Stock Symbol: 1307

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

2021 and 2020

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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

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: Meng-Jing 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: Meng-Jing 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: Meng-Jing 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

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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: Meng-Jing 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

	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 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	739,000	744,000
Long-term borrowings	$ 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
	$ 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. Income tax from continuing operations

(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

Deferred income tax assets	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
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).

<u>Sensitivity analysis</u>

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		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
					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. 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)

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				Transactions status			
No.	Company name	Counterparty	Relationship	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.