proposed	No opinion, submitted to the Company's Board of Directors and passed
2021.8.10	20th meeting of the 16th-term	1. Proposed 2021 1H financial statements.	2021.8.9 14th meeting of the 1st-term Independent directors have no objections Approved as proposed	No opinion, submitted to the Company's Board of Directors and passed
2021.11.9	17th meeting of the 4th-term	1. Proposed 2022 audit plan. 2. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries. 3. Proposal to evaluate the CPA's independence and competence in 2021.	2021.11.8 2nd meeting of the 1st-term Independent directors have no objections Approved as proposed	No opinion, submitted to the Company's Board of Directors and passed

(II) Besides the matters above, other resolutions adopted with the approval of two-thirds or more of all directors, without having been passed by the Audit Committee: N/A.

II. If independent directors recused from themselves from an agenda item in which they have a conflict of interest, specify the name of the independent director, agenda item, reason for recusal, and participation in voting: As explained on page.31.

III. Communication between independent directors and the chief internal auditor and CPAs (must include material matters of communication, methods, results relating to the Company's financial reports and business conditions)

1. The Company's Audit Committee is formed by all independent directors and convenes meetings at least once a quarter. Meetings may be convened at any time when necessary.

2. Communication between the Company's chief internal auditor and Audit Committee

(1) Audit reports are completed each month according to the audit plan, and submitted to independent

directors for review before the end of the moth via e-mail or in person.

(2) Internal audit reports are submitted to the Audit Committee each quarter.

(3) Communication, instructions, and responses are provided irregularly via telephone, e-mail, or in person.

(4) Material special events are immediately reported to the Audit Committee.

3. Communication between accountants and the Audit Committee

(1) The Company's CPAs explained key points of review for the 2020 financial statements during the accountant meeting on 2021.03.15, and also explained and communicated opinions on matters of communication required by the law during the accountant meeting on 2021.11.09.

(2) Frequency of communication between accountants and the Audit Committee: At least twice a year.

(3) The Audit Committee may utilize a number of communication channels (e.g. telephone, e-mail, and in person) to discuss the financial statement audit situation and results of the Company's accountants.

(4) A meeting may be scheduled to exchange opinions on important matters.

4. The Company's independent directors have a variety of communication channels and maintain good communication with the chief internal auditor and accountant.

Independent directors communicate with the accountants and chief auditor at least twice a year.

Matters of communication between independent directors, the chief internal auditor, and the accountants in 2021:

Date	Method	Target of communication	Matters of communication	Results
2021.03.15	Reported during meeting with accountants	CPA	1. The accountants explained the financial position and profits/losses in 2020, and discussed issues with the applicability of some accounting principles. 2. The accountants discussed and communicated issues raised by attendees of the meeting.	Fully discussed and fully understood by independent directors. The 2020 financial statements were passed by the Audit Committee, and submitted to the Board of Directors for resolution.
	Reported during Audit Committee meeting	Chief auditor	2020 Q4 internal audit report.	Fully discussed, passed by the Audit Committee, and reported to the Board of Directors.
2021.05.10	Reported during Audit Committee meeting	Chief auditor	2021 Q1 internal audit report.	Fully discussed, passed by the Audit Committee, and reported to the Board of Directors.
2021.08.09	Reported during Audit Committee meeting	Chief auditor	2021 Q2 internal audit report.	Fully discussed, passed by the Audit Committee, and submitted to the Board of Directors for resolution.
2021.11.08	Reported during meeting with accountants	CPA	1. Communication of annual audit plans. 2. Key Audit Matters (KAM). 3. Explained the independence of the CPAs and audit team.	Fully discussed, CPA independence evaluation passed by the Audit Committee, and submitted to the Board of Directors for resolution.
	Reported during Audit Committee meeting	Chief auditor	1. 2021 Q3 internal audit report. 2. Submitted the 2022 internal audit plan.	Fully discussed, passed by the Audit Committee, and submitted to the Board of Directors for resolution.

(IV) Supervisors' participation in the operation of the Board of Directors: The Company does not have any supervisors.

(V) Status of corporate governance and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons

Evaluation item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
I. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company established the "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" to establish a good corporate governance system, and disclosed the principles on the company website.	No significant difference
II. Shareholding structure & shareholders' rights (I) Does the company establish internal operating procedures for handling shareholder suggestions, questions, complaints or litigation and handled related matters accordingly? (II) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders? (III) Does the company establish and implement risk management and firewall mechanisms between affiliated enterprises. (IV) Does the company establish internal rules against insiders trading with undisclosed information?	 ✓ ✓ ✓ ✓		(I) The Company has a spokesperson, acting spokesperson, and Shareholders Service Office to handle related matters. (II) The Company monitors the shareholding of directors, managerial officers, and major shareholders with 10% and above shares, and reports and announces the shareholding when required to. (III) The Company has established and implemented Subsidiary Supervision Regulations (IV) The Company established "Procedures for Handling Material Inside Information and Prevention of Insider Trading" and "Code of Ethics" to regulate ethical conduct.	No significant difference
III. Composition and duties of the board of directors (I) Does the Board of Directors develop and implement a diversified policy and specific management goals in terms of the members and composition?	 ✓		(I) The Company set forth its Board diversity policy in Article 23 of the Corporate Governance Best Practice Principles, including the basic qualifications and values (e.g., gender, age, nationality, and culture) and professional knowledge and skills (e.g. Law, accounting, industry, finance, marketing, or technology) of Board members. The abilities that the Board of Directors should have as a whole to achieve the goals of corporate governance include the ability to make sound business judgments, ability to manage a business, ability to handle crisis management, knowledge of the industry, and financial accounting. For the specific management goals of the Company's board diversity policy, the achievement status of the goals and the implementation status of the policy, please refer to Director Information (II), which has been disclosed on the Company's website.	No significant difference

Evaluation item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			The Company has a total of 7 directors in the 17th Board of Directors, in which 43% are directors who are not concurrently employees of the Company and independent directors. In addition, there is no spousal relationships or kinship within the second degree among the directors, and the members of the Board have rich experience in manufacturing, business management and other fields. The goal of board diversity is to have two or more directors with expertise in accounting and auditing, which has been achieved by now.	
(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and Audit Committee?	✓		(II) The Company has established a Remuneration Committee and an Audit Committee in accordance with the law. The establishment of other functional committees will be evaluated based on the actual needs of the Company.	No significant difference
(III) Does the company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?	✓		(III) The Company established the Rules for Board Performance Self-Evaluations and Peer Evaluations in March 2020. Board performance evaluations must be conducted at least once a year, either through director self-evaluation and Board self-evaluation or evaluation by others. Results of Board performance evaluations are reported in the first Board meeting after the end of the fiscal year. The criteria for Board performance evaluations include the following five aspects: (1)Participation in the operation of the Company. (2)Improvement of the Board of Directors' decision-making quality. (3)Composition and structure of the Board of Directors. (4)The selection and continuing education of directors. (5)Internal control. The criteria for Board member performance evaluation include the following six aspects: (1)Understanding of the Company's goals and mission. (2)Understanding of directors' duties. (3)Participation in the operation of the Company. (4)Maintaining internal relationships and communication. (5)The professional and continuing education of directors. (6)Internal control.	No significant difference

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(IV) Does the company regularly evaluate the independence of CPAs?</td><td>✓</td><td></td><td>The criteria for performance evaluation of the Remuneration Committee and Audit Committee include the following five aspects:
(1) Participation in the operation of the Company.
(2) Understanding of the committee's duties.
(3) Improvement of committee decision-making quality.
(4) Composition of committee and member selection.
(5) Internal control..
An evaluation was conducted in December 2021 via self-evaluation by the Board of Directors, self-evaluation by individual Board members, and self-evaluation by the Remuneration Committee and Audit Committee. The evaluation results were reported in the Board meeting held in January 2022, and will be used as a reference for individual directors' remuneration and nomination for re-appointment, and the status of Board evaluation has been announced.
(IV) The Company evaluates the independence of accountants by a Board resolution. Before appointing accountants, the Company first reviews their independence and requires accountants to provide a "Declaration of Total Independence." The Company has verified that there are no financial interests and business relationships with the accountants other than fees for attestation and tax cases, and that family members of the accountants do not violate independence requirements. The independence of CPAs Chiu-Yen Wu and Chia-Ling Chiang was evaluated and approved by the Board of Directors in 2021.
Evaluation items are as follows:
<table>
<tr><th>Independence of the accountant Evaluation item</th><th>Evaluation results</th><th>Meet the independence criteria</th></tr>
<tr><td>1. Do the accountants have direct or material indirect financial interests in the Company?</td><td>No</td><td>Yes</td></tr>
<tr><td>2. Have the accountants engaged in any loans or guarantees with the Company's directors?</td><td>No</td><td>Yes</td></tr>
</table></td><td>No significant difference</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Independence of the accountant Evaluation item</th><th>Evaluation results</th><th>Meet the independence criteria</th></tr>
<tr><td>3. Do the accountants have a close business relationship or potential employment relationship with the Company?</td><td>No</td><td>Yes</td></tr>
<tr><td>4. Did the accountants and their audit team members serve as director, managerial officer, or position with significant influence on audit work at the Company in the past two years, or are they currently holding such a position?</td><td>No</td><td>Yes</td></tr>
<tr><td>5. Are the accountants providing non-audit services to the Company that may directly affect audit work?</td><td>No</td><td>Yes</td></tr>
<tr><td>6. Are the accountants brokering the stock or other securities issued by the Company?</td><td>No</td><td>Yes</td></tr>
<tr><td>7. Are the accountants serving as the Company's defense attorney or represent the Company in handling a conflict with a third party?</td><td>No</td><td>Yes</td></tr>
<tr><td>8. Are the accountants relatives of the Company's directors, managers, or person holding a position with significant influence on audit work?</td><td>No</td><td>Yes</td></tr>
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</td><td></td></tr>
</table>

Evaluation item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
IV. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?	✓		On May 11, 2021, the Company resolved in the 18th meeting of the 16th board of directors to pass the appointment of Wei-Chu Chen, Vice President of the Company, as the corporate governance supervisor. Vice President Chen has served as the head of the auditing unit of the Company for more than three years. He has met the qualifications required to be a corporate governance supervisor and has taken courses related to corporate governance for 18 hours. **Scope of authority** 1. Assist independent directors and general directors to perform their duties, provide required information and arrange further education for directors: (1) Providing the directors with necessary company information and improving the smooth communication among the directors and various business managers. (2) Arranging communication meetings between the independent directors and the head of internal audit or CPAs. (3) Assisting independent directors and general directors and arranging courses based on the characteristics of the Company’s industry and the education and experience of the directors. 2. Assist in the meeting procedures and resolutions of the board of directors and shareholders’ meetings on legal compliance matters: (1) Reporting to the board of directors and the Audit Committee on the status of corporate governance practices in the Company, and checking if the shareholders meetings and board meetings are convened in compliance with the applicable laws and corporate governance principles. (2) Assist and remind directors of the laws and regulations to be complied with when performing duties or making resolutions of the board of directors. (3) After the meeting, be responsible for reviewing the material information disclosure of the important resolutions passed by the board of directors in order to ensure the legality and accuracy of said material information. 3. Draft the agenda of the board of directors, notify the directors seven days in advance, and provide the meeting materials. Remind beforehand if recusal is required for any proposals and complete the	No significant difference

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>minutes of the board of directors within 20 days after the meeting.
4. Handle the pre-registration of the date of the shareholders' meeting in accordance with the law, prepare the notice of the meeting, the agenga, the minutes of the meeting, and handle the registration of changes upon the election of directors within the statutory time limit.

2021 business implementation key points
1. Handle matters related to Board meetings and shareholders' meetings according to the law. A total of 3 Remuneration Committee meetings, 5 Audit Committee meetings, and 9 Board meetings were convened in 2021.
2. Prepare the minutes of the board of directors and shareholders' meetings.
3. Provide board members with relevant laws and regulations on corporate governance and update them regularly.
4. Arrange the continuing education courses for the board members.
5. Provide directors with the information they need to perform their duties.
6. Assist directors in complying with laws and regulations.
7. Assess the purchase of liability insurance for the Group's directors.
8. Arrange communication meetings between the independent directors and CPAs or the head of internal audit.
9. Organize investor conferences and handle investor related affairs.</td><td></td></tr>
<tr><td>V. Does the Company have communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), a stakeholder section on the Company website, and properly respond to important CSR issues of concern to stakeholders?</td><td>✓</td><td></td><td>(I) The Company has a spokesperson and acting spokesperson, and contact information and financial information are all announced on the Market Observation Post System (MOPS) in accordance with regulations, in order to establish good communication channels with investors.
(II) The Company communicates with stakeholders based on the principle of good faith. Related departments contact the parties involved, the President's Office assists in properly responding to important CSR issues that stakeholders are concerned about, and the Audit Office is responsible for supervision. There is a stakeholders section in the Company profile on the MOPS and on the company website, in order to provide smooth communication channels.</td><td>No significant difference</td></tr>
</table>

Evaluation item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
VI. Does the company designate a professional shareholder service agency to deal with shareholder affairs?			The Company commissioned CTBC Bank Stock Affairs Department to handle affairs of the shareholders' meeting.	No significant difference
VII. Information disclosure (I) Does the company establish a corporate website to disclose information regarding the company's financial, business and corporate governance status?	✓		(I) The Company announces its financial position, business performance, and corporate governance on the MOPS in accordance with the law, and uploads the information on its company website at the same time.	
(II) Does the company have other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?	✓		(II) The Company has set up an English website with dedicated personnel to collect and disclose information, and information on investor conferences are disclosed on the company website.	No significant difference
(III) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	✓		(III) The Company announces and reports Q1, Q2, and Q3 financial statements and monthly operation results within the prescribed time limit, but the 2021 financial statements were not announced within two months after the end of the fiscal year.	
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		1. The Company's directors select suitable courses based on their personal schedule and background, and training information is announced on the MOPS. All agenda items are carefully reviewed during every Board meeting, and the operational risks to the Company are properly evaluated. The Company has purchased liability insurance for directors in May 2022, and has submitted it to the board of directors in May. 2. The Company's material information is handled in accordance with the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities, in order to protect the interests of shareholders, stakeholders, and investors. 3. Implementation of risk management policies and risk measurement standards: The Company's major business decisions, investment plans, endorsements and guarantees, lending to others, bank loans, and information security are evaluated and analyzed by the responsible department and decided by the Board of Directors. Each department prevents risks based on risk self-assessment results and improvement measures.	No significant difference No significant difference

Evaluation item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	

IX. Specify the improvement of corporate governance with reference to the evaluation of corporate governance by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and the measures prioritized for issues that require improvement.

Improvements already made:

1. Formulate an intellectual property management plan linked to operational goals and report it to the board of directors.
2. Completion by all directors of the required number of hours of continuing education in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies".
3. Education and training on ethical management practices and unethical conduct prevention.

Improvements not yet made that will be given priority:

1. Complete the ESG report.
2. Report the communication situation with various stakeholders to the board of directors.

Corporate governance supervisor's training in 2021 and as of the printing date of the annual report

Date of continuing education	Organizer	Training hours	Course Name	Annual education hours
2021/09/15	Taiwan Academy of Banking and Finance	3	How to understand financial statements - a lesson for directors and supervisors with non-financial background	15
2021/10/22	Taiwan Academy of Banking and Finance	3	Financial statement responsibilities of directors and supervisors and analysis of key content	
2021/12/09	Taiwan Academy of Banking and Finance	3	Corporate Governance and Operation of the Audit Committee	
2021/12/22	The Institute of Internal Auditors, R.O.C.	6	Analysis of the latest domestic corporate governance trends and implementation of the executive aspect of control environment	
2022/02/24	Accounting Research and Development Foundation	3	Practical Analysis of "ESG Report" under the Corporate Governance 3.0 Policy	3

Training situation of directors, accounting supervisors, and auditing supervisors are as follows in the most recent year:

Name and title	Date of continuing education	Organizer	Course Name	Hours
Chairperson Mun-Jin Lin	2021/01/18	Accounting Research and Development Foundation	Corporate Governance 3.0 - Analysis of Sustainable Development Roadmap and Corporate Governance Evaluation	3
	2021/03/23	Accounting Research and Development Foundation	Analysis of the Positive Impact of ESG on Companies	3
	2021/11/05	The Institute of Internal Auditors, R.O.C.	War and Protection of Invisible Assets - Trade Secrets	6
	2021/12/08	Accounting Research and Development Foundation	How Internal Auditors Apply Digital Forensics to Trade Secret Protection and Investigation	6
Director Chin-Chun Lu	2021/08/13	Taiwan Corporate Governance Association	Climate Change and TCFD	3
	2021/09/01	Financial Supervisory Commission	13th Taipei Corporate Governance Forum	3
Director Chia-Hui Teng	2021/08/31	Taipei Exchange	2021 Taipei Exchange Sustainability through ESG	2
	2021/09/01	Taipei Exchange	2021 Taipei Exchange Sustainability through ESG	2
	2021/10/18	Taipei Exchange	Insider Equity Promotion and Briefing Session	3
Director Chia-Li Chang	2021/09/01	Financial Supervisory Commission	13th Taipei Corporate Governance Forum	3
	2021/11/05	Securities & Futures Institute	2021 Insider Trading Prevention Dissemination Meeting	3
Director Li-Hsuan Lin	2021/12/01	Accounting Research and Development Foundation	Corporate Heritage and Corporate Governance	3

Name and title	Date of continuing education	Organizer	Course Name	Hours
	2021/12/08	Accounting Research and Development Foundation	How to properly exercise functions and powers of independent directors from the perspective of responsibilities in the Securities and Exchange Act - also on the audit committee	3
Director Wan-Lin Hsu	110/10/22	Taiwan Academy of Banking and Finance	Lecture on Corporate governance (No.91)	3
	110/12/14	The Institute of Internal Auditors, R.O.C.	Case study regarding the new positioning of internal audit - the intersection of ethics and law	6
Director Chih-Lung Chou	110/04/09	CPA Associations of the R.O.C.	Seminar on Big Data Tax Audit Trends	3
	110/10/22	Taiwan Academy of Banking and Finance	Lecture on Corporate governance (No.91)	3
Head of accounting Hua-Hsing Wang	110/09/16～110/09/17	Accounting Research and Development Foundation	Continuing education course for accounting officers of issuers, securities firms, and securities exchanges	12
Chief auditor Po-Hsueh Chou	110/03/03	The Institute of Internal Auditors, R.O.C.	Business contract management and audit practice	6
	110/09/28	The Institute of Internal Auditors, R.O.C.	How auditors detect financial statement fraud	6

(VI) If the Company established an Remuneration Committee, disclose its composition, duties, and operations:

(1) Profile of Remuneration Committee members

May 10, 2022

Position (Note 1)	Qualifications / Name	Professional qualifications and experience	Iindependence criteria (Note)										Number of other public companies in which the member also serves as a member of their Remuneration Committee
			1	2	3	4	5	6	7	8	9	10	
Independent director Convener of the Remuneration Committee	Chih-Long Chou	Please refer to relevant content in Schedule 1 on P.16 for directors information	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Independent director	Wan-Lin Hsu	Please refer to relevant content in Schedule 1 on P.16 for directors information	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Other	Po-Jen Hu	1. Accountant, Hua Han Joint CPA Firm 2. Director of Logah Technology Corporation 3. Expertise in audit, accounting and Securities and Exchange Act related laws and regulations	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check "✓" the corresponding boxes.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holders 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

(6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

(7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

(8) Not a director, supervisor, or managerial officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.

(10) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

(2) Operations of the Remuneration Committee

The 2nd meeting of the 15th-term Board of Directors passed the Remuneration Committee Charter and extended the appointment of the three Remuneration Committee members.

I. The Remuneration Committee was established on December 27, 2011 with three members.

II. Current term of office: August 26, 2021 to August 17, 2024. The Remuneration Committee convened 3 meetings (A) in the most recent year, and the members' qualifications and attendance are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A)	Remarks
Convener	Chih-Long Chou	3	0	100%	Re-elected on 2021.8.26
Committee Member	Wan-Lin Hsu	3	0	100%	Re-elected on 2021.8.26
Committee Member	Po-Jen Hu	3	0	100%	Re-elected on 2021.8.26
Other disclosures: 1. If the Board of Directors does not accept or revises the Remuneration Committee's recommendation, specify the date of the Board meeting, session, contents of the agenda item, resolution of the Board of Directors, and the Company's response to the Remuneration Committee's opinions (if the remuneration passed by the Board of Directors is higher than the recommendation of the Remuneration Committee, specify the discrepancy and reason): Currently not applicable. 2. If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the opinion of members: Currently not applicable.					

Important resolutions of the Remuneration Committee in 2021 and as of the printing date of the annual report:

Date of Remuneration Committee meeting	Session	Agenda content	All Remuneration Committee members' opinions	The Company's handling of Remuneration Committee opinions
2021.1.28	9th meeting of 4th-term	1.Proposed 2021 work plan of the Remuneration Committee. 2. Proposal to review regulations related to the remuneration of the Company's directors and managerial officers, director and managerial officer performance evaluation standards regularly reviewed by the Committee in accordance with Article 4 of the Remuneration Committee Charter, and the remuneration policy, system, and structure. 3. Proposal to review the Company's 2020 year-end bonus distribution plan for managerial officers. 4. Proposal to review the Company's allocation of employee bonuses and directors' remuneration in 2021.	Approved	Approved as proposed
2021.3.15	10th meeting of 4th-term	1. Proposal to review the Company's distribution of employee bonuses and directors' remuneration in 2020.	Approved	Approved as proposed
2021.8.26	1st meeting of 5th-term	1. Election of the convener of the Remuneration Committee. 2. Discussion of the Company’s distribution of remuneration to directors and managerial officers in 2020 3. Review of the manager’s salary adjustment plan in 2021. 4. Review of the remuneration of the Company’s independent directors who also serve concurrently as Audit Committee members.	1. All the committee members agreed to elect independent director Hsu as the convener, and agreed to pass the proposals in Item 2 and 3. 2. When discussing the remuneration of independent director Hsu concurrently serving as the convener of the Audit Committee, convener Hsu is an interested party in this discussion and he recused himself. With the consent of all other attending members, it will be submitted to the board of directors for deliberation. 3. When discussing the serving concurrently as Audit Committee member of independent director Chih-Long Chou, except for Committee member Chou, who is an interested party in this discussion and has recused himself, with the consent of all other attending members, it will be submitted to the board of directors for deliberation. 4. When discussing the remuneration of independent director Lin concurrently serving as a member of the Audit Committee, with the consent of all attending members, it will be submitted to the board of directors for deliberation.	1. For the discussion of the 2020 distribution of remuneration to directors and managerial officers and the manager’s annual salary adjustment, after inquiry by the chairman of all directors present, the proposal was passed without objection. 2. For the discussion of the remuneration of the Company’s independent directors who also serve concurrently in the Audit Committee, after inquiry by the chairman to all directors present, all directors agreed to pass the proposed, except that the interested parties of the proposal, independent director Wan-Lin Hsu, independent director Li-Syuan Lin and independent director Chih-Long Chou, had voluntarily recused themselves from the resolution.
2022.1.18	2nd meeting of 5th-term	1. Proposed 2022 work plan of the Remuneration Committee. 2. Proposal to review regulations related to the remuneration of the Company's directors and managerial officers, director and managerial officer performance evaluation standards regularly reviewed by the Committee in accordance with Article 4 of the Remuneration Committee Charter, and the remuneration policy, system, and structure. 3. Proposal to review the Company's 2021 year-end bonus distribution plan for managerial officers. 4. Proposal to review the Company's	Approved	Approved as proposed

		allocation of employee bonuses and directors' remuneration in 2022.		
2022.3.21	3rd meeting of 5th-term	1. Proposal to review the Company's distribution of employee bonuses and directors' remuneration in 2021.	Approved	Approved as proposed

(3) The Remuneration Committee's duties

The Remuneration Committee's duties: As described in Article 4 of the Remuneration Committee Charter.

Article 4. The Committee's members shall exercise the due care of a good administrator, faithfully perform the following duties, and submit proposals to the Board of Directors for discussion:

1. Regularly review the Charter and recommend amendments.
2. Establish and regularly review the performance evaluation standards for directors and managerial officers, annual and long-term performance goals, and the remuneration policy, system, standards, and structure.
3. Regularly evaluate and establish the performance goals for directors and managerial officers, and determine the contents and amounts of their individual remuneration.

Article 5. The Committee shall perform its duties in the preceding article according to the following principles:

1. Ensure that the Company's overall remuneration is in compliance with the law and sufficient to attract outstanding talent.
2. Performance evaluations and remuneration of directors and managerial officers should take into consideration industry standards, and the reasonableness of the connection with individual performance, the Company's business performance, and future risks.
3. Do not guide directors and managers to engage in actions that exceed the Company's risk appetite for higher remuneration.
4. The percentage of remuneration distributed for the short-term performance of directors and senior executives and the time of payment for variable compensation shall be determined after considering industry characteristics and the nature of the Company's business.
5. Committee members may not participate in discussions and voting on decisions regarding their individual remuneration.

Remuneration in this Charter includes cash compensation, stock options, bonuses, retirement benefits or severance pay, allowances, and other incentive measures. The scope of remuneration must be consistent with the remuneration to directors and managerial officers in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

The Board of Directors shall comprehensively consider the amount of remuneration, payment method, and the Company's future risks when discussing recommendations of the Committee.

A Board resolution to not accept or to revise the Committee's recommendations shall be adopted by a majority vote in a Board meeting attended by more than two thirds of all directors, and the resolution must explain whether or not the remuneration passed after comprehensive considerations in the preceding paragraph is higher than that recommended by the Committee.

If the remuneration passed by the Board of Directors is higher than that recommended by the Committee, besides specifying the difference and reason in the meeting minutes, it shall be announced and reported on the reporting website designated by the competent authority on the date the resolution is adopted by the Board of Directors.

If the remuneration of directors and managerial officers of the Company's subsidiaries requires approval from the Company's Board of Directors in accordance with the subsidiary's delegation of authority, the Committee shall first be requested to make a recommendation submitted to the Board of Directors for discussion.

(4) Nomination Committee member information and operation information: The Company has not set up a Nomination Committee

(5)Connection between performance evaluations and the remuneration of directors and managerial officers:

The remuneration of directors and managerial officers is linked to their performance evaluations, and is reviewed on an annual basis in accordance with Articles 4 and 5 of the Company's Remuneration Committee Charter. The Company also established Rules for Board Performance Self-Evaluations and Peer Evaluations, and conducts evaluations at the end of each year. Results are submitted to the Board of Directors in the following year and serve as the basis for selecting or nominating directors. In order to maintain their independence, the directors and independent directors of the Company only receive a fixed salary, which is not related to their performance.

The Company established Employee Performance Evaluation Implementation Guidelines and conducts performance evaluations every six months, which serves as the basis for annual raises and bonuses.

Connection between performance evaluations and the remuneration of the managers: With regard to the remuneration policy for the president and vice presidents, reasonable remuneration is determined based on the position's scope of authority and responsibility, contribution to the Company's business goals, the decision-making risk borne by the position, achievement of departmental performance, risk of unable to achieve business goals, and risk of non-compliance with policies, laws, and regulations.

(VII) Implementation status of the promotion of sustainable development and the differences and deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and their reasons

Evaluation item	Implementation status			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
I. Has the company established a fully (or partially) dedicated unit to promote sustainable development governance structure? Does the Board of Directors authorize the senior management to manage such matters and the supervision status of the Board?	✓		The president has a subordinate "Sustainable Development Team", with Vice President Chen as the convener, responsible for promoting sustainable development related affairs, which are divided into work fields such as compliance, environmental protection and energy conservation, safety and health, employee care and social welfare. The team regularly reports its progress and results to management.	No significant difference
II. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		The Company establishes a systematic risk management policy and formulates various management measures in accordance with the principle of materiality, and regularly implements the identification of environmental safety and health risks and formulates countermeasures on a yearly basis. An independent internal audit system is also set up to regularly check various operational and corporate governance risks, and regularly report the implementation status to the Board of Directors and the Audit Committee to ensure the normal operation of various risk management mechanisms.	No significant difference
III. Environmental issues				No significant difference
(I) Has the Company established a suitable environmental management system based on the characteristics of the industry?	✓		(I) The Company has established an environmental management system according to requirements of ISO 14001, in order to fulfill its corporate social responsibility towards environmental protection and employee safety and health. The Company obtained ISO 14001 certification on 2010.7.19 and the certifications is value from 2019.7.19 to 2022.7.18.	
(II) Is the Company committed to improving the energy efficiency and utilizing recycled materials with low impact on the environment?	✓		(II) The Company cooperates with the toxic-free materials and sustainable development strategies of brand customers, and reduces environmental load through production optimization, waste reduction, and raw materials recycling and reuse. The Company also implements renewable energy plans to replace fuel that has a relatively large impact on the environment.	
(III) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	✓		(III) The Company supports climate actions under the UN Sustainable Development Goals (SDGs), and actively takes related measures to ensure a sustainable production model, so as to respond to operational risks and impacts caused by climate anomalies. The Company's production bases in Vietnam and Indonesia produce 75% and above of its overall artificial leather. The probability of Southeast Asia being hit by natural weather disasters has gradually increased in recent years, and it is expected to create the risk of causing the Company's production operations to be suspended.	

Evaluation item	Implementation status			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
			Besides monitoring international trends in responses to climate change, as well as policy and regulatory requirements, the Company has dedicated its efforts to energy management for energy conservation and carbon reduction, aiming to improve the efficiency of energy use, effectively reduce GHG emissions from energy consumption, and thereby mitigate the risk of climate change. The Company is actively developing eco-friendly products, promoting the use of e-documents, implementing the same energy conservation measures used by government agencies at the office and in daily life, formulating and implementing energy conservation and carbon reduction strategies, such as turning off the light when leaving the room, recycling, replacing lights in the office with more energy efficient lights, and controlling the temperature of air conditioning during the summer, in order to reduce the impact of the Company's operations on the climate and environment.	
(IV) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation & carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?	✓		(IV) To support the government's energy conservation and carbon reduction policy, new factories and equipment are all energy efficient, and a team was formed to regularly review and discuss energy management, in order to achieve energy conservation and carbon reduction and mitigate the impact on the Company and environment. Carbon emissions totaled 34,187.56 tons in 2021 Carbon emissions totaled 34,329.73 tons in 2020 Base year: Carbon emissions totaled 57,944.46 tons in 2018 The Company has completed a GHG inventory according to ISO 14064, reports its energy use, and calculates carbon emissions. Carbon emissions in 2021 and 2020 were inspected by SGS from July to August each year. The estimated management target of carbon emissions is to achieve a 26.9% reduction in 2025 from the base year of 2018. In 2021, it decreased by about 0.5% compared with 2020, and in 2021, it decreased by 41% compared with 2018, and the target has been achieved. The decrease in carbon emission this year was due to the use of natural gas for boilers, which significantly reduced GHG emissions. The boiler fuel is changed from heavy oil to natural gas for GHG Offset Project. San Fang has signed the counseling Letter of Intent for GHG Offset Project with Environmental Protection Bureau Kaohsiung City Government. We expect that the GHG offset	No significant difference

Evaluation item	Implementation status			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
			reduction will be about 4,464 tons of CO_2 per year. 1,000KW of solar capacity is expected to be completed in 2025. **Waste statistics** The Company has reported its business waste to the EPA. Waste totaled 2,153 tons in 2021 Waste totaled 2,333 tons in 2020 Base year: Waste totaled 2,164 tons in 2018 The estimated waste management target is to achieve a 4.7% reduction in 2025 from the base year of 2018. In 2021, it decreased by about 7.8% compared with 2020, and in 2021, it decreased by 0.5% compared with 2018, progressively achieving the predetermined target **Water consumption statistics** According to the measurement of Taiwan Water Corporation Water consumption totaled 165,861 m3 in 2021 Water consumption totaled 188,204 m3 in 2020 Base year: Water consumption totaled 187,535 m3 in 2018 The estimated management target for water consumption is to achieve a 36.2% reduction in 2025 from the base year of 2018. In 2021, it decreased by about 11.9% compared with 2020, and in 2021, it decreased by 11.6% compared with 2018, progressively achieving the predetermined target. Information on related reduction strategies is as follows: Greenhouse gas emissions The risks brought by the Greenhouse Gas Reduction and Management Act are mainly from the requirement on companies to disclose and report their energy use, so that companies will need to control and reduce their energy use. Hence, the Company replaced energy-consuming products and equipment to reduce energy consumption and GHG emission. Strategies, methods, and goals for GHG management: (I) Strategy for responding to climate change or managing GHG 1. The Company is currently seeking ways to reduce energy consumption and increase the recycling rate in	

Evaluation item	Implementation status			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
			its processes. 2. In the future, the Company will actively develop low energy consumption products and clean fuel. (II) Budget and plan for reducing greenhouse gas emissions 1. The Kaohsiung factory / Vietnam factory / Huangjiang factory have been planning to install solar panels one after another, while the Indonesia factory has purchased i-RECs from local green electricity companies. 2. Boiler fuel has replaced heavy oil with natural gas to reduce environmental pollution. 3. Replaced conventional lights with LED lights in processes. 4. Replaced conventional drive motors with variable frequency motors. 5. Process water recycling and reuse. 6. Waste reduction reduces GHG emissions from incineration. (III) Carbon reduction effect brought by products and services to customers or consumers The Company has the closest production base manufacture products based on the location of the customer that placed the purchase order, in order to reduce GHG emissions from transportation tools used to deliver products or provide services. Waste management Waste management policy The Company's process waste management strategy focuses on lawful clearance and disposal and waste reduction and reuse. All waste is cleared and disposed of by a qualified company certified by the government in accordance with local laws and regulations. Recyclable waste is sorted and recycled. Sorting and management Factory waste is mainly divided into three categories: General business waste (industrial waste), hazardous business waste (hazardous waste), and recyclable waste (waste that can be recycled). General waste and general business waste is cleared and disposed of by a qualified local waste clearance company. Storage areas are designated in the factory site for hazardous business waste and recyclable waste, and the collection, sorting, necessary measuring, and reporting is carried out in the areas.	

Evaluation item	Implementation status			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
			Hazardous business waste is identified, categorized, and collected in a dedicated temporary storage area according local laws, and is managed by dedicated personnel. A local company licensed to handle hazardous waste is then commissioned to transport and dispose of the waste. **Water conservation measures** At present, we have been promoting to recycle the treated effluent water for the use of air pollution equipment, and the recycling of effluent water has reduced about 5,400 tons of discharge a year.	
IV. Social issues (I) Has the Company formulated management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?	✓		(I) The Company has established a Code of Conduct in accordance with the core standards of the International Labour Organization and local labor laws and regulations. The Company complies with local regulations on compensation and work hours, does not employ child labor or forced labor, and prohibits any discriminatory practices when hiring employees. 1.The Company respects and cares about employees, and encourages employees to engage in positive conduct. Hence, the Company established Sexual Harassment Prevention Management Guidelines, and set up complaint channels, immediately intervening when a violation is found. 2.The Company purchases social insurance in accordance with local laws and regulations, and provides employees with annual leave, maternity leave, and marriage leave. The Company has breastfeeding protection measures and also provides scholarships for employees that need it.	No significant difference
(II) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		(II) Please refer to the description of employee benefit measures on P99 Explanation of employee benefit measures: Workplace diversity and ratings: There are 137 female employees in the head office in Taiwan, accounting for about 21%, and 5.7% of them are senior managers The Company established efficiency bonus distribution rules and calculates bonuses each month based on the Company's business performance and the yield of each product; the bonuses are paid along with employee salaries.	No significant difference

Evaluation item	Implementation status			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
(III) Has the Company provided employees with a safe and healthy working environment, and routinely implemented safety and health education for employees?	✓		(III) The Company is constantly improving the work environment for employees, and aims to create the perfect workplace. Besides establishing a labor safety department to provide employees with fire safety and labor safety training, the Company also organizes physical and mental health lectures for employees to feel safe and focus on their work. Please see V. Labor-management relations for working environment and employee safety protection measures. In 2021, 1 person had occupational accident, accounting for 0.13% of the total number of employees. The relevant improvement measures for scald due to improper operation during work are to supervise employees to follow the instructions in the operation procedures thoroughly.	No significant difference
(IV) Has the Company established an effective career developmental plan for its employees?	✓		(IV) The Company's Human Resources Office formulates complete training plans for the career development of employees in each organization.	
(V) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures?	✓		(V) The Company complies with related laws and regulations and has obtained the ISO 9001, ISO 14001, TS 16949, ISO 14064, and GREEN LEAF management system certifications, as well as the IATF 16949 automotive material certification. The Company has dedicated personnel to handle matters related to stakeholders.	
(VI) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?	✓		(VI) The Company attaches great importance to the quality of the supplied materials, and first use raw materials produced by international brands. The raw material selection process regularly evaluates the supplier grading system, which divides them into grades A, B, and C. The scoring principle is based on the number of defective products, late delivery ratio, compatibility, excess freight, etc. On-site auditing and certification of suppliers are carried out irregularly to confirm whether the suppliers are performing in accordance with the requirements. If not, guidance shall be provided for them to meet the standards, etc. Manufacturers with relevant certifications are given preference to, such as MRSL, GRS, IATF 16949, ISO 14001, Bluesign and other certifications. An RSL (Restricted Substances List) management team is also established internally.	

Evaluation item	Implementation status			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
			Contractor In order to ensure the safety of the working environment, the contractor must comply with the San Fang Environmental Safety and Health Regulations and related occupational health and safety laws and regulations before contracting, and shall pass the online environmental safety system education and training course and assessment. Only after passing the assessment can the entry permit be issued to enter the factory for construction. Environmental safety personnel also inspect at all times to confirm the implementation of the vendors, so as to ensure the personal safety of construction personnel and reduce the occurrence of occupational accidents. It is hoped that in terms of safety, health and environmental management, we can achieve the goal of zero disasters in safety and health, and zero pollution in environmental protection. Project contracting adheres to the concept of sustainability and the principle of fair trade, requiring suppliers and contractors to meet the requirements of environmental protection, industrial safety and human rights. Project contracting-out shall be carried out with quotation and negotiation of more than 2 vendors based on the quotation of same raw materials and parts, avoiding outsourcing projects to a single contractor. The contractor must sign San Fang's environmental philosophy and San Fang's environmental policy after bidding. Evaluation result: Regular evaluation of the supplier grading system, dividing into A, B and C according to the grade. The scoring principle is based on the number of defective products, late delivery ratio, compatibility, excess freight, etc. According to 4 quarters in 2021, in the first quarter, the number of batches delivered was 2,313, the number of defective items was 5, and the grades were all A; in the second quarter, the number of batches delivered was 1698, the number of defective items was 2, and the grades were all A; in the third quarter, the number of batches delivered was 1656, the number of defective items was 1, and the grades were all A; and in the fourth quarter, the number of batches delivered was 1293 and the grades were all A. On-site auditing and certification of suppliers are carried out regularly to confirm whether the suppliers are performing in accordance with the requirements. If not, guidance shall be provided for them to meet the standards, etc. In 2021, 2	No significant difference

Evaluation item	Implementation status			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
			suppliers were audited on-site and both evaluated level A. For the faulty parts, an audit corrective action sheet was issued, asking them to improve within a time limit according to San Fang's requirements, and the vendors had also completed the requirements within the time limit.	
V. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?		✓	The Company has disclosed related policies on the company website and annual report, but the Company has not prepared a CSR report.	The Company plans to compile corporate social responsibility reports in 2023.

VI. If the Company has established Sustainable Development Best Practice Principles in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", describe the deviations between the principles and the implementation status:

The Company has formulated the "Sustainable Development Best Practice Principles" in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and has been in compliance with them. So far, there is no deviation.

VII. Other important information to facilitate a better understanding of the Company's promotion of sustainable development:

In 2021, the Company gifted a batch of fire fighting equipment to the Kaohsiung City Government Fire Bureau (22 fire-fighting suits, 47 pairs of fire-fighting shoes and 24 pairs of fire-fighting gloves, etc.) to contribute to social safety.

Indonesia factory

In July 2021, we assisted the Cikande Police Station in setting up a vax site. We input 2 people and helped 30 people.

In January 2022, 2 tons of white rice and 200 packets of cooking oil were gifted to Serang Police Station as souvenirs for the public getting vaccinated against COVID-19, so as to enhance the willingness of the public to get vaccinated. We input 4 people and helped 200 people.

The Company is actively making process improvements to achieve waste reduction, emission reduction, and carbon reduction, and engages in promotions and sponsorship for community development events based on the philosophy of being a member of society.

The system adopted by the Company for environmental protection and implementation status is as follows:

1. The Company continues to strategically and systemically implement ISO 14001 (date obtained: 2010.7.19, valid from 2019.7.19 to 2022.7.18) and ISO 14064 management systems as the fundamental management systems for factory production.
2. The Company has completed a GHG inventory according to ISO 14064, reports its energy use, and calculates carbon emissions, which were inspected by SGS.

Note: The risk management policy or strategy is shown in the table below:

Material issues	Risk assessment item	Risk management policy or strategy
Environmental	Environmental protection and ecological conservation	The Company dedicates efforts to environmental protection and waste, emissions, and wastewater generated in processes are strictly controlled in accordance with the law, effectively reducing pollution and environmental impact. The Company commissions SGS to conduct carbon emission inspections every year to strengthen examination of environmental protection.

Material issues	Risk assessment item	Risk management policy or strategy
Social	Product safety	The Company complies with standards for emissions, wastewater, and waste set forth in the law, and continues to require suppliers to implement ZDHC on the brand side. The Company has implemented stricter controls on hazardous substances and set long-term goals for energy efficiency. The Company also requires certifications for environmental protection and recycling, clean production, and sustainability, in hopes of gaining customers' trust and building long-term partnerships.
Corporate governance	Social, economic, and compliance	Internal control mechanisms are thoroughly implemented, and compliance by all Company personnel is ensured through the corporate governance structure and Compliance Section on the internal website.

(VIII) Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Evaluation item	Implementation status (Note)			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and approaches (I) Did the company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?	✓		(I) In March 2020, the board of directors of the Company passed the revised "Ethical Corporate Management Best Practice Principles", which specifically regulates the Company's personnel to conduct business activities based on the principles of fairness, honesty, trustworthiness and transparency, and expressly indicates the policies and practices of ethical management. The Company's business philosophy is to "become the most trustworthy materials supplier," and senior management and members of the Board of Directors are committed to upholding their responsibility of supervision based on ethical concepts when performing their duties, in order to create a sustainable business environment.	No significant difference
(II) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		(II) In the Ethical Corporate Management Best Practice Principles, the Company explicitly prohibits offering and accepting bribes; providing illegal political donations; improper charity donations or sponsorship; offering or accepting unreasonable gifts, hospitality, or other improper benefits; infringing on trade secrets, trademark, patent rights, copyright, and other intellectual property right; engaging in unfair competition; products and services directly or indirectly damage the rights, health, and safety of consumers or other stakeholders during R&D, procurement, manufacturing, provision, or sales. Also, to ensure that ethical corporate management is implemented and to	No significant difference

Evaluation item	Implementation status (Note)			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
			establish an effective accounting system and internal control system, internal audit personnel regularly audit the compliance with the systems above.	
(III) Did the company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?	✓		(III) The Company has established "Ethical Corporate Management Regulations", "Code of Ethics", and "Guidelines for Whistleblowing on Illegal or Unethical Conduct" which specify operating procedures, penalties and reporting method for violations. Aside from active investigations, complaint channels are provided on the company website for cases that might violate the law or Code of Ethics. Penalties are assessed based on the situation and severity of the violation, and enhanced education, training, and promotion are provided for new employees. Regular reviews and amendments are made according to actual operations and amendments to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies. The Ethical Corporate Management Regulations are disclosed on the company website.	No significant difference
II. Implementation of ethical corporate management (I) Does the company evaluate the ethical records of parties it does business with and stipulate ethical conduct clauses in business contracts?	✓		(I) The Company considers the lawfulness and reputation of the counterparty before engaging in business dealings, in order to avoid engaging in transactions with unethical counterparties. Contents of contracts shall include the ethical corporate management policy.	No significant difference

Evaluation item	Implementation status (Note)			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
(II) Did the company establish a dedicated unit under the Board of Directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?	✓		(II) The Company actively promotes the ethical management policy and prevention plan. Implementation status in 2021: In 2021, for the ethical management promotion and education and training, first participants were 26 senior supervisors of the Company, and the total number of hours was about 39 hours.	No significant difference
(III) Does the company establish policies to prevent conflict of interests, provide appropriate channels for filing related complaints and implement the policies accordingly?	✓		(III) The Company actively conducts investigations and set up internal complaint channels in accordance with the Ethical Corporate Management Best Practice Principles.	
(IV) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit?	✓		(IV) The Company has established an effective accounting system and internal control system to ensure the implementation of ethical corporate management, and internal auditors regularly audit the Company's compliance with the systems.	
(V) Does the company regularly hold internal and external educational trainings on ethical corporate management?	✓		(V) The Human Resources Department plans and organizes ethical corporate management education and training to implement the Company's ethical corporate management policy. Ethical corporate management education is incorporated in on-the-job training for new employees. Ethical corporate management concepts and regulations are irregularly promoted to all personnel in the organization.	
III. Operation of whistleblowing system (I) Does the company establish concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused?	✓		(I) Conduct complaints and report according to the processing unit provided in the Company's "Guidelines for Whistleblowing on Illegal or Unethical Conduct"	No significant difference

Evaluation item	Implementation status (Note)			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
			Processing unit Spokesperson: Accept reports from stakeholders such as shareholders and investors Audit supervisor: Accept reports from internal colleagues and customers, suppliers, contractors, etc.	
(II) Does the company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation? (III) Does the company provide proper whistleblower protection?	✓ ✓		(II) The Company has established confidentiality mechanisms for handling reports. Once violations are confirmed, a report will be immediately submitted to management, and penalties will be imposed based on the severity of the situation. (III) The Company keeps the identity of whistleblowers confidential in the process, so that they will not be punished for whistleblowing.	
IV. Enhancing information disclosure Does the company disclose information regarding the company's ethical corporate management principles and implementation status on its website and the Market Observation Post System?	✓		The information is disclosed on the company website and MOPS. Website: http://www.sanfang.com.tw	No significant difference
V. If the company has established Ethical Corporate Management Principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", describe difference with the principles and implementation status: The Company established "Ethical Corporate Management Best Practice Principles" and "Guidelines for Whistleblowing on Illegal or Unethical Conduct, and there are currently no discrepancies.				
VI. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: (e.g., review and amendment of the Ethical Corporate Management Best Practice Principles) 1. The Board of Directors passed an amendment to the Ethical Corporate Management Best Practice Principles on March 6, 2020 in coordination with actual operations and amendments to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. 2. The Company established "Procedures for Handling Material Inside Information and Prevention of Insider Trading" to establish good mechanisms for handling and disclosing material insider information, prevent inappropriate leakage of information, and ensure the consistency of information that is disclosed.				

(IX) If the company has established corporate governance principles and related guidelines:
The Company has established Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles, and Code of Ethics, which are available on the company website at http://www.sanfang.com.tw.

(X) Other significant information which may improve the understanding of corporate governance operations:
1. The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, regulations for public companies,

and other laws related to business practices, and use them as the basic principles for implementing ethical corporate management. The Rules of Procedure for Board of Directors Meetings set forth a system for directors to avoid conflict of interest, and the Standard Operating Procedures for Handling Requests from Directors were established to assist directors in performing their duties and enhancing Board functions.

2. The Company's "Procedures for Handling Material Inside Information and Prevention of Insider Trading" explicitly prohibits directors, managers, and employees from disclosing material insider information to others, and provides guidelines for how to properly handle and disclose material insider information, ensuring the consistency and correctness of information disclosed by the Company. The current status of implementation is good.
3. The Company established Subsidiary Supervision Regulations to improve the operations of subsidiaries.
4. The Company distributes the manual for directors and supervisors prepared by the FSC Securities and Futures Bureau, as well as laws and regulations relating to insider equity, to newly appointed directors and managers to ensure their compliance.

Education and training on insider trading prevention and ethical management in 2021 and 2022 and up to the printing date of the annual report

Name of the training course	Training unit	Trainees	Training date	Number of hours	Number of people
Forward the insider equity transaction promotion and director inauguration promotion of TWSE	The Company	Director	2021/08/18	NA	7
Insider Equity Promotion and Briefing Session	Taipei Exchange	Director	2021/11/04	2	1
2021 Insider Trading Prevention Dissemination Meeting	Securities & Futures Institute	Director Finance and accounting personnel	2021/11/05	3	2
Promotion of Corporate Ethical Corporate Management Best Practice Principles and Code of Ethics of the Supervisors and Reporting and Handling of Illegal and Unethical Cases	The Company	Level 1 supervisors	2021/12/29	1.5	26
Promotion of Corporate Ethical Corporate Management Best Practice Principles and Code of Ethics of the Supervisors and Reporting and Handling of Illegal and Unethical Cases	The Company	Level 2 supervisors	2022/01/12	1.5	49

(XI) Implementation status of the internal control system

1. Statement on Internal Control

San Fang Chemical Industry Co., Ltd.

Statement on Internal Control

Date: March 22, 2022

In 2021, the Company conducted an internal audit of its internal control system and hereby declares the following:

I. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the Company has already established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of reporting, and compliance with applicable laws and regulations.

II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communications, and 5. monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.

IV. The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.

V. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2021 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

VI. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement was passed by the Board of Directors on March 22, 2022, with none of the 7 attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

San Fang Chemical Industry Co., Ltd.

Chairperson: Mun-Jin Lin

President: Chih-I Lin

2. Accountant engaged by the Company to examine its internal control system: N/A

(XII) Penalty imposed on the Company and its personnel, punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvements in the past year and up to the date of report: N/A

(XIII) Important resolutions adopted in shareholders' meeting and Board meetings in the past year and up to the date of report

1. Important resolutions of the 2021 shareholders' meeting and implementation status:

Date	Session	Resolution	Implementation status
2021.08.18	Shareholders' meeting	Acknowledgments: (1) Proposed 2020 business report, financial statements, and dividend distribution proposal. (2) 2020 earnings distribution.	Followed resolution results. Set 2021.9.3 as the record date for distribution of cash dividends, and distributed cash dividends on 2021.9.24.
		Matters for discussion: (1) Proposed amendment to the Company and subsidiaries' "Procedures for Extending Loans to Others".	Followed resolution results and implemented according to the new rules.

2. Important resolutions of Board meetings in 2021 and up to the date of report:

Date	Session	Resolution	Resolution
2021.01.29	16th meeting of the 16th-term Board of Directors	1. Discuss resolutions of the 9th meeting of the 4th-term Remuneration Committee.	Approved by all Directors in attendance
2021.03.16	17th meeting of the 16th-term Board of Directors	1. Proposal to determine the distribution of employee bonuses and directors and supervisors' remuneration in 2020. 2. Proposed 2020 business report and financial statements. 3. 2020 Dividend distribution proposal. 4. Proposed distribution of cash dividends in 2020. 5. Proposal to set the date, venue, and agenda of the 2021 annual shareholders' meeting. 6. Proposal to amend the Company and subsidiaries' Procedures for Extending Loans to Others. 7. Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries. 8. Proposed 2020 Statement on Internal Control. 9. Proposal to elect the Company's 17th-term directors. 10. Passed the list of director (including independent director) candidates nominated by the Board of Directors.	1. Approved by all Directors in attendance 2. 2.Distribution of cash dividend – NT$0.5 per share. 3. The independent directors in attendance did not object to the amendment to the "Procedures for Extending Loans to Others" in Item 6. The proposal was passed as proposed. 4. The list of director candidates was passed by the Board of Directors and announced within the prescribed time limit.

Date	Session	Resolution	Resolution
2021.5.11	18th meeting of the 16th-term Board of Directors	1. Proposed 2021 Q1 financial statements. 2. Proposed remuneration to the Company's accountants. 3. Proposal to appoint a corporate governance supervisor. 4. Report on the purchase of liability insurance for directors in 2021.	1. Approved by all Directors in attendance 2. Thee appointment of Wei-Chu Chen, Vice President, as the corporate governance supervisor of the Company
2021.07.06	19th meeting of the 16th-term Board of Directors	1. Proposal to set the postponed date, venue and method of convening and holding of the 2021 annual shareholders' meeting.	All the attending directors agreed to hold the physical meeting on August 18, 2021 at the Company.
2021.08.10	20th meeting of the 16th-term Board of Directors	1. Report on the Company’s 1st half financial statements. 2. Proposal to set the record date for the distribution of cash dividends of the Company.	All the attending directors agreed to set September 3, 2021 as the record date for the distribution of cash dividends.
2021.08.18	17th meeting of 1st-term Board of Directors	1. Election of the chairman.	All the attending directors unanimously agreed to elect Mr. Mun-Jin Lin, the representative of the director Sanfang Investment Co., Ltd., as the chairman of the this term of the board of directors.
2021.03.26	2nd meeting of 17th-term Board of Directors	1. The Company’s appointment of the fifth Remuneration Committee and its remuneration.	1. All attending directors agreed to appoint independent director Wan-Lin Hsu, independent director Chih-Long Chou, and Mr. Po-Jen Hu as members of the 5th Remuneration Committee of the Company. 2. Discussion on the appointment of independent director Wan-Lin Hsu as a member of the Company’s Remuneration Committee. Independent Director Hsu is an interested party and he recused himself. With the consent of all other attending directors, the appointment of Director

Date	Session	Resolution	Resolution
			Wan-Lin Hsu as a member of the Company's 5th Remuneration Committee and his remuneration have been approved. 3. Discussion on the appointment of independent director Chih-Long Chou as a member of the Company's Remuneration Committee and his remuneration. Independent director Chou is an interested party and he recused himself. With the consent of all other attending directors, the appointment of director Chih-Long Chou as a member of the Company's 5th Remuneration Committee and his remuneration have been approved.
2021.08.26	3rd meeting of the 17th-term Board of Directors	1. Discussion and review of the "distribution of remuneration to directors and managerial officers in 2020", "manager's annual salary adjustment", and "remuneration of the Company's independent director holding a concurrent post of Audit Committee member" proposed by the Remuneration Committee.	1. For the discussion of the 2020 distribution of remuneration to directors and managerial officers and the manager's annual salary adjustment, after inquiry by the chairman of all directors present, the proposal was passed without objection. 2. For the discussion of the remuneration of the Company's independent directors who also serve concurrently in the Audit Committee, after inquiry by the chairman to all directors present, all directors agreed to pass the proposed, except that the interested parties of the proposal, independent director Wan-Lin Hsu, independent director Li-Syuan Lin and independent director

Date	Session	Resolution	Resolution
			Chih-Long Chou, had voluntarily recused themselves from the resolution.
2021.11.09	4th meeting of the 17th-term Board of Directors	1. Proposed 2021 Q3 financial statements of the Company. 2. 2022 audit plan proposed by the Audit Office of the Company. 3.Proposal to acknowledge endorsements/guarantees provided by the Company to subsidiaries. 4. Proposal to evaluate the CPA's independence and competence in 2021.	Approved by all Directors in attendance
2022.01.19	5th meeting of the 17th-term Board of Directors	1. Discuss resolutions of the 2nd meeting of the 5th Remuneration Committee. 2. Proposed formulation of the Company's "Sustainable Development Best Practice Principles". 3. Proposed amendment to the Company's "Corporate Governance Best Practice Principles".	Approved by all Directors in attendance
2022.03.22	6th meeting of the 17th-term Board of Directors	1. Proposal to determine the distribution of employee compensation and director remuneration in 2021. 2. 2021 business report and financial statements. 3.2021 Dividend distribution proposal. 4. Proposed distribution of cash dividends in 2021. 5. Proposal to set the date, venue, way of convening and holding and agenda of the 2022 annual shareholders' meeting. 6. Proposed amendment to the Company's "Articles of Incorporation". 7. Proposed amendment to the Company and its subsidiaries' "Regulations Govering the Acquisition and Disposal of Assets". 8. Proposed amendment to the Company's "Rules of Procedure for Shareholders' Meetings". 9. Proposed 2021 Statement on Internal Control.	1. Approved by all Directors in attendance 2. Distribution of cash dividend of NT$0.5 per share. 3. The independent directors in attendance did not object to the amendments to the "Articles of Incorporation" and "Handling Procedures for the Acquisition or Disposal of Assets" in Items 6 and 7. The proposals were passed as proposed.
2022.05.10	7th meeting of the 17th-term Board of Directors	1. 2022 Q1 financial statements. 2. Proposal to evaluate the CPA's independence and competence in 2022. 3. The proposed appointment of the	Approved by all Directors in attendance

Date	Session	Resolution	Resolution
		Company’s vice presidents. 4. To appint the chief internal auditor.	

(XIV) Dissenting or qualified opinion of Directors or Supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: Currently not applicable to the Board of Directors.

(XV) Resignation and dismissal of managerial officers, including chairperson, president, chief accounting officer, chief financial officer, chief internal auditor, corporate governance supervisor, and R&D supervisor, in the past year and up to the date of report:

Summary of resignation and dismissal of relevant persons of the Company

May 10, 2022

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Corporate governance supervisor	Wei-Chu Chen	2021/05/11		Newly appointed
Internal chief auditor	Po-Hsueh Chou	2019/07/28	2022/05/10	Other appointments
Internal chief auditor	Hung-Jou Tsai	2022/05/10		Newly appointed

Note: The so-called relevant persons of the Company refer to the chairman, president, head of accounting, chief financial officer, chief internal auditor, corporate governance supervisor, R&D supervisor, etc.

V. Information on fees to CPA:

Unit: Thousand NTD

Name of accounting firm	Name of CPA	CPA Audit period	Audit fee	Non-audit fee					Total	Remarks
				System design	Business registration	Human resources	Other (Note)	Subtotal		
Deloitte Taiwan	Chiu-Yen Wu Chia-Ling Chiang	2021	5,050	0	8	0	920	928	5,978	

Note: "Other" includes transfer pricing service fee in the amount of NT$380,000 + Global file service fee in the amount of NT$200,000 + Attestation of the salary of non-managerial full-time employees NT$50,000.

(I) If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year: N/A

(II) If the audit fees were reduced more than 10% from that of the previous year: N/A

VI. Information on the replacement of CPA: The CPAs were not replaced as of the date of report.

VII. The chairperson, president, financial or accounting manager of the company who had worked for the certifying accounting firm or its affiliated enterprise in the past year: None.

VIII.Changes in shareholding of directors, managers, and major shareholders

Title	Name	2021		The current year up to April 23	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairperson	Sanfang Investment Co., Ltd. Representative: Mun-Jin Lin	0	0	0	0
Director Newly appointed	Pou Chien Technology Co., Ltd. Representative: Chin-Chun Lu	0	0	0	0
Director Newly appointed	Pou Chien Technology Co., Ltd. Representative: Chia-Li Chang	0	0	0	0
Director Existing	Pou Chien Enterprise Co., Ltd. Representative: Chin-Chun Lu	0	0	0	0
Director Existing	Yue Dean Technology Corporation Representative: Chia-Li Chang	0	0	0	0
Director	Pou Chien Technology Co., Ltd. Representative: Chia-Hui Teng	0	0	0	0
Independent director	Wan-Lin Hsu	0	0	0	0
Independent director	Li-Syuan Lin	0	0	0	0
Independent director	Chih-Long Chou	0	0	0	0
President	Chih-I Lin	0	0	0	0
Vice President	Chin-Fa Chiu	0	0	0	0
Vice President	Kuo-Kuang Cheng	0	0	0	0
Vice President	Wei-Chu Chen	0	0	0	0
Vice President	Li-Chuan Li	0	0	0	0
Vice president and financial officer	Hsin-Hung Lin	0	0	0	0
Senior Manager	Yi-Cheng Chang	0	0	0	0
Senior Manager	Jin-Liang Yi	0	0	0	0
Senior Manager	Chen-Tai Cheng	0	0	0	0
Head of accounting	Hua-Hsing Wang	0	0	0	0

Note: The Company conducted the full re-election of directors at the shareholders' meeting on August 18, 2021

Share transfer information: N/A

Share pledge information: N/A

IX. Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree):

<u>Information disclosing the relationship between any of the top ten shareholders</u>

Name	Shareholding		Shares held by spouse and underage children		Total shareholding by nominee arrangement		Titles, names and relationships of top 10 shareholders with relationships, spousal relationships, or kinship within the second degree		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
i-Tech. Sporting Enterprise Ltd. Representative: Chi-Chih Hung	38,980,000	9.80							
Pou Chien Enterprise Co., Ltd. Representative: Ming-Kun Ho	38,501,504	9.68					Pou Chien Technology Co., Ltd., i-Tech. Sporting Enterprise Ltd.	Supervisor of the company	
Yue Dean Technology Corporation Representative: Yu-Chun Chen	37,298,876	9.38					Pou Chien Technology Co., Ltd.	Chairperson of the company	
Pou Chien Technology Co., Ltd. Representative: Yu-Chun Chen	36,549,118	9.19					Yue Dean Technology Corporation	Chairperson of the company	
Investment account of Beevest Securities Limited under the custody of CTBC Bank	26,578,577	6.68							
Mun-Jin Lin	26,239,427	6.60	155,559	0.04	1,143,574	0.29	Meng-Wei Lin, Meng-Yang Lin	Relative within the second degree of kinship	
Mun -Yon Lin	19,935,265	5.01	2,196,604	0.55			Mun-Jin Lin, Meng-Wei Lin	Relative within the second degree of kinship	
Mun-Wi Lin	16,302,783	4.10					Mun-Jin Lin, Meng-Yang Lin	Relative within the second degree of kinship	
Mun -Tan Lin	12,777,737	3.21							
Mei-Chin Teng Liao	6,189,349	1.56							

X. Total shareholding percentage

Unit: shares; %

Investee company	Investment by the Company		Investments from directors, supervisors, managerial officers and their directly or indirectly controlled enterprises		Combined investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
San Fang Financial Holdings Co., Ltd. (BVI)	604,113	100	—	—	604,113	100
San Fang Development Co., Ltd.	20,000,000	100	—	—	20,000,000	100
Forich Advanced Materials Co., Ltd.	7,698,545	100	—	—	7,698,545	100
Grand Capital Limited (GCL)	19,750,000	100	—	—	19,750,000	100
Bestac Advanced Material Co., Ltd.	20,000,000	100	—	—	20,000,000	100

Chapter 4. Capital overview

I. Capital and shareholding

(I) Sources of capital

Year/Month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount (NT$)	Shares	Amount (NT$)	Sources of capital	Subscriptions paid with property other than cash	Other
2012.4	10	350,000,000	3,500,000,000	343,161,407	3,431,614,070	Capitalization of profits	N/A	Jin-Guan-Zheng-Fa-Zi No. 1000029848 dated June 29, 2011
2013.4	10	380,000,000	3,800,000,000	353,456,250	3,534,562,500	Capitalization of profits	N/A	Jin-Guan-Zheng-Fa-Zi No. 1010027991 dated June 25, 2012
2014.4	10	380,000,000	3,800,000,000	364,059,938	3,640,599,380	Capitalization of profits	N/A	Jin-Guan-Zheng-Fa-Zi No. 1020028871 dated July 24, 2013
2015.4	10	380,000,000	3,800,000,000	374,981,737	3,749,817,370	Capitalization of profits	N/A	Jin-Guan-Zheng-Fa-Zi No. 1030025782 dated July 8, 2014
2016.4	10	400,000,000	4,000,000,000	386,231,190	3,862,311,900	Capitalization of profits	N/A	Jin-Guan-Zheng-Fa-Zi No. 1040024012 dated June 25, 2015
2017.4	10	400,000,000	4,000,000,000	397,818,126	3,978,181,260	Capitalization of profits	N/A	June 24, 2016 FSC Approved and effective
2019.7	10	460,000,000	4,600,000,000	397,818,126	3,978,181,260	Increased authorized share capital	N/A	Jing-Shou-Shang-Zi No. 10801077130 dated July 12, 2019

April 23, 2022

Type of stock	Authorized capital			Remarks
	Outstanding shares (Note)	Unissued shares	Total	
Ordinary shares	397,818,126	62,181,874	460,000,000	Listed stocks

Note: The shares issued are listed.

Information on shelf registration: N/A.

(II) Shareholder structure

April 23, 2022

Shareholder structure	Government agencies	Financial institutions	Other institutions	Foreign institutions & natural persons	Individuals	Treasury stock	Total
Number of people	2	1	62	85	20,456	0	20,606
Number of shares held	104	1,000	161,395,737	44,201,139	192,220,146	0	397,818,126
Shareholding ratio (%)	0.00%	0.00%	40.57%	11.11%	48.32%	0.00%	100.00%

Note: No shares were held by Chinese capital as of 2022.4.23.

(III) Shareholding distribution status

Par value of NT$10 per share

April 23, 2022

Shareholding range	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 — 999	11,455	2,026,211	0.51%
1,000 — 5,000	6,655	14,180,795	3.57%
5,001 — 10,000	1,187	8,955,563	2.25%
10,001 — 15,000	434	5,381,808	1.35%
15,001 — 20,000	238	4,283,133	1.08%
20,001 — 30,000	205	5,134,302	1.29%
30,001 — 40,000	104	3,745,959	0.94%
40,001 — 50,000	58	2,683,772	0.67%
50,001 — 100,000	129	9,420,569	2.37%
100,001 — 200,000	58	7,891,015	1.98%
200,001 — 400,000	23	6,573,610	1.65%
400,001 — 600,000	14	6,522,985	1.64%
600,001 — 800,000	7	4,868,799	1.22%
800,001 — 1,000,000	2	1,867,710	0.47%
1,000,001 shares or more	37	314,281,895	79.01%
Total	20,606	397,818,126	100.00%

Preferred shares: The Company has not issued any preferred shares.

(IV) List of major shareholders

Top ten shareholders with 5% or more shares

Name of major shareholder	Number of shares held	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 Beevest Securities Limited under the custody of CTBC Bank	26,578,577	6.68%
Mun-Jin Lin	26,239,427	6.60%
Mun -Yon Lin	19,935,265	5.01%
Mun -Wi Lin	16,302,783	4.10%
Mun -Tan Lin	12,777,737	3.21%
Mei-Chin Teng Liao	6,189,349	1.56%

(V) Stock price, net worth, earnings, dividends and related information for the past two years

<table>
<tr><th colspan="3">Item / Year</th><th>2020</th><th>2021</th><th>The current year up to May 10, 2022 (Note 8)</th></tr>
<tr><td rowspan="3">Stock price (Note 1)</td><td colspan="2">Highest</td><td>33.50</td><td>28.00</td><td>21.40</td></tr>
<tr><td colspan="2">Lowest</td><td>15.25</td><td>19.35</td><td>20.00</td></tr>
<tr><td colspan="2">Average</td><td>21.58</td><td>21.79</td><td>16.35</td></tr>
<tr><td rowspan="2">Net worth per share (Note 2)</td><td colspan="2">Before distribution</td><td>19.79</td><td>19.23</td><td>20.02</td></tr>
<tr><td colspan="2">After distribution</td><td>19.29</td><td>18.73</td><td>19.50</td></tr>
<tr><td rowspan="3">EPS</td><td colspan="2">Weighted average shares</td><td>397,818,126</td><td>397,818,126</td><td>397,818,126</td></tr>
<tr><td rowspan="2">EPS (Note 3)</td><td>Before adjustment</td><td>0.55</td><td>0.29</td><td></td></tr>
<tr><td>After adjustment</td><td>0.55</td><td>0.29</td><td></td></tr>
<tr><td rowspan="4">Dividends per share</td><td colspan="2">Cash dividends</td><td>0.5</td><td>0.5</td><td></td></tr>
<tr><td rowspan="2">Stock dividends</td><td>—</td><td>—</td><td></td><td></td></tr>
<tr><td>—</td><td>—</td><td></td><td></td></tr>
<tr><td colspan="2">Accumulated unpaid dividend (Note 4)</td><td>—</td><td>—</td><td></td></tr>
<tr><td rowspan="3">Return on investment</td><td colspan="2">Price-earnings ratio (Note 5)</td><td>39.23</td><td>75.14</td><td></td></tr>
<tr><td colspan="2">Price-dividend ratio (Note 6)</td><td>43.16</td><td>43.58</td><td></td></tr>
<tr><td colspan="2">Cash dividend yield (Note 7)</td><td>0.023</td><td>0.023</td><td></td></tr>
</table>

Note 1: The year's high and low market prices of common stock are provided, and the average price for the year is computed based on the year's transaction amount and volume.
Note 2: Please use the number of outstanding shares at the end of the year and distribution decided by Board of Directors or the shareholders' meeting in the following year.
Note 3: If adjustments must be made due to stock dividends, list the EPS before and after adjustment.
Note 4: If the conditions of securities issuance stipulate that dividends not distributed in the current year may be distributed when there is a profit, disclose the cumulative amount of dividends not distributed up to the current year.
Note 5: Price-earnings ratio = Year's average per share closing price / earnings per share.
Note 6: Price-dividend ratio = Year's average per share closing price / cash dividend per share.
Note 7: Cash dividend yield = Cash dividend per share / year's average per share closing price.
Note 8: Fill in data for the current year up to the date of report.
Note 9: The 2021 dividend distribution proposal was reviewed and approved by the Audit Committee on March 22, 2022 and approved by the Board of Directors on March 21, 2022. Dividends will be distributed after the Board of Directors sets the record date.

(VI) Dividend policy and implementation status

1. 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 allocation 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 should be distributed together with accumulated undistributed earnings after the Board of Directors makes a proposal of distribution; the proposal shall be submitted to the shareholders' meeting for approval if it involves the issuance of new shares.

   Pursuant to the Company Act, the Company authorizes the Board of Directors to distribute all or a part of dividends or legal reserve and capital surplus 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.

   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.

2. Dividend distribution to be proposed to the annual shareholders' meeting

Cash dividend of NT$0.5 per share.

3. Dividend distribution to be proposed to the shareholders' meeting

San Fang Chemical Industry Co., Ltd.

2021 Earnings Distribution Table

Unit:NTD

Item	Amount	
Distributable earnings:		
Undistributed earnings at the beginning of the period		$ 2,076,028,693
Net income after tax	115,933,539	
Remeasurements of the net defined benefit recognized in retained earnings	(4,346,917)	
Net income after tax for the current period and other profit items included in undistributed earnings in the current year		111,586,622
10% allocated to legal reserve		(11,158,662)
Allocation to special reserve in accordance with the law		(134,743,123)
Distributable earnings		2,041,713,530
Items for distribution:		
Dividend:		
Cash dividend (NT$0.5 per share)		(198,909,063)
Undistributed earnings at the end of the period		$ 1,842,804,467

Remark: This dividend distribution is based on the undistributed earnings at the beginning of the period

Chairperson: Manager: Head of accounting:

(VII) Effect of the proposed stock dividends (to be adopted by the shareholders' meeting) on the Company's operating performance and earnings per share:

Not applicable. There is no stock dividend distribution proposed in this shareholders' meeting.

(VIII) Employee bonuses and directors' remuneration:

1. Percentage or scope of employee bonuses and directors and supervisors' remuneration provided in Company's Articles of Incorporation:

   Article 24 of the Articles of Incorporation:

   The Company shall allocated 3-5% of its profit for the year (before tax and before distribution of employee bonuses and directors and supervisors' remuneration) as employee bonuses and no more than 3% as remuneration of directors and supervisors.

   The percentage allocated for employee bonuses and directors' remuneration and whether employee bonuses is paid in stock or cash shall be decided 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.

   However, a sum shall be set aside in advance to pay down any outstanding cumulative losses, and then the percentages in the preceding paragraph shall be allocated for employee bonuses and directors' remuneration.

2. Basis for estimating the amount of employees bonuses and directors' remuneration, basis for calculating the number of shares to be distributed as employee bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period: The basis for estimates is in accordance with the Articles of Incorporation.

   No stock dividends are distributed. The difference between estimated amount and actual distributed amount is handled as an accounting change and recognized as income or loss in the following year. The amount of employee bonuses and directors' remuneration approved by the Board of Directors is the same as the amount of expenses recognized.

3. Distribution of remuneration passed by the Board of Directors:

   (1) Amount of employee bonuses and directors and supervisors' remuneration to be distributed in cash or stocks. If there is any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and responses shall be disclosed.

   Employee bonuses in the amount of NT$4,831,000 and directors' remuneration in the amount of NT$2,000,000 in 2021 both will be distributed in cash. No stock dividends will be distributed to employees and directors, and the amount distributed is the same as the estimated amount.

(2) The amount of employee bonuses to be paid in stocks as a percentage of net income after tax on the financial statements and total employee bonuses: Employee bonuses were not distributed in stock.

4. Actual distribution of employee bonuses and directors' remuneration in the previous year: The 2021 shareholders' meeting approved the distribution of employee bonuses in the amount of NT$10,312,500 and directors' remuneration in the amount of NT$6,187,500. Both will be distributed in cash, and the actual amount distributed is the same as the amount approved by the Board of Directors.

(IX) Stock buyback: None.

II. Issuance of corporate bonds (including overseas corporate bonds): None.

III. Issuance of preferred shares: None.

IV. Issuance of global depositary receipts (GDR) None.

V. Issuance of employee stock warrants: None.

VI. Issuance of restricted stock awards: None.

VII. Mergers, acquisitions, or transfer: None.

VIII. Financing plans and implementation: The Company does not have any of the situations specified in Article 17 of the Regulations Governing Information to be Published in Annual Reports of Public Companies.

Chapter 5. Business overview

I. Business activities

(I) Business scope

1. Main products and revenue breakdown

Main products	Percentage of sales revenue
① Wet-processed synthetic leather	60.2%
② Dry-processed synthetic leather	27.9%
③ Other	11.9%

2. Current products and services: Production, sales, and R&D of various PU leather, film materials, and functional fibers.
3. New products under development:

   Recyclable and sustainable eco-friendly material, materials for transportation tools, materials for sports and daily life, functional film and fibers.

(II) Industry overview:

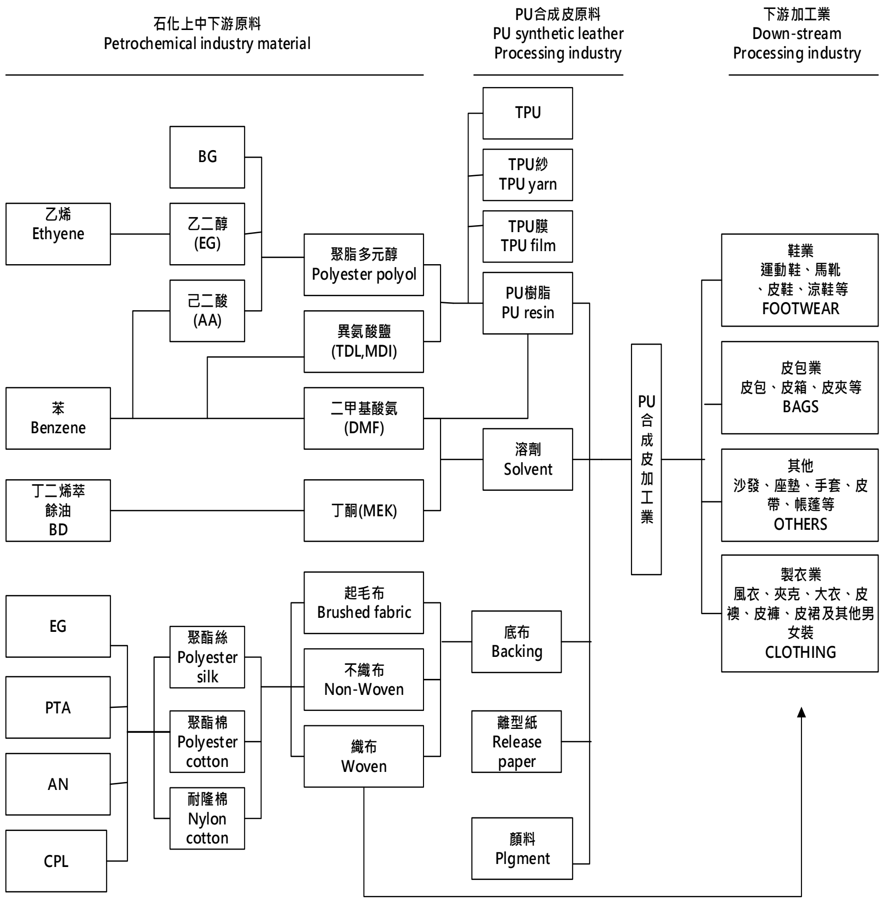
1. Current trends and outlook of the industry

   The PU leather industry is the downstream processing industry of the petrochemical industry chain, and has lost the competitive advantage of traditional industries in terms of labor costs and human resource supply; environmental protection regulations are becoming growingly strict and brands are requiring suppliers to implement ZDHC (Zero Discharge of Hazardous Chemicals), plan short-term, mid-term, and long-term goals for carbon reduction and clean energy efficiency, and obtain certifications for the relevant material technologies as eco-friendliness, recycling, cycling and sustainability. Variables in the global economic still need to be observed as the COVID-19 pandemic continues to spread and the Russian-Ukrainian war has not yet eased.

   Zero discharge of hazardous chemicals, plan short-term, mid-term, and long-term goals for carbon reduction and clean energy efficiency, and obtain certifications for the relevant material technologies as eco-friendliness, recycling, cycling and sustainability.

   Faced with the above operational challenges, the labor-intensive manufacturing process was transferred to overseas sub-factories, and the parent company was transformed into the development and production of upstream key basic raw materials, which were then supplied to overseas factories, and developed high value-added functional products to enhance added value, further creating the competitiveness of industrial upgrading.

2. The relationship between upstream, midstream and downstream in the industry



3. Product trends

a. Eco-friendly carbon reduction artificial leather.

b. Eco-friendly materials for vehicles and daily life.

c. Recyclable sustainable films, Eco-friendly fiber materials.

4. Product competition

a. Product: After years of deep cultivation and management in the footwear market, according to the specialty and features of different footwear, we have developed and configured a diverse and complete product line to meet the needs of customers of different brands.

In response to global environmental protection requirements, in recent years, we have actively deployed environmentally friendly products to meet the brand’s environmental protection needs.

b.Delivery: In response to the rapid changes in the consumer market and the impact of transportation and the pandemic on supply chain operations in recent years, the Company adopted a strategy to spread supply risks and continued to expand the layout of overseas production bases to meet customers’ needs for short delivery times, localization and rapid brand development.

c. Quality: With a complete quality assurance system, obtaining the certification of numerous brands and ensuring the quality for customers to build trust and a long-term partnership.

d. Price: After long-term research and development and production technology improvement, we provide customers with a competitive diversified product portfolio; and combined with professional processing technology, trending elements, environmental protection features and functionality, we create product differentiation and increase product added value.

(III) Overview of Technology and R&D

1. R&D expenses in the past year

Unit: Thousand NTD

Item \ Year	2020	2021	2022 Q1
R&D expenses	309,365	294,495	72,862

2. Successfully developed technologies and products

(1) Eco-friendly and carbon reduction process technology.

(2) High-value functional materials.

(3) Thin film materials for innovative applications.

(4) Recyclable functional textiles.

3. R&D projects and expected R&D expenses in the coming year

The Company allocates technical resources based on the production capacity of each production base, and enhances the product development ability of overseas locations to meet the application requirements of local customers. For technology R&D, we utilize development tools, strengthen our patent strategy, integrate upstream raw materials, and develop eco-friendly processes and raw materials, accurately controlling the quality of mass production to increase productivity and lower cost.

We optimized capabilities of the R&D team and production technologies for brands and different application markets. We transformed core technologies into technologies that can be scaled up for mass production and further applied in different markets. In the future, our R&D expenses are expected to account for 3-4% of our annual revenue. Future research and development plans are as follows:

R&D projects	Current progress	Expected mass production date
022	New specification development	2022.06
023, 024	New specification development	2022.09
051, 052, 069	New specification development	2022.09
073	New specification development	2022.06
025	New specification development	2022.12
037, 038, 039	New specification development	2022.12

(IV) Long-term and short-term business development plans

1. Short-term business development plans

(1) Although the pandemic has eased up and is under control, there are still restrictions on customer visits and personnel travel. We continue to make good use of digital tools and long-distance marketing methods to strengthen exchanges with customers and customer emotional relationships.

(2) Make good use of the long-established artificial leather processing technology to develop products aligned with brand trends, meet the demand of sports shoe brands, and thereby increase purchase orders on artificial leather.

(3) In line with the brand and global environmental protection needs, we continue to promote environmentally friendly products.

(4) Fully utilize the Company's production bases and services, as well as the advantages of its technical team to provide customers with integrated value through products, technologies, and services.

2. Long-term business development plans

(1) Invest resources to meet the needs of the brand in products, environmental protection, human rights, etc., and maintain a long-term and close strategic partnership.

(2) Establish complete market detection mechanisms to gain insights into market development trends, invest R&D resources to accelerate the development of new products, and thereby gain a leading position and first mover advantages.

(3) Accelerate the development of eco-friendly products and processes in response to the demand of major brands on sustainable development, eco-friendly products, and eco-friendly processes, in order to gain a leading position and an edge in receiving future purchase orders.

(4) Monitor changes in brands and major customers, plan overseas production lines, product lines, and service teams in advance, and improve local delivery time and service competitiveness to gain a competitive advantage.

II. Market, production and sales overview

(I) Market analysis

1. Sales regions of main products

(1) Ratio of domestic sales and exports

Unit: Thousand NTD

Product \ Sales amount \ Year	2021			
	Domestic sales		Exports	
	Amount	Ratio	Amount	Ratio
Wet-processed synthetic leather	354,082	36%	4,690,667	63%
Dry-processed synthetic leather	303,551	31%	2,038,133	28%
Other	328,404	33%	669,170	9%
Total	986,037	100%	7,397,970	100%

(2) Main sales regions for exports

Region	Ratio in 2021
Asia	83.23%
Other	9.28%
Total	92.51%

2. Market share

The Company has worked with international sports and leisure shoe brands for many years, and has established solid partnerships with leading international brands. Over the years, the Company has dedicated its efforts to developing a wide variety of product applications for different brands and different sports shoes based on the functional, fashion, and environmental protection requirements of customers, jointly expanding the market scale together with customers. In addition to the Company's current woven fabric, non-woven fabric, and artificial leather products, the Company has continued to develop film materials suitable for no-sew shoe making processes in recent years. The amount of purchase orders for film products has continued to grow and become another main product line.

The Company has diverse product lines and leading process technologies, and has met the localization requirements of customers by expanding its overseas production capacity over the years, establishing a complete sales and technical service system. This has allowed us to maintain a substantial part of market share in the shoe market.

3. The future supply and demand situation and growth of the market

The international brand footwear market has shown steady growth over the years. Since 2020, due to the impact of the pandemic, TEAM SPORTS footwear orders have been greatly reduced due to the postponement or suspension of related activities and competitions. Major brands have began to diversify in recent years. In addition to professional sports shoes, the brands are combining their image with trending elements and environmental protection appeal to expand the market scale for sports shoes.

In 2021, due to the comes and goes of the pandemic, the road to global economic recovery was bumpy. Vietnam launched lockdown measures in July to control the pandemic, causing a major impact on the supply of international brands. Since October, the production capacity of shoe factories has been increasing thanks to the gradual lifting of lockdown. Although international brands used the production capacity of Indonesia, India and China to supplement production capacity needs, since Vietnam had a high share in production capacity and there were technical difficulties in transferring orders, other regions could not make up for it in the short term, as a result, the overall order volume in 2021 was not as good as expected; in 2022, Vietnam's production capacity gradually recovers, the international brands and shoe factories accelerate production allocation and technology transfer in other regions, and the supply chain will establish better allocation and resilience to deal with possible future risks.

Looking forward to the gradual restart of international sports events and related activities in 2022, coupled with the establishment of better fashion design and promotion capabilities by international brands, and the expansion of the trendy application and market size of sports shoes, it is estimated that the market will gradually return to its growth track. As the design trend of sports shoes is towards diversified materials and fashionable looking, the rich surface variations and processing technology of artificial leather meet the needs of brands and market trends, which will help the future order growth of artificial leather. In response to lightweight as well as the wage increase and labor shortages in various regions, seamless and automated processes will continue to develop and be widely used in shoe factories.

4. Competitive niche

The Company has built long-term strategic partnerships with customers over the years, and established complete market channels for international brands. The Company has developed products that lead the industry after years of investing its abundant R&D resources. We offer a full array of product lines for different price markets and shoe requirements; we also monitor market development trends and research and develop innovative products that meet the needs of customers. After years of vertical integration, we effectively control costs and raw material supply, and maintain reasonable profits. To meet the market's demand on localization and gain a competitive advantage from fast delivery and immediate service, we continue to expand our overseas production capacity and have formed production capacity, customer services, and technical teams.

5. Advantages and disadvantages of the Company's vision of development and response measures

(1) Favorable factors

①After long-term deep cultivation, we have established good cooperative relations with international brands, and grasped the future development trends and business opportunities of the market.

②We have a highly experienced, complete R&D team and have invested our abundant R&D resources into building a superior R&D team with leading product processing technologies. We have developed a wide variety of products that meet the market's needs through vertical integration.
We have a wide variety of channels for collecting market information, and monitor changes in downstream markets, which allows us to rapidly allocate resources and take response measures.

③The complete configuration of global production bases is in line with the strategy of international brands to spread risks and meet the needs of customers for localization and fast delivery, continuing to expand and complete the global production and enhance competitive advantages.

④The long-term overseas development, customer service and technical support teams effectively improve the speed of customer development and the efficiency of problem solving.

⑤The demand in major markets such as Europe and the United States has recovered, the production capacity of Asian production bases has been restored, the expansion of production capacity of multiple production bases has spread risks, and the establishment of a handling mechanism for emergencies is conducive to stabilizing the market order volume.

(2) Unfavorable factors

①Market requirements are becoming growingly strict. To respond to rapid market changes, the delivery time requested by the customers is becoming shorter, and the ratio of purchase orders for smaller quantities is rising, which increases the load on production capacity and operating costs.

②Customers are far away and make it harder to provide services. Due to the labor shortage and rising labor costs, shoe manufacturers are more quickly moving to remote areas and countries with low wages, which increases the difficulty of providing customer services and increases service and transportation costs.

③Artificial leather manufacturers are actively expanding their factories, and South Korean and China-owned PU factories are seizing market share with low prices, disrupting prices and competition in the international brand market.

④The pandemic is still not fully under control, and inflationary pressures continue to increase, which are not conducive to the stable development of the market.

(3) Response measures

①Fully utilize advantages in the depth and breadth of distribution channels to get ahead of competitors

Use long-term partnerships with international brands to gain an edge in development, and strengthen services of the customer development center to increase the ratio of development.

②Make good use of the complete production base layout to meet the customer's localized supply needs and increase the order share.

③Increase customer service and technical service resources to provide customers with immediate services and solutions to improve customer dependence and use leading R&D technology to expand new product innovation and R&D.

④Accelerate the R&D of innovative products, maintain leadership in the industry, and utilize core technologies to expand new product development, accelerate market promotion and create new growth momentum.

(II) Important applications and production processes of main products

1. Important applications of major products

Main products	Application
PU synthetic leather	Shoe materials, furniture, balls, vehicle materials, medical materials.
Film materials	Shoe materials, balls, vehicle interior and apparel
Functional textiles	Shoes, outdoor materials.

2. Production processes of main products

(1) Polyurethane leather

Release paper → Coating → Drying → Coating, base cloth bonding → Drying → Aging → Release → Printing, treatment → Inspection (packaging) → Finished product.

(2) Artificial leather

Base cloth → Coating → Washing and drying → Inspection → Semi-finished product

Release paper → Coating → Drying → Coating, semi-finished product bonding → Aging → Release → Printing, treatment → Inspection (packaging) → Finished product.

(3)Microfiber artificial leather

Non-woven

fabric→Impregnation→Solidification→Washing→Desiccation→Fibrillation→Desiccation→Semi-finished product→Dry process→Finished product

(III) Supply status of primary raw materials

Name of raw material	Supply status
Dimethylformamide (DMF)	Imported and recycled; supply is stable
Methyl Ethyl Ketone (MEK)	All internally purchased; supply is stable
PU synthetic resin	Self-produced and supplied by domestic vendors; supply is stable
Thermoplastic polyurethane	Self-produced and supplied by domestic vendors; supply is stable
Pigment	Supplied by domestic vendors and importers; supply is stable
Release paper	Mainly imported from Europe, America, and Japan; supply is stable
Base cloth	Supplied by domestic vendors; supply is stable

(IV) Names of customers who contributed to more than 10% of total purchase (or sales) amount in one of the most recent two years and the corresponding purchase (or sales) amounts and percentages, as well as reasons for their changes (if applicable):

1. Purchase of goods:

Item	2021				2020				2022 Q1			
	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales in the current year up to the previous quarter (%)	Relationship with issuer
1	A	649,861	10.69	General suppliers					A	210,460	12.96	General suppliers
2	Other	5,428,786	89.31						Other	1,413,919	87.04	
	Net sales	6,078,647	100						Net sales	1,624,379	100	

Description: In 2021 and the first quarter, due to the increase in raw material prices and the imbalance between supply and demand, the stock of spare raw materials was increased. In 2020, suppliers A did not exceed 10%.

Information on key suppliers in the past 2 years:

Note 1: List the names of suppliers who account for more than 10% of the total purchases in the last two years, as well as the purchase amount and proportion. However, if the contract stipulates that the name of the supplier shall not be disclosed or if the counterparty of the transaction is an individual and not a related person, the code name may be used.

Note 2: Before the date of publication of the annual report, for a company whose is listed or whose stock has been traded at the business office of a securities firm, if there is any financial data for the most recent period audited and attested or reviewed by a CPA, it shall also be disclosed.

2. Sales of goods:

Unit: Thousand NTD

Item	2021				2020				2022 Q1			
	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales in the current year up to the previous quarter (%)	Relationship with issuer
1	A	1,377,755	17	Affiliated company of institutional director	A	1,644,104	20	Affiliated company of institutional director	A	451,979	17	Affiliated company of institutional director
2	B	1,122,251	13	Customer	B	1,128,261	13	Customer	B	372,520	14	Customer
3	Other	5,884,001	70		Other	5,669,391	67		Other	1,792,769	69	
	Net sales	8,384,007	100		Net sales	8,441,756	100		Net sales	2,617,268	100	

The increase and decrease in sales to Customer A and B is due to fluctuations in sales to customers.

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(V) Consolidated output volume and value for the last two years

Unit: 1,000 kg, 1,000 yards, NT$1,000

Year / Output quantity and value / Main products	2021			2020		
	Production capacity	Output volume	Output value	Production capacity	Output volume	Output value
Wet-processed synthetic leather		24,821	5,016,684		24,244	4,128,524
Dry-processed synthetic leather		9,871	1,982,480		9,241	1,685,312
Other			8,874,033			5,854,181
Total	49,000	34,692	15,873,197	49,000	33,485	11,668,017

Note: The same machinery is used for the products above, so production capacity is combined.

(VI) Consolidated sales volumes and value for the last two years

Unit: 1,000 kg, 1,000 yards, NT$1,000

Year / Sales volume and value / Main products	2021				2020			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Wet-processed synthetic leather	1,322	354,082	22,737	4,690,667	1,365	403,332	22,481	4,840,529
Dry-processed synthetic leather	1,072	303,551	8,161	2,038,133	999	295,951	7,699	2,005,282
Other		328,404		669,170		440,317		456,345
Total		986,037		7,397,970		1,139,600		7,302,156

III. The Group's employees in the last two years and up to the date of report

Year		December 2021	December 2020	The current year up to May 10, 2022
Number of employees	Direct employees	1,590	1,649	1,666
	Indirect employees	566	681	549
	Sales management personnel	385	410	382
	Total	2,541	2,740	2,597
Average age		35.81	34.77	35.93
Average years of service		7.88	7.41	7.90
Education background	Ph.D	1	1	1
	Master	48	45	48
	Bachelor	677	714	678
	Senior High School	1,580	1,764	1,645
	Below senior high school	235	216	225
	Total	2,541	2,740	2,597

IV. Information on environmental protection expenses

Losses sustained due to environmental protection (including compensation and violations of environmental protection laws found in environmental protection inspection results, specify the date of the penalty, letter number, article violated, provision violated, details of the penalty) in the most recent year and up to the date of report, and disclose current and future estimated amount and response measures

Losses due to environmental pollution in the most recent year and as of the printing date of the annual report:

May 10, 2022

Date of the disciplinary action	No. of the disciplinary action	Violated regulation	Content of the violated regulation	Content of the disciplinary action	Amount of fine
2021/05/18	40-110-050029	Article 36, Paragraph 1 of the Waste Disposal Act; Article 43, Paragraph 1 of the Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste	Violation of Article 43, Paragraph 1 of the Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste by powdery waste.	Same as on the left	6,000
2021/11/23	30-110-110016	Article 7, Paragraph 1 of the Water Pollution Control Act	The sampling of ammonia nitrogen from the discharge outlet violates the provisions of Article 7, Paragraph 1 of the Water Pollution Control Act.	Same as on the left	84,000
2021/09/27	20-110-090010	Article 32, Paragraph 1, Subparagraph 1 of the Air Pollution Control Act	The fire in the electrical room on the second floor of the second factory caused air pollution and violated Article 32, Paragraph 1, Subparagraph 1 of the Air Pollution Control Act.	Same as on the left	120,000
2022/02/21	20-111-020017	Article 24, Paragraph 2 of the Air Pollution Control Act	Operation of the air pollution control equipment scrubbing tower was beyond the scope of the permit.	Same as on the left	100,000
2022/02/21	20-111-020018	Article 24, Paragraph 2 of the Air Pollution Control Act	A new CHM sintering furnace was added, which was not a process equipment approved by the permit.	Same as on the left	100,000

Estimated amount for the present and future and response measures:

(I) Current response measures.
Set internal control warning levels for early warning.

1. Waste.

Currently, it is cut according to the size of the incoming material of the incinerator to meet its regulations.

2. Water pollution control.

The reason for the occurrence was the sudden damage of the wastewater treatment storage tank, and the unstable treatment function caused by the shutdown and emergency repair. At present, the anti-rust coating has been comprehensively improved for similar equipment to prevent recurrence.

3. Air pollution control.

The non-compliant parts have been removed and an application has been submitted to the environmental protection authorities.

(II) Future response measures.

1. The new process and new equipment shall be reviewed and applied for by the Environmental Safety Office before the evaluation and installation, and can be installed only after the application is approved.

2. Implement equipment maintenance to ensure the normal operation of the equipment.

GHG emissions totaled 34,329.73 tons in 2020

GHG emissions totaled 34,187.56 tons in 2021

Passed the SGS inspection for GHG

Waste (tons)

Year	2021	2020	Percentage of change
Total	2,152.47	2,332.55	-7.7%

Tap water (m3)

Month	2021	20220	Percentage of change
Total	165,861	188,204	-11.9%

V. Labor-management relations

(I) Current important labor-management agreements and their implementation

1. Employee benefit measures

(1) Employee clubs include: Softball Club, Bicycle Club, Mountain Climbing Club, etc.

(2) Cash gifts are given during Dragon Boat Festival, Mid-Autumn Festival, and Chinese New Year, and also during employees' birthday.

(3) Company trips are organized every year either in Taiwan or overseas.

(4) Complete insurance system: Labor insurance, health insurance, and group insurance.

(5) The Company also provides childbirth subsidies, scholarships for employees and their children, subsidies for language courses, employee proposal bonuses, patent bonuses, cash gift for wedding, and consolation money for funeral and hospitalization.

(6) The Company provides free parking for cars and scooters, and dormitories and cafeteria for foreign employees, providing accommodations and meals for foreign workers.

(7) The Company implements one fixed day off and one flexible rest day, giving employees sufficient time for leisure and better quality of life. The Company also provides annual leave, paternity leave, and family care leave, and menstrual leave in accordance with the Labor Standards Act and Act of Gender Equality in Employment.

(8) Employee health examinations are conducted on an annual basis in accordance with the Regulations of the Labor Health Protection.

2. Talent training: Training sessions are regularly organized each year according to the annual education and training implementation plan, in order to enhance employees' abilities in coordination with the Company's development strategy. Training hours totaled 33,684 hours and training expenses was approximately NT$815,000 in 2021. The training was mostly for work related expertise and also included stress relief courses.

(1) Standard training hours for employees are determined based on the nature of direct and indirect employees.

(2) Training courses are systematically organized by function and level.

(3) General education on hazards, first aid training, and fire safety drills are regularly implemented in accordance with labor safety and health laws.

(4) External training expenses for each function are paid in full by the Company.

(5) Foreign language training is subsidized to improve employees' foreign language proficiency.

3. Retirement plan

(1) The Company complies with government laws and allocates 4% of employees' monthly salaries to a dedicated account at the Bank of Taiwan for employees applicable to the pension system set forth in the Labor Standards Act (old pension system), and pension payments are made from the account when employees retire. For all employees (including informal employees) applicable to the pension system set forth in the Labor Pension Act

(new pension system), the Company contributes 6% of employees' monthly salaries to their dedicated labor pension account at the Bureau of Labor Insurance.

(2) The Company reported the establishment of a Supervisory Committee of Workers' Retirement Fund to government agencies in accordance with regulations. The Committee is responsible for allocating the labor retirement reserve.

(3) The Company established Labor Retirement Management Regulations, which is applicable to all full-time employees from the date they are hired. The criteria and procedures for employees to apply for retirement are briefly described below:

A. The Company's employees may apply for retirement if they meet any one of the following conditions:

- Has worked for 15 years or more and reached the age of 55.
- Has worked for 25 years or more.
- Has worked for 10 years or more and reached the age of 60.

B. The Company may force employees to retire if they meet any one of the following conditions:

- Reached the age of 65. The Company request the central competent authority to make adjustments for special work that is dangerous or requires strong physical abilities.
- No longer able to work due to insanity or physical disability.

C. Employee pension payment standards:

- Two basis points are given for each full year of work for employees applicable to the pension system set forth in the Labor Standards Act (old pension system), but only one basis point is given for each full year of work more than 15 years, and the total number of basis points is limited to 45. Any length of time shorter than six months is calculated as six months, and longer than six months is calculated as one year. An additional 20% is paid for employees forced to retire due to insanity or physical disability caused by performing their duties.
- For employees applicable to the pension system set forth in the Labor Pension Act (new pension system), the Company contributes 6% of the employees' monthly salary to their personal dedicated pension account. Employees may voluntarily allocate their monthly salary to their pension account within the scope of 6%.

D. Pension payment procedures Pension payments to employees applicable to the Labor Standards Act shall be paid within 30 days after employees retire. Employees may submit documentation to open a dedicated account at a financial institution, and use the account for depositing pension funds.

(4) The defined contribution system is used by overseas subsidiaries, and contributions are made according to local laws.

(5) For employees applicable to the pension system set forth in the Labor Standards Act (old pension system), the amount of labor retirement reserve reached NT$15,804,000 as of

the end of 2021. For employees applicable to the pension system set forth in the Labor Pension Act (new pension system), the Company contributed NT$2,064,000 in 2021.

(6) The Company had 6 employees eligible for voluntary retirement in 2021 in accordance with Article 53 of the Labor Standards Act, and the employees have already completed retirement procedures according to related regulations.

(7) Other important agreements: None.

4. Certifications specified by the competent authority that were obtained by the personnel related to financial information transparency: Employees have not obtained related certifications, but regularly receive training and are competent in their field of expertise.

5. Employee Code of Conduct and Ethics: The Company has established "Ethical Corporate Management Best Practice Principles" and "Code of Ethics." Besides complying with local laws and regulations, we also referenced the Code of Conduct established by international brand customers and leading companies, and use them as the core standards for all employees when performing their work. The principles and code are announced on the company website.

6. Protective measures taken to ensure a safe working environment and maintain employees' personal safety:

(1) Established Environmental Protection, Safety, and Health Management Regulations.

(2) Establishment of a safety and health management unit and personnel:

A. The Company established a safety and health management unit in accordance with labor safety and health regulations.

B. First aid personnel are required at the worksite in accordance with labor safety and health regulations, and the personnel receive re-training according to regulations.

C. Personnel performing operations involving organic solvents, specific chemicals, hazardous machinery and equipment, and high pressure gas are required to have a training certificate and regularly receive re-training in accordance with labor safety and health regulations.

D. Environmental safety meetings are convened on a quarterly basis to discuss environmental safety related issues.

E. Fire drills are scheduled every six months.

(3) Fire safety and facility safety

A. A maintenance company is hired to maintain and conduct spot inspections of elevators each month, and a qualified inspection institution is commissioned to conduct an inspection every year.

B. The Environmental Safety Office conducts spot inspections of fire safety equipment, and a qualified inspection institution is commissioned to conduct an inspection every year.

C. The Engineering Department conducts spot inspections of high pressure gas equipment, and a qualified inspection institution is commissioned to conduct an inspection every year.

(4) Sanitation

A. The work environment is inspected every six months.

B. Health examinations and special health examinations are conducted on an annual basis.

C. Factories have an infirmary with stationed nurses and visiting physicians to provide suitable medical assistance.

7. Other important agreements: None.

8. Has the Company made it a policy to reflect business performance or results on employee compensation:

(1) Percentage of employee bonuses specified in the Articles of Incorporation: Article 24 of the Articles of Incorporation (please see p.83).

(2) The Company established Employee Bonus Distribution Regulations, which sets for standards for individual employee bonuses based on employees' seniority, performance, and position.

(3) The Company established Efficiency Bonus Distribution Regulations and distributes individual bonuses along with monthly salaries based on the Company's monthly business performance, the product yield and attainment of production goals by each department, and the base for each position.

(II) Losses sustained due to labor disputes (including labor inspection results found in violation of the Labor Standards Act, specify the date of the penalty, letter number, article violated, provision violated, details of the penalty) in the most recent year and up to the printing date of the annual report, and disclose current and future estimated amount and response measures: The Company did not receive any fines in 2021 and up to the date of report.

Estimated amount for the present and future and response measures:

1. We have found the cause and taken preventive measures, so there is low risk of the same situation occurring again.
2. We have established SOP and a mechanism for regularly notifying unit supervisors of overtime hours and compensatory leave hours. The data is linked to the system to ensure correct payment.

Since we have taken prevention measures, it will lower the probability of another fine.

VI. Information security management

The Company utilizes electronic systems for group management, and set up a network information system at the group level to shorten the time for sending information and improve operational efficiency.

(1) Specification of the information security management structure, information security policy, specific management plan and resources invested in information security management

1. Information security risk management structure:

The responsible information security unit of the Company is the IT Office of the Administration Division, which is responsible for formulating information security policies and implementing various information security management requirements. Before the end of the year, a risk assessment for information security is carried out, a circular management is adopted, and various specific improvement plans are proposed according to the risk and hazard level, implementing the execution, work progress check, and the follow-up tracking and improvement, so as to achieve the goal of information security.

In addition, in view of the continuous emergence of new external threat technologies, an external professional information security team is appointed to strengthen defenses, objectively assess internal risks, take improvement measures for weaknesses and regularly track progress to reduce information security risks.

2. Information security policy and management plan of the Company:

Goals of the Company's information security policy are as follows:

I. Ensure the continuous operation of the information process and the stable operation of the information service.

II. Implement information security laws and regulations, establish sound information security measures, and maintain the security of the information environment.

III. Maintain the confidentiality, integrity, and availability of the organization's commercial assets.

Contents of the Company's information security policy are as follows:

I. Formulate information equipment use and safety management methods for users to follow and comply.

II. Improve information security equipment, regularly review and update.

III. Establish a complete remote backup structure, and conduct regular backup and restoration drills.

IV. Strengthen personnel information security knowledge and provide relevant information on a regular basis.

V. Regular social engineering drills to strengthen internal information security awareness.

VI. Implement regular system updates of equipment to ensure internal security levels.

VII. Establish active and passive protection mechanisms.

VIII. Implement the information grading system and encrypt and protect confidential information to ensure the information rights and interests of the Company and customers.

The specific management plan is carried out in three directions:

I. External information security team:

External threats are changing rapidly, and the professional information security team is introduced to help defense. The external information security team monitors the information security status of the host at all times according to the active detection and protection system, proposes improvement suggestions for internal and external threats, and takes individual measures according to different risk levels; if the risk is high, it immediately proposes improvement suggestions to be implemented internally and externally, which will be reported and tracked at any time during the process.

II. Internal risk management:

The IT Office adopts circular management for various risks, implements internal audits, and evaluates the risks of manual operation, natural disasters, and cyberattacks on information assets and services. The IT Office then establishes an information system structure with high service availability, information backup services, and data backup mechanisms based on the risk level. It formulates disaster recovery plans and periodically conducts drills to ensure the Company's business continuity. The internal audit unit also regularly conducts information security inspections and phishing email drills, and reports the drill results to the superiors, and also regularly submits relevant internal control audit reports to the board of directors. External accountants also inspect the management of information system risks, including evaluation of information risks such as system authority, data security management, physical and environmental safety management, and process auditing, and report deficiencies and improvement plans.

III. Employee information security training:

Promotion and requirements are made for the inadequacy of external equipment control and employee information security knowledge, and social engineering rehearsals are carried out regularly every year to enhance internal information security awareness. The part that cannot be implemented is listed as a risk, and effective improvement measures are proposed.

3. Resources invested in information security management

(1) Firewall device.

(2) Active detection device.

(3) Endpoint protection software.

(4) Email filtering mechanism.

(5) Dedicated backup host.

(6) Twice a year social engineering rehearsals.

(7) Important host disaster recovery drill is held once a year.

(8) External information security maintenance services.

(IV) List the losses, possible impacts and countermeasures suffered due to major information security incidents in the most recent year and up to the date of publication of the annual report. If it cannot be reasonably estimated, the facts that it cannot be reasonably estimated shall be stated:

The Company did not have any information security issues in 2021 and as of the printing date of the annual report.

VII. Important contracts

Nature of contract	The Parties	Commencement date/expiration date	Content	Restrictive clauses
Loan agreements	Bank of Taiwan	2017/3~ 2022/3	The loan amount is NT$300 million with the principal repaid in 6 installments of NT$50 million every six months starting in September 2019.	N/A
Loan agreements	CTBC Bank	2021/7~ 2026/7	The loan amount is NT$350 million repaid in full on the due date.	N/A
Loan agreements	Hua Nan Bank	2020/9~ 2025/9	The loan amount is NT$500 million with the principal repaid in 6 installments of NT$62.5 million every six months starting in March 2022.	N/A
Loan agreements	Hua Nan Bank	2020/2~ 2025/2	The loan amount is NT$70 million with the principal repaid in 21 installments every 3 months starting in May 2020, in which the first installment is NT$2,000,000 and subsequent installments are NT$3,500,000, the last installments are NT$1,500,000.	N/A
Loan agreements	FCB	2019/8~ 2024/8	The loan amount is NT$300 million with the principal repaid in 6 installments of NT$50 million every 6 months starting in February 2022.	Calculated at the floating interest rate for two-year time deposits plus 0.18%, exports (including inward remittance) must reach US$12,000,000 each year, imports (including outward remittance) must reach US$5,000,000 each year, and inward remittance from sales must reach the equivalent of NT$550,000,000 each year.
Loan agreements	CHB	2018/2~ 2023/2	The loan amount is NT$300 million with the principal evenly repaid in 6 installments every 6 months starting in August 2020.	N/A

Nature of contract	The Parties	Commencement date/expiration date	Content	Restrictive clauses
Loan agreements	Taiwan Cooperative Bank	2019/1~ 2024/1	The loan amount is NT$300 million with the principal evenly repaid in 6 installments every six months starting in July 2021.	
Loan agreements	Bank SinoPac	2019/2~ 2024/2	The loan amount is NT$300 million with the principal evenly repaid in 6 installments every six months starting in August 2021.	Consolidated current ratio may not be lower than 1.0 and consolidated debt ratio may not be higher than 1.5 during the drawdown period based on the latest consolidated financial statements.
Loan agreements	E.SUN Bank	2019/9~ 2024/1	The loan amount is NT$300,000,000, the first installment is 12 months from the first drawdown date, and then one installment every 6 months afterwards; divided into 5 installments that decrease progressively, in which installments 1-4 each decrease 15%, and installment 5 decreases 40%. Any amount owed exceeding the decreased amount must be immediately repaid.	It is recommended to increase demand deposits.
Loan agreements	Mega Bank	2019/12~ 2024/12	The loan amount is NT$500 million with the principal evenly repaid in 7 installments every six months starting in December 2021.	Average balance of deposits must reach NT$50,000,000 or above (inclusive), and foreign exchange transactions must reach US$15,000,000 or above (inclusive).

Chapter 6. Financial overview

I. Condensed Balance Sheet and Statement of Comprehensive Income

(I) Condensed Balance Sheet (Consolidated)

Unit: Thousand NTD

Item		2021	2020	2019	2018	2017	Financial data to March 31, 2022 (Note 1)
Current assets		8,373,259	8,959,289	8,337,017	7,786,422	7,673,657	8,929,671
Property, plant and equipment		5,270,711	5,861,061	6,203,791	6,282,971	6,234,963	5,203,576
Intangible assets		63,627	64,124	68,978	38,798	38,829	60,955
Other assets		1,032,520	456,415	526,285	414,017	452,685	1,079,783
Total assets		14,740,117	15,340,889	15,136,071	14,522,208	14,400,134	15,273,985
Current liabilities	Before distribution	3,520,982	3,765,507	3,712,278	3,342,236	3,520,982	4,062,813
	After distribution	3,719,891	3,964,416	3,911,187	4,018,527	3,719,891	4,261,722
Non-current liabilities		3,568,075	3,702,256	3,025,846	2,593,317	2,676,933	3,245,446
Total liabilities	Before distribution	7,089,057	7,467,763	6,305,595	6,019,169	7,089,057	7,308,259
	After distribution	7,287,966	7,666,672	6,504,504	6,695,460	7,287,966	7,507,168
Equity attributable to owners of parent		7,651,060	7,873,126	8,264,085	8,216,613	8,380,965	7,766,817
Share capital		3,978,181	3,978,181	3,978,181	3,978,181	3,978,181	3,978,181
Capital surplus		142,438	142,438	141,101	140,028	139,055	142,438
Retained earnings	Before distribution	4,179,012	4,266,335	4,130,784	4,482,278	4,179,012	4,288,355
	After distribution	3,980,103	4,067,426	3,931,875	3,805,987	3,980,103	4,089,466
Other equity interest		(648,571)	(513,828)	(211,680)	(32,380)	(218,549)	(443,248)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	7,651,060	7,873,126	8,216,613	8,380,965	7,651,060	7,965,726
	After distribution	7,452,151	7,674,217	8,017,704	7,704,674	7,452,151	7,766,817

Note 1: Audited by the CPAs.

(I)-1 Condensed Balance Sheet (Standalone)

Unit: Thousand NTD

Item \ Year		2021	2020	2019	2018	2017
Current assets		3,814,686	4,175,314	3,555,458	3,661,648	2,140,330
Property, plant and equipment		3,361,825	3,648,880	3,851,004	3,752,330	3,678,361
Intangible assets		27,118	27,441	32,967	2,745	3,070
Other assets		7,064,840	6,882,803	7,897,489	7,695,583	7,916,606
Total assets		14,268,469	14,734,438	15,336,918	15,112,306	13,738,367
Current liabilities	Before distribution	3,117,559	3,239,328	4,012,758	4,365,368	2,757,749
	After distribution	3,316,468	3,438,237	4,421,012	4,564,277	3,434,040
Non-current liabilities		3,499,850	3,621,984	2,970,075	2,530,325	2,599,653
Total liabilities	Before distribution	6,617,409	6,861,312	7,072,833	6,895,693	5,357,402
	After distribution	6,816,318	7,060,221	7,391,087	7,094,602	6,033,693
Equity attributable to owners of parent		7,651,060	7,873,126	8,264,085	8,216,613	8,380,965
Share capital		3,978,181	3,978,181	3,978,181	3,978,181	3,978,181
Capital surplus		142,438	142,438	141,101	140,028	139,055
Retained earnings	Before distribution	4,179,012	4,266,335	4,356,483	4,130,784	4,482,278
	After distribution	3,980,103	4,067,426	4,038,229	3,931,875	3,805,987
Other equity interest		(648,571)	(513,828)	(211,680)	(32,380)	(218,549)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	7,651,060	7,873,126	8,264,085	8,216,613	8,380,965
	After distribution	7,452,151	7,674,217	7,945,831	8,017,704	7,704,674

Note 1: Audited by the accountant

(II) Condensed Statement of Comprehensive Income (Consolidated)

Unit: Thousand NTD

Item \ Year	2021	2020	2019	2018	2017	Financial data for the current year up to March 31, 2022 (Note 1)
Operating revenue	8,384,007	8,441,756	10,271,411	9,492,260	9,855,355	2,617,268
Operating margin	1,474,240	1,863,671	2,367,373	1,927,908	2,903,725	359,053
Operating income	240,999	498,351	651,090	308,677	1,238,979	28,568
Non-operating income and expenses	(94,651)	(154,098)	(10,444)	2,864	(90,712)	113,263
Pre-tax profit	146,348	344,253	640,646	383,541	1,148,267	141,831
Net income from continuing operations	115,933	218,012	430,420	302,933	901,060	109,343
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss)	115,933	218,012	430,420	302,933	901,060	109,343
Other consolidated income (net after tax)	(139,090)	(292,054)	(185,112)	208,033	(549,049)	205,323
Total comprehensive income	(23,157)	(74,042)	245,308	510,966	352,011	314,666
Net income attributable to owners of the parent	115,933	218,012	430,420	302,933	901,060	109,343
Net income attributable to non-controlling interest	0	0	0	0	0	0
Total comprehensive income (loss) attributable to owners of the parent	(23,157)	(74,042)	245,308	510,966	352,011	314,666
Total comprehensive income (loss) attributable to non-controlling interest	0	0	0	0	0	0
EPS	0.29	0.55	1.08	0.76	2.27	0.27

Note 1: Audited by the CPAs.

(II)-1. Condensed Statement of Comprehensive Income (Standalone)

Unit: Thousand NTD

Item \ Year	2021	2020	2019	2018	2017
Operating revenue	7,248,812	6,786,846	8,048,054	5,780,859	4,669,245
Operating margin	1,089,732	1,177,134	1,334,047	801,699	523,414
Operating income	312,617	358,237	291,428	231,041	149,404
Non-operating income and expenses	(162,604)	(82,723)	244,144	143,577	969,879
Pre-tax profit	150,013	275,514	535,572	374,618	1,119,283
Net income from continuing operations	115,933	218,012	430,420	302,933	901,060
Loss from discontinued operations	0	0	0	0	0
Net income (loss)	115,933	218,012	430,420	302,933	901,060
Other consolidated income (net after tax)	(139,090)	(292,054)	(185,112)	208,033	(549,049)
Total comprehensive income	(23,157)	(74,042)	245,308	510,966	352,011
Net income attributable to owners of the parent	115,933	218,012	430,420	302,933	901,060
Net income attributable to non-controlling interest	0	0	0	0	0
Total comprehensive income (loss) attributable to owners of the parent	(23,157)	(74,042)	245,308	510,966	352,011
Total comprehensive income (loss) attributable to non-controlling interest	0	0	0	0	0
EPS	0.29	0.55	1.08	0.76	2.27

Note 1: Audited by the accountant

(III) Name of CPA and auditors' opinions in the last five years

1. Name of CPA and auditors' opinions in the last five years

Year	Name of accounting firm	Name of CPA	Audit Opinion
2017	Deloitte Taiwan	Chia-Ling Chiang, Chen-Li Chen	Unqualified opinion
2018	Deloitte Taiwan	Chiu-Yen Wu, Chen-Li Chen	Unqualified opinion
2019	Deloitte Taiwan	Chiu-Yen Wu, Chen-Li Chen	Unqualified opinion
2020	Deloitte Taiwan	Chiu-Yen Wu and Chia-Ling Chiang	Unqualified opinion
2021	Deloitte Taiwan	Chiu-Yen Wu and Chia-Ling Chiang	Unqualified opinion

Note 1: CPAs Chiu-Yen Wu and Chen-Li Chen were appointed as the Company's accountants in 2017 Q3 due to the CPA firm's internal rotation mechanism.

Note 2: CPAs Chiu-Yen Wu and Chia-Ling Chiang were appointed as the Company's accountants in 2019 Q1 due to the CPA firm's internal rotation mechanism.

II. Financial analysis of the last five years

(I) Financial analysis according to IFRS (consolidated):

Analysis item (Year)		2021	2020	2019	2018	2017	The current year up to March 31, 2022 (Note)
Financial structure (%)	Debt ratio	48.09	48.68	45.40	43.42	41.80	49.15
	Long-term fund to property, plant and equipment	212.86	197.50	181.98	172.05	177.35	211.63
Liquidity (%)	Current ratio	237.81	237.93	216.76	209.75	229.60	209.53
	Quick ratio	161.97	191.57	160.63	152.69	175.00	138.94
	Times interest earned	4.04	8.23	15.95	11.86	35.73	13.31
Operating ability	Receivables turnover (times)	6.84	6.53	6.84	6.56	6.87	7.29
	Average collection days	53.36	55.89	53.36	55.64	53.12	50.07
	Inventory turnover (times)	3.40	3.60	3.85	3.94	4.37	3.51
	Payables turnover (times)	12.03	10.96	12.37	11.10	8.68	13.70
	Average inventory turnover days	107.35	101.38	94.80	92.63	83.52	103.88
	Property, plant and equipment turnover (times)	1.51	1.40	1.65	1.52	1.58	2.00
	Total assets turnover (times)	0.56	0.55	0.69	0.66	0.67	0.70
Profitability	Return on assets (%)	1.03	1.68	3.13	2.29	6.27	3.16
	Return on equity (%)	1.49	2.70	5.22	3.65	10.43	5.67
	Pre-tax profit to paid-in capital ratio (%)	3.68	8.65	16.10	9.64	28.86	14.26
	Net margin (%)	1.38	2.58	4.19	3.19	9.14	4.18
	Earnings per share (NT$)	0.29	0.55	1.08	0.76	2.27	0.27
Cash flows	Cash flow ratio (%)	(13.78)	46.14	34.98	3.05	35.02	(11.62)
	Cash flow adequacy ratio (%)	53.59	93.84	97.08	99.04	114.85	(0.88)
	Cash reinvestment ratio (%)	(3.39)	7.05	5.90	(3.05)	1.63	(2.44)
Leverage	Operating leverage	9.83	5.22	4.73	6.93	2.80	21.92
	Financial leverage	1.25	1.11	1.07	1.10	1.03	1.68

Note: Reviewed by the accountant

1. Decrease in interest protection multiples, decrease in return on assets, decrease in return on equity, decrease in ratio of pre-tax income to paid-in capital, decrease in net profit margin, decrease in earnings per share, and increase in degree of operating leverage: Mainly due to the severe pandemic situation in Southeast Asia in the third quarter of 2021, the pandemic control measures taken by the Vietnamese government resulted in a sharp drop in the revenue of the Vietnam factory in the third quarter, and the increase in operating costs caused by the increase in raw material prices, so the operating profits for the current period decreased by NT$257,352,000 compared with the same period last year, which was approximately 51.6%, the net profit before tax decreased by NT$197,905,000 compared with the same period last year, which was approximately 57.5%, and the net profit for the current period decreased by NT$102,079,000 compared with the same period last year, which was approximately 46.8%.
2. Decrease in cash flow ratio, decrease in cash flow adequacy ratio and decrease in cash reinvestment ratio: The main reason is that the net profit before tax in 2021 decreased by NT$197,905,000 compared with the same period of last year, and the shortage of raw material supply and the delay of shipping schedule due to the pandemic, so there was an increase in material preparation, which resulted in an increase of cash outflow from inventories by NT$1,441,613,000 compared with the same period of last year. As a result of the above, the net cash flow from operating activities increased by NT$2,222,328,000 compared with the same period of last year.

(I)-1. Financial analysis according to IFRS (Standalone):

Analysis item		2021	2020	2019	2018	2017
Financial structure (%)	Debt ratio	46.38	46.57	46.12	45.63	39.00
	Long-term fund to property, plant and equipment	331.69	315.03	291.27	286.41	298.52
Liquidity (%)	Current ratio	122.36	128.89	86.66	83.88	77.61
	Quick ratio	67.71	86.70	49.80	48.40	49.68
	Times interest earned	4.18	6.90	13.39	11.99	35.93
Operating ability	Receivables turnover (times)	7.55	7.27	7.07	6.27	6.79
	Average collection days	48.34	50.20	51.62	58.21	53.75
	Inventory turnover (times)	4.45	4.20	4.47	4.39	6.13
	Payables turnover (times)	11.37	6.98	6.31	5.75	5.78
	Average inventory turnover days	82.02	86.90	81.65	83.14	59.54
	Property, plant and equipment turnover (times)	2.07	1.81	2.12	1.56	1.32
	Total assets turnover (times)	0.50	0.45	0.53	0.40	0.33
Profitability	Return on assets (%)	1.06	1.70	3.05	2.29	6.55
	Return on equity (%)	1.49	2.70	5.22	3.65	10.43
	Pre-tax profit to paid-in capital ratio (%)	3.77	6.93	13.46	9.42	28.14
	Net margin (%)	1.60	3.21	5.35	5.24	19.30
	Earnings per share (NT$)	0.29	0.55	1.08	0.76	2.27
Cash flows	Cash flow ratio (%)	24.91	12.29	21.27	(3.58)	40.70
	Cash flow adequacy ratio (%)	53.78	56.73	57.36	58.07	88.52
	Cash reinvestment ratio (%)	3.54	0.51	4.21	(5.37)	1.59
Leverage	Operating leverage	4.46	4.38	5.78	5.99	8.81
	Financial leverage	1.18	1.15	1.17	1.17	1.27

1. Decrease in quick ratio: Due to the expected shortage of raw materials and the rising of raw material prices, there's an increase in material preparation. The pandemic control measures adopted by the Vietnamese government in the third quarter led to the work suspension of most customers. Due to the inability to deliver, the finished goods at the end of 2021 increased by NT$75,126,000 compared with the same period last year. Based on the above, the inventory at the end of the 2021 increased by NT$380,850,000 compared with the same period last year.
2. Increase in turnover rate of the accounts payable: Mainly due to the increase in raw material prices in 2021 compared with the same period last year, resulting in an increase of NT$549,368,000 in operating costs compared with the same period last year.
3. Decrease in interest protection multiples, decrease in return on assets, decrease in return on equity, decrease in ratio of pre-tax income to paid-in capital, decrease in net profit margin, and decrease in earnings per share: Mainly due to the severe pandemic situation in Southeast Asia in the third quarter of 2021, the pandemic control measures taken by the Vietnamese government resulted in a sharp drop in the revenue of the Vietnam factory in the third quarter, and the increase in operating costs caused by the increase in raw material prices, so the net profit before tax decreased by NT$125,501,000 compared with the same period last year, which was approximately 45.6%, and the net profit for the current period decreased by NT$102,079,000 compared with the same period last year, which was approximately 46.8%.
4. Increase in cash flow ratio and increase in cash reinvestment ratio: The main reasons were that in 2021, the earnings distribution of subsidiary San Fang Development Co., Ltd. of NT$657,001,000 and earnings distribution of GRAND CAPITAL LIMITED of NT$198,909,000 were received, and the purchase of goods from related parties in 2021 decreased by NT$59,857,000 compared with the same period last year due to the pandemic, therefore, accounts payable - cash outflow from related parties decreased by NT$484,700,000 compared with the same period last year. Due to the combination of the above, there was an increase of NT$378,463,000 in the net cash inflow from operating activities compared with the same period last year.

Formulas for financial analysis according to the IFRS:

1. Financial structure
   (1) Debt Ratio = Total Liabilities / Total Assets.
   (2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net amount of real estate properties, plants and equipment.
2. Liquidity
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities.
   (3) Time interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
   (1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.
   (2) Average collection days = 365 / Receivable turnover.
   (3) Inventory turnover ratio = Cost of goods sold / Average amount of inventory.
   (4) Payables (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.
   (5) Average inventory turnover days = 365 / Average inventory turnover.
   (6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment.
   (7) Fixed assets turnover ratio = Net sales / Total average fixed assets.
4. Profitability
   (1) Return on assets ＝ [net income + interest expense (1– tax rate)] / average total assets.
   (2) Return on equity = Net income / Average equity.
   (3) Net profit margin = After-tax profit / Net operating income.
   (4) EPS = (income belonging to owner of parent company - stock dividend of preferred stocks)/weighted average number of issued shares.
5. Cash flows
   (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
   (3) Cash reinvestment ratio = (net cash flows from operating activities –cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
   (1) Operating leverage = (net operating income － variable operating cost and expenses) / operating income.
   (2) Financial leverage = operating profit/(operating profit - interest expense).

III. Audit Committee's review report in the most recent year

The Board of Directors has prepared and submitted the 2021 business report, financial statements, and dividend distribution proposal. The financial statements were audited by CPAs Chiu-Yen Wu and Chia-Ling Chiang at Deloitte Taiwan, who prepared an audit report.

The business report, financial statements, and dividend distribution proposal have been reviewed by the Audit Committee and determined to be in compliance with related laws and regulations. The report above is in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To the 2022 annual shareholders' meeting of San Fang Chemical Industry Co., Ltd.

Convener of the Audit Committee: 許萬林

March 24, 2022

Consolidated Financial Statement of Affiliates

Companies that must be included in the consolidated financial statements of affiliates according to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates" are the same as those that must be included in the consolidated financial statements of parent company and subsidiaries according to IFRS 10 in 2021 (from 2021/1/1 to 2021/12/31). Information that must be disclosed in the consolidated financial statements of affiliates is already disclosed in the consolidated financial statements of the parent company and subsidiaries. Hence, the Company will not separately prepare consolidated financial statements of affiliates.
Hereby declared that

Company name: San Fang Chemical Industry Co., Ltd.

Legal Representative: Mun-Jin, Lin

March 22, 2022

IV. Financial statements for the most recent year

Independent Auditor's Report

To San Fang Chemical Industry Co., Ltd.:

Audit Opinion

We have audited the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and consolidated notes to financial statements (including a summary of major accounting policies) of San Fang Chemical Industry Co., Ltd. and its subsidiaries (San Fang Group) for the years ended December 31, 2021 and 2020.

In our opinion, the consolidated financial statements above were prepared, in all material aspects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, and explanations/interpretations approved and announced by FSC, and therefore are sufficient to present the financial position of the San Fang Group as at December 31, 2021 and 2020, as well as its consolidated financial performance and consolidated cash flow for the years ended December 31, 2021 and 2020.

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 generally accepted auditing standards. We will further explain our responsibilities under the regulations in the section on the independent auditor's responsibilities relating to consolidated financial statements. Personnel of our firm who are required to maintain independence according to the Code of Professional Ethics have maintained independence from the San Fang Group, 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 2021 consolidated financial statements of the San Fang Group determined based on our professional judgment. We have already responded to the matters in the process of auditing the consolidated financial statements and forming an audit opinion, and will not express opinions on individual matters.

Key audit matters in the 2021 consolidated financial statements of the San Fang Group are as follows:

Authenticity of sales revenue

The net operating revenues of San Fang Group in 2021 was NT$8,384,007,000, of which 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 operating revenue is recognized accordingly.

II. Obtain detailed information on sales revenue of a specific customer, select appropriate samples, check shipping 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.

Other Matters

San Fang Chemical Industry Co., Ltd. has prepared standalone financial statements for the years 2021 and 2020, on which we have issued an audit report containing an unqualified opinion for reference.

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

The responsibility of management is to prepare fairly presented consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, and explanations/interpretations approved and announced by FSC, and to maintain necessary internal controls related to the preparation of consolidated financial statements, in order to ensure that the consolidated financial statements are free of material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, it is also the responsibility of management to evaluate the San Fang Group'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 San Fang Group, or there are no feasible options other than liquidation or termination.

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

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

The purpose for auditing the consolidated financial statements is to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards do not guarantee the detection of material misstatements in the consolidated 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 consolidated financial statements.

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

I. Identified and evaluated material misstatements in the consolidated 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 San Fang Group'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 San Fang Group'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 consolidated 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 the audit report date. However, future events or situations may cause the San Fang Group to no longer be able to continue as a going concern.

V. Evaluated the overall presentation, structure, and contents of the consolidated financial statements (including related notes), and whether or not the consolidated financial statements fairly present related transactions and events.

VI. Obtained sufficient and appropriate audit evidence of financial information on companies in the group, and expressed our opinion on the consolidated financial statements. We are responsible for guidance, supervision, and implementation of the audit, and for forming an audit opinion on the San Fang Group.

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 2021 consolidated financial statements of the San Fang Group. 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 22, 2022

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2021 and 2020

Unit: Thousand NTD

Code	Assets	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4, 6)	$ 3,689,330	25	$ 5,203,876	34
1110	Current financial assets at fair value through profit or loss (Note 4, Note 7)	102,669	1	-	-
1150	Notes receivable (Note 4, 9)	11,070	-	20,845	-
1170	Net accounts receivable (Note 4, 9)	963,544	7	873,526	6
1180	Accounts receivable – related parties (Note 4, 9, 27)	300,928	2	282,899	2
1220	Current income tax assets (Note 23)	46,132	-	54,897	-
130X	Inventories (Note 4, 5, 10, 30)	2,468,764	17	1,598,611	10
1410	Advance payments	201,649	1	146,945	1
1476	Other financial assets – current (Note 11)	527,143	4	713,520	5
1479	Other current assets	62,030	-	64,170	-
11XX	Total current assets	8,373,259	57	8,959,289	58
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income (Note 4, 8)	74,142	-	56,648	1
1600	Property, plant and equipment (Note 4, 13, 28)	5,270,711	36	5,861,061	38
1755	Right-of-use assets (Note 4, 14)	158,595	1	167,598	1
1760	Investment properties (Note 4, 15, 28)	110,923	1	111,790	1
1801	Computer software – net (Note 4)	27,868	-	28,365	-
1805	Goodwill (Note 4)	35,759	-	35,759	-
1840	Deferred income tax assets (Note 4, 5, 23)	99,604	1	69,886	1
1915	Advance payments for equipment	23,258	-	21,383	-
1920	Refundable deposits	25,230	-	25,269	-
1980	Other financial assets – noncurrent (Note 11)	536,610	4	-	-
1990	Other non-current assets	4,158	-	3,841	-
15XX	Total non-current assets	6,366,858	43	6,381,600	42
1XXX	Total assets	$ 14,740,117	100	$ 15,340,889	100
Code	Liabilities and equity interests				
	Current liabilities				
2100	Short-term borrowing (Note 16, 28)	$ 1,380,000	9	$ 1,450,000	10
2110	Short-term notes and bills payable (Note 16)	49,914	-	49,972	-
2120	Financial liabilities at fair value through profit or loss – current (Note 4, 7)	-	-	4,843	-
2130	Current contract liabilities (Note 4, 21)	6,547	-	21,356	-
2170	Accounts payable (Note 17)	547,783	4	601,074	4
2219	Other payables (Note 18)	654,597	5	712,418	5
2230	Current income tax liabilities (Note 23)	108,540	1	125,670	1
2280	Current lease liabilities (Note 4, 14)	7,220	-	6,936	-
2320	Current portion of long-term liabilities (Note 16, 28)	739,000	5	744,000	5
2399	Other current liabilities	27,381	-	49,238	-
21XX	Total current liabilities	3,520,982	24	3,765,507	25
	Non-current liabilities				
2540	Long-term borrowings (Note 16, 28)	2,398,000	16	2,437,000	16
2570	Deferred income tax liabilities (Note 4, 5, 23)	1,025,102	7	1,131,251	7
2580	Non-current lease liabilities (Note 4, 14)	5,989	-	7,850	-
2640	Net defined benefit liability – non-current (Note 4, 19)	119,572	1	110,887	1
2645	Guarantee deposits received	19,412	-	15,268	-
25XX	Total non-current liabilities	3,568,075	24	3,702,256	24
2XXX	Total liabilities	7,089,057	48	7,467,763	49
	Equity attributable to owners of the Company (Note 20)				
3110	Capital stock – common	3,978,181	27	3,978,181	26
3200	Capital surplus	142,438	1	142,438	1
	Retained earnings				
3310	Legal reserve	1,477,569	10	1,454,758	10
3320	Special reserve	513,828	3	504,790	3
3350	Undistributed earnings	2,187,615	15	2,306,787	15
3300	Total retained earnings	4,179,012	28	4,266,335	28
3400	Other equity interest	(648,571)	(4)	(513,828)	(4)
3XXX	Total equity	7,651,060	52	7,873,126	51
	Total liabilities and equity interests	$ 14,740,117	100	$ 15,340,889	100

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

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

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Statement of Comprehensive Income

Years ended December 31, 2021 and 2020

Unit: Thousand NTD, EPS in NTD

		2021		2020	
Code		Amount	%	Amount	%
4000	Net operating revenues (Note 4, 21, 27)	$ 8,384,007	100	$ 8,441,756	100
5000	Operating costs (Note 10, 22, 30)	6,909,767	82	6,578,085	78
5900	Operating margin	1,474,240	18	1,863,671	22
	Operating expenses (Note 9, 22)				
6100	Selling expenses	432,270	5	509,481	6
6200	Administrative expenses	515,947	6	547,952	6
6300	Research and development expenses	294,495	4	309,365	4
6450	Gain on reversal of impairments of expected credit	(9,471)	-	(1,478)	-
6000	Total operating expenses	1,233,241	15	1,365,320	16
6900	Operating net profit	240,999	3	498,351	6
	Non-operating income and expenses (Note 22, 30)				
7100	Interest income	12,857	-	27,165	-
7010	Other income	62,447	1	37,920	1
7020	Other profits and losses	(121,802)	(1)	(171,562)	(2)
7050	Financial costs	(48,153)	(1)	(47,621)	(1)
7000	Total non-operating income and expenses	(94,651)	(1)	(154,098)	(2)
7900	Pre-tax profit	146,348	2	344,253	4
7950	Income tax expense (Note 4, 23)	30,415	-	126,241	1
8200	Net profit for the year	115,933	2	218,012	3

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Code		2021 Amount	2021 %	2020 Amount	2020 %
	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)	($ 5,247)	-	$ 12,699	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	17,494	-	(4,264)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	900	-	(2,605)	-
8310		13,147	-	5,830	-
	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences arising from the translation of the financial statements of foreign operations (Note 20)	(152,237)	(2)	(297,884)	(4)
8300	Other consolidated income (net income after tax)	(139,090)	(2)	(292,054)	(4)
8500	Total comprehensive income	($ 23,157)	-	($ 74,042)	(1)
8600	Profit attributable to:				
8610	Owners of the company	$ 115,933	1	$ 218,012	3
8700	Comprehensive income attributable to:				
8710	Owners of the company	($ 23,157)	-	($ 74,042)	(1)
	EPS (Note 24)				
9750	Basic	$ 0.29		$ 0.55	
9850	Diluted	$ 0.29		$ 0.55	

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

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

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity

Years ended December 31, 2021 and 2020

Unit: Thousand NTD

		Equity attributable to shareholders of the Company								
				Retained earnings			Other equity interests			
Code		Capital stock – common	Capital surplus	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	Subtotal	Total equity
A1	Balance as at January 1, 2020	$ 3,978,181	$ 141,101	$ 1,412,298	$ 504,790	$ 2,439,395	($ 226,765)	$ 15,085	($ 211,680)	$ 8,264,085
	Appropriation and distribution of 2019 earnings (Note 20)									
B1	Legal reserve	-	-	42,460	-	(42,460)	-	-	-	-
B5	Cash dividend	-	-	-	-	(318,254)	-	-	-	(318,254)
		-	-	42,460	-	(360,714)	-	-	-	(318,254)
C17	Dividends not collected by shareholders before the deadline (Note 20)	-	1,337	-	-	-	-	-	-	1,337
D1	Net profit - 2020	-	-	-	-	218,012	-	-	-	218,012
D3	Other comprehensive income after tax - 2020	-	-	-	-	10,094	(297,884)	(4,264)	(302,148)	(292,054)
D5	Total comprehensive income - 2020	-	-	-	-	228,106	(297,884)	(4,264)	(302,148)	(74,042)
Z1	Balance as at December 31, 2020	3,978,181	142,438	1,454,758	504,790	2,306,787	(524,649)	10,821	(513,828)	7,873,126
	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 dividend	-	-	-	-	(198,909)	-	-	-	(198,909)
		-	-	22,811	9,038	(230,758)	-	-	-	(198,909)
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	-	-	-	-	111,586	(152,237)	17,494	(134,743)	(23,157)
Z1	Balance as at December 31, 2021	$ 3,978,181	$ 142,438	$ 1,477,569	$ 513,828	$ 2,187,615	($ 676,886)	$ 28,315	($ 648,571)	$ 7,651,060

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

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

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Cash Flow Statement

Years ended December 31, 2021 and 2020

Unit: Thousand NTD

Code		2021	2020
	Cash flow from operating activities		
A10000	Net profit before tax	$ 146,348	$ 344,253
A20010	Revenues and expenses		
A20100	Depreciation expense	745,598	766,254
A20200	Amortization expense	10,166	7,923
A20300	Gain on reversal of impairments of expected credit	(9,471)	(1,478)
A20400	Net losses on financial liabilities at fair value through profit or loss	3,123	4,784
A20900	Financial costs	48,153	47,621
A21200	Interest income	(12,857)	(27,165)
A21300	Dividend income	(5,497)	(334)
A22500	Net losses on disposal of property, plant and equipment	112	27,420
A23700	Loss on inventory devaluation	102,829	37,640
A29900	Loss by fire	70,217	-
A29900	Loss on physical inventory	19,884	8,495
A29900	Other	(317)	1,660
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	9,775	13,506
A31150	Accounts receivable	(80,674)	69,273
A31160	Accounts receivable – related parties	(18,029)	147,825
A31200	Inventories	(1,031,444)	410,169
A31230	Advance payments	(54,704)	(39,696)
A31240	Other current assets	(7,483)	37,955
A32110	Financial liabilities held for trading	(7,900)	59
A32125	Contract liabilities	(14,809)	15,253
A32150	Accounts payable	(53,291)	1,373
A32180	Other payables	(19,589)	18,728
A32230	Other current liabilities	(21,857)	(10,019)
A32240	Net defined benefit liability	3,438	(881)
A33000	Cash generated (used) during operating activities	(281,014)	1,880,618
A33100	Interest received	12,857	27,165
A33200	Dividend received	5,497	334

(Continued on the next page)

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Code		2021	2020
A33300	Interest paid	($ 48,699)	($ 48,030)
A33500	Income tax paid	(173,747)	(122,865)
AAAA	Net cash inflow (outflow) from operating activities	(485,106)	1,737,222
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(270,350)	(520,311)
B02800	Proceeds from disposal of property, plant and equipment	16,547	5,247
B03700	Increase in guarantee deposits	(504)	(253)
B03800	Decrease in refundable deposits	215	283
B04500	Acquisition of intangible assets	(9,670)	(3,065)
B06500	Increase of other financial assets	(367,803)	-
B06600	Decrease of other financial assets	-	147,745
BBBB	Net cash outflow from investing activities	(631,565)	(370,354)
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	5,503,400	6,360,000
		(5,573,400)	(6,610,000)
C00500	Increase in short-term notes and bills payable	-	(50,000)
C01600	Increase in long-term borrowing	350,000	1,540,000
C01700	Repayment of long-term borrowing	(394,000)	(669,375)
C03000	Increase in guarantee deposits	4,934	-
C03100	Decrease in guarantee deposits received	(525)	(3,969)
C04020	Repayments of lease liabilities	(7,913)	(8,920)
C04500	Distribution of cash dividends	(198,909)	(318,254)
C09900	Returned unclaimed dividends	-	1,337
CCCC	Net cash inflow (outflow) from financing activities	(316,413)	240,819
DDDD	Effect of exchange rate changes on cash and cash equivalents	(81,462)	(165,267)
EEEE	Increase (decrease) in cash and cash equivalents	(1,514,546)	1,442,420
E00100	Cash and cash equivalents at beginning of period	5,203,876	3,761,456
E00200	Cash and cash equivalents at end of period	$ 3,689,330	$ 5,203,876

The accompanying notes are an integral part of these consolidated financial statements.
Chairperson: Mun-Jin Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Years ended December 31, 2021 and 2020

(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 consolidated financial statements are presented in the Company's functional currency NTD.

II. Date and Procedures of Approval of the Financial Statements

The consolidated financial statements were approved by the Board of Directors on March 22, 2022.

III. Application of New Standards, Amendments, and Interpretations

(I) 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 accounting policy of the Company and entities controlled by the Company (hereinafter referred to as the "Consolidated Entity").

(II) Application of the IFRSs as endorsed by the FSC in 2022

New, Revised or Amended Standards and Interpretations	Effective date of the IASB
"Annual Improvements in IFRSs 2018-2020"	January 1, 2022 (Note 1)
Amendments to "references to the conceptual framework" in IFRS 3	January 1, 2022 (Note 2)
Property, Plant and Equipment: Proceeds before Intended Use (Amendments IAS 16)	January 1, 2022 (Note 3)
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022 (Note 4)

Note 1: The amendment to IFRS 9 is applicable to the exchange or revision of clauses for financial liabilities that occur in the annual reporting period beginning after January 1, 2022.

Note 2: The amendment to acquisition date is applicable to mergers during annual reporting periods that begin after January 1, 2022.

Note 3: The amendment is applicable to property, plant and equipment that reach the required location and status expected by management after January 1, 2021.

Note 4: The amendment is applicable to contracts that have not been fully performed as of January 1, 2022.

As of the date the consolidated financial statements were passed, the Consolidated Entity 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 1u0 and IAS 28)	Not determined
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, 2023
Disclosure of Accounting Policies (Amendments to IAS 1)	January 1, 2023 (Note 2)
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023 (Note 3)
Amendments to IAS 12 "deferred tax related to assets and liabilities arising from a single transaction"	January 1, 2023 (Note 4)

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

Note 3: The amendment is applicable to changes in accounting estimates that occur after the beginning of the annual reporting period after January 1, 2023.

Note 4: 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 this consolidated financial statements were passed, the Consolidated Entity 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

(I) Statement of compliance

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

(II) 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 consolidated 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.

(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) Basis of consolidation

These consolidated financial statements include financial statements of the Company and entities (subsidiaries) controlled by the Company. Financial statements of subsidiaries have been appropriately adjusted to align their accounting policy with the Consolidated Entity's accounting policy. Transactions, account balances, gains, and losses between individual entities were eliminated when preparing the consolidated financial statements. Changes in the Consolidated Entity's ownership interest in a subsidiary that do not result in the loss of control over the subsidiary are equity transactions.

Please refer to Note 12, Note 6, and Note 7 for the detailed list, shareholding ratio, and business items of subsidiaries included in the consolidated financial statements.

(V) Foreign currencies

When each entity is preparing 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 year.

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 consolidated 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.

(VI) 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.

(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. 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 Consolidated Entity 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 in the current period.

(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) Goodwill

With regard to goodwill obtained by San Fang Development from acquiring 40% of San Fang International's outstanding shares in 2003, the amount of goodwill recognized on the acquisition date is used as the cost. Goodwill is subsequently measured at cost less accumulated impairment loss.

The purpose of impairment testing is to allocate goodwill to cash-generating units or cash-generating groups (collectively referred to as "Cash-Generating Units") expected by the Consolidated Entity to benefit from synergistic effects of the merger.

Impairment testing is carried out by comparing the book value of a cash-generating unit to which goodwill has been allocated with its recoverable value each year (and when there are signs indicating that the unit may already be impaired). If the goodwill allocated to the cash-generating unit or cash-generating group was obtained from a merger that year, then impairment testing must be conducted for the unit or group before the end of the year. If the recoverable amount of a cash generating unit to which goodwill has been allocated falls below its book value, the impairment loss will first be charged against the book value of the goodwill that has been allocated, and any remaining impairment losses will then be allocated proportionally to reduce book values of all assets under the unit. Any impairment loss is directly recognized as loss in the current period. Goodwill impairment may not be reversed in subsequent periods.

When disposing of an operation in a cash-generating unit to which goodwill has been allocated, then the gain or loss from disposal of the operation is determined by including the amount of goodwill allocated to the operation in the book value of the operation.

(X) 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 Consolidated Entity 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.

(XI) Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets (except for goodwill)

The Consolidated Entity evaluates if there are any signs of impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets (except for goodwill) 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 Consolidated Entity will instead estimate recoverable amounts for the entire cash-generating unit.

@ Depreciation of corporate assets may be 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 or cash-generating unit is increased to the revised recoverable amount. However, the increased book value may not exceed the asset or cash-generating unit's book value in the previous year before impairment loss was recognized (less depreciation or amortization). Reversal of impairment losses is listed in income.

(XII) Financial instruments

When the Company is a party to the contract, financial assets and financial liabilities are recognized in the consolidated 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 the 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity may deem a financial asset to be in default in the event of any one of the following situations without considering collateral:

A. There is internal or external information showing that the debtor is no longer able to repay debts.

B. More than 180 days late, unless there is reasonable information with evidence supporting that it is better to extend the deadline for determining default.

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

(3) Derecognition of financial assets

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

When derecognizing financial assets 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 Consolidated Entity 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 Consolidated Entity include contracts for the purchase of foreign exchange swaps, and are used to manage the Consolidated Entity'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.

(XIII) Revenue recognition

After the Consolidated Entity 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 Consolidated Entity 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 is completed.

(XIV) Lease

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

1. Where the Consolidated Entity 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.

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 consolidated 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 consolidated balance sheet.

(XV) 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.

(XVI) Government subsidies

Government grants shall not be recognized until there is reasonable assurance that the Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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.

(XVII) 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 and previous periods) 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.

(XVIII) Income tax

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

1. Current income tax

The Consolidated Entity determines current income (loss) according to the regulations enacted by each income tax reporting jurisdiction, 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 consolidated 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 and income tax deductibles from losses carried forward.

Taxable temporary differences relating to subsidiaries are recognized as deferred income tax liabilities, except in cases where the Consolidated Entity 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 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity took the recent development of COVID-19 pandemic in Taiwan and the possible impact on the economic environment and relevant government policies and regulations into consideration of cash flow estimates, growth rates, discount rates, profitability and other 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

The tax effect of subsidiaries and unused tax losses as well as deductible temporary differences not recognized as deferred income tax assets was NT$37,399,000 and NT$32,865,000 for the years ended December 31, 2021 and 2020. The realizability of deferred income tax assets mainly depends on whether or not there is sufficient profit or taxable temporary difference in the future. If actual profits exceed expectations, it may result in the recognition of significant deferred income tax assets and tax income.

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, 2021 and 2020, respectively. 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.

(3) Insurance claims and compensation loss estimates for major disasters

The Company purchases property insurance from insurance companies on the basis of replacement cost. As the actual claim amount of the insurance company is highly uncertain, the Company only recognizes the insurance claim income when it is almost certain that it is likely to receive compensation from the insurance company in the future.

VI. Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and working capital	$ 3,720	$ 2,321
Bank check and demand deposits	2,729,193	3,723,696
Cash equivalents		
Time deposits within 3 months of its original maturity date	$ 956,417	$ 1,435,139
Bonds issued under repurchase agreement	-	42,720
	$ 3,689,330	$ 5,203,876

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

	December 31, 2021	December 31, 2020
Cash equivalents		
Time deposits within 3 months of its original maturity date (%)	0.06～2.45	0.1～3
Bonds issued under repurchase agreement	-	0.55

VII. Financial instruments at fair value through profit or loss - current

	December 31, 2021	December 31, 2020
Financial assets		
Fair value is required to be measured through profit or loss		
Financial assets		
Fund beneficiary certification	$ 102,669	$ -
Financial liabilities		
Financial liabilities held for trading		
Derivatives (not designated for hedging)		
Foreign exchange (FX) swaps	$ -	$ 4,843

The Consolidated Entity mainly engages in FX options and swaps to avoid the risk of exchange rate fluctuations to foreign currency-denominated assets and liabilities. See Note 22 for details on the profit or loss from financial instruments at fair value through profit or loss.

FX swaps that did not use hedge accounting and have not matured as of the balance sheet date are as follows:

	Currency	Maturity date	Contract Amount
December 31, 2020			
Foreign exchange (FX) swaps	NTD to USD	2021.03.10	TWD147,350/USD5,000

VIII. Non-current financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Investments in equity instruments measured at fair value through other comprehensive income		
Listed stock in Taiwan	$ 69,485	$ 51,618
Unlisted stock in Taiwan	4,657	5,030
	$ 74,142	$ 56,648

IX. Notes and accounts receivable

	December 31, 2021	December 31, 2020
Arising from operation		
Notes receivable – unrelated parties		
Measured at amortized cost		
Total book value	$ 11,070	$ 20,845

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	December 31, 2021	December 31, 2020
Accounts receivable – unrelated parties		
Measured at amortized cost		
Total book value	$ 968,067	$ 887,647
Less: Loss provision	4,523	14,121
	$ 963,544	$ 873,526
Accounts receivable – related parties		
Measured at amortized cost		
Total book value	$ 300,928	$ 282,899

The Consolidated Entity's average credit period for sale of goods is open account 30-120 days. Designated personnel of the Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity believes that its credit risk has significantly decreased.

The Consolidated Entity 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 Consolidated Entity relating to credit loss showed no significant difference in loss patterns between different customer groups. Hence, customers are not further divided into groups in the provision matrix, and expected credit loss rate is only set by the number of days receivables are overdue.

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

December 31, 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	$1,021,238	$ 237,040	$ 11,386	$ 5,568	$ 4,833	$1,280,065
Loss provision (lifetime ECL)	(103)	(200)	(102)	(691)	(3,427)	(4,523)
Amortized cost	$1,021,135	$ 236,840	$ 11,284	$ 4,877	$ 1,406	$1,275,542

December 31, 2020

	Not past due	1-90 days late	91-180 days late	181-360 days late	More than 361 days late	Total
Total book value	$ 956,572	$ 226,496	$ 1,393	$ -	$ 6,930	$1,191,391
Loss provision (lifetime ECL)	(5,883)	(1,293)	(15)	-	(6,930)	(14,121)
Amortized cost	$ 950,689	$ 225,203	$ 1,378	$ -	$ -	$1,177,270

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

	December 31, 2021	December 31, 2020
Opening balance	$ 14,121	$ 15,540
Less: Gain on reversal of impairments in the current year	(9,471)	(1,478)
Foreign currency translation differences	(127)	59
Closing balance	$ 4,523	$ 14,121

X. Inventories

	December 31, 2021	December 31, 2020
Raw materials	$ 1,188,305	$ 876,746
Supplies	25,826	26,136
Work in process	879,938	487,461
Finished goods	370,066	207,520
Inventory in transit	4,629	748
	$ 2,468,764	$ 1,598,611

Losses on inventory devaluation for the years ended December 31, 2021 and 2020 were NT$334,871,000 and NT$218,238,000, respectively.

Inventory-related operating costs amounted to NT$6,909,767,000 in 2021 and NT$6,578,085,000 in 2020, including:

	2021	2020
Loss on inventory devaluation	$102,829	$ 37,640
Loss by fire (Note 30)	38,404	-
Loss on physical inventory	$ 19,884	$ 8,495
Income from sale of scraps	(22,257)	(19,505)
	$138,860	$ 26,630

XI. Other financial assets

Current	December 31, 2021	December 31, 2020
Time deposits with more than 3 months from its original maturity date	$ 527,143	$ 713,520
Annual interest rate (%)	0.12～3	0.06～0.3
Noncurrent		
Restricted bank deposits	$ 536,610	$ -

Restricted bank deposits are deposited into a designated foreign currency deposits account by the Consolidated Entity 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. Subsidiary

The consolidated financial statements mainly discloses on formation on the following entities:

Name of investment company	Name of subsidiary	Main Business Activities	Ownership (%) December 31, 2021	Ownership (%) December 31, 2020
The Company	San Fang Development Co., Ltd.	Investment	100	100
	San Fang Financial Holdings Co., Ltd.	Investment	100	100
	Grand Capital Limited (GCL)	Investment	100	100
	Forich Advanced Materials Co., Ltd.	Manufacturing and sales of chemical products	100	100
	Bestac Advanced Material Co., Ltd.	Manufacturing and sales of chemical products	100	100
San Fang Development	San Fang International Co., Ltd.	Investment	100	100
	Brave Business Holding Limited(BBH)	Investment	100	100
GCL	Grand International Investment Corporation Limited (GII)	Investment	100	100
	Java Ocean Business Limited(JOB)	Investment	100	100
San Fang International	Megatrade Profits Limited (MPL)	Investment	100	100
	Giant Tramp Limited (GTL)	Investment	100	100
MPL	Dongguan Baoliang Material Technology Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	36.84	36.84
GTL	Dongguan Baoliang	Manufacturing and sales of artificial leather, synthetic resin, and other materials	7.02	7.02
BBH	Dongguan Baoliang	Manufacturing and sales of artificial leather, synthetic resin, and other materials	56.14	56.14

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Name of investment company	Name of subsidiary	Main Business Activities	Ownership (%) December 31, 2021	Ownership (%) December 31, 2020
GII	San Fang Vietnam Corporation Limited(SFV)	Material processing	100	100
JOB	PT. San Fang Indonesia(PTS)	Manufacturing and sales of artificial leather, synthetic resin, and other materials	99.99	99.99
GII	PTS	Manufacturing and sales of artificial leather, synthetic resin, and other materials	0.01	0.01

XIII. Property, plant and equipment

2021

	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
Cost						
Balance as at January 1, 2021	$ 1,583,472	$ 3,134,084	$ 7,019,720	$ 2,421,613	$ 256,659	$14,415,548
Addition	-	25,450	195,160	85,812	(75,691)	230,731
Disposal	-	(26,012)	(151,475)	(81,690)	-	(259,177)
Net currency translation difference	(2,172)	(38,830)	(66,043)	(31,973)	(4,242)	(143,260)
Balance as at December 31, 2021	$ 1,581,300	$ 3,094,692	$ 6,997,362	$ 2,393,762	$ 176,726	$14,243,842
Accumulated depreciation						
Balance as at January 1, 2021	$ -	$ 1,723,921	$ 5,193,315	$ 1,637,251	$ -	$ 8,554,487
Disposal	-	(14,307)	(143,535)	(62,486)	-	(220,328)
Depreciation expense	-	131,740	430,564	170,097	-	732,401
Net currency translation difference	-	(19,016)	(49,727)	(24,686)	-	(93,429)
Balance as at December 31, 2021	$ -	$ 1,822,338	$ 5,430,617	$ 1,720,176	$ -	$ 8,973,131
Net amount as at December 31, 2021	$ 1,581,300	$ 1,272,354	$ 1,566,745	$ 673,586	$ 176,726	$ 5,270,711

2020

	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
Cost						
Balance as at January 1, 2020	$ 1,587,546	$ 3,213,561	$ 6,963,394	$ 2,395,098	$ 202,298	$14,361,897
Addition	-	21,479	281,894	175,397	63,125	541,895
Disposal	-	(34,462)	(114,745)	(94,675)	(559)	(244,441)
Net currency translation difference	(4,074)	(66,494)	(110,823)	(54,207)	(8,205)	(243,803)
Balance as at December 31, 2020	$ 1,583,472	$ 3,134,084	$ 7,019,720	$ 2,421,613	$ 256,659	$14,415,548
Accumulated depreciation						
Balance as at January 1, 2020	$ -	$ 1,644,956	$ 4,936,531	$ 1,576,619	$ -	$ 8,158,106
Disposal	-	(27,617)	(88,797)	(85,737)	-	(202,151)
Depreciation expense	-	136,940	427,763	187,191	-	751,894
Net currency translation difference	-	(30,358)	(82,182)	(40,822)	-	(153,362)
Balance as at December 31, 2020	$ -	$ 1,723,921	$ 5,193,315	$ 1,637,251	$ -	$ 8,554,487
Net amount as at December 31, 2020	$ 1,583,472	$ 1,410,163	$ 1,826,405	$ 784,362	$ 256,659	$ 5,861,061

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

	2021	2020
Investing activities that affect both cash and non-cash items		
Increase in property, plant and equipment	$ 230,731	$ 541,895
Increase (decrease) in advance payments for equipment	1,875	(47,522)
Decrease in payables on equipment	38,334	26,601
Capitalization of interest	(590)	(663)
Payments in cash for the acquisition of property, plant and equipment	$ 270,350	$ 520,311

Depreciation of the Consolidated Entity'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	2-10 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	1-9 years
Other facilities	
Pond and gardening	30-48 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 30 for explanation.

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

XIV. Lease agreement

(I) Right-of-use assets

	December 31, 2021	December 31, 2020
Book value of right-of-use assets		
Land	$ 148,283	$ 157,666
Buildings	3,429	4,512
Transportation equipment	6,883	5,420
	$ 158,595	$ 167,598

	2021	2020
Addition of right-of-use assets	$ 6,336	$ 6,991
Depreciation expense of right-of-use assets		
Land	$ 6,375	$ 6,521
Buildings	1,083	1,445
Transportation equipment	4,872	5,527
	$ 12,330	$ 13,493

(II) Lease liabilities

	December 31, 2021	December 31, 2020
Book value of lease liabilities		
Current	$ 7,220	$ 6,936
Noncurrent	$ 5,989	$ 7,850

The discount rate of lease liabilities is 1.05-1.4%.

(III) Important lease activities and clauses

Right-of-use assets include the land of the following subsidiaries, in which the right to use the land was obtained from the local government, details are as follows:

	Cost of land use rights	Years	Maturity date
SFV	US$4,023,000	36-48 years	June 2051
Dongguan Baoliang	RMB19,373,000	50 years	January 2060

(IV) Other lease information

	2021	2020
Short term lease expenses	$ 3,110	$ 2,827
Lease expenses of low value assets	$ 805	$ 867
Total cash outflow from leases	$ 11,992	$ 12,808

XV. Investment properties

2021

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

2020

Cost	Completed investment properties
Balance as at January 1 and December 31, 2020	$ 140,473
Accumulated depreciation	
Balance as at January 1, 2020	$ 27,816
Depreciation expense	867
Balance as at December 31, 2020	$ 28,683
Net amount as at December 31, 2020	$ 111,790

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 Consolidated Entity's investment property are its 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:

	December 31, 2021	December 31, 2020
Year 1	$ 9,351	$ 9,351
Year 2	9,351	9,351
Year 3	9,493	9,351
Year 4	9,634	9,493
Year 5	9,634	9,634
Over 5 years	24,663	34,297
	$ 72,126	$ 81,477

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

The fair value of the Consolidated Entity's investment properties was both approximately NT$340 million for the years ended December 31, 2021 and 2020, in which the fair value was estimated by the Consolidated Entity's management after referring to transactions in the nearby housing market.

XVI. Borrowings

(I) Short-term borrowing

	December 31, 2021	December 31, 2020
Secured loans (Note 28)		
Bank borrowings	$ 380,000	$ 470,000
Unsecured loans		
Line of credit borrowings	1,000,000	980,000
	$ 1,380,000	$ 1,450,000
Annual interest rate (%)	0.40-1	0.40-1

(II) Short-term notes and bills payable

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

December 31, 2021

Guarantor/Acceptance agency	Face value	Discounted amount	Book value	Interest Rate (%)
Mega Bills	$ 50,000	$ 86	$ 49,914	0.59

December 31, 2020

Guarantor/Acceptance agency	Face value	Discounted amount	Book value	Interest Rate (%)
Mega Bills	$ 50,000	$ 28	$ 49,972	0.72

(III) Long-term borrowings

	December 31, 2021	December 31, 2020
Secured loans (Note 28)		
Bank borrowings – Reaches maturity before September 2025	$ 1,617,000	$ 1,861,000
Unsecured loans		
Bank borrowings – Reaches maturity before July 2026	1,520,000	1,320,000
	3,137,000	3,181,000
Less: Current portion		
Long-term borrowings	739,000	744,000
	$ 2,398,000	$ 2,437,000
Annual interest rate (%)	1.03-1.4	1.03-1.4

XVII. Accounts payable

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

XVIII. Other payables

	December 31, 2021	December 31, 2020
Wages and salaries payable	$ 283,155	$ 298,494
Payables on equipment	38,957	77,291
Commissions payable	38,824	47,407
Taxes payable	35,078	21,220
Import/export charges payable	28,003	22,679
Utilities and fuel costs payable	23,721	24,657
Compensated absences	21,167	17,630
Labor insurance and National Health Insurance premiums payable	13,444	11,824
Air pollution and waste disposal fees payable	9,745	12,294
Employee bonuses and director remuneration payable	6,891	16,594
Other	155,612	162,328
	$ 654,597	$ 712,418

XIX. Post-employment benefits plan

(I) Defined contribution plan

In the Consolidated Entity, the Company, Forich Advanced Materials Co., Ltd., and Bestac Advanced Material Co., Ltd. use the defined contribution plan managed by the government according to the Labor Pension Act, and contribute 6% of employees' monthly salaries to their individual pension account at the Bureau of Labor Insurance.

In the Consolidated Entity, Dongguan Baoliang, PTS, and SFV make pension contributions according to local laws and regulations, which are classified as a defined contribution plan.

(II) Defined benefit plan

The pension system implemented by the Company in the Consolidated Entity 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 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.

PTS in the Consolidated Entity pays severance pay to qualified employees according to local laws and regulations, which is classified as a defined benefit plan.

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

	December 31, 2021	December 31, 2020
Present value of defined benefit liabilities	$ 135,375	$ 133,888
Fair value of assets of the plans	(15,803)	(23,001)
Net defined benefit liability	$ 119,572	$ 110,887

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, 2020	$ 150,523	($ 26,056)	$ 124,467
Service cost			
Service cost of the term	4,507	-	4,507
Service cost and settlement of benefits in the previous period	(2,375)	-	(2,375)
Interest expense (income)	$ 2,508	($ 246)	$ 2,262
Listed in income	4,640	(246)	4,394
Number of remeasurement			
Return on assets of the plans (except for amounts included in net interest)	-	(2,315)	(2,315)
Actuarial loss – Changes in financial assumption	5,862	-	5,862
Actuarial losses – experience adjustments	(16,246)	-	(16,246)
Recognized in other comprehensive income	(10,384)	(2,315)	(12,699)
Employer contributions	-	(2,946)	(2,946)
Benefits payment	(9,945)	8,562	(1,383)
Currency translation difference	(946)	-	(946)
Balance as at December 31, 2020	$ 133,888	($ 23,001)	$ 110,887
Balance as at January 1, 2021	$ 133,888	($ 23,001)	$ 110,887

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	Present value of defined benefit liabilities	Fair value of assets of the plans	Net defined benefit liability
Service cost			
Service cost of the term	4,344	-	4,344
Service cost and settlement of benefits in the previous period	-	-	-
Interest expense (income)	1,854	(122)	1,732
Listed in income	6,198	(122)	6,076
Number of remeasurement			
Return on assets of the plans (except for amounts included in net interest)	-	(282)	(282)
Actuarial loss – Changes in financial assumption	(3,748)	-	(3,748)
Actuarial gains – experience adjustments	5,759	-	5,759
Actuarial loss – Changes in demographic assumptions	3,518	-	3,518
Recognized in other comprehensive income	5,529	(282)	5,247
Employer contributions	-	(2,064)	(2,064)
Benefits payment	(9,666)	9,666	-
Currency translation difference	($ 574)	$ -	($ 574)
Balance as at December 31, 2021	$ 135,375	($ 15,803)	$ 119,572

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

	2021	2020
Operating costs	$ 2,427	$ 2,703
Selling expenses	270	504
Administrative expenses	3,126	848
Research and development expenses	253	339
	$ 6,076	$ 4,394

The Consolidated Entity 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 Consolidated Entity is calculated by a qualified actuary, and major assumptions on the measurement date are as follows:

	December 31, 2021	December 31, 2020
Discount rate (%)	0.75-7.15	0.5-7.02
Estimated salary growth ratio (%)	2-8	2-8

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:

	December 31, 2021	December 31, 2020
Discount rate		
Increased 0.25%	($ 4,608)	($ 4,749)
Decreased 0.25%	$ 4,822	$ 4,974
Estimated salary growth ratio		
Increased 0.25%	$ 4,756	$ 4,833
Decreased 0.25%	($ 4,568)	($ 4,639)

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.

	December 31, 2021	December 31, 2020
Amount expected to be allocated within 1 year	$ 2,064	$ 2,834
Average time to maturity of defined benefit liabilities	13.3-24.64years	14-24.93 years

XX. Equity

(I) Capital stock – common

	December 31, 2021	December 31, 2020
Authorized shares (thousand shares)	460,000	460,000
Authorized share capital	$ 4,600,000	$ 4,600,000
Current outstanding shares (thousand shares)	397,818	397,818

Issued capital	$ 3,978,181	$ 3,978,181

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.

(II) Capital surplus

	December 31, 2021	December 31, 2020
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	4,572	4,572
	$ 142,438	$ 142,438

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 divided 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 all or part of dividends and bonuses 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 allocates and reverses special reserve according to Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865, Letter Jin-Guan-Zheng-Fa-Zi No. 1010047490, and "Q&A for the allocation of special reserve after adopting the IFRSs."

The Company's cash dividends were approved by the board of directors in meetings on March 2021 and March 2020 respectively, and the remaining earning distribution items were also approved by the annual shareholders' meeting on August 18, 2021 and June 9, 2020 respectively. The 2020 and 2019 earnings distribution proposal is as below:

	Dividend distribution proposal		Dividends per share (NTD)	
	2020	2019	2020	2019
Legal reserve	$ 22,811	$ 42,460		
Special reserve	9,038	-		
Cash dividends	198,909	318,254	$ 0.5	$ 0.8

The Company passed the 2021 earnings distribution below in the Board meeting on March 22, 2022:

	Dividend distribution proposal	Dividends per share (NTD)
Legal reserve	$ 11,159	
Special reserve	134,743	
Cash dividends	198,909	$ 0.5

The distribution of the above-mentioned cash dividends has been approved by the resolution of the board of directors, and the rest of the items are yet to be resolved at the general meeting of shareholders, which is expected to be held in June 2022.

(IV) Special reserve

When the Consolidated Entity 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 in 2013.

(V) Other equity interests

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

	2021	2020
Opening balance	($ 524,649)	($ 226,765)
Currency translation difference resulting from the translation of assets of foreign operations	(152,237)	(297,884)
Closing balance	($ 676,886)	($ 524,649)

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

	2021	2020
Opening balance	$ 10,821	$ 15,085
Generated in the current year		
Equity instruments – unrealized gains	17,494	(4,264)
Closing balance	$ 28,315	$ 10,821

XXI. Revenues

	2021	2020
Revenue from contracts with customers		
Revenue from merchandise sales	$ 8,383,781	$ 8,441,531
Service revenue	226	225
	$ 8,384,007	$ 8,441,756

(I) Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Net notes and accounts receivable (Note 9)	$ 1,275,542	$ 1,177,270	$ 1,406,396
Contract liabilities			
Merchandise sales	$ 6,547	$ 21,356	$ 6,103

Changes to contract assets and 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.

(II) Detailed revenues from contracts with customers: Please refer to Note 34.

XXII. Pre-tax profit

Net income from continuing operations includes the following item:

(I) Interest income

	2021	2020
Cash in banks	$ 12,797	$ 27,107
Other	60	58
	$ 12,857	$ 27,165

(II) Other income

	2021	2020
Rental income	$ 9,803	$ 9,668
Government grants revenue	25,245	10,283
Dividend income	5,497	334
Other	21,902	17,635
	$ 62,447	$ 37,920

(III) Other profits and losses

	2021	2020
Net foreign exchange losses	($ 86,516)	($ 129,187)
Net (loss from financial liabilities at fair value through profit or loss	(3,123)	(4,784)
Loss by fire (Note 30)	(31,813)	-
Net loss on disposal of property, plant and equipment	(112)	(27,420)
Other	(238)	(10,171)
	($ 121,802)	($ 171,562)

(IV) Financial costs

	2021	2020
Interest on bank borrowings	$ 48,579	$ 48,090
Interest on lease liabilities	164	194
Less: Costs of qualifying assets listed	(590)	(663)
	$ 48,153	$ 47,621

Information on capitalization of interest is as follows:

	2021	2020
Amount of interest capitalized	$ 590	$ 663
Interest capitalization rate (%)	1.02-1.35	0.99-1.16

(V) Depreciation and amortization

	2021	2020
Property, plant and equipment	$ 732,401	$ 751,894
Right-of-use assets	12,330	13,493
Investment properties	867	867
Computer software	10,166	7,923

	2021	2020
	$ 755,764	$ 774,177
Summary of depreciation expenses by function		
Operating costs	$ 679,789	$ 696,090
Operating expenses	65,809	70,164
	$ 745,598	$ 766,254
Summary of amortization expenses by function		
Operating costs	$ 485	$ 429
Operating expenses	9,681	7,494
	$ 10,166	$ 7,923

(VI) Employee benefit expenses

	2021	2020
Short-term employee benefits	$1,211,534	$ 1,203,535
Post-employment benefit		
Defined contribution plan	55,633	42,780
Defined benefit plans (Note 19)	6,076	4,394
	61,709	47,174
Total employee benefit expenses	$1,273,243	$ 1,250,709
Summary by function		
Operating costs	$ 831,377	$ 798,026
Operating expenses	441,866	452,683
	$1,273,243	$ 1,250,709

(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 in accordance with the Articles of Incorporation.

2021 and 2020 employee bonuses was estimated at 3% 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 2021 and 2020 will be distributed in cash according to resolutions adopted by the Board of Directors on March 22, 2022 and March 16, 2021:

	2021	2020
Employee bonuses	$ 4,831	$ 10,313
Directors' remuneration	2,000	6,187

Any changes to amounts after the consolidated 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 consolidated financial statements in 2020 and 2019.

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)

	2021	2020
Total foreign exchange gains	$ 199,186	$ 177,746
Total foreign exchange losses	(285,702)	(306,933)
Net loss	($ 86,516)	($ 129,187)

XXIII. <u>Income tax from continuing operations</u>

(I) Income tax recognized in profit or loss

Main income tax expenses are as follows:

	2021	2020
Current income tax		
Generated in the current year	$ 175,891	$ 124,331
Additional surtax on undistributed earnings	248	-
Adjustments in the previous year	(10,757)	(15,622)
	165,382	108,709
Deferred income tax		
Generated in the current year	(134,967)	17,532
Income tax expense recognized in profit or loss	$ 30,415	$ 126,241

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

	2021	2020
Pre-tax profit from continuing operations	$ 146,348	$ 344,253
Income tax expense on pre-tax profit calculated at the statutory tax rate	$ 30,046	$ 135,177
Tax effect of adjustments		
Non-deductible tax expenses	3,972	780
Non-taxable income	(1,099)	-
Unrecognized (not deducted) losses carried forward and temporary difference	8,005	5,906
Additional surtax on undistributed earnings	248	-
Adjustments in the current year to current income tax expense of the previous year	(10,757)	(15,622)
Income tax expense recognized in profit or loss	$ 30,415	$ 126,241

The profit-seeking enterprise income tax rate applicable to the Company and its domestic subsidiaries is 20%. In the first quarter of 2021, the Company's overseas subsidiaries transferred back the earnings; for the USD$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. When the investment is completed and the completion certificate issued by the Ministry of

Economic Affairs is obtained, the real investment part can enjoy the half-off preferential tax rate and tax refunds, and 5% income tax benefit can be recognized.

Overseas subsidiaries pay taxes according to the tax rate prescribed by the local government, the tax rates are as follows:

	2021	2020
SFV	15%	15%
PTS	22%	25%
Dongguan Baoliang (Note)	15%	25%

Note: The subsidiary Dongguan Baoliang obtained the approval of the 15% preferential tax rate for high and new technology in January 2021, and it will be applicable for three years from 2020 in accordance with local tax laws.

(II) Income tax recognized in other comprehensive income

	2021	2020
Deferred income tax expense (gain)		
Generated in the current year		
Remeasurements of the net defined benefit	($ 900)	$ 2,605

(III) Current income tax assets and liabilities

	December 31, 2021	December 31, 2020
Current income tax assets		
Tax refunds receivable	$ 46,132	$ 54,897
Current income tax liabilities		
Income tax payable	$ 108,540	$ 125,670

(IV) Deferred income tax assets and liabilities

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

2021

	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
Deferred income tax assets				
Temporary difference				
Defined benefit plan	$ 18,433	($ 14)	$ 900	$ 19,319
Inventory loss	35,132	4,300	-	39,432
Unrealized gains from subsidiaries	6,586	16,297	-	22,883
Other	9,735	8,235	-	17,970
	$ 69,886	$ 28,818	$ 900	$ 99,604

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Deferred income tax liabilities	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
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	(8)	-	1
	$1,131,251	($ 106,149)	$ -	$1,025,102

2020

Deferred income tax assets	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
Temporary difference				
Defined benefit plan	$ 21,337	($ 299)	($ 2,605)	$ 18,433
Inventory loss	29,897	5,235	-	35,132
Unrealized gains from subsidiaries	17,167	(10,581)	-	6,586
Other	6,030	3,705	-	9,735
	$ 74,431	($ 1,940)	($ 2,605)	$ 69,886

Deferred income tax liabilities	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
Temporary difference				
Overseas investment gains recognized under the equity method	$ 701,220	$ 15,592	$ -	$ 716,812
Provision for land value increment tax	414,430	-	-	414,430
Other	9	-	-	9
	$1,115,659	$ 15,592	$ -	$1,131,251

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

	December 31, 2021	December 31, 2020
Losses carried forward		
Matures in 2021	$ -	$ 17,747
Matures in 2022	17,508	17,508
Matures in 2023	22,934	22,934
Matures in 2025	8,564	8,564
Matures in 2026	8,040	8,040
Matures in 2027	297	297
Matures in 2028	102	102
Matures in 2029	7,171	7,171
Matures in 2030	25,454	25,058
Matures in 2031	38,274	-
	$ 128,344	$ 107,421

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	December 31, 2021	December 31, 2020
Deductible temporary differences		
International investment impairment losses	$ 31,369	$ 31,369
Other	27,283	25,533
	$ 58,652	$ 56,902

(VI) Information on unused losses carried forward

As of December 31, 2021, information on losses carried forward is as follows:

Unused balance	Final year for the carry forward
$ 17,508	2022
22,934	2023
8,564	2025
8,040	2026
$ 297	2027
102	2028
7,171	2029
25,454	2030
38,274	2031
$ 128,344	

(VII) 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 were both NT$2,366,744,000 as at December 31, 2021 and 2020, respectively.

(VIII) Approval of income tax

The Company's income tax returns up to 2019 have been approved by the tax authority.

XXIV. EPS

Net profit and weighted average ordinary shares for the calculation of earnings per share are as below:

(I) Net profit for the year – Net income attributable to owners of the Company

	2021	2020
Net profit for the year	$ 115,933	$ 218,012

(II) Shares (thousand shares)

	2021	2020
Number of shares used to calculate basic EPS	397,818	397,818
Plus: Employee bonuses	330	626
Number of shares used to calculate diluted EPS	398,148	398,444

If the Consolidated Entity may choses 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 Consolidated Entity engages in capital management to ensure that companies in the group can maximize return for shareholders by optimizing the balance of liabilities and equity, under the premise that they are able to continue as a going concern.

The Consolidated Entity's capital structure consists of Consolidated Entity's 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 Consolidated Entity's management periodically examines the group's capital structure, and takes into consideration the cost of various capital and related risks. The Consolidated Entity 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 Consolidated Entity is not required to comply with other external capital related regulations.

XXVI. Financial instruments

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

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

(II) 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
December 31, 2021				
Financial assets at fair value through other comprehensive income				
Securities of public company in Taiwan	$69,485	$ -	$ -	$69,485
Securities of non-public company in Taiwan	-	-	4,657	4,657
	$69,485	$ -	$ 4,657	$74,142
Financial liabilities at fair value through profit or loss				
Fund beneficiary certification	$102,669	$ -	$ -	$102,669
December 31, 2020				
Financial assets at fair value through other comprehensive income				
Securities of public company in Taiwan	$ 51,618	$ -	$ -	$ 51,618
Securities of non-public company in Taiwan	-	-	5,030	5,030
	$ 51,618	$ -	$ 5,030	$ 56,648
Financial liabilities at fair value through profit or loss				
Derivatives (not designated for hedging)	$ -	$ 4,843	$ -	$ 4,843

There was no transfer of level 1 and level 2 fair value measurements in 2021 and 2020.

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

Financial assets at fair value through other comprehensive income	2021	2020
Opening balance	$ 5,030	$ 4,667
Recognized in other comprehensive income	(373)	363
Closing balance	$ 4,657	$ 5,030

3. Valuation technique and input values for level 2 fair value

Type of financial instrument	Valuation technique and input values
Derivatives – FX swap	Discounted cash flow method: Future cash flows are estimated based on the forward exchange rate at the end of period and the exchange rate specified in the contract, and are discounted using a rate that reflects on the credit risk of each counterparty.

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

When the Consolidated Entity is measuring the fair value of stocks without a quoted price, the fair value is determined by management after referencing the company's net worth.

(III) Financial instruments by category

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets at amortized cost (Note 1)	$ 6,053,855	$ 7,119,935
Financial assets for which the fair value is required to be measured through profit or loss	102,669	-
Financial assets at fair value through other comprehensive income (investment in equity instruments)	74,142	56,648
Financial liabilities		
Measured at amortized cost (Note 2)	5,788,706	6,009,732
Financial liabilities at fair value through profit or loss (held for trading)	-	4,843

Note 1: The balance includes cash and cash equivalents, notes and accounts receivable (including 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, 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 Consolidated Entity's main financial instruments include cash and cash equivalents, notes and accounts receivable, other financial assets, accounts payable, short-term notes and bills payable, other payables, long-term and short-term borrowings, and lease liabilities. The Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity 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 and several subsidiaries engage in sales and purchase of goods denominated in foreign currencies, which expose the Consolidated Entity to the risk of exchange rate changes. The Consolidated Entity manages its exposure to foreign exchange risk using FX swaps within the scope permitted by policy.

Please see Note 32 for the book value of the Consolidated Entity's monetary assets and liabilities not denominated in the functional currency on the balance sheet date (including monetary items not denominated in the functional currency on the consolidated financial statements).

Sensitivity analysis

The sensitivity analysis mainly calculates foreign currency-denominated monetary items during the financial reporting period. The Consolidated Entity is mainly affected by exchange rate fluctuations of USD, RMB, IDR, and VND.

The sensitivity ratio used in reports on foreign exchange risk for management of the Consolidated Entity 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 period is adjusted using 1% change in exchange rates. The positive number in the table below is the amount that pre-tax profit will increase (decrease) when the functional currency depreciates 1% against related currencies. The effect on pre-tax profit will be negative (positive) the same amount when the functional currency appreciates 1% against related currencies.

	Effect on income	
	2021	2020
USD	$ 24,594	$ 34,926
RMB	607	755
IDR	(145)	88
VND	(263)	1,998

(2) Interest rate risk

The Consolidated Entity is exposed to interest rate risk when companies finance using both fixed and floating interest rates at the same time. The Consolidated Entity manages its interest rate risk by maintaining an appropriate portfolio of fixed and floating interest rates.

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

	December 31, 2021	December 31, 2020
Has interest rate risk for cash flow		
Financial assets	$ 3,256,442	$ 3,707,705
Financial liabilities	3,337,000	3,381,000

The Consolidated Entity 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 Consolidated Entity 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, Consolidated Entity's pre-tax profit will increase/decrease by NT$806,000 and increase/decrease by NT$3,267,000 in 2021 and 2020, respectively, which is mainly due to the floating interest rate bank deposits and loans of the Consolidated Entity.

(3) Other price risks

The Consolidated Entity 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 Consolidated Entity 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%, other comprehensive income in 2021 and 2020 will increase/decrease NT$741,000 and NT$566,000, 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 Group arising from default by counterparties. As of the balance sheet date, the Consolidated Entity's greatest credit risk exposure to financial losses caused by transaction counterparties failing to fulfill their obligations is in the book value of financial assets recognized on the consolidated balance sheet.

The Consolidated Entity'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 Consolidated Entity 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:

	December 31, 2021	December 31, 2020
Group A	$ 287,820	$ 241,328
Group B	87,501	89,633
Group C	98,439	128,683
	$ 473,760	$ 459,644

The abovementioned companies accounted for 37% and 39% of accounts receivable for the years ended December 31, 2021 and 2020, respectively.

3. Liquidity risk

The Consolidated Entity manages and maintains an adequate position of cash and cash equivalents to support the group's operations and mitigate the effect of cash flow fluctuations. Management of the Consolidated Entity supervises the usage of bank credit limit and ensures compliance with terms of loan agreements. Bank borrowings are an important source of the Consolidated Entity's liquidity. Unused long-term and short-term credit limits of the Consolidated Entity was NT$2,195,000,000 and NT$2,275,000,000 for the years ended December 31, 2021 and 2020, 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 Consolidated Entity. Hence, bank borrowings that the Consolidated Entity 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
December 31, 2021				
Non-derivative financial liabilities				
No interest-bearing debt	$1,201,152	$ 1,228	$ 19,412	$1,221,792
Lease liabilities	4,022	3,317	6,045	13,384
Floating-rate tools	505,864	463,365	2,440,182	3,409,411
Fixed-rate tools	1,230,027	-	-	1,230,027
	$2,941,065	$ 467,910	$2,465,639	$5,874,614
December 31, 2020				
Non-derivative financial liabilities				
No interest-bearing debt	$1,311,552	$ 1,940	$ 15,268	$1,328,760
Lease liabilities	4,160	2,920	7,954	15,034
Floating-rate tools	224,373	752,676	2,482,687	3,459,736
Fixed-rate tools	1,301,384	-	-	1,301,384
	$2,841,469	$ 757,536	$2,505,909	$6,104,914

XXVII. Related Party Transactions

Transactions, account balances, gains, and losses between companies of the Consolidated Entity were eliminated and therefore not disclosed in this note. Transactions between the Consolidated Entity and related parties are as follows:

(I) Name and relationship of related parties

Name of related party	Relationship with the Consolidated Entity
Pou Chen Corporation	Parent company of investor with significant influence
Yue Yuen Industrial (Holdings) Ltd.	Investor with significant influence
Baoyuan Industrial (Group) Co., Ltd.	Subsidiary of investor with significant influence

(II) Operating revenue

General ledger account	Type/Name of related party	2021	2020
Sales revenue	Investor with significant influence		
	Yue Yuen Industrial (Holdings) Ltd.	$ 1,309,587	$ 1,328,168
	Parent company of investor with significant influence	68,168	315,936
		$ 1,377,755	$ 1,644,104

There are no significant differences in the prices of goods sold by the Consolidated Entity to the related parties above and terms of payment compared to other customers.

(III) Receivables from related parties

General ledger account	Type/Name of related party	December 31, 2021	December 31, 2020
Accounts receivable – related parties	Investor with significant influence		
	Yue Yuen Industrial (Holdings) Ltd.	$ 287,820	$ 241,328
	Parent company of investor with significant influence	13,108	41,571
		$ 300,928	$ 282,899

(IV) Compensation for management

	2021	2020
Short-term employee benefits	$ 39,074	$ 28,721
Post-employment benefit	400	392
	$ 39,474	$ 29,113

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

XXVIII. Pledged Assets

The Consolidated Entity provided the following assets as collateral for bank borrowings:

	December 31, 2021	December 31, 2020
Property, plant and equipment – net	$ 1,530,760	$ 1,538,597
Investment properties – net	110,923	111,790
	$ 1,641,683	$ 1,650,387

XXIX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

The Consolidated Entity made the following major commitments on the balance sheet date:

(I) The Consolidated Entity's balance of issued but unutilized L/C for the purchase of raw materials is as follows:

Unit: Foreign currency (in thousands)

	December 31, 2021	December 31, 2020
USD	$ 193	$ -

(II) Property, plant and equipment purchase contracts not listed by the Consolidated Entity are as follows:

	December 31, 2021	December 31, 2020
Acquisition of property, plant and equipment	$ 139,452	$ 143,024

XXX. Significant Disaster Loss

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 Consolidated Entity estimated that the fire loss was approximately NT$70,217,000 (respectively included in operating costs and non-operating expenses/losses).

The Consolidated Entity has insured related property insurance and is currently negotiating with the insurance company to handle the claims. However, the insurance claims involve disaster identification, and the Consolidated Entity has not been able to fully confirm the full amount of the insurance claims. The subsequent insurance claim income will not be recognized until it is determined by the Consolidated Entity that it can be collected.

XXXI. Other Matters

The Consolidated Entity continues to be affected by the global spread of the COVID-19 pandemic. Among them, the pandemic situation in the Vietnam area was severe this year. Affected by the Vietnamese government's business closure order, the number of orders placed by customers decreased. Although it was affected by the pandemic control in the short term, with the easing of the situation, the Consolidated Entity's operations have gradually resumed.

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

The following information is a summary of foreign currencies that are not the functional currency of companies in the Consolidated Entity, and the exchange rate disclosed is the exchange rate for converting foreign currencies to the functional currency. Foreign currency assets and liabilities with a significant impact are as follows:

Unit: Foreign currencies (in thousands);

Carrying amount in thousands/Exchange rate: NTD

December 31, 2021	Foreign currencies	Exchange rate		Book value
Monetary financial assets				
USD	$ 85,487	27.68	(USD: NTD)	$ 2,366,291
USD	14,273	6.39556	(USD: RMB)	395,088
RMB	9,575	0.15636	(RMB: USD)	41,439
RMB	11,588	4.328	(RMB: NTD)	50,152
IDR	1,967,602	0.00007	(IDR: USD)	3,896
VND	5,311,301	0.00004	(VND: USD)	6,374
Non-monetary financial assets				
RMB	5,000	27.68	(USD: NTD)	138,400
Monetary financial liabilities				
USD	4,795	27.68	(USD: NTD)	132,726
USD	6,116	6.39556	(USD: RMB)	169,281
RMB	7,135	0.15636	(RMB: USD)	30,878
IDR	9,301,826	0.00007	(IDR: USD)	18,418
VND	27,187,790	0.00004	(VND: USD)	32,625

December 31, 2020	Foreign currencies	Exchange rate		Book value
Monetary financial assets				
USD	$ 111,066	28.48	(USD: NTD)	$ 3,163,160
USD	18,448	6.53061	(USD: RMB)	525,396
RMB	9,566	0.15313	(RMB: USD)	41,717
RMB	14,877	4.361	(RMB: NTD)	64,881
IDR	5,717,259	0.00007	(IDR: USD)	11,606
VND	216,511,920	0.00004	(VND: USD)	240,328
Non-monetary financial assets				
USD	5,000	28.48	(USD: NTD)	142,400
Monetary financial liabilities				
USD	3,427	28.48	(USD: NTD)	97,602
USD	3,455	6.53061	(USD: RMB)	98,390
RMB	7,135	0.15313	(RMB: USD)	31,114
IDR	1,381,775	0.00007	(IDR: USD)	2,805
VND	36,487,108	0.00004	(VND: USD)	40,501

The Consolidated mainly bears the foreign exchange risk above. The following information is a summary presented in the functional currency of individual companies that hold foreign currencies, and the exchange rate disclosed is the exchange rate for converting foreign currencies to the functional currency. Foreign exchange gain/loss (realized and unrealized) with a significant impact are as follows:

Functional currency	Functional currency to presentation currency		Net exchange gain (loss)
2021			
USD	28.009	(USD: NTD)	$ 3,588
RMB	4.325	(RMB: NTD)	(9,299)
NTD	1	(NTD: NTD)	(80,805)
			($ 86,516)
2020			
USD	29.549	(USD: NTD)	$ 5,102
RMB	4.266	(RMB: NTD)	(28,735)
NTD	1	(NTD: NTD)	(105,554)
			($ 129,187)

XXXIII. Supplementary Disclosures

(I) 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: See Note 7 for details.
10. Other: The business relationship and major transactions between intra-group companies: See Table 8 for details.
11. Information on the investee: See Table 6 and Table 7 for details.

(II) 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	$ 22,968	-	$ 816	-

(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	$ 807,093	11	$ 147,446	15

(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) The loss generated from purchasing raw materials for Dongguan Baoliang was NT$2,199,000 in 2021, and other receivables from Donguan Baoliang was NT$7,490,000 as of December 31, 2021.

(III) Information on major shareholders: Name of shareholder with 5% shareholding or above, number of shares held, and ratio: See Table 9 for details.

XXXIV. Segment Information

Segment information is provided to the main decision-maker to allocate resources and assess segment performance. When preparing the consolidated financial statements, the Consolidated Entity considers region and products or services provided as factors for identifying operating segments, and views the operating segments as a single operating segment. The Consolidated Entity's operating segments are as follows, in which (I)-(IV) are reportable segments:

(I) San Fang Chemical Industry Co., Ltd. – Manufacturing and sales of artificial leather, synthetic resin, and other materials

(II) San Fang Development, BBH, San Fang International, and subsidiary MPL, Dongguan Baoliang, and GTL.

(III) GII and subsidiary SFV(GII).

(IV) JOB and subsidiary PTS (PTS).

(II)-(IV) above mainly engage in the production of PU synthetic leather and artificial leather, and the production and processing of synthetic resin and other materials.

(V) Bestac Advanced Material Co., Ltd.

(VI) Forich Advanced Materials Co., Ltd.

(V)-(VI) above is mainly in the business of chemical product manufacturing and sales.

(VII) San Fang Development, San Fang Financial Holdings, and GCL – Mainly in the financial holdings and investment business.

Department revenue and business results

The Consolidated Entity's revenue and operating results, as well as assets by reportable segment are analyzed below:

	San Fang Chemical Industry Co., Ltd.	San Fang Development	GII	PTS	Other	Adjustment and retired	Total
2021							
Revenue from customers other than the parent company and its subsidiaries	$ 4,890,435	$ 1,368,392	$ -	$ 1,824,429	$ 300,751	$ -	$ 8,384,007
Revenue from the parent company and its subsidiaries	2,358,377	8,055	892,243	2,680	151,903	(3,413,258)	-
Total revenue	$ 7,248,812	$ 1,376,447	$ 892,243	$ 1,827,109	$ 452,654	($ 3,413,258)	$ 8,384,007
Department income (loss)	$ 312,617	($ 3,971)	($ 11,461)	($ 56,452)	$ 266	$ -	$ 240,999
Interest income							12,857
Other income							62,447
Other profits and losses							(121,802)
Financial costs							(48,153)
Pre-tax profit							146,348
Income tax expense							30,415
Net profit after tax							$ 115,933
Identifiable assets	$ 7,875,516	$ 2,005,641	$ 3,214,412	$ 1,668,859	$ 496,020	($ 697,142)	$ 14,563,306
Current financial assets at fair value through other comprehensive income							102,669
Non-current financial assets at fair value through other comprehensive income							74,142
Total assets							$ 14,740,117
2020							
Revenue from customers other than the parent company and its subsidiaries	$ 5,446,912	$ 1,282,647	$ -	$ 1,585,484	$ 126,713	$ -	$ 8,441,756
Revenue from the parent company and its subsidiaries	1,339,934	47,393	752,319	96,537	158,810	(2,394,993)	-
Total revenue	$ 6,786,846	$ 1,330,040	$ 752,319	$ 1,682,021	$ 285,523	($ 2,394,993)	$ 8,441,756
Department income (loss)	$ 358,237	($ 3,815)	($ 107,369)	$ 269,491	($ 18,193)	$ -	$ 498,351
Interest income							27,165
Other income							37,920
Other profits and losses							(171,562)
Financial costs							(47,621)
Pre-tax profit							344,253
Income tax expense							126,241
Net profit after tax							$ 218,012
Identifiable assets	$ 8,064,904	$ 2,594,548	$ 3,681,012	$ 1,707,698	$ 704,222	($ 1,468,143)	$ 15,284,241
Non-current financial assets at fair value through other comprehensive income							56,648
Total assets							$ 15,340,889

Department income (loss) refers to the profits (losses) earned (generated) by each department, and does not include non-operating income and expenditure, as well as income tax expenses. This amount is mainly used by the primary business decision-maker for allocating resources to departments and evaluating their performance.

Furthermore, for the purpose of supervising segment performance and allocating resources to each segment, except for non-current financial assets at fair value through other comprehensive income, all assets are distributed to the department they should be reported by.

(I) Other segment information

	Depreciation and amortization	
	2021	2020
San Fang Chemical Industry Co., Ltd.	$ 407,013	$ 414,324
San Fang Development	72,714	79,661
GII	219,446	221,038
PTS	44,619	46,631
Other	11,972	12,523
	$ 755,764	$ 774,177

(II) Revenue from main products and services

Revenue from main products and services of the surviving company is analyzed below:

	2021	2020
Wet-processed synthetic leather	$ 4,665,652	$ 4,703,136
Dry-processed synthetic leather	2,040,162	1,944,070
Microfiber artificial leather	507,173	587,303
Other	1,171,020	1,207,247
	$ 8,384,007	$ 8,441,756

(III) Information by region

The Consolidated Entity's revenue from continuing operations of external customers is listed by the location of the customer's operations and the location of non-current assets:

	Revenue from external customers		Non-current assets	
	2021	2020	December 31, 2021	December 31, 2020
Taiwan	$ 626,893	$ 828,038	$ 3,706,574	$ 4,000,877
China and Hong Kong	1,725,442	1,470,370	272,129	339,774
Southeast Asia	5,253,365	5,850,215	1,616,810	1,853,387
Other	778,307	293,133	-	-
	$ 8,384,007	$ 8,441,756	$ 5,595,513	$ 6,194,038

Non-current assets include financial assets, deferred income tax assets, and goodwill.

(IV) Information on major customers

Individual customers that accounted for 10% and above of the Consolidated Entity's net operating revenues in 2021 and 2020 are as follows:

	2021		2020	
	Amount	As a percentage of net operating revenues (%)	Amount	As a percentage of net operating revenues (%)
Group A	$ 1,309,587	16	$ 1,328,168	16
Group B	1,122,251	13	1,128,261	13
	$ 2,431,838		$ 2,456,429	

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Lending to others
From January 1 to December 31, 2021

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			
1	GII	SFV	Long-term accounts receivable	Yes	$ 913,440	$ 913,440	$ 913,440	1	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 3,149,239	$ 3,149,239	Note 1, Note 2, and Note 3

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.

Note 3: Already written off when preparing the consolidated financial statements.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Providing endorsements/guarantees to others
From January 1 to December 31, 2021

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	$ -	0.65	$ 1,989,090	Y	N	N	Note 1, 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, 2021

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	534,834	$ 13,531	-	$ 13,531	
	Yeashin International Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,688,042	38,825	0.49	38,825	
	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	4,657	4.76	4,657	
					$ 57,013		$ 57,013	
	Funds							
	PineBridge Global ESG Quantitative Bond Fund N9 Acc	-	Current financial assets at fair value through profit or loss	103,755.99	$ 30,618	-	$ 30,618	
	Nomura Global Financial Bond (N) Acc	-	Current financial assets at fair value through profit or loss	101,664.05	28,684	-	28,684	
	PineBridge Multi-Income Fund (N) Acc	-	Current financial assets at fair value through profit or loss	67,369.59	21,708	-	21,708	
	Allianz Global Investors Income and Growth Fund (N) Monthly Distribution Class	-	Current financial assets at fair value through profit or loss	68,323.30	21,659	-	21,659	
					$102,669		$102,669	
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	-	
					$ -		$ -	
Forich Advanced Materials Co., Ltd.	Stock							
	Yeashin International Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	744,684	$ 17,129	0.21	$ 17,129	

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, 2021

Table 4

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

Purchaser/Seller	Counterparty	Relationship	Transaction: Purchases (sales)	Transaction: Amount	Transaction: Percentage of total purchases (sales) (%)	Transaction: Credit period	Differences in transaction terms compared to third party transactions: Unit price	Differences in transaction terms compared to third party transactions: Credit period	Notes/accounts receivable (payable): Balance	Notes/accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Remarks
San Fang Chemical Industry Co., Ltd.	PTS	Subsidiary	Sales	($ 1,532,253)	(21)	Open account 30-120 days	There are no general transaction terms for price comparison	The general transaction term is open account 120 days	$ 168,441	17	Note 1
	Dongguan Baoliang	Subsidiary	Sales	(807,093)	(11)	Open account 30-90 days	There are no general transaction terms for price comparison	The general transaction term is open account 60 days	147,446	15	Note 1
	Yue Yuen (Group)	Investor with significant influence	Sales	(636,224)	(9)	Open account 30-90 days	General transaction terms	General transaction terms	94,847	9	-
Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	Parent company	Sales	885,272	78	Open account 30-90 days	There are no general transaction terms for price comparison	The general transaction term is open account 60 days	(154,936)	(42)	Note 1 and Note 2
	Yue Yuen (Group)	Investor with significant influence	Sales	(223,112)	(16)	Open account 30-60 days	General transaction terms	General transaction terms	73,867	32	-
PTS	San Fang Chemical Industry Co., Ltd.	Parent company	Sales	1,640,277	88	Open account 30-120 days	There are no general transaction terms for price comparison	The general transaction term is open account 120 days	(237,687)	(79)	Note 1 and Note 2
	Yue Yuen (Group)	Investor with significant influence	Sales	(450,251)	(25)	Open account 30-60 days	General transaction terms	General transaction terms	119,106	39	-
Forich Advanced Materials Co., Ltd.	San Fang Chemical Industry Co., Ltd.	Parent company	Sales	(151,903)	(100)	Open account 60 days	There are no general transaction terms for price comparison	General transaction terms	14,384	98	Note 1
Bestac Advanced Material Co., Ltd.	San Fang Chemical Industry Co., Ltd.	Parent company	Sales	118,648	82	Open account 120 days	There are no general transaction terms for price comparison	General transaction terms	(127,382)	(71)	Note 1 and Note 2

Note 1: Already written off when preparing the consolidated financial statements.
Note 2: 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, 2021

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	Subsidiary	$ 237,687 (Note 1 and Note 5)	12.25	$ -	-	$ 180,917	$ -
	Dongguan Baoliang	Subsidiary	154,936 (Note 2 and Note 5)	10.25	-	-	84,667	-
	Bestac Advanced Material Co., Ltd.	Subsidiary	127,382 (Note 3 and Note 5)	0.06	-	-	24,994	-
GII	SFV	Subsidiary	935,584 (Note 4 and Note 5)	-	-	-	761	-
PTS	Yue Yuen (Group)	Investor with significant influence	119,106	6.01	-	-	43,346	-

Note 1: Includes NT$168,441,000 in accounts receivables and NT$69,246,000 in other receivables.

Note 2: Includes NT$147,446,000 in accounts receivables and NT$7,490,000 in other receivables.

Note 3: Includes NT$23,000 in accounts receivables and NT$127,359,000 in other receivables

Note 4: Includes NT$913,440,000 in long-term accounts receivables and NT$22,144,000 in other receivables.

Note 5: Already written off when preparing the consolidated financial statements.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Information on the investee
From January 1 to December 31, 2021

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		Held at the end of period			Current profit (loss) of investee	Investment income (loss) recognized by the Company for the current period	Remarks
				End of current period	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	$ 1,575,959	($ 837)	$ 340	Note 1 and Note 12
San Fang Chemical Industry Co., Ltd.	GCL	GCL	Investment	656,053	656,053	19,750,000	100.00	4,423,230	(57,581)	(55,222)	Note 1 and Note 12
San Fang Chemical Industry Co., Ltd.	San Fang Financial Holdings Co., Ltd.	British Virgin Islands	Investment	20,150	20,150	604,113	100.00	9,279	(337)	(337)	Note 12
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	106,432	4,093	4,093	Note 12
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	118,371	(40,023)	(40,023)	Note 12
San Fang Development	San Fang International	British Virgin Islands	Investment	697,536	717,696	25,200,010	100.00	865,527	(6,816)	(6,816)	Note 2 and Note 12
San Fang Development	BBH	Hong Kong	Investment	470,560	484,160	17,000,000	100.00	530,638	10,930	10,930	Note 3 and Note 12
San Fang International	MPL	British Virgin Islands	Investment	249,120	256,320	9,000,001	100.00	358,613	8,440	8,440	Note 4 and Note 12
San Fang International	GTL	British Virgin Islands	Investment	176,656	181,762	1	100.00	126,773	(13,792)	(13,792)	Note 5 and Note 12
GCL	GII	GCL	Investment	559,136	575,296	20,200,000	100.00	3,149,239	141	141	Note 6 and Note 12
GCL	JOB	GCL	Investment	1,010,251	1,039,449	36,497,500	100.00	1,322,822	(57,460)	(57,460)	Note 7 and Note 12
JOB	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	968,731	996,729	34,997,500	99.99	1,165,665	(57,443)	(57,443)	Note 8 and Note 12
GII	SFV	Vietnam	Material processing	249,120	256,320	-	100.00	558,106	(12,273)	(12,273)	Note 9 and Note 12
GII	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	69	71	2,500	0.01	67	(57,443)	-	Note 10 and Note 12

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.
Note 12: Already written off when subsidiaries were preparing the consolidated financial statements.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Information on Investments in China
From January 1 to December 31, 2021

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: Remitted from Taiwan	Investment amount remitted from/to Taiwan in the current period: Remitted back to Taiwan	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 for the current period	Closing book value of investments	Investment gains remitted back to Taiwan as of the end of the period	Remarks
Taihuangdao Fusheng Chemical and Leather-making Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	$ 360,947	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	216,400	2	21,174	-	-	21,174	-	8.00	-	-	-	
Dongguan Huangjiang Baoliang Shoe Factory	Material processing	53,114	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	747,360	2	-	-	-	-	20,153	100.00	20,153	882,110	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. and Subsidiaries
Business Relationship and Major Transactions between the Parent Company and Subsidiaries
From January 1 to December 31, 2021

Table 8

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

No.	Company name	Counterparty	Relationship	Transactions status: Item	Transactions status: Amount	Transactions status: Transaction terms	Transactions status: Percentage of consolidated total operating revenues or total assets (%)
0	San Fang Chemical Industry Co., Ltd.	Dongguan Baoliang	1	Sales revenue	$ 807,093	There are no general transaction terms for price comparison	10.00
0	San Fang Chemical Industry Co., Ltd.	Dongguan Baoliang	1	Accounts receivable	147,446	Open account 30-90 days	1.00
0	San Fang Chemical Industry Co., Ltd.	Dongguan Baoliang	1	Other receivables	7,490	Open account 30-90 days	-
0	San Fang Chemical Industry Co., Ltd.	PTS	1	Sales revenue	1,532,253	There are no general transaction terms for price comparison	18.00
0	San Fang Chemical Industry Co., Ltd.	PTS	1	Accounts receivable	168,441	Open account 30-120 days	1.00
0	San Fang Chemical Industry Co., Ltd.	PTS	1	Other receivables	69,246	Open account 30-120 days	-
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Sales revenue	4,314	There are no general transaction terms for price comparison	-
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Other income	34,958	There are no general transaction terms for price comparison	-
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Other receivables	127,359	Open account 30-120 days	1.00
0	San Fang Chemical Industry Co., Ltd.	Forich Advanced Materials Co., Ltd.	1	Sales revenue	14,717	There are no general transaction terms for price comparison	-
0	San Fang Chemical Industry Co., Ltd.	Forich Advanced Materials Co., Ltd.	1	Other receivables	1,148	Open account 30-90 days	-
0	San Fang Chemical Industry Co., Ltd.	SFV	1	Acquisition of property, plant and equipment	3,532	There are no general transaction terms for price comparison	-
1	San Fang International	Dongguan Baoliang	3	Other receivables	33,402	Open account 30-90 days	-
2	GII	SFV	3	Interest income	9,243	According to the contract	-
2	GII	SFV	3	Other receivables	22,144	According to the contract	-
2	GII	SFV	3	Long-term accounts receivable	913,440	Lending, according to the contract	6.00
3	SFV	San Fang Chemical Industry Co., Ltd.	2	Revenue from processing	892,243	There are no general transaction terms for price comparison	11.00
3	SFV	San Fang Chemical Industry Co., Ltd.	2	Accounts receivable	59,179	Open account 30 days	-
3	SFV	San Fang Chemical Industry Co., Ltd.	2	Other receivables	3,532	Open account 30-90 days	-
4	福裕先進	San Fang Chemical Industry Co., Ltd.	2	Sales revenue	151,903	There are no general transaction terms for price comparison	2.00
4	福裕先進	San Fang Chemical Industry Co., Ltd.	2	Accounts receivable	14,384	Open account 60 days	-

(Continued on the next page)

(Continued from the previous page)

No.	Company name	Counterparty	Relationship	Transactions status: Item	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (%)
5	PTS	San Fang Chemical Industry Co., Ltd.	2	Sales revenue	$ 2,680	There are no general transaction terms for price comparison	-
5	PTS	San Fang Chemical Industry Co., Ltd.	2	Other receivables	2,159	Open account 30-60 days	-
6	Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	2	Sales revenue	8,055	There are no general transaction terms for price comparison	-
6	Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	2	Accounts receivable	310	Open account 30-90 days	-
6	Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	2	Other receivables	506	Open account 30-90 days	-
6	Dongguan Baoliang	MPL	3	Other receivables	12,343	Open account 30-90 days	-
7	Bestac Advanced Material Co., Ltd.	San Fang Chemical Industry Co., Ltd.	2	Other receivables	3,009	Open account 60 days	-
7	Bestac Advanced Material Co., Ltd.	San Fang Chemical Industry Co., Ltd.	2	Contra item for cost of goods sold	8,829	There are no general transaction terms for price comparison	-

San Fang Chemical Industry Co., Ltd.
Information on Major Shareholders
December 31, 2021

Table 9

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
Beevest Securities Limited under the custody of CTBC Bank	26,578,577	6.68
Mun-Jin Lin	26,239,427	6.60
Meng-Yang 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 consolidated 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.

V. Financial statements of the Company for the most recent year audited by the CPA

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, 2021 and 2020.

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, 2021 and 2020, as well as its financial performance and cash flow for the years ended December 31, 2021 and 2020.

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 generally accepted auditing standards. We will further explain our responsibilities under the regulations in the section on the independent auditor's responsibilities relating to consolidated 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 2021 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 2021 standalone financial statements of the Company are as follows:

Authenticity of sales revenue

The net operating revenues of San Fang Chemical Industry Co., Ltd. in 2021 was NT$7,248,812,000, of which 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, 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 generally accepted 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 maintained professional skepticism during the audit according to the generally accepted 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 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 2021 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	CPA
Chiu-Yen Wu	Chia-Ling Chiang
Securities and Futures Commission Approval No.	Securities and Futures Commission Approval No.
Tai-Cai-Zheng(6)-Zi No. 0920123784	Tai-Cai-Zheng(6)-Zi No. 0920123784

March 22, 2022

San Fang Chemical Industry Co., Ltd.
Balance Sheet
December 31, 2021 and 2020

Unit: Thousand NTD

Code	Assets	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4, 6)	$ 755,743	5	$ 965,233	7
1100	Current financial assets at fair value through profit or loss (Note 4, Note 7)	102,669	1	-	-
1150	Net notes receivable (Note 4, 9)	11,009	-	20,845	-
1170	Net accounts receivable (Note 4, 9)	588,967	4	552,500	4
1180	Net accounts receivable – related parties (Note 4, 9, 27)	424,350	3	321,289	2
1200	Net other receivables	16,114	-	20,541	-
1210	Other receivables - related parties (Note 27)	206,101	2	897,883	6
1220	Current income tax assets (Note 23)	-	-	23,102	-
130X	Inventories (Note 4, 5, 10, 29)	1,575,354	11	1,194,504	8
1410	Advance payments (Note 27)	128,359	1	172,250	1
1479	Other current assets	6,020	-	7,167	-
11XX	Total current assets	3,814,686	27	4,175,314	28
	Non-current assets				
1517	Non-current financial assets at fair value through other comprehensive income (Note 4, 8)	57,013	-	44,211	-
1550	Investments recognized under the equity method (Note 4, 12)	6,233,271	44	6,625,323	45
1600	Property, plant and equipment (Note 4, 13, 28)	3,361,825	23	3,648,880	25
1755	Right-of-use assets (Note 4, 14)	9,417	-	9,932	-
1760	Investment properties (Note 4, 15, 28)	110,923	1	111,790	1
1801	Computer software – net (Note 4)	27,118	-	27,441	-
1840	Deferred income tax assets (Note 4, 23)	94,360	1	68,301	1
1915	Advance payments for equipment	10,464	-	10,464	-
1920	Refundable deposits	12,782	-	12,782	-
1980	Other financial assets – noncurrent (Note 4, 11)	536,610	4	-	-
15XX	Total non-current assets	10,453,783	73	10,559,124	72
1XXX	Total assets	$ 14,268,469	100	$ 14,734,438	100
Code	Liabilities and equity interests				
	Current liabilities				
2100	Short-term borrowing (Note 16, 28)	$ 1,370,000	10	$ 1,440,000	10
2110	Short-term notes and bills payable (Note 16)	49,914	-	49,972	1
2120	Financial liabilities at fair value through profit or loss – current (Note 4, 7)	-	-	4,843	-
2130	Current contract liabilities (Note 4, 21)	2,215	-	17,414	-
2170	Accounts payable (Note 17)	496,345	4	554,937	4
2180	Accounts payable - related parties (Note 17, 27)	16,153	-	15,651	-
2219	Other payables (Note 18)	275,818	2	334,998	2
2220	Other payables - related parties (Note 18, 27)	64,061	-	-	-
2230	Current income tax liabilities (Note 23)	90,411	1	45,135	-
2280	Current lease liabilities (Note 4, 14)	4,818	-	4,951	-
2320	Current portion of long-term liabilities (Note 16, 28)	725,000	5	730,000	5
2399	Other current liabilities	22,824	-	41,427	-
21XX	Total current liabilities	3,117,559	22	3,239,328	22
	Non-current liabilities				
2540	Long-term borrowings (Note 16, 28)	2,365,000	16	2,390,000	16
2570	Deferred income tax liabilities (Note 4, 5, 23)	1,025,101	7	1,131,251	8
2580	Non-current lease liabilities (Note 4, 13)	4,641	-	4,990	-
2640	Net defined benefit liability (Note 4, 19)	96,596	1	92,165	1
2645	Guarantee deposits received	8,512	-	3,578	-
25XX	Total non-current liabilities	3,499,850	24	3,621,984	25
2XXX	Total liabilities	6,617,409	46	6,861,312	47
	Equity (Note 20)				
3110	Capital stock – common	3,978,181	28	3,978,181	27
3200	Capital surplus	142,438	1	142,438	1
	Retained earnings				
3310	Legal reserve	1,477,569	10	1,454,758	10
3320	Special reserve	513,828	4	504,790	3
3350	Undistributed earnings	2,187,615	15	2,306,787	16
3300	Total retained earnings	4,179,012	29	4,266,335	29
3400	Other equity interest	(648,571)	(4)	(513,828)	(4)
3XXX	Total equity	7,651,060	54	7,873,126	53
	Total liabilities and equity interests	$ 14,268,469	100	$ 14,734,438	100

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

Chairperson: Meng-Jing 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, 2021 and 2020

Unit: Thousand NTD, EPS in NTD

		2021		2020	
Code		Amount	%	Amount	%
4000	Net operating revenues (Note 4, 21, 27)	$ 7,248,812	100	$ 6,786,846	100
5000	Operating costs (Note 10, 22, 27)	6,159,080	85	5,609,712	83
5900	Operating margin	1,089,732	15	1,177,134	17
5910	Realized (and unrealized) gains from subsidiaries	(63,811)	(1)	45,951	1
5950	Realized operating margin	1,025,921	14	1,223,085	18
	Operating expenses (Note 9, 22)				
6100	Selling expenses	233,486	3	294,424	4
6200	Administrative expenses	258,877	4	311,141	5
6300	Research and development expenses	221,952	3	263,568	4
6450	Gain on reversal of impairments of expected credit	(1,011)	-	(4,285)	-
6000	Total operating expenses	713,304	10	864,848	13
6900	Operating net profit	312,617	4	358,237	5
	Non-operating income and expenses (Note 22, 27)				
7100	Interest income	907	-	2,261	-
7010	Other income	86,460	1	51,230	1
7020	Other profits and losses	(111,575)	(1)	(125,208)	(2)
7050	Financial costs	(47,247)	(1)	(46,683)	(1)

Code		2021 Amount	2021 %	2020 Amount	2020 %
7070	Share of profits (losses) of subsidiaries accounted for using equity method	(91,149)	(1)	35,677	1
7000	Total non-operating income and expenses	(162,604)	(2)	(82,723)	(1)
7900	Pre-tax profit	150,013	2	275,514	4
7950	Income tax expense (Note 4, 23)	$ 34,080	-	$ 57,502	1
8200	Net profit for the year	115,933	2	218,012	3
	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)	(4,501)	-	13,024	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	12,802	-	(2,663)	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method	3,946	-	(1,926)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	900	-	(2,605)	-
8310		13,147	-	5,830	-

Code		2021 Amount	2021 %	2020 Amount	2020 %
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)	(152,237)	(2)	(297,884)	(4)
8300	Other consolidated income (net income after tax)	(139,090)	(2)	(292,054)	(4)
8500	Total comprehensive income	($ 23,157)	-	($ 74,042)	(1)
	EPS (Note 24)				
9710	Basic	$ 0.29		$ 0.55	
9810	Diluted	$ 0.29		$ 0.55	

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

Chairperson: 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, 2021 and 2020

Unit: Thousand NTD

Code		Capital stock – common	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Undistributed earnings	Other equity interests: Exchange differences arising from the translation of the financial statements of foreign operations	Other equity interests: Unrealized gains (losses) on financial instruments measured at fair value through other comprehensive income	Other equity interests: Subtotal	Total equity
A1	Balance as at January 1, 2020	$ 3,978,181	$ 141,101	$ 1,412,298	$ 504,790	$ 2,439,395	($ 226,765)	$ 15,085	($ 211,680)	$ 8,264,085
	Appropriation and distribution of 2019 earnings (Note 20)									
B1	Legal reserve	-	-	42,460	-	(42,460)	-	-	-	-
B5	Cash dividends	-	-	-	-	(318,254)	-	-	-	(318,254)
		-	-	42,460	-	(360,714)	-	-	-	(318,254)
C17	Dividends not collected by shareholders before the deadline	-	1,337	-	-	-	-	-	-	1,337
D1	Net profit - 2020	-	-	-	-	218,012	-	-	-	218,012
D3	Other comprehensive income after tax - 2020	-	-	-	-	10,094	(297,884)	(4,264)	(302,148)	(292,054)
D5	Total comprehensive income - 2020	-	-	-	-	228,106	(297,884)	(4,264)	(302,148)	(74,042)
Z1	Balance as at December 31, 2020	3,978,181	142,438	1,454,758	504,790	2,306,787	(524,649)	10,821	(513,828)	7,873,126
	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)
		-	-	22,811	9,038	(230,758)	-	-	-	(198,909)
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	-	-	-	-	111,586	(152,237)	17,494	(134,743)	(23,157)
Z1	Balance as at December 31, 2021	$ 3,978,181	$ 142,438	$ 1,477,569	$ 513,828	$ 2,187,615	($ 676,886)	$ 28,315	($ 648,571)	$ 7,651,060

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

Chairperson: 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, 2021 and 2020

Unit: Thousand NTD

Code		2021	2020
	Cash flow from operating activities		
A10000	Net profit before tax	$ 150,013	$ 275,514
A20010	Revenues and expenses		
A20100	Depreciation expense	397,020	406,443
A20200	Amortization expense	9,993	7,881
A20300	Gain on reversal of impairments of expected credit	(1,011)	(4,285)
A20400	Net losses on financial liabilities at fair value through profit or loss	3,123	4,784
A20900	Financial costs	47,247	46,683
A21200	Interest income	(907)	(2,261)
A21300	Dividend income	(4,010)	(334)
A22400	Share of profits (losses) of subsidiaries accounted for using equity method	91,149	(35,677)
A22500	Net losses on disposal of property, plant and equipment	2,232	27,162
A23700	Loss on inventory devaluation	19,884	26,024
A24100	Realized (and unrealized) gains from subsidiaries	63,811	(45,951)
A29900	Loss on physical inventory	10,185	7,203
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	9,836	13,065
A31150	Accounts receivable	(35,456)	15,837
A31160	Accounts receivable – related parties	(103,061)	53,347
A31180	Other receivables	(5,196)	(8,949)
A31190	Other receivables - related parties	(74,517)	241,798
A31200	Inventories	(449,323)	248,758
A31230	Advance payments	43,891	(136,540)
A31240	Other current assets	1,147	48,143

Unit: Thousand NTD

Code		2021	2020
A32110	Financial liabilities held for trading	(7,900)	59
A32125	Contract liabilities	(15,199)	12,310
A32150	Accounts payable	(58,592)	18,171
A32160	Accounts payable - related parties	502	(484,198)
A32180	Other payables	(46,518)	(13,967)
A32190	Other payables - related parties	64,061	(77,442)
A32230	Refund liabilities - related parties	$ -	($ 198,068)
A32230	Other current liabilities	(18,603)	(7,445)
A32240	Net defined benefit liability	(70)	(1,495)
A33000	Cash generated from operating activities	61,213	436,570
A33100	Interest received	907	2,261
A33200	Dividend received	859,110	10,342
A33300	Interest paid	(47,778)	(47,121)
A33500	Income tax paid	(97,011)	(4,074)
AAAA	Net cash inflow from operating activities	776,441	397,978
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(149,499)	(275,625)
B02800	Proceeds from disposal of property, plant and equipment	9,672	4,999
B03800	Decrease in refundable deposits	-	153
B04500	Acquisition of intangible assets	(9,670)	(2,355)
B06500	Increase of other financial assets	(536,610)	-
BBBB	Net cash outflow from investing activities	(686,107)	(272,828)
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	5,463,400	6,260,000
C00200	Decrease in short-term borrowings	(5,533,400)	(6,520,000)
C00500	Decrease in short-term notes and bills payable	-	(50,000)
C01600	Increase in long-term borrowing	350,000	1,470,000
C01700	Repayment of long-term borrowing	(380,000)	(621,000)
C03000	Increase in guarantee deposits	4,934	-

Code		2021	2020
C04020	Repayments of lease liabilities	(5,849)	(6,921)
C04500	Distribution of cash dividends	(198,909)	(318,254)
C09900	Returned unclaimed dividends	-	1,337
CCCC	Net cash inflow (outflow) from financing activities	(299,824)	215,162
EEEE	Increase (decrease) in cash and cash equivalents	(209,490)	340,312
E00100	Cash and cash equivalents at beginning of period	965,233	624,921
E00200	Cash and cash equivalents at end of period	$ 755,743	$ 965,233

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

Chairperson: 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, 2021 and 2020
(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 22, 2022.

III. Application of New Standards, Amendments, and Interpretations

(I) 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.

(II) Application of the IFRSs as endorsed by the FSC in 2022

New, Revised or Amended Standards and Interpretations	Effective date of the IASB
"Annual Improvements in IFRSs 2018～2020"	January 1, 2022 (Note 1)
Amendments to "references to the conceptual framework" in IFRS 3	January 1, 2022 (Note 2)
Property, Plant and Equipment: Proceeds before Intended Use (Amendments IAS 16)	January 1, 2022 (Note 3)
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022 (Note 4)

Note 1: The amendment to IFRS 9 is applicable to the exchange or revision of clauses for financial liabilities that occur in the annual reporting period beginning after January 1, 2022.

Note 2: The amendment to acquisition date is applicable to mergers during annual reporting periods that begin after January 1, 2022.

Note 3: The amendment is applicable to property, plant and equipment that reach the required location and status expected by management after January 1, 2021.

Note 4: The amendment is applicable to contracts that have not been fully performed as of 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 ASB 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
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, 2023
Disclosure of Accounting Policies (Amendments to IAS 1)	January 1, 2023 (Note 2)
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023 (Note 3)
Amendments to IAS 12 "deferred tax related to assets and liabilities arising from a single transaction"	January 1, 2023 (Note 4)

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

Note 3: The amendment is applicable to changes in accounting estimates that occur after the beginning of the annual reporting period after January 1, 2023.

Note 4: 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 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. <u>Summarized Remarks on Significant Accounting Policies</u>

(I) Statement of compliance

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

(II) 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. 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.

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.

(VIII) 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.

(IX) 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.

(X) 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 the 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 in the event of any one of the following situations without considering collateral:

A. There is internal or external information showing that the debtor is no longer able to repay debts.

B. More than 180 days late, unless there is reasonable information with evidence supporting that it is better to extend the deadline for determining default.

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.

(XI) 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 is completed.

(XII) 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.

(XIII) 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.

(XIV) 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.

(XV) 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.

(XVI) 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 in Taiwan and the possible impact on the economic environment into consideration of cash flow estimates, growth rates, discount rates, profitability and other 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.

(I) 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.

(II) 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 were both NT$473,349,000 for the years ended December 31, 2021 and 2020, respectively. 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.

(III) Insurance claims and compensation loss estimates for major disasters

The Company purchases property insurance from insurance companies on the basis of replacement cost. As the actual claim amount of the insurance company is highly uncertain, the Company only recognizes the insurance claim income when it is almost certain that it is likely to receive compensation from the insurance company in the future.

VI. Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and working capital	$ 890	$ 815
Bank check and demand deposits	741,877	908,594
Cash equivalents		
Time deposits within 3 months of its original maturity date	12,976	13,104
Bonds issued under repurchase agreement	-	42,720
	$ 755,743	$ 965,233

VII. Financial instruments at fair value through profit or loss - current

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets for which the fair value is required to be measured through profit or loss		
Fund beneficiary certification	$ 102,669	$ -
Financial liabilities		
Financial liabilities held for trading		
Derivatives (not designated for hedging)		
Foreign exchange (FX) swaps	$ -	$ 4,843

The Company mainly engages in FX options and swaps to avoid the risk of exchange rate fluctuations to foreign currency-denominated assets and liabilities. See Note 22 for details on the profit or loss from financial instruments at fair value through profit or loss.

FX swaps that did not use hedge accounting and have not matured as of the balance sheet date are as follows:

	Currency	Maturity date	Contract Amount
December 31, 2020			
Foreign exchange (FX) swaps	NTD to USD	2021.03.10	TWD147,350/USD5,000

VIII. Non-current financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Investments in equity instruments measured at fair value through other comprehensive income		
Listed stock in Taiwan	$ 52,356	$ 39,181
Unlisted stock in Taiwan	4,657	5,030
	$ 57,013	$ 44,211

IX. Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable – unrelated parties		
Measured at amortized cost		
Total book value	$ 11,009	$ 20,845
Accounts receivable – unrelated parties		
Measured at amortized cost		
Total book value	$ 592,865	$ 557,409
Less: Loss provision	3,898	4,909
	$ 588,967	$ 552,500
Accounts receivable – related parties		
Measured at amortized cost		
Total book value	$ 424,350	$ 321,289

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:

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	$ 897,982	$ 121,045	$ 2,654	$ 1,659	$ 986	$1,024,326

2020

	Not past due	1-90 days late	91-180 days late	181-360 days late	More than 361 days late	Total
Total book value	$ 766,319	$ 133,111	$ 27	$ -	$ 86	$ 899,543
Loss provision (lifetime ECL)	(4,153)	(669)	(1)	-	(86)	(4,909)
Amortized cost	$ 762,166	$ 132,442	$ 26	$ -	$ -	$ 894,634

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

	2021	2020
Opening balance	$ 4,909	$ 9,194
Less: Gain on reversal of impairments in the current year	(1,011)	(4,285)
Closing balance	$ 3,898	$ 4,909

X. Inventories

	December 31, 2021	December 31, 2020
Raw materials	$ 706,517	$ 589,114
Supplies	15,707	15,494
Work in process	540,615	372,175
Finished goods	198,693	123,567
Inventory in transit	113,822	94,154
	$ 1,575,354	$ 1,194,504

Losses on inventory devaluation for the years ended December 31, 2021 and 2020 were NT$208,117,000 and NT$174,255,000, respectively.

Inventory-related operating costs amounted to NT$6,159,080,000 in 2021 and NT$5,609,712,000 in 2020, including:

	2021	2020
Loss on physical inventory	$ 10,185	$ 7,203
Loss by fire (Note 30)	38,404	-
Recognized loss on inventory devaluation	$ 19,884	$ 26,024
Income from sale of scraps	(20,710)	(20,355)
	$ 47,763	$ 12,872

XI. Other financial assets – noncurrent

	December 31, 2021
Restricted bank deposits	$ 536,610

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

	December 31, 2021		December 31, 2020	
	Amount	Shareholding ratio (%)	Amount	Shareholding ratio (%)
San Fang Development Co., Ltd.	$ 1,575,959	100	$ 1,709,387	100
Grand Capital Limited (GCL)	4,423,230	100	4,650,279	100
San Fang Financial Holdings Co., Ltd.	9,279	100	9,616	100
Forich Advanced Materials Co., Ltd.	106,432	100	97,647	100
Bestac Advanced Material Co., Ltd.	118,371	100	158,394	100
	$ 6,233,271		$ 6,625,323	

See Table 6 and Table 7 for a brief description of long-term investments, changes in the past two years are explained below:

(I) San Fang Development resolved to distribute earnings and transfer back the amount of NT$88,801,000 in 2021.

(II) San Fang Development and GCL resolved to distribute NT$567,600,000 and NT$198,699,000 of earnings respectively in 2020. The accounts were listed under other receivables - related parties as of the end of 2020 and had been transferred back in 2021.

(III) Forich Advanced Materials Co., Ltd. distributed NT$10,008,000 of earnings in 2020.

Share of profits/losses and other comprehensive income of subsidiaries under the equity method were recognized based on the subsidiaries' 2021 and 2020 financial statements audited by an independent auditor.

XIII. Property, plant and equipment

	December 31, 2021	December 31, 2020
Self-use	$ 3,262,421	$ 3,530,054
Operating lease	99,404	118,826
	$ 3,361,825	$ 3,648,880

(I) Self-use

2021

	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
Cost						
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	$ 1,467,428	$ 1,227,376	$ 3,545,196	$ 997,636	$ 86,469	$ 7,324,105
Accumulated depreciation						
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	$ -	$ 803,318	$ 2,640,611	$ 617,755	$ -	$ 4,061,684
Net amount as at December 31, 2021	$ 1,467,428	$ 424,058	$ 904,585	$ 379,881	$ 86,469	$ 3,262,421

2020

	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
Cost						
Balance as at January 1, 2020	$ 1,467,428	$ 1,454,572	$ 4,409,404	$ 1,171,401	$ 107,283	$ 8,610,088
Addition	-	19,086	143,576	121,045	(45,443)	238,264
Disposal	-	(34,462)	(112,959)	(92,300)	(559)	(240,280)
Transferred to assets leased under an operating lease	-	(128,273)	(456,411)	(105,321)	-	(690,005)
Balance as at December 31, 2020	$ 1,467,428	$ 1,310,923	$ 3,983,610	$ 1,094,825	$ 61,281	$ 7,918,067
Accumulated depreciation						
Balance as at January 1, 2020	$ -	$ 915,056	$ 3,133,309	$ 710,719	$ -	$ 4,759,084
Disposal	-	(27,617)	(87,238)	(83,641)	-	(198,496)
Transferred to assets leased under an operating lease	-	(94,709)	(384,417)	(73,592)	-	(552,718)
Depreciation expense	-	49,685	237,400	93,058	-	380,143
Balance as at December 31, 2020	$ -	$ 842,415	$ 2,899,054	$ 646,544	$ -	$ 4,388,013
Net amount as at December 31, 2020	$ 1,467,428	$ 468,508	$ 1,084,556	$ 448,281	$ 61,281	$ 3,530,054

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 30 for explanation.

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

(II) Operating lease

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
Balance as at December 31, 2021	-	-	3,555	3,555
	$ 201,849	$ 831,531	$ 178,096	$ 1,211,476
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	4,932	22,872	6,707	34,511
Balance as at December 31, 2021	$ 171,638	$ 790,206	$ 150,228	$ 1,112,072
Net amount as at December 31, 2021	$ 30,211	$ 41,325	$ 27,868	$ 99,404

2020

Cost	Buildings and structures	Machinery and equipment	Other facilities	Total
Balance as at January 1, 2020	$ -	$ -	$ -	$ -
From self-use assets	128,273	456,411	105,321	690,005
Balance as at December 31, 2020	$ 128,273	$ 456,411	$ 105,321	$ 690,005
Accumulated depreciation				
Balance as at January 1, 2020	$ -	$ -	$ -	$ -
From self-use assets	94,709	384,417	73,592	552,718
Depreciation expense	2,432	12,383	3,646	18,461
Balance as at December 31, 2020	$ 97,141	$ 396,800	$ 77,238	$ 571,179
Net amount as at December 31, 2020	$ 31,132	$ 59,611	$ 28,083	$ 118,826

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 2022. The lessor 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	6-18 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:

	2021	2020
Investing activities that affect both cash and non-cash items		
Increase in property, plant and equipment	$ 137,310	$ 238,264
Decrease in payables on equipment	12,774	45,231
Decrease in advance payments for equipment	-	(7,207)
Capitalization of interest	(585)	(663)
Payments in cash for the acquisition of property, plant and equipment	$ 149,499	$ 275,625

XIV. Lease agreement

(I) Right-of-use assets

2021

Cost	Buildings and structures	Transportation equipment	Total
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	$ 6,497	$ 11,541	$ 18,038

Accumulated depreciation	Buildings and structures	Transportation equipment	Total
Balance as at January 1, 2021	$ 1,985	$ 7,785	$ 9,770
Disposal	-	(7,031)	(7,031)
Depreciation expense	1,083	4,799	5,882
Balance as at December 31, 2021	$ 3,068	$ 5,553	$ 8,621
Net amount as at December 31, 2021	$ 3,429	$ 5,988	$ 9,417

2020

Cost	Buildings and structures	Transportation equipment	Total
Balance as at January 1, 2020	$ 7,728	$ 13,740	$ 21,468
Addition	-	994	994
Disposal	(1,231)	(1,529)	(2,760)
Balance as at December 31, 2020	$ 6,497	$ 13,205	$ 19,702

Accumulated depreciation	Buildings and structures	Transportation equipment	Total
Balance as at January 1, 2020	$ 1,771	$ 3,787	$ 5,558
Disposal	(1,231)	(1,529)	(2,760)
Depreciation expense	1,445	5,527	6,972
Balance as at December 31, 2020	$ 1,985	$ 7,785	$ 9,770
Net amount as at December 31, 2020	$ 4,512	$ 5,420	$ 9,932

(II) Lease liabilities

	December 31, 2021	December 31, 2020
Book value of lease liabilities		
Current	$ 4,818	$ 4,951
Noncurrent	$ 4,641	$ 4,990

The discount rate of lease liabilities is 1.2%.

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

(IV) Other lease information

	2021	2020
Short term lease expenses	$ 1,314	$ 944
Lease expenses of low value assets	$ 565	$ 616
Total cash outflow from leases	$ 7,836	$ 8,635

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

2021

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

2020

	Completed investment properties
Cost	
Balance as at January 1 and December 31, 2020	$ 140,473
Accumulated depreciation	
Balance as at January 1, 2020	$ 27,816
Depreciation expense	867
Balance as at December 31, 2020	$ 28,683
Net amount as at December 31, 2020	$ 111,790

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 property are its 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:

	December 31, 2021	December 31, 2020
Year 1	$ 9,351	$ 9,351
Year 2	9,351	9,351
Year 3	9,493	9,351
Year 4	9,634	9,493
Year 5	9,634	9,634
Over 5 years	24,663	34,297
	$ 72,126	$ 81,477

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 were both approximately NT$340 million for the years ended December 31, 2021 and 2020, in which the fair value was estimated by the Company's management after referring to transactions in the nearby housing market.

XVI. Borrowings

(I) Short-term borrowing

	December 31, 2021	December 31, 2020
Secured loans (Note 28)		
Bank borrowings	$ 370,000	$ 460,000
Unsecured loans		
Credit loans	1,000,000	980,000
	$ 1,370,000	$ 1,440,000
Annual interest rate (%)	0.40-0.98	0.40-0.93

(II) Short-term notes and bills payable

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

December 31, 2021

Guarantor/Acceptance agency	Face value	Discounted amount	Book value	Interest Rate (%)
Mega Bills	$ 50,000	$ 86	$ 49,914	0.59

December 31, 2020

Guarantor/Acceptance agency	Face value	Discounted amount	Book value	Interest Rate (%)
Mega Bills	$ 50,000	$ 28	$ 49,972	0.72

(III) Long-term borrowings

	December 31, 2021	December 31, 2020
Secured loans (Note 28)		
Bank borrowings – Reaches maturity before September 2025	$ 1,570,000	$ 1,800,000
Unsecured loans		
Bank borrowings – Reaches maturity before July 2026	1,520,000	1,320,000
	3,090,000	3,120,000
Less: Current portion	725,000	730,000
	$ 2,365,000	$ 2,390,000
Annual interest rate (%)	1.03-1.297	1.03-1.3017

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

	December 31, 2021	December 31, 2020
Wages and salaries payable	$ 125,933	$ 146,449
Processing expenses payable	64,061	497
Commissions payable	38,824	44,397
Payables on equipment	19,713	32,487
Compensated absences	$ 13,146	$ 11,222
Utilities and fuel costs payable	14,059	14,150
Labor insurance and National Health Insurance premiums payable	9,366	8,104
Employee bonuses and director remuneration payable	6,831	16,500
Other	47,946	61,192
	$ 339,879	$ 334,998

XIX. Post-employment benefits plan

(I) 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.

(II) 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:

	December 31, 2021	December 31, 2020
Present value of defined benefit liabilities	$ 112,399	$ 115,166
Fair value of assets of the plans	(15,803)	(23,001)
Net defined benefit liability	$ 96,596	$ 92,165

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, 2020	$ 132,740	($ 26,056)	$ 106,684
Service cost			
Service cost of the term	1,925	-	1,925
Interest expense (income)	1,155	(246)	909
Listed in income	3,080	(246)	2,834
Number of remeasurement			
Return on assets of the plans (except for amounts included in net interest)	-	(2,315)	(2,315)
Actuarial loss – Changes in financial assumption	5,862	-	5,862
Actuarial losses – experience adjustments	(16,571)	-	(16,571)
Recognized in other comprehensive income	(10,709)	(2,315)	(13,024)
Employer contributions	-	(2,946)	(2,946)
Benefits payment	(9,945)	8,562	(1,383)
Balance as at December 31, 2020	115,166	(23,001)	92,165
Service cost			
Service cost of the term	1,540	-	1,540
Interest expense (income)	576	(122)	454
Listed in income	2,116	(122)	1,994
Number of remeasurement			
Return on assets of the plans (except for amounts included in net interest)	-	(282)	(282)
Actuarial loss – Changes in financial assumption	(3,748)	-	(3,748)
Actuarial gains – experience adjustments	5,013	-	5,013

Actuarial loss – Changes in demographic assumptions	3,518	-	3,518
Recognized in other comprehensive income	4,783	(282)	4,501
Employer contributions	-	(2,064)	(2,064)
Benefits payment	(9,666)	9,666	-
Balance as at December 31, 2021	$ 112,399	($ 15,803)	$ 96,596

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

	2021	2020
Operating costs	$ 1,211	$ 1,750
Selling expenses	159	228
Administrative expenses	393	571
Research and development expenses	231	285
	$ 1,994	$ 2,834

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:

	December 31, 2021	December 31, 2020
Discount rate (%)	0.75	0.5
Estimated salary growth ratio (%)	2	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:

	December 31, 2021	December 31, 2020
Discount rate		
Increased 0.25%	($ 3,656)	($ 3,952)
Decreased 0.25%	$ 3,820	$ 4,135
Estimated salary growth ratio		
Increased 0.25%	$ 3,705	$ 4,003
Decreased 0.25%	($ 3,565)	($ 3,847)

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.

	December 31, 2021	December 31, 2020
Amount expected to be allocated within 1 year	$ 2,064	$ 2,834
Average time to maturity of defined benefit liabilities	13.3 years	14 years

XX. Equity

(I) Capital stock – common

	December 31, 2021	December 31, 2020
Authorized shares (thousand shares)	460,000	460,000
Authorized share capital	$ 4,600,000	$ 4,600,000
Current outstanding shares (thousand shares)	397,818	397,818
Issued capital	$ 3,978,181	$ 3,978,181

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.

(II) Capital surplus

	December 31, 2021	December 31, 2020
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	4,572	4,572
	$ 142,438	$ 142,438

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 divided 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 all or part of dividends and bonuses 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 allocates and reverses special reserve according to Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865, Letter Jin-Guan-Zheng-Fa-Zi No. 1010047490, and "Q&A for the allocation of special reserve after adopting the IFRSs."

The Company's cash dividends were approved by the board of directors in meetings on March 2021 and March 2020 respectively, and the remaining earning distribution items were also approved by the annual shareholders' meeting on August 18, 2021 and June 9, 2020 respectively. The 2020 and 2019 earnings distribution proposal is as below:

	Dividend distribution proposal		Dividends per share (NTD)	
	2020	2019	2020	2019
Legal reserve	$ 22,811	$ 42,460		
Special reserve	9,038	-		
Cash dividends	198,909	318,254	$ 0.5	$ 0.8

The Company passed the 2021 earnings distribution below in the Board meeting on March 22, 2022:

	Dividend distribution proposal	Dividends per share (NTD)
Legal reserve	$ 11,159	
Special reserve	134,743	
Cash dividends	198,909	$ 0.5

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 2022.

(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

	2021	2020
Opening balance	($ 524,649)	($ 226,765)
Share of translation difference of subsidiaries accounted for using equity method	(152,237)	(297,884)
Closing balance	($ 676,886)	($ 524,649)

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

	2021	2020
Opening balance	$ 10,821	$ 15,085
Generated in the current year		
Equity instruments – unrealized gains	12,802	(2,663)
Share of subsidiaries accounted for using equity method	4,692	(1,601)
Closing balance	$ 28,315	$ 10,821

XXI. Revenues

	2021	2020
Revenue from contracts with customers		
Revenue from merchandise sales	$ 7,248,801	$ 6,786,736
Service revenue	11	110
	$ 7,248,812	$ 6,786,846

(I) Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Net notes and accounts receivable (Note 9)	$ 1,024,326	$ 894,634	$ 972,598
Contract liabilities			
Merchandise sales	$ 2,215	$ 17,414	$ 5,104

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.

(II) Detailed revenues from contracts with customers

	2021	2020
Revenue from main products and services		
Wet-processed synthetic leather	$ 2,434,876	$ 2,749,302
Dry-processed synthetic leather	1,463,954	1,418,605
Leather work in progress	1,457,207	796,640
Resin	828,558	515,283
Other	1,064,217	1,307,016
	$ 7,248,812	$ 6,786,846

XXII. Pre-tax profit

Net income from continuing operations includes the following item:

(I) Interest income

	2021	2020
Cash in banks	$ 847	$ 2,203
Other	60	58
	$ 907	$ 2,261

(II) Other income

	2020	2019
Rental income (Note 27)	$ 44,549	$ 28,208
Government grants revenue	24,708	10,095
Dividend income	4,010	334
Other	13,193	12,593
	$ 86,460	$ 51,230

(III) Other profits and losses

	2021	2020
Net foreign exchange losses	($ 74,287)	($ 92,655)
Gains (losses) on disposal of property, plant and equipment	(2,232)	(27,162)
Loss by fire (Note 30)	(31,813)	-
Net losses from financial instruments at fair value through profit or loss	(3,123)	(4,784)
Other	(120)	(607)
	($ 111,575)	($ 125,208)

(IV) Financial costs

	2021	2020
Interest on bank borrowings	$ 47,724	$ 47,192
Interest on lease liabilities	108	154
Less: Costs of qualifying assets listed	(585)	(663)
	$ 47,247	$ 46,683

Information on capitalization of interest is as follows:

	2021	2020
Amount of interest capitalized	$ 585	$ 663
Interest capitalization rate (%)	1.02-1.16	0.99-1.16

(V) Depreciation and amortization

	2021	2020
Property, plant and equipment	$390,271	$398,604
Right-of-use assets	5,882	6,972
Investment properties	867	867
Computer software	9,993	7,881
	$407,013	$414,324
Summary of depreciation expenses by function		
Operating costs	$359,609	$367,348
Operating expenses	37,411	39,095
	$397,020	$406,443

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	2021	2020
Summary of amortization expenses by function		
Operating costs	$ 343	$ 417
Operating expenses	9,650	7,464
	$ 9,993	$ 7,881

(VI) Employee benefit expenses

	2021	2020
Short-term employee benefits	$ 581,997	$ 657,360
Post-employment benefit		
Defined contribution plan	21,294	21,863
Defined benefit plan (Note 19)	1,994	2,834
	$ 605,285	$ 682,057
Summary by function		
Operating costs	$ 344,160	$ 386,298
Operating expenses	261,125	295,759
	$ 605,285	$ 682,057

(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.

2021 and 2020 employee bonuses were estimated at 3% 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 2021 and 2020 will be distributed in cash according to resolutions adopted by the Board of Directors on March 22, 2022 and March 16, 2021:

	2021	2020
Employee bonuses	$ 4,831	$ 10,313
Directors' remuneration	2,000	6,187

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 2020 and 2019.

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)

	2021	2020
Total foreign exchange gains	$ 145,803	$ 118,396
Total foreign exchange losses	(220,090)	(211,051)
Net loss	($ 74,287)	($ 92,655)

XXIII. Income tax

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

	2021	2020
Current income tax		
Generated in the current year	$ 167,089	$ 45,259
Adjustments in the previous year	(1,700)	(4,073)
	165,389	41,186
Deferred income tax		
Generated in the current year	(131,309)	16,316
Income tax expense recognized in profit or loss	$ 34,080	$ 57,502

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

	2021	2020
Pre-tax profit from continuing operations	$ 150,013	$ 275,514
Income tax expense on pre-tax profit calculated at the statutory tax rate	$ 30,003	$ 55,103
Tax effect of adjustments		
Non-taxable income	(802)	(67)
Effect of profits of domestic subsidiaries on income tax	7,186	8,178
Other	(607)	(1,639)
Adjustments in the current year to current income tax expense of the previous year	(1,700)	(4,073)
Income tax expense recognized in profit or loss	$ 34,080	$ 57,502

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. When the investment is completed and the completion certificate issued by the Ministry of Economic Affairs is obtained, the real investment part can enjoy the half-off preferential tax rate and tax refunds, and 5% income tax benefit can be recognized.

(II) Income tax recognized in other comprehensive income

	2021	2020
Deferred income tax expense (gain)		
Generated in the current year		
Remeasurements of the net defined benefit	($ 900)	$ 2,605

(III) Current income tax assets and liabilities

	December 31, 2021	December 31, 2020
Current income tax assets		
Tax refunds receivable	$ -	$ 23,102
Current income tax liabilities		
Income tax payable	$ 90,411	$ 45,135

(IV) Deferred income tax assets and liabilities

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

2021

	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
Deferred income tax assets				
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
	$ 68,301	$ 25,159	$ 900	$ 94,360
Deferred income tax liabilities				
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)	-	-
	$1,131,251	($ 106,150)	$ -	$1,025,101

2020

	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
Deferred income tax assets				
Temporary difference				
Defined benefit plan	$ 21,337	($ 299)	($ 2,605)	$ 18,433
Inventory loss	29,647	5,205	-	34,852
Unrealized gains from subsidiaries	14,734	(9,190)	-	5,544
Other	5,912	3,560	-	9,472
	$ 71,630	($ 724)	($ 2,605)	$ 68,301
Deferred income tax liabilities				
Temporary difference				
Overseas investment gains recognized under the equity method	$ 701,220	$ 15,592	$ -	$ 716,812
Provision for land value increment tax	414,430	-	-	414,430
Other	9	-	-	9
	$1,115,659	$ 15,592	$ -	$1,131,251

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

	December 31, 2021	December 31, 2020
Deductible temporary differences – International investment impairment losses	$ 31,369	$ 31,369

(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 were both NT$2,366,744,000 as at December 31, 2021 and 2020, respectively.

(VII) Approval of income tax

The Company's profit-seeking income tax returns up to 2019 have been approved by the tax authority.

XXIV. EPS

EPS and weighted average ordinary shares are calculated below:

(I) Net profit for the year

	2021	2020
Basic and diluted EPS		
Net profit for the year	$ 115,933	$ 218,012

(II) Shares (thousand shares)

	2021	2020
Number of shares used to calculate basic EPS	397,818	397,818
Plus: Employee bonuses	330	626
Number of shares used to calculate diluted EPS	398,148	398,444

If the Company choses 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

(I) 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.

(II) 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
December 31, 2021				
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	-	-	4,657	4,657
	$52,356	$ -	$ 4,657	$57,013
Financial liabilities at fair value through profit or loss				
Derivatives (not designated for hedging)	$102,669	$ -	$ -	$102,669
December 31, 2020				
Financial assets at fair value through other comprehensive income (all equity investments)				
Securities of public company in Taiwan	$39,181	$ -	$ -	$39,181
Securities of non-public company in Taiwan	-	-	5,030	5,030
	$39,181	$ -	$ 5,030	$44,211
Financial liabilities at fair value through profit or loss				
Derivatives (not designated for hedging)	$ -	$ 4,843	$ -	$ 4,843

There was no transfer of level 1 and level 2 fair value measurements in 2021 and 2020.

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

At fair value through other comprehensive income	2021	2020
Opening balance	$ 5,030	$ 4,667
Recognized in other comprehensive income	(373)	363
Closing balance	$ 4,657	$ 5,030

3. Valuation technique and input values for level 2 fair value

Type of financial instrument	Valuation technique and input values
Derivatives – FX swap	Discounted cash flow method: Future cash flows are estimated based on the forward exchange rate at the end of period and the exchange rate specified in the contract, and are discounted using a rate that reflects on the credit risk of each counterparty.

4. 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

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets at amortized cost (Note 1)	$ 2,551,676	$ 2,791,073
Financial assets for which the fair value is required to be measured through profit or loss	102,669	-
Financial assets at fair value through other comprehensive income (investment in equity instruments)	57,013	44,211
Financial liabilities		
Measured at amortized cost (Note 2)	5,370,803	5,519,136
Financial liabilities at fair value through profit or loss (held for trading)	-	4,843

Note 1:
The balance includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including 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 32 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) appreciates (depreciates)1% against USD, the Company's 2021 and 2020 pre-tax profit will decrease (increase) NT$21,613,000 and NT$21,156,000.

(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:

	December 31, 2021	December 31, 2020
Has interest rate risk for cash flow		
Financial assets	$ 1,269,127	$ 892,603
Financial liabilities	3,290,000	3,320,000

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 increase/decrease NT$20,209,000 and NT$24,274,000 in 2021 and 2020, 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%, other comprehensive income in 2021 and 2020 will increase/decrease NT$570,000 and NT$442,000, 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:

	December 31, 2021	December 31, 2020
Group A	$ 94,847	$ 97,274
Group B	87,010	89,543
Group C	64,988	79,518
	$ 246,845	$ 266,335

The abovementioned groups accounted for 24% and 30% of accounts receivable for the years ended December 31, 2021 and 2020, 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$2,155,000,000 and NT$2,255,000,000 for the years ended December 31, 2021 and 2020, 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
December 31, 2021				
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
	$2,583,743	$ 458,196	$2,419,780	$5,461,719
December 31, 2020				
Non-derivative financial liabilities				
No interest-bearing debt	$ 905,586	$ -	$ 3,578	$ 909,164
Lease liabilities	3,139	1,900	5,064	10,103
Floating-rate tools	216,958	745,310	2,434,499	3,396,767
Fixed-rate tools	1,291,366	-	-	1,291,366
Guarantee liabilities	10,000	-	-	10,000
	$2,427,049	$ 747,210	$2,443,141	$5,617,400

XXVII. Related Party Transactions

Transactions between the Company and related parties are as follows:

(I) Name and relationship of related parties

Name of related party	Relationship with the Company
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

(II) Business transaction

1. Operating revenue

General ledger account	Type/Name of related party	2021	2020
Sales revenue	Subsidiary		
	PTS	$ 1,532,253	$ 805,274
	Dongguan Baoliang	807,093	502,688
	Other	$ 19,031	$ 76,285
	Investor with significant influence		
	Yue Yuen Industrial (Holdings) Ltd.	636,224	678,774
	Parent company of investor with significant influence		
	Pou Chen Corporation	68,168	315,936
		$ 3,062,769	$ 2,378,957

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 30-60 days.

2. Purchase of goods

Type/Name of related party	2021	2020
Subsidiary		
Forich Advanced Materials Co., Ltd.	$ 151,903	$ 114,497
Dongguan Baoliang	22,968	56,493
PTS	8,152	71,890
	$ 183,023	$ 242,880

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$892,243,000 and NT$752,319,000 in 2021 and 2020, 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 December 2020 to June 2021.

4. Purchase of raw materials

The amounts of raw materials purchased by the Company on for subsidiaries in 2021 and 2020 are as follows:

Type/Name of related party	2021	2020
Subsidiary		
Bestac Advanced Material Co., Ltd.	$ 114,334	$ 28,970
PTS	108,024	100,997
Dongguan Baoliang	78,179	111,178
Forich Advanced Materials Co., Ltd.	12,204	3,830
	$ 312,741	$ 244,975

The Company's loss and profit from purchasing raw materials for subsidiaries were NT$6,603,000 and NT$6,319,000 in 2021 and 2020, respectively, which were included in the contra item for 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. Receivables from related parties

General ledger account	Type/Name of related party	December 31, 2021	December 31, 2020
Accounts receivable – related parties	Subsidiary		
	PTS	$ 168,441	$ 72,109
	Dongguan Baoliang	147,446	69,628
	Other	508	40,707
	Investor with significant influence		
	Yue Yuen Industrial (Holdings) Ltd.	94,847	97,274
	Parent company of investor with significant influence		
	Pou Chen Corporation	13,108	41,571
		$ 424,350	$ 321,289
Other receivables - related parties	Subsidiary		
	Bestac Advanced Material Co., Ltd.	$ 127,359	$ 58,647
	PTS	69,246	65,349
	San Fang Development	-	567,600
	GCL	-	198,699
	Other	9,496	7,588
		$ 206,101	$ 897,883

Other receivables are mainly purchases of raw materials and payments on behalf of subsidiaries, as well as cash dividends receivable from subsidiaries.

No collateral was collected for outstanding receivables from related parties.

6. Payables to related parties

General ledger account	Type/Name of related party	December 31, 2021	December 31, 2020
Accounts payable - related parties	Subsidiary		
	Forich Advanced Materials Co., Ltd.	$ 13,056	$ 12,868
	PTS	2,193	970
	Other	904	1,813
		$ 16,153	$ 15,651
Other payables Related party	Subsidiary		
	SFV	$ 62,711	$ -
	Other	1,350	-
		$ 64,061	$ -

No collateral was provided for outstanding payables to related parties.

7. Advance payments

Type/Name of related party	December 31, 2021	December 31, 2020
Subsidiary		
SFV	$ -	$ 74,277

(III) Property, plant and equipment acquired - 2021

Type/Name of related party	Price amount obtained
Subsidiary	
SFV	$ 3,532

(IV) 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 of July 2020 to December 2021. Rental income of NT$34,958,000 and NT$18,616,000 was recognized in 2021and 2020.

(V) Providing endorsements/guarantees to others

Type/Name of related party	December 31, 2021	December 31, 2020
Subsidiary		
Guarantee amount	$ 50,000	$ 50,000
Actual amount drawn down	$ 10,000	$ 10,000

(VI) Compensation for management

	2021	2020
Short-term employee benefits	$ 28,377	$ 27,237
Post-employment benefit	344	344
	$ 28,721	$ 27,581

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, 2021	December 31, 2020
Property, plant and equipment – net	$ 1,363,965	$ 1,367,941
Investment properties – net	110,923	111,790
	$ 1,474,888	$ 1,479,731

XXIX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

In addition to those described in Note 27(5), the Company also has the following major commitments on the balance sheet date:

(I) 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, 2021	December 31, 2020
USD	$ 193	$ -

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

	December 31, 2021	December 31, 2020
Acquisition of property, plant and equipment	$ 78,506	$ 67,641

XXX. Significant Disaster Loss

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 Company estimated that the fire loss was approximately NT$70,217,000 (respectively included in operating costs and non-operating expenses/losses).

The Company has insured related property insurance and is currently negotiating with the insurance company to handle the claims. However, the insurance claims involve disaster identification, and the Company has not been able to fully confirm the full amount of the insurance claims. The subsequent insurance claim income will not be recognized until it is determined by the Company that it can be collected.

XXXI. Other Matters

The Company continues to be affected by the global spread of the COVID-19 pandemic. Among them, the pandemic situation in the subsidiary in Vietnam area was severe this year. Affected by the Vietnamese government's business closure order, the number of orders placed by customers decreased. Although it was affected by the pandemic control in the short term, with the easing of the situation, the Company's operations have gradually resumed.

XXXII. 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, 2021			
Monetary financial assets			
USD	$ 82,877	27.68	$ 2,294,030
Monetary financial liabilities			
USD	4,795	27.68	132,726
December 31, 2020			
Monetary financial assets			
USD	80,452	28.48	2,291,270
Monetary financial liabilities			
USD	6,169	28.48	175,693

The Company's foreign exchange net loss (including realized and unrealized) was NT$74,287,000 and NT$92,655,000 in 2021 and 2020, respectively. 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.

XXXIII. Supplementary Disclosures

(I) 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: See Note 7 for details.

10. Information on the investee: See Table 6 and Table 7 for details.

(II) 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	$ 22,968	-	$ 816	-

(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	$ 807,093	11	$ 147,446	15

(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 loss generated from purchasing raw materials for Dongguan Baoliang was NT$2,199,000 in 2021, and other receivables from Donguan Baoliang was NT$7,490,000 as of December 31, 2021.

(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, 2021

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			
1	GII	SFV	Long-term accounts receivable	Yes	$ 913,440	$ 913,440	$ 913,440	1	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 3,149,239	$ 3,149,239	Note 1 and Note 2

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, 2021

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	$ -	0.60	$ 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, 2021

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	534,834	$ 13,531	-	$ 13,531	
	Yeashin International Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,688,042	38,825	0.49	38,825	
	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	4,657	4.76	4,657	
					$ 57,013		$ 57,013	
	Funds							
	PineBridge Global ESG Quantitative Bond Fund N9 Acc	-	Current financial assets at fair value through profit or loss	103,755.99	$ 30,618	-	$ 30,618	
	Nomura Global Financial Bond (N) Acc	-	Current financial assets at fair value through profit or loss	101,664.05	28,684	-	28,684	
	PineBridge Multi-Income Fund (N) Acc	-	Current financial assets at fair value through profit or loss	67,369.59	21,708	-	21,708	
	Allianz Global Investors Income and Growth Fund (N) Monthly Distribution Class	-	Current financial assets at fair value through profit or loss	68,323.30	21,659	-	21,659	
					$102,669		$102,669	
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	-	
					$ -		$ -	
Forich Advanced Materials Co., Ltd.	Stock							
	Yeashin International Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	744,684	$ 17,129	0.21	$ 17,129	

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, 2021

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	Unit price	Credit period	Balance	Percentage of total notes/accounts receivable (payable)	
San Fang Chemical Industry Co., Ltd.	PTS	Subsidiary	Sales	($ 1,532,253)	(21)	Open account 30-120 days	There are no general transaction terms for price comparison	The general transaction term is open account 120 days	$ 168,441	17	
	Dongguan Baoliang	Subsidiary	Sales	(807,093)	(11)	Open account 30-90 days	There are no general transaction terms for price comparison	The general transaction term is open account 60 days	147,446	15	
	Yue Yuen (Group)	Investor with significant influence	Sales	(636,224)	(9)	Open account 30-90 days	General transaction terms	General transaction terms	94,847	9	
Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	Parent company	Purchase of goods	885,272	78	Open account 30-90 days	There are no general transaction terms for price comparison	The general transaction term is open account 60 days	(154,936)	(42)	Note
	Yue Yuen (Group)	Investor with significant influence	Sales	(223,112)	(16)	Open account 30-60 days	General transaction terms	General transaction terms	73,867	32	
PTS	San Fang Chemical Industry Co., Ltd.	Parent company	Purchase of goods	1,640,277	88	Open account 30-120 days	There are no general transaction terms for price comparison	The general transaction term is open account 120 days	(237,687)	(79)	Note
	Yue Yuen (Group)	Investor with significant influence	Sales	(450,251)	(25)	Open account 30-60 days	General transaction terms	General transaction terms	119,106	39	
Forich Advanced Materials Co., Ltd.	San Fang Chemical Industry Co., Ltd.	Parent company	Sales	(151,903)	(100)	Open account 60 days	There are no general transaction terms for price comparison	General transaction terms	14,384	98	
Bestac Advanced Material Co., Ltd.	San Fang Chemical Industry Co., Ltd.	Parent company	Purchase of goods	118,648	82	Open account 120 days	There are no general transaction terms for price comparison	General transaction terms	(127,382)	(71)	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, 2021

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		Receivables from related parties Amount collected subsequent to the balance sheet date	Provision for doubtful debts
					Amount	Action taken		
San Fang Chemical Industry Co., Ltd.	PTS	Subsidiary	$ 237,687 (Note 1)	12.25	$ -	-	$180,917	$ -
	Dongguan Baoliang	Subsidiary	154,936 (Note 2)	10.25	-	-	84,667	-
	Bestac Advanced Material Co., Ltd.	Subsidiary	127,382 (Note 3)	0.06	-	-	24,994	-
GII	SFV	Subsidiary	935,584 (Note 4)	-	-	-	761	-
PTS	Yue Yuen (Group)	Investor with significant influence	119,106	6.01	-	-	43,346	-

Note 1: Includes NT$168,441,000 in accounts receivables and NT$69,246,000 in other receivables.

Note 2: Includes NT$147,446,000 in accounts receivables and NT$7,490,000 in other receivables.

Note 3: Includes NT$23,000 in accounts receivables and NT$127,359,000 in other receivables

Note 4: Includes NT$913,440,000 in long-term accounts receivables and NT$22,144,000 in other receivables.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Information on the investee
From January 1 to December 31, 2021

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	$ 1,575,959	($ 837)	$ 340	Note 1
San Fang Chemical Industry Co., Ltd.	GCL	GCL	Investment	656,053	656,053	19,750,000	100.00	4,423,230	(57,581)	(55,222)	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	9,279	(337)	(337)	-
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	106,432	4,093	4,093	-
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	118,371	(40,023)	(40,023)	-
San Fang Development	San Fang International	British Virgin Islands	Investment	697,536	717,696	25,200,010	100.00	865,527	(6,816)	(6,816)	Note 2
San Fang Development	BBH	Hong Kong	Investment	470,560	484,160	17,000,000	100.00	530,638	10,930	10,930	Note 3
San Fang International	MPL	British Virgin Islands	Investment	249,120	256,320	9,000,001	100.00	358,613	8,440	8,440	Note 4
San Fang International	GTL	British Virgin Islands	Investment	176,656	181,762	1	100.00	126,773	(13,792)	(13,792)	Note 5
GCL	GII	GCL	Investment	559,136	575,296	20,200,000	100.00	3,149,239	141	141	Note 6
GCL	JOB	GCL	Investment	1,010,251	1,039,449	36,497,500	100.00	1,322,822	(57,460)	(57,460)	Note 7
JOB	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	968,731	996,729	34,997,500	99.99	1,165,665	(57,443)	(57,443)	Note 8
GII	SFV	Vietnam	Material processing	249,120	256,320	-	100.00	558,106	(12,273)	(12,273)	Note 9
GII	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	69	71	2,500	0.01	67	(57,443)	-	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, 2021

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	$ 360,947	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	216,400	2	21,174	-	-	21,174	-	8.00	-	-	-	
Dongguan Huangjiang Baoliang Shoe Factory	Material processing	53,114	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	747,360	2	-	-	-	-	20,153	100.00	20,153	882,110	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, 2021

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
Beevest Securities Limited under the custody of CTBC Bank	26,578,577	6.68
Mun-Jin Lin	26,239,427	6.60
Meng-Yang 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.

VI. Financial difficulties of the Company and its affiliated enterprises in the most recent year and up to the date of report: None.

Chapter 7. Review and analysis of financial status, financial performance, and risk management

I. Comparative analysis of financial status

Unit: Thousand NTD

Year / Item	2021	2020	Difference	
			Amount	%
Current assets	8,373,259	8,959,289	(586,030)	(6.54%)
Property, plant and equipment	5,270,711	5,861,061	(590,350)	(10.07%)
Other assets	1,096,147	520,539	575,608	110.58%
Total assets	14,740,117	15,340,889	(600,772)	(3.92%)
Current liabilities	3,520,982	3,765,507	(244,525)	(6.49%)
Non-current liabilities	3,568,075	3,702,256	(134,181)	(3.62%)
Total liabilities	7,089,057	7,467,763	(378,706)	(5.07%)
Share capital	3,978,181	3,978,181	0	0.00%
Capital surplus	142,438	142,438	0	0.00%
Retained earnings	4,179,012	4,266,335	(87,323)	(2.05%)
Total equity	7,651,060	7,873,126	(222,066)	(2.82%)

Main reasons and impact of any material change in the Company's assets, liabilities, or shareholders' equity during the last two years and future response plan

1. Main reason for changes reaching 20% and above:
   Increase in non-current assets: this was due to the restricted bank deposits of NT$536,610,000 in the foreign currency deposits dedicated account through the remittance of funds back to Taiwan by the Company in accordance with the "Management, Utilization, and Taxation of Repatriated Offshore Funds Act".
2. Impacts: No significant impact.
3. Future response plans: N/A.

II. Comparative analysis of financial performance

Unit: Thousand NTD

Item \ Year	2021	2020	Amount of change	Percentage of change (%)
Total operating revenue	8,540,043	8,643,134	(103,091)	(1.19%)
Sales return and discounts	156,036	201,378	(45,342)	(22.52%)
Net operating revenues	8,384,007	8,441,756	(57,749)	(0.68%)
Operating costs	6,909,767	6,578,085	331,682	5.04%
Operating expenses	1,233,241	1,365,320	(132,079)	(9.67%)
Operating profits	240,999	498,351	(257,352)	(51.64%)
Non-operating income and expenses	(94,651)	(154,098)	59,447	38.58%
Pre-tax profit from continuing operations	146,348	344,253	(197,905)	(57.49%)
Income tax expense	30,415	126,241	(95,826)	(75.91%)
Net profit after tax from continuing operations	115,933	218,012	(102,079)	(46.82%)

1. Main reason for changes reaching 20% and above:

   Decrease in operating expenses:

   Reductions in sales returns and discounts:

   Since the total operating income in 2021 decreased by NT$103,091,000 compared with that in 2020, calculated based on the ratio of returns and discounts, returns and discounts thus decreased.

   Decrease in operating profit, net profit before tax from continuing operations, income tax expenses, and net profit after tax from continuing operations;

   Customers were more conservative in placing orders in 2021 due to the pandemic and most of the customers had to shutdown when the Vietnam local government implemented pandemic control measures in the third quarter, which resulted in a decrease in revenue by approximately NT$57,749,000 compared with the same period last year. The rapid rise in raw materials costs and transportation costs, etc. caused profits to decrease compared with the same period last year.

   Increase in non-operating income and expenses:

   Mainly due to the relatively stable fluctuations in exchange rates in 2021 compared with that in 2020, which caused a decrease in net foreign exchange losses by NT$42,671,000 compared with the same period last year.Decrease in income tax expense:

   Mainly due to the decrease in operating revenue and operating costs, which led to a decrease in pre-tax profit from continuing operations.
2. Expected sales volume and its basis:

   Based on the Company's current production plan, demand is expected to rebound in the coming year (2022) as the pandemic subsides and people are vaccinated starting at the beginning of 2022, and major sports events are gradually recovering. Hence, sales is expected to continue to increase.
3. Potential impact on the Company's future financial position and business performance:

   We expect to see an upward trend in our financial position and business performance in 2022.
4. Future response plans: N/A.

III. Analysis of cash flows

Analysis of changes in the Company's cash flow in the most recent year, improvement plan for insufficient liquidity, and liquidity analysis for the coming year:

Item \ Year	2021	2020	Percentage of increase
Cash flow ratio	(13.78%)	46.14%	(129.87%)
Cash flow adequacy ratio	53.59%	93.84%	(42.89%)
Cash reinvestment ratio	(3.39%)	7.05%	(148.09%)

Analysis of changes in cash flow in the most recent year:

1. Decrease in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio:

The main reason is that the net profit before tax in 2021 decreased by NT$197,905,000 compared with the same period of last year, and the shortage of raw material supply and the delay of shipping schedule due to the pandemic, so there was an increase in material preparation, which resulted in an increase of cash outflow from inventories by NT$1,441,613,000 compared with the same period of last year. As a result of the above, the net cash flow from operating activities increased by NT$2,222,328,000 compared with the same period of last year.

2. Improvement plan for insufficient liquidity: N/A.
3. Liquidity analysis for the coming year:

Unit: Thousand NTD

Cash balance at beginning	Net cash inflow from	Cash outflow for the entire	Cash surplus (shortage)	Remedial measures	
				Investme	Financial
3,689,330	750,253	1,207,115	3,232,468	—	—

1. Analysis of cash flow changes in the current year:
   (1)Operating activities: Net cash inflow in the amount of NT$750,253,000.
   (2)Investing activities: Net cash outflow from investing activities, such as purchase of fixed assets, was NT$595,706,000.
   (3)Financing activities: Net cash outflow in the amount of NT$611,409,000 due to the distribution of dividends and repayment of loans.
2. Remedial measures for cash shortage and liquidity analysis: N/A.

IV. Impact of major capital expenditures in recent years on the Company's financial position and business: Capital expenditures in 2021 were all necessary investments for the Company's business.

V. Reinvestment policy in the most recent year, main reason for profit or loss, improvement plan, and investment plan for the coming year:

(I) Reinvestment policy in the most recent year:

The Company's reinvestments are for capacity expansion in hopes of increasing revenue and profits.

(II) Main reason for profits from reinvestments and improvement plans:

The Company’s investment losses recognized under the equity method in 2021 was NT$91,149,000, mainly due to the soaring cost of raw materials caused by the pandemic, which affected the external competitiveness of the Indonesia factory.

The Company's improvement plan is to monitor domestic and overseas industry trends, and actively improve internal processes and the cost structure to increase growth momentum.

(III) Investment plans for the coming year:

The Company will carefully evaluate investment plans from a long-term strategic perspective, in order to respond to future market demand and needs for production capacity expansion, and continue to enhance the Company's global competitiveness.

VI. Risks and assessment

1. Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

Item	2021 (NT$1,000)
Interest expenses	48,153
Foreign exchange losses	86,516

The Company regularly evaluates the interest rates of its bank borrowings, and maintains close contact with banks to obtain preferential interest rates. As for exchange rates, the Company's financial personnel stay in touch with foreign exchange banks, and will hedge the cost and position of the Company's foreign currency-denominated assets when there are relatively large exchange rate fluctuations.

2. Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures:

Implementation status of endorsements/guarantees to affiliated enterprises:

San Fang Chemical Industry Co., Ltd.
Details of endorsements/guarantees to affiliated enterprises
December 31, 2021

NTD

<table>
<tr><th>Company name</th><th>Total amount of endorsements/ guarantees</th><th>Actual amount drawn down</th><th>Remarks</th></tr>
<tr><td>Bestac Advanced Material Co., Ltd.</td><td>50,000,000</td><td>10,000,000</td><td rowspan="2">Calculated as follows according to the Company's Procedure for Endorsements and Guarantees:
1. The total amount of endorsements/guarantees to other enterprises is NT$1,989,090,000.
2. The limit on endorsements/guarantees to a single enterprise is NT$397,818,000.</td></tr>
<tr><td>Total</td><td>50,000,000</td><td>10,000,000</td></tr>
</table>

In principle, the Company's endorsements and guarantees are provided between parent company and subsidiary, and mainly for loans and import letter of credit. Affiliated enterprises all have a sound financial position, so the Company has not sustained any losses due to endorsements and guarantees. The Company did not engage in high risk, high leverage investments in 2021.

The Company did not extend loans to others this year, and only extended loans to subsidiaries or subsidiaries extended loans to each other. All of the loans were in accordance with the Procedures for Extending Loans to Others and were reviewed by the highest level supervisor and approved by the Board of Directors. The current balance of loans is NT$913,440,000 and limit on loans is NT$3,149,239,000.

The Company mainly engages in derivatives transactions for hedging against exchange rate fluctuations.

The Company currently does not use hedge accounting, and current operations are all simple swaps and options to sell USD. Hence, hedge accounting is not necessary.

3. Future R&D projects and expected R&D expenses

Please see "Five. Business Overview I. (III) Overview of Technology and R&D" (P.87 of the annual report) for the Company's future R&D projects: In the future, our R&D expenses will account for approximately 3% of our annual revenue.

4. The effect of changes in important domestic and foreign policies and laws on the Company's financial position and business operations, and response measures:

The Company has always complied with government laws and monitors changes in policies and laws in Taiwan and overseas to formulate response strategies. The effect of changes in important domestic and foreign policies and laws does not affect on the Company's financial position and business operations in the most recent year.

5. Impact of technological changes (including information security risks) and market changes on finance and business of the Company, and response measures:

The industry's upstream raw materials supply mainly involves solvent processes, and the suppliers have also moved towards developing solvent-free raw materials processes or processing technologies in response to the requirements set forth in environmental protection laws and regulations. this technology has achieved eco-friendly materials through cross-industry cooperation, as a result, the unit price of upstream eco-friendly raw materials has increased, which directly compresses profit margins. Move the purchase orders for solvent-based, labor-intensive products maintained at a lower cost overseas, replace with front-end, high-unit-price, solvent-free raw materials' high-end technology development and self-manufacturing, and technologies for automated process equipment are introduced. The Company is engaging in development cooperation with multinational companies and cooperation projects with research institutes to strengthen its core technologies, the mass production and sales have gradually increased the profit margins.

Furthermore, we will first expand the application of processes and products using recycled materials in response to the global trend of circular economy, and will obtain GRS certification. In another aspect, we will incorporate technologies developed for recycled materials in a circular economy into our current raw materials and process equipment. During the raw materials transition process until it becomes profitable, we will rapidly enter existing markets with considerable scale to maintain our working capital, and also strengthen materials for application in functional products used in new lifestyles to increase our revenue.

The responsible information security unit of the Company is the IT Office of the Administration Division, which is responsible for formulating information security policies and implementing various information security management requirements. Before the end of the year, a risk assessment for information security is carried out, a circular management is adopted, and specific improvement plans are proposed according to the risk and hazard level. In addition, in view of the continuous emergence of new external threat technologies, an external professional information security team is appointed to strengthen defenses, objectively assess internal risks, take improvement measures for weaknesses and regularly track progress to reduce information security risks.

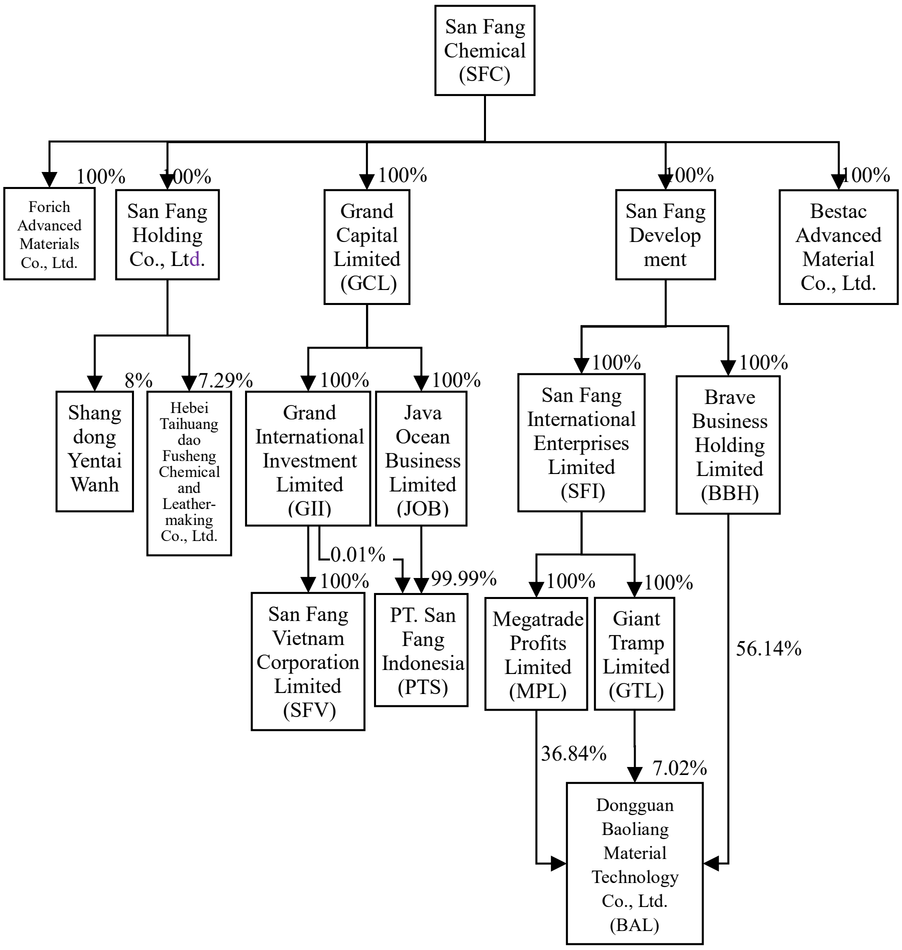
6. Impact of corporate image change on risk management and response measures: None.
7. Expected benefits and potential risks of merger and acquisition and response measures: The Company currently does not have any plans for merger and acquisition.
8. Expected benefits and potential risks of capacity expansion and response measures: The Company currently does not have any plans for capacity expansion.
9. Risks associated with over-concentration in purchase or sale and response measures: The Company's main suppliers and customers are as disclosed in this report and have worked with the Company for many years. With consideration to future operations and the industry's growth trends, in addition to the continued growth of current suppliers and customers, the Company will seek to work with new suppliers and customers to diversify its purchase and sales, in hopes of maintaining balanced and stable business performance.
10. Impact of mass transfer of equity by or change of directors or shareholders holding more than 10% interest on the Company, associated risks, and response measures: Even though directors, supervisors, and major shareholders have changed or transferred their shares since the Company was established, the Company's steady management team has maintained solid business performance and gradually enhanced the Company's competitiveness in the industry.
11. The effect of changes in management right on the Company, risks, and response measures: None.
12. For litigious and non-litigious events, if the result of major litigious, non-litigious events, or administrative disputes, either concluded or ongoing, involving the company and its directors, supervisors, president, de facto responsible person, major shareholders with more than 10% shares, or subsidiaries may have a material impact on shareholders' equity or stock prices, disclose the facts in contention, amount, start date of litigation, main parties involved, and progress up to the date of report: None.
13. Other important risks and response measures: None.

VII. Other important matters: None.

Chapter 8. Special notes

I. Profiles of affiliates enterprises

(I) Organization chart of affiliated enterprises



(II) Profile of affiliates

Unit: Thousand NTD, foreign currencies are in dollars

Name of enterprise	Date acquired	Registered address:	Paid-in capital	Main business items
San Fang Development Co., Ltd.	2000/07	OMC Chambers, Wickhams Cay1,Road Town,Tortola, British Virgin Islands	687,435	Investment
San Fang Holding Co., Ltd.	1998/04	OMC Chambers, Wickhams Cay1,Road Town,Tortola, British Virgin Islands	20,150	Investment
Grand Capital Limited (GCL)	2004/10	Offshore Chambers, P.O.Box217,Apia,Samoa	656,053	Investment
Forich Advanced Materials Co., Ltd.	2001/06	No. 2, Lane 140, Niaosong 3rd St., Yongkang District, Tainan City	76,985	Manufacturing and sales of chemical products
Bestac Advanced Material Co., Ltd.	2006/01	No. 88, Lane 180, Xinhe Rd., Sanhe Village, Longtan District, Taoyuan City	200,000	Manufacturing and sales of chemical products
San Fang International Co., Ltd.	2010/07	P.O.Box957,Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 25,200,010	Investment
Brave Business Holding Limited(BBH)	2009/11	Room 2701,27/F., Tesbury Centre,28 Queen's Road East,Wanchai, Hong Kong	USD17,000,000	Investment
Grand International Investment Corporation Limited (GII)	2003/03	Offshore Chambers, P.O.Box217,Apia, Samoa.	USD 20,200,000	Investment
Java Ocean Business Limited(JOB)	2009/09	Level 2, CCCS Building,Beach Road, PO Box 3018,Apia SAMOA	USD 36,497,500	Investment
Megatrade Profits Limited (MPL)	2004/10	Vistra Corporate Service Center, Wickhams CayΠ,Town,Torola,VG1110, British Virgin Islands	USD 9,000,001	Investment
San Fang Vietnam Corporation Limited(SFV)	2003/3	LOT II-4 MY XUAN INDUSTRIAL PARK, TAN THANH DISTRICT, BA RIA VUNG TAU PROVINCE, VIETNAM	USD 9,000,000	Material processing
PT. San Fang Indonesia (PTS)	2010/01	JL MODERN INDUSTRI CIKANDE IV NO.10.12.16.NAMBO ILIR KIBIN, SERANG. BANTEN	USD 35,000,000	Manufacturing and sales of synthetic leather, synthetic resin, and other materials
Dongguan Baoliang Material Technology Co., Ltd.	2016/01	No. 1, Yueyuan 2nd Rd., Yue Yuan Industrial Park, Huangjiang Township, Dongguan City	USD 27,000,000	Manufacturing and sales of synthetic leather, synthetic resin, and other materials
Giant Tramp Limited(GTL)	2017/10	22nd Floor, C-Bons International Center, 108 Wai Yip Street,Kwun Tong,Kowloon,Hong Kong	USD 1	Investment

(III) Information on identical shareholders of companies presumed to have control and subsidiary relationship: None.

(IV) Information on directors, supervisors, and presidents of affiliates

Name of enterprise	Title	Name or representative	Shares held	
			Number of shares held	Shareholding ratio (%)
SFH	Director	Chih-I Lin	0	0
SFD	Director	Chih-I Lin	0	0
GCL	Director	Chih-I Lin	0	0
SFI	Director	Chih-I Lin	0	0
MPL	Director	Chih-I Lin	0	0
GII	Director	Chih-I Lin	0	0
JOB	Director	Chih-I Lin	0	0
BBH	Director	Chih-I Lin	0	0
SFV	Director	Lung-Chuan Wang	0	0
PTS	Director	Liang-Chuan Hsu	0	0
Dongguan Baoliang	Director	Lung-Chuan Wang	0	0
GTL	Director	Chih-I Lin	0	0
Bestac Advanced Material Co., Ltd.	Director	I-Peng Yao, Representative of San Fang Chemical Industry Co., Ltd.	20,000,000 shares	100%
Forich Advanced Materials Co., Ltd.	Director	Wu-Tsang Tsai, Representative of San Fang Chemical Industry Co., Ltd.	7,698,545 shares	100%

(V) Business overview of affiliated enterprises (2021):Unit: Thousand NTD

Name of enterprise	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profits	Income/loss for the current period (after tax)	Earnings per share (NT$) (after tax)
San Fang Financial Holdings Co., Ltd.	20,150	9,279	0	9,279	0	(72)	(337)	(0.56)
San Fang Development Co., Ltd.	687,435	1,606,127	30,168	1,575,959	0	(37)	(837)	(0.04)
Forich Advanced Materials Co., Ltd.	76,985	141,450	35,018	106,432	152,506	3,971	4,093	0.53
San Fang International Co., Ltd.	697,536	896,603	31,076	865,527	0	(2,311)	(6,816)	(0.27)
Grand International Investment Co., Ltd.	559,136	3,150,132	893	3,149,239	0	1,805	141	0.01
Grand Capital Limited	656,053	4,480,017	56,787	4,423,230	0	(34)	(57,581)	(2.92)
San Fang (Vietnam) Co., Ltd.	249,120	1,554,565	996,459	558,106	892,263	(12,752)	(12,273)	—
Bestac Advanced Material Co., Ltd.	200,000	356,384	238,013	118,371	300,149	(38,556)	(40,023)	(2.00)
Java Ocean Business Limited	1,010,251	1,326,465	3,643	1,322,822	0	(35)	(57,460)	(1.57)
Brave Business Holding Limited	470,560	530,638	0	530,638	0	(65)	10,930	0.64
PT. SAN FANG	968,800	1,495,331	329,599	1,165,732	1,828,237	(57,707)	(57,433)	(1.64)
Megatrade Profits Limited	249,120	423,266	64,653	358,613	0	(155)	8,440	0.94
Giant Tramp Limited	176,656	126,733	0	126,733	0	(15,303)	(13,792)	0.75
Dongguan Baoliang Material Technology Co., Ltd.	747,360	1,266,899	384,789	882,110	1,376,412	13,330	20,153	0.75

II. Status of private placement of negotiable securities: None.

III. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: None.

IV. Other supplemental information:

1. The Company established Ethical Corporate Management Best Practice Principles, Code of Ethics, and Guidelines for Whistleblowing on Illegal or Unethical Conduct for the ethical conduct of directors and employees. Related data can be accessed on the company website.
2. The Company established Procedures for Handling Material Inside Information and Prevention of Insider Trading, and regularly provides promotional materials on insider trading issued by the competent authority to managerial officers, so as to prevent them from violating related laws and regulations. Related data can be accessed on the company website.

Chapter 9. Matters with material impact

Matters, if any, that may affect shareholders' equity or securities price as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent year and as of the printing date of the annual report: None.

San Fang Chemical Industry Co., Ltd.

Chairperson Mun-Jin Lin

三芳化學工業股份有限公司
SAN FANG CHEMICAL INDUSTRY CO., LTD.