

San Fang Chemical Industry Co.,  
Ltd.

Standalone Financial Statements  
and Independent Auditor's Report  
2021 and 2020

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## Independent Auditor's Report

To San Fang Chemical Industry Co., Ltd.:

### **Audit Opinion**

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

In our opinion, the standalone financial statements above were prepared, in all material aspects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and therefore are sufficient to present the financial position of the Company as at December 31, 2021 and 2020, as well as its financial performance and cash flow for the years ended December 31, 2021 and 2020.

### **Basis of Audit Opinion**

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

### **Key Audit Matters**

Key audit matters are the most important matters in the 2021 standalone financial statements of the Company determined based on our professional judgment. We have already responded to the matters in the process of auditing the standalone financial statements and forming an audit opinion, and will not express opinions on individual matters.

Key audit matters in the 2021 standalone financial statements of the Company are as follows:

Authenticity of sales revenue

The net operating revenues of San Fang Chemical Industry Co., Ltd. in 2021 was NT\$7,248,812,000, of which the sales revenue from specific customers had increased significantly compared with the previous year. Therefore, according to the provisions of the Statement of Auditing Standards on presetting revenue as a significant risk, the authenticity of sales revenue from such specific customers was thus listed as a key audit matter.

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

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

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

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

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

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

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

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

We utilized our professional judgment and maintained professional skepticism during the audit according

to the generally accepted auditing standards. We also performed the following work:

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

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

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

Among the matters we communicated with the governance department, we decided on key audit matters in the 2021 standalone consolidated financial statements of the Company. The matters are described in the audit report, unless they are specifically prohibited by law from being disclosed, or, under extremely rare circumstances, we decided not to disclose the matters in the audit report because the negative impact can reasonably be expected to be greater than the public benefit it will provide.

Deloitte Taiwan

CPA

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.  
Balance Sheet  
December 31, 2021 and 2020

Unit: Thousand NTD

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

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

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.  
Statement of Comprehensive Income  
Years ended December 31, 2021 and 2020

Unit: Thousand NTD, EPS in NTD

Code		2021		2020	
		Amount	%	Amount	%
4000	Net operating revenues (Note 4, 21, 27)	\$ 7,248,812	100	\$ 6,786,846	100
5000	Operating costs (Note 10, 22, 27)	<u>6,159,080</u>	<u>85</u>	<u>5,609,712</u>	<u>83</u>
5900	Operating margin	1,089,732	15	1,177,134	17
5910	Realized (and unrealized) gains from subsidiaries	( <u>63,811</u> )	( <u>1</u> )	<u>45,951</u>	<u>1</u>
5950	Realized operating margin	<u>1,025,921</u>	<u>14</u>	<u>1,223,085</u>	<u>18</u>
	Operating expenses (Note 9, 22)				
6100	Selling expenses	233,486	3	294,424	4
6200	Administrative expenses	258,877	4	311,141	5
6300	Research and development expenses	221,952	3	263,568	4
6450	Gain on reversal of impairments of expected credit	( <u>1,011</u> )	-	( <u>4,285</u> )	-
6000	Total operating expenses	<u>713,304</u>	<u>10</u>	<u>864,848</u>	<u>13</u>
6900	Operating net profit	<u>312,617</u>	<u>4</u>	<u>358,237</u>	<u>5</u>
	Non-operating income and expenses (Note 22, 27)				
7100	Interest income	907	-	2,261	-
7010	Other income	86,460	1	51,230	1
7020	Other profits and losses	( 111,575 )	( 1 )	( 125,208 )	( 2 )
7050	Financial costs	( 47,247 )	( 1 )	( 46,683 )	( 1 )
7070	Share of profits (losses) of subsidiaries accounted for using equity method	( <u>91,149</u> )	( <u>1</u> )	<u>35,677</u>	<u>1</u>
7000	Total non-operating income and expenses	( <u>162,604</u> )	( <u>2</u> )	( <u>82,723</u> )	( <u>1</u> )
7900	Pre-tax profit	150,013	2	275,514	4

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<u>Code</u>	<u>2021</u>		<u>2020</u>		
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
7950	\$ <u>34,080</u>	<u>-</u>	\$ <u>57,502</u>	<u>1</u>	
8200	<u>115,933</u>	<u>2</u>	<u>218,012</u>	<u>3</u>	
	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)	( <u>4,501</u> )	-	13,024	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	12,802	-	( <u>2,663</u> )	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method	3,946	-	( <u>1,926</u> )	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	<u>900</u>	<u>-</u>	( <u>2,605</u> )	<u>-</u>
8310		<u>13,147</u>	<u>-</u>	<u>5,830</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8380	Share of other comprehensive income of subsidiaries accounted for using equity method (Note 20)	( <u>152,237</u> )	( <u>2</u> )	( <u>297,884</u> )	( <u>4</u> )
8300	Other consolidated income (net income after tax)	( <u>139,090</u> )	( <u>2</u> )	( <u>292,054</u> )	( <u>4</u> )
8500	Total comprehensive income	( <u>\$ 23,157</u> )	<u>-</u>	( <u>\$ 74,042</u> )	( <u>1</u> )
	EPS (Note 24)				
9710	Basic	<u>\$ 0.29</u>		<u>\$ 0.55</u>	
9810	Diluted	<u>\$ 0.29</u>		<u>\$ 0.55</u>	

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

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.  
Statement of Changes in Equity  
Years ended December 31, 2021 and 2020

Unit: Thousand NTD

Code		Capital stock – common	Capital surplus	Retained earnings			Other equity interests		Subtotal	Total equity
				Legal reserve	Special reserve	Undistributed earnings	Exchange differences arising from the translation of the financial statements of foreign operations	Unrealized gains (losses) on financial instruments measured at fair value through other comprehensive income		
A1	Balance as at January 1, 2020	\$ 3,978,181	\$ 141,101	\$ 1,412,298	\$ 504,790	\$ 2,439,395	(\$ 226,765)	\$ 15,085	(\$ 211,680)	\$ 8,264,085
	Appropriation and distribution of 2019 earnings (Note 20)									
B1	Legal reserve	-	-	42,460	-	( 42,460 )	-	-	-	-
B5	Cash dividends	-	-	-	-	( 318,254 )	-	-	-	( 318,254 )
		-	-	42,460	-	( 360,714 )	-	-	-	( 318,254 )
C17	Dividends not collected by shareholders before the deadline	-	1,337	-	-	-	-	-	-	1,337
D1	Net profit - 2020	-	-	-	-	218,012	-	-	-	218,012
D3	Other comprehensive income after tax - 2020	-	-	-	-	10,094	( 297,884 )	( 4,264 )	( 302,148 )	( 292,054 )
D5	Total comprehensive income - 2020	-	-	-	-	228,106	( 297,884 )	( 4,264 )	( 302,148 )	( 74,042 )
Z1	Balance as at December 31, 2020	3,978,181	142,438	1,454,758	504,790	2,306,787	( 524,649 )	10,821	( 513,828 )	7,873,126
	Appropriation and distribution of 2020 earnings (Note 20)									
B1	Legal reserve	-	-	22,811	-	( 22,811 )	-	-	-	-
B3	Allocation to special reserve	-	-	-	9,038	( 9,038 )	-	-	-	-
B5	Cash dividends	-	-	-	-	( 198,909 )	-	-	-	( 198,909 )
		-	-	22,811	9,038	( 230,758 )	-	-	-	( 198,909 )
D1	Net profit - 2021	-	-	-	-	115,933	-	-	-	115,933
D3	Other comprehensive income after tax - 2021	-	-	-	-	( 4,347 )	( 152,237 )	17,494	( 134,743 )	( 139,090 )
D5	Total comprehensive income - 2021	-	-	-	-	111,586	( 152,237 )	17,494	( 134,743 )	( 23,157 )
Z1	Balance as at December 31, 2021	\$ 3,978,181	\$ 142,438	\$ 1,477,569	\$ 513,828	\$ 2,187,615	(\$ 676,886)	\$ 28,315	(\$ 648,571)	\$ 7,651,060

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

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.  
Cash Flow Statement  
Years ended December 31, 2021 and 2020

Unit: Thousand NTD

Code		2021	2020
	Cash flow from operating activities		
A10000	Net profit before tax	\$ 150,013	\$ 275,514
A20010	Revenues and expenses		
A20100	Depreciation expense	397,020	406,443
A20200	Amortization expense	9,993	7,881
A20300	Gain on reversal of impairments of expected credit	( 1,011 )	( 4,285 )
A20400	Net losses on financial liabilities at fair value through profit or loss	3,123	4,784
A20900	Financial costs	47,247	46,683
A21200	Interest income	( 907 )	( 2,261 )
A21300	Dividend income	( 4,010 )	( 334 )
A22400	Share of profits (losses) of subsidiaries accounted for using equity method	91,149	( 35,677 )
A22500	Net losses on disposal of property, plant and equipment	2,232	27,162
A23700	Loss on inventory devaluation	19,884	26,024
A24100	Realized (and unrealized) gains from subsidiaries	63,811	( 45,951 )
A29900	Loss on physical inventory	10,185	7,203
A29900	Loss by fire	70,217	-
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets for which the fair value is required to be measured through profit or loss	( 102,735 )	-
A31130	Notes receivable	9,836	13,065
A31150	Accounts receivable	( 35,456 )	15,837
A31160	Accounts receivable – related parties	( 103,061 )	53,347
A31180	Other receivables	( 5,196 )	( 8,949 )
A31190	Other receivables - related parties	( 74,517 )	241,798
A31200	Inventories	( 449,323 )	248,758
A31230	Advance payments	43,891	( 136,540 )
A31240	Other current assets	1,147	48,143
A32110	Financial liabilities held for trading	( 7,900 )	59
A32125	Contract liabilities	( 15,199 )	12,310
A32150	Accounts payable	( 58,592 )	18,171
A32160	Accounts payable - related parties	502	( 484,198 )
A32180	Other payables	( 46,518 )	( 13,967 )
A32190	Other payables - related parties	64,061	( 77,442 )

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Code		2021	2020
A32230	Refund liabilities - related parties	\$ -	(\$ 198,068)
A32230	Other current liabilities	( 18,603)	( 7,445)
A32240	Net defined benefit liability	( 70)	( 1,495)
A33000	Cash generated from operating activities	61,213	436,570
A33100	Interest received	907	2,261
A33200	Dividend received	859,110	10,342
A33300	Interest paid	( 47,778)	( 47,121)
A33500	Income tax paid	( 97,011)	( 4,074)
AAAA	Net cash inflow from operating activities	<u>776,441</u>	<u>397,978</u>
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	( 149,499)	( 275,625)
B02800	Proceeds from disposal of property, plant and equipment	9,672	4,999
B03800	Decrease in refundable deposits	-	153
B04500	Acquisition of intangible assets	( 9,670)	( 2,355)
B06500	Increase of other financial assets	( 536,610)	-
BBBB	Net cash outflow from investing activities	<u>( 686,107)</u>	<u>( 272,828)</u>
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	5,463,400	6,260,000
C00200	Decrease in short-term borrowings	( 5,533,400)	( 6,520,000)
C00500	Decrease in short-term notes and bills payable	-	( 50,000)
C01600	Increase in long-term borrowing	350,000	1,470,000
C01700	Repayment of long-term borrowing	( 380,000)	( 621,000)
C03000	Increase in guarantee deposits	4,934	-
C04020	Repayments of lease liabilities	( 5,849)	( 6,921)
C04500	Distribution of cash dividends	( 198,909)	( 318,254)
C09900	Returned unclaimed dividends	-	1,337
CCCC	Net cash inflow (outflow) from financing activities	<u>( 299,824)</u>	<u>215,162</u>
EEEE	Increase (decrease) in cash and cash equivalents	( 209,490)	340,312
E00100	Cash and cash equivalents at beginning of period	<u>965,233</u>	<u>624,921</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 755,743</u>	<u>\$ 965,233</u>

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

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.  
Notes to Financial Statements  
Years ended December 31, 2021 and 2020  
(All amounts are in thousand NTD, unless otherwise specified)

I. Company History

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

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

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

II. Date and Procedures of Approval of the Financial Statements

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

III. Application of New Standards, Amendments, and Interpretations

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

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

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

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

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

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

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

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date of the IASB (Note 1)
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Not determined
IFRS 17 Insurance Contracts	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "initial application of IFRS 17 and IFRS 9 - comparative information"	January 1, 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1)	January 1, 2023 (Note 2)
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023 (Note 3)
Amendments to IAS 12 "deferred tax related to assets and liabilities arising from a single transaction"	January 1, 2023 (Note 4)

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

Note 2: Prospective application of the amendment in the annual reporting period starting after January 1, 2023.

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

Note 4: The amendments shall apply to transactions occurring after January 1, 2022, except for the recognition of deferred income tax on temporary differences in lease and decommissioning obligations on January 1, 2022.

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

IV. 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."

(II) Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

1. Liabilities that are held mainly for trading purposes;
  2. Liabilities that are to be paid off within twelve months from the balance sheet date;
- and

3. Liabilities for which the repayment term cannot be extended unconditionally beyond 12 months after the balance sheet date.

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

(IV) Foreign currencies

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

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

Foreign currency-denominated non-monetary items carried at fair value are converted at exchange rates on the date of fair value measurement. Currency translation differences are also recognized in current profit or loss; for items that have fair value changes recognized in other comprehensive income, currency translation differences are recognized in other comprehensive income.

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

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

(V) Inventories

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

(VI) Investment subsidiary

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

Under the equity method, investments are originally recognized at cost, and then its



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

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

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

(VII) Property, plant and equipment

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

Property, plant and equipment under construction are recognized at cost after accumulated impairment losses. Costs include professional service fees and borrowing costs that meet the conditions for capitalization. When assets are completed and reach the expected state of use, they are classified to a suitable category under property, plant and equipment, and depreciation expenses are recognized.

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

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

Investment properties

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

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

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

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

(VIII) Intangible assets

1. Independently acquired

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

2. Internal production – R&D expenses

Research expenses are recognized as expenses when incurred.

3. Derecognition

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

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

The Company evaluates if there are any signs of impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets on each balance sheet date. If any signs of impairment exist, then estimate the asset's recoverable amount. If the recoverable amount cannot be estimated on an individual basis, the Company will instead estimate recoverable amounts for the entire cash-generating unit. Depreciation of corporate assets is allocated to the smallest identifiable cash-generating group with a reasonable and consistent basis.

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

When impairment losses are reversed, the book value of the asset, cash-generating unit, or contract cost related asset is increased to the revised recoverable amount. However, the increased book value may not exceed the asset, cash-generating unit, or contract

cost related asset's book value in the previous year before impairment loss was recognized (less depreciation and amortization). Reversal of impairment losses is listed in income.

(X) Financial instruments

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

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

1. Financial assets

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

(1) Type of measurement

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

A. Financial assets at fair value through profit or loss

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

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

B. Financial assets at amortized cost

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

- a. Held under a certain business model that aims to collect cash flow from the financial asset; and
- b. The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After recognizing financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables, other financial assets, and refundable deposits), they

are measured at book value determined using the effective interest rate method less any impairment losses. Any foreign exchange gains/losses are recognized in profit and loss. Interest income is calculated by multiplying the effective interest rate with the financial asset's total book value.

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

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

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

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

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

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

(2) Impairment of financial assets

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

A loss provision is recognized for lifetime ECL for accounts receivables. For other financial assets, whether or not credit risk has significantly

increased after the financial asset was recognized is first evaluated. If it has not significantly increased, then a loss provision is recognized for 12-month ECL. If it has significantly increased, then a loss provision is recognized for lifetime ECL.

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

For the purpose of internal credit risk management, the Company may deem a financial asset to be in default in the event of any one of the following situations without considering collateral:

- A. There is internal or external information showing that the debtor is no longer able to repay debts.
- B. More than 180 days late, unless there is reasonable information with evidence supporting that it is better to extend the deadline for determining default.

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

### (3) Derecognition of financial assets

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

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

#### 2. Equity instruments

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

#### 3. Financial liabilities

##### (1) Subsequent measurement

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

(2) Derecognition of financial liabilities

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

4. Derivatives

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

When a contract is signed for derivatives, the derivatives are initially recognized at fair value, and then remeasured at fair value on the balance sheet date. Any gains or losses from the remeasurement are directly listed in income or loss. For derivatives that are designated as effective hedging tools, however, the time point for recognizing income or loss will be determined based on the nature of the hedging relationship. Derivatives are listed as financial assets when their fair value is positive; Derivatives are listed as financial liabilities when their fair value is negative.

(XI) Revenue recognition

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

1. Income from sale of merchandise

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

2. Service revenue

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

(XII) Lease

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

1. Where the Company is the lessor

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

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

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

2. Where the Company is the lessee

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

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

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

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

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

(XIII) Borrowing costs

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

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

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

(XIV) Government subsidies

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

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

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

(XV) Employee benefits

1. Short-term employee benefits

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

2. Post-employment benefit

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

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

(XVI) Income tax

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

1. Current income tax

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



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

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

2. Deferred income tax

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

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

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

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

Deferred income tax assets and liabilities are measured using the tax rate in the period in which liabilities are expected to be paid off or assets are expected to be realized. The tax rate is based on the tax rate and tax law that has been enacted or substantially enacted on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects on the tax effects of the ways the Company expects to recover or pay off the book value of its assets or liabilities on the balance sheet date.

3. Current and deferred income tax

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

V. Significant Accounting Judgments, Estimates and Main Uncertainty Assumptions

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

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

(I) Inventory impairments

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

(II) Income tax

With regard to taxable temporary differences related to investments in subsidiaries that were not recognized as deferred income tax liabilities, the effect on income tax were both NT\$473,349,000 for the years ended December 31, 2021 and 2020, respectively. If the taxable temporary difference is reversed in the future, it may result in major income tax liabilities, which are recognized as income tax expenses during the period that reversal occurs.

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

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

VI. Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and working capital	\$ 890	\$ 815
Bank check and demand deposits	741,877	908,594
Cash equivalents		
Time deposits within 3 months of its original maturity date	12,976	13,104
Bonds issued under repurchase agreement	-	42,720
	<u>\$ 755,743</u>	<u>\$ 965,233</u>

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

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

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

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

<u>December 31, 2020</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Contract Amount</u>
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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Investments in equity instruments measured at fair value through other comprehensive income		
Listed stock in Taiwan	<u>\$ 52,356</u>	<u>\$ 39,181</u>
Unlisted stock in Taiwan	<u>4,657</u>	<u>5,030</u>
	<u>\$ 57,013</u>	<u>\$ 44,211</u>

IX. Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable – unrelated parties		
Measured at amortized cost		
Total book value	<u>\$ 11,009</u>	<u>\$ 20,845</u>
Accounts receivable – unrelated parties		
Measured at amortized cost		
Total book value	<u>\$ 592,865</u>	<u>\$ 557,409</u>
Less: Loss provision	<u>3,898</u>	<u>4,909</u>
	<u>\$ 588,967</u>	<u>\$ 552,500</u>
Accounts receivable – related parties		
Measured at amortized cost		
Total book value	<u>\$ 424,350</u>	<u>\$ 321,289</u>

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

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

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

2021

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

2020

	Not past due	1-90 days late	91-180 days late	181-360 days late	More than 361 days late	Total
Total book value	\$ 766,319	\$ 133,111	\$ 27	\$ -	\$ 86	\$ 899,543
Loss provision (lifetime ECL)	( 4,153)	( 669)	( 1)	-	( 86)	( 4,909)
Amortized cost	<u>\$ 762,166</u>	<u>\$ 132,442</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 894,634</u>

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

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 4,909	\$ 9,194
Less: Gain on reversal of impairments in the current year	( 1,011)	( 4,285)
Closing balance	<u>\$ 3,898</u>	<u>\$ 4,909</u>

X. Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$ 706,517	\$ 589,114
Supplies	15,707	15,494
Work in process	540,615	372,175

Finished goods	198,693	123,567
Inventory in transit	<u>113,822</u>	<u>94,154</u>
	<u>\$ 1,575,354</u>	<u>\$ 1,194,504</u>

Losses on inventory devaluation for the years ended December 31, 2021 and 2020 were NT\$208,117,000 and NT\$174,255,000, respectively.

Inventory-related operating costs amounted to NT\$6,159,080,000 in 2021 and NT\$5,609,712,000 in 2020, including:

	<u>2021</u>	<u>2020</u>
Loss on physical inventory	\$ 10,185	\$ 7,203
Loss by fire (Note 30)	38,404	-
Recognized loss on inventory devaluation	\$ 19,884	\$ 26,024
Income from sale of scraps	( <u>20,710</u> )	( <u>20,355</u> )
	<u>\$ 47,763</u>	<u>\$ 12,872</u>

XI. Other financial assets – noncurrent

	<u>December 31, 2021</u>
Restricted bank deposits	<u>\$ 536,610</u>

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

XII. Investments recognized under the equity method

Investment subsidiary

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	Amount	Shareholding ratio (%)	Amount	Shareholding ratio (%)
San Fang Development Co., Ltd.	\$ 1,575,959	100	\$ 1,709,387	100
Grand Capital Limited (GCL)	4,423,230	100	4,650,279	100
San Fang Financial Holdings Co., Ltd.	9,279	100	9,616	100
Forich Advanced Materials Co., Ltd.	106,432	100	97,647	100
Bestac Advanced Material Co., Ltd.	<u>118,371</u>	100	<u>158,394</u>	100
	<u>\$ 6,233,271</u>		<u>\$ 6,625,323</u>	

See Table 6 and Table 7 for a brief description of long-term investments, changes in the past two years are explained below:

- (I) San Fang Development resolved to distribute earnings and transfer back the amount of NT\$88,801,000 in 2021.
- (II) San Fang Development and GCL resolved to distribute NT\$567,600,000 and NT\$198,699,000 of earnings respectively in 2020. The accounts were listed under

other receivables - related parties as of the end of 2020 and had been transferred back in 2021.

(III) Forich Advanced Materials Co., Ltd. distributed NT\$10,008,000 of earnings in 2020. Share of profits/losses and other comprehensive income of subsidiaries under the equity method were recognized based on the subsidiaries' 2021 and 2020 financial statements audited by an independent auditor.

### XIII. Property, plant and equipment

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Self-use	\$ 3,262,421	\$ 3,530,054
Operating lease	<u>99,404</u>	<u>118,826</u>
	<u>\$ 3,361,825</u>	<u>\$ 3,648,880</u>

#### (I) Self-use 2021

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

#### 2020

	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
<u>Cost</u>						
Balance as at January 1, 2020	\$ 1,467,428	\$ 1,454,572	\$ 4,409,404	\$ 1,171,401	\$ 107,283	\$ 8,610,088
Addition	-	19,086	143,576	121,045	( 45,443)	238,264
Disposal	-	( 34,462)	( 112,959)	( 92,300)	( 559)	( 240,280)
Transferred to assets leased under an operating lease	-	( 128,273)	( 456,411)	( 105,321)	-	( 690,005)
Balance as at December 31, 2020	<u>\$ 1,467,428</u>	<u>\$ 1,310,923</u>	<u>\$ 3,983,610</u>	<u>\$ 1,094,825</u>	<u>\$ 61,281</u>	<u>\$ 7,918,067</u>
<u>Accumulated depreciation</u>						
Balance as at January 1, 2020	\$ -	\$ 915,056	\$ 3,133,309	\$ 710,719	\$ -	\$ 4,759,084
Disposal	-	( 27,617)	( 87,238)	( 83,641)	-	( 198,496)
Transferred to assets leased under an operating lease	-	( 94,709)	( 384,417)	( 73,592)	-	( 552,718)
Depreciation expense	-	49,685	237,400	93,058	-	380,143
Balance as at December 31, 2020	<u>\$ -</u>	<u>\$ 842,415</u>	<u>\$ 2,899,054</u>	<u>\$ 646,544</u>	<u>\$ -</u>	<u>\$ 4,388,013</u>
Net amount as at December 31, 2020	<u>\$ 1,467,428</u>	<u>\$ 468,508</u>	<u>\$ 1,084,556</u>	<u>\$ 448,281</u>	<u>\$ 61,281</u>	<u>\$ 3,530,054</u>

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

Buildings and structures	
Factory and office building	30-50 years
Construction system and enclosure wall	15-28 years
Other	7-10 years
Machinery and equipment	
Embossing machine, grinding machine, and thermal oil boiler	20-30 years
Non-woven fabric machine and its auxiliary facilities	8-19 years
Other	3-9 years
Other facilities	
Pond and gardening	30-34 years
Pipelines	20-28 years
Other	1-15 years

The Kaohsiung plant of the Company suffered a fire accident in August 2021, causing damage to part of the plant and equipment. Please refer to Note 30 for explanation. Please refer to Note 28 for property, plant and equipment pledged by the Company as collateral for loans.

(II) Operating lease

2021

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

2020

	Buildings and structures	Machinery and equipment	Other facilities	Total
<u>Cost</u>				
Balance as at January 1, 2020	\$ -	\$ -	\$ -	\$ -
From self-use assets	128,273	456,411	105,321	690,005
Balance as at December 31, 2020	<u>\$ 128,273</u>	<u>\$ 456,411</u>	<u>\$ 105,321</u>	<u>\$ 690,005</u>

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	Buildings and structures	Machinery and equipment	Other facilities	Total
<u>Accumulated depreciation</u>				
Balance as at January 1, 2020	\$ -	\$ -	\$ -	\$ -
From self-use assets	94,709	384,417	73,592	552,718
Depreciation expense	<u>2,432</u>	<u>12,383</u>	<u>3,646</u>	<u>18,461</u>
Balance as at December 31, 2020	<u>\$ 97,141</u>	<u>\$ 396,800</u>	<u>\$ 77,238</u>	<u>\$ 571,179</u>
Net amount as at December 31, 2020	<u>\$ 31,132</u>	<u>\$ 59,611</u>	<u>\$ 28,083</u>	<u>\$ 118,826</u>

The Company leased buildings, machinery and equipment, other equipment, and right-of-use assets – transportation equipment to related parties under operating leases (Note 27) with a lease term to December 2022. The lessor does not have preemptive rights over the asset when the lease term expires. The sum of lease payments for operating leases in the coming year is NT\$26,046,000.

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

Buildings and structures	
Plant	7-35 years
Machinery and equipment	6-18 years
Other facilities	1-28 years

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

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

	<u>2021</u>	<u>2020</u>
Investing activities that affect both cash and non-cash items		
Increase in property, plant and equipment	\$ 137,310	\$ 238,264
Decrease in payables on equipment	12,774	45,231
Decrease in advance payments for equipment	-	( 7,207)
Capitalization of interest	( <u>585</u> )	( <u>663</u> )
Payments in cash for the acquisition of property, plant and equipment	<u>\$ 149,499</u>	<u>\$ 275,625</u>



XIV. Lease agreement

(I) Right-of-use assets

2021

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

2020

	<u>Buildings and structures</u>	<u>Transportation equipment</u>	<u>Total</u>
<u>Cost</u>			
Balance as at January 1, 2020	\$ 7,728	\$ 13,740	\$ 21,468
Addition	-	994	994
Disposal	( 1,231 )	( 1,529 )	( 2,760 )
Balance as at December 31, 2020	<u>\$ 6,497</u>	<u>\$ 13,205</u>	<u>\$ 19,702</u>
<u>Accumulated depreciation</u>			
Balance as at January 1, 2020	\$ 1,771	\$ 3,787	\$ 5,558
Disposal	( 1,231 )	( 1,529 )	( 2,760 )
Depreciation expense	1,445	5,527	6,972
Balance as at December 31, 2020	<u>\$ 1,985</u>	<u>\$ 7,785</u>	<u>\$ 9,770</u>
Net amount as at December 31, 2020	<u>\$ 4,512</u>	<u>\$ 5,420</u>	<u>\$ 9,932</u>

(II) Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Book value of lease liabilities		
Current	<u>\$ 4,818</u>	<u>\$ 4,951</u>
Noncurrent	<u>\$ 4,641</u>	<u>\$ 4,990</u>

The discount rate of lease liabilities is 1.2%.

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

(IV) Other lease information

	<u>2021</u>	<u>2020</u>
Short term lease expenses	<u>\$ 1,314</u>	<u>\$ 944</u>
Lease expenses of low value assets	<u>\$ 565</u>	<u>\$ 616</u>
Total cash outflow from leases	<u>\$ 7,836</u>	<u>\$ 8,635</u>

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

XV. Investment properties

2021

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

2020

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

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

The Company's investment 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
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	<u>24,663</u>	<u>34,297</u>
	<u>\$ 72,126</u>	<u>\$ 81,477</u>

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

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

#### XVI. Borrowings

##### (I) Short-term borrowing

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured loans (Note 28)		
Bank borrowings	\$ 370,000	\$ 460,000
Unsecured loans		
Credit loans	<u>1,000,000</u>	<u>980,000</u>
	<u>\$ 1,370,000</u>	<u>\$ 1,440,000</u>
Annual interest rate (%)	0.40-0.98	0.40-0.93

##### (II) Short-term notes and bills payable

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

###### December 31, 2021

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

###### December 31, 2020

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

##### (III) Long-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured loans (Note 28)		
Bank borrowings – Reaches maturity before September 2025	\$ 1,570,000	\$ 1,800,000
Unsecured loans		
Bank borrowings –	<u>1,520,000</u>	<u>1,320,000</u>

Reaches maturity before July 2026	3,090,000	3,120,000
Less: Current portion	<u>725,000</u>	<u>730,000</u>
	<u>\$ 2,365,000</u>	<u>\$ 2,390,000</u>
Annual interest rate (%)	1.03-1.297	1.03-1.3017

XVII. Accounts payable

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

XVIII. Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Wages and salaries payable	\$ 125,933	\$ 146,449
Processing expenses payable	64,061	497
Commissions payable	38,824	44,397
Payables on equipment	19,713	32,487
Compensated absences	\$ 13,146	\$ 11,222
Utilities and fuel costs payable	14,059	14,150
Labor insurance and National Health Insurance premiums payable	9,366	8,104
Employee bonuses and director remuneration payable	6,831	16,500
Other	<u>47,946</u>	<u>61,192</u>
	<u>\$ 339,879</u>	<u>\$ 334,998</u>

XIX. Post-employment benefits plan

(I) Defined contribution plan

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

(II) Defined benefit plan

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit liabilities	\$ 112,399	\$ 115,166
Fair value of assets of the plans	( <u>15,803</u> )	( <u>23,001</u> )
Net defined benefit liability	<u>\$ 96,596</u>	<u>\$ 92,165</u>

Changes in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit liabilities</u>	<u>Fair value of assets of the plans</u>	<u>Net defined benefit liability</u>
Balance as at January 1, 2020	<u>\$ 132,740</u>	( <u>\$ 26,056</u> )	<u>\$ 106,684</u>
Service cost			
Service cost of the term	1,925	-	1,925
Interest expense (income)	<u>1,155</u>	( <u>246</u> )	<u>909</u>
Listed in income	<u>3,080</u>	( <u>246</u> )	<u>2,834</u>
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	( <u>16,571</u> )	-	( <u>16,571</u> )
Recognized in other comprehensive income	( <u>10,709</u> )	( <u>2,315</u> )	( <u>13,024</u> )
Employer contributions	-	( <u>2,946</u> )	( <u>2,946</u> )
Benefits payment	( <u>9,945</u> )	<u>8,562</u>	( <u>1,383</u> )
Balance as at December 31, 2020	<u>115,166</u>	( <u>23,001</u> )	<u>92,165</u>
Service cost			
Service cost of the term	1,540	-	1,540
Interest expense (income)	<u>576</u>	( <u>122</u> )	<u>454</u>
Listed in income	<u>2,116</u>	( <u>122</u> )	<u>1,994</u>
Number of remeasurement			
Return on assets of the plans (except for amounts included in net interest)	-	( 282 )	( 282 )
Actuarial loss – Changes in financial assumption	( 3,748 )	-	( 3,748 )
Actuarial gains – experience adjustments	5,013	-	5,013
Actuarial loss – Changes in demographic assumptions	<u>3,518</u>	-	<u>3,518</u>
Recognized in other comprehensive income	<u>4,783</u>	( <u>282</u> )	<u>4,501</u>
Employer contributions	-	( <u>2,064</u> )	( <u>2,064</u> )

Benefits payment	( <u>9,666</u> )	<u>9,666</u>	<u>-</u>
Balance as at December 31, 2021	<u>\$ 112,399</u>	( <u>\$ 15,803</u> )	<u>\$ 96,596</u>

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

	<u>2021</u>	<u>2020</u>
Operating costs	\$ 1,211	\$ 1,750
Selling expenses	159	228
Administrative expenses	393	571
Research and development expenses	<u>231</u>	<u>285</u>
	<u>\$ 1,994</u>	<u>\$ 2,834</u>

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

1. Investment risks

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

2. Interest rate risk

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

3. Salary risk

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate (%)	0.75	0.5
Estimated salary growth ratio (%)	2	2

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate		
Increased 0.25%	( <u>\$ 3,656</u> )	( <u>\$ 3,952</u> )
Decreased 0.25%	<u>\$ 3,820</u>	<u>\$ 4,135</u>
Estimated salary growth ratio		
Increased 0.25%	<u>\$ 3,705</u>	<u>\$ 4,003</u>
Decreased 0.25%	( <u>\$ 3,565</u> )	( <u>\$ 3,847</u> )

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Amount expected to be allocated within 1 year	<u>\$ 2,064</u>	<u>\$ 2,834</u>
Average time to maturity of defined benefit liabilities	13.3 years	14 years

XX. Equity

(I) Capital stock – common

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Authorized shares (thousand shares)	<u>460,000</u>	<u>460,000</u>
Authorized share capital	<u>\$ 4,600,000</u>	<u>\$ 4,600,000</u>
Current outstanding shares (thousand shares)	<u>397,818</u>	<u>397,818</u>
Issued capital	<u>\$ 3,978,181</u>	<u>\$ 3,978,181</u>

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

(II) Capital surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contributed capital in excess of par	\$ 135,000	\$ 135,000
Gains on the disposal of fixed assets	2,497	2,497
Donated assets received	369	369
Other – Dividends not claimed by shareholders before the deadline	<u>4,572</u>	<u>4,572</u>
	<u>\$ 142,438</u>	<u>\$ 142,438</u>

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

Capital surplus from gains on the disposal of fixed assets and unclaimed dividends may only be used to offset losses.

(III) Retained earnings and divided policy

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

@ Please refer to Note 22(7) for the employee bonus and directors' remuneration policy set forth in the Articles of Incorporation.

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

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

The Company allocates and reverses special reserve according to Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865, Letter Jin-Guan-Zheng-Fa-Zi No. 1010047490, and "Q&A for the allocation of special reserve after adopting the IFRSs."

The Company's cash dividends were approved by the board of directors in meetings on March 2021 and March 2020 respectively, and the remaining earning distribution items were also approved by the annual shareholders' meeting on August 18, 2021 and



June 9, 2020 respectively. The 2020 and 2019 earnings distribution proposal is as below:

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

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

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

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

(IV) Special reserve

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

(V) Other equity interests

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

	2021	2020
Opening balance	( \$ 524,649 )	( \$ 226,765 )
Share of translation difference of subsidiaries accounted for using equity method	( 152,237 )	( 297,884 )
Closing balance	( \$ 676,886 )	( \$ 524,649 )

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

	2021	2020
Opening balance	\$ 10,821	\$ 15,085
Generated in the current year		
Equity instruments – unrealized gains	12,802	( 2,663 )
Share of subsidiaries	4,692	( 1,601 )

accounted for using equity method		
Closing balance	\$ 28,315	\$ 10,821

XXI. Revenues

	<u>2021</u>	<u>2020</u>	
Revenue from contracts with customers			
Revenue from merchandise sales	\$ 7,248,801	\$ 6,786,736	
Service revenue	<u>11</u>	<u>110</u>	
	<u>\$ 7,248,812</u>	<u>\$ 6,786,846</u>	
(I) Contract balance			
	December 31, <u>2021</u>	December 31, <u>2020</u>	January 1, 2020 <u></u>
Net notes and accounts receivable (Note 9)	<u>\$ 1,024,326</u>	<u>\$ 894,634</u>	<u>\$ 972,598</u>
Contract liabilities			
Merchandise sales	<u>\$ 2,215</u>	<u>\$ 17,414</u>	<u>\$ 5,104</u>

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

(II) Detailed revenues from contracts with customers

	<u>2021</u>	<u>2020</u>
Revenue from main products and services		
Wet-processed synthetic leather	\$ 2,434,876	\$ 2,749,302
Dry-processed synthetic leather	1,463,954	1,418,605
Leather work in progress	1,457,207	796,640
Resin	828,558	515,283
Other	<u>1,064,217</u>	<u>1,307,016</u>
	<u>\$ 7,248,812</u>	<u>\$ 6,786,846</u>

XXII. Pre-tax profit

Net income from continuing operations includes the following item:

(I) Interest income		
	<u>2021</u>	<u>2020</u>
Cash in banks	\$ 847	\$ 2,203
Other	<u>60</u>	<u>58</u>
	<u>\$ 907</u>	<u>\$ 2,261</u>
(II) Other income		
	<u>2020</u>	<u>2019</u>
Rental income (Note 27)	\$ 44,549	\$ 28,208
Government grants revenue	24,708	10,095
Dividend income	4,010	334
Other	<u>13,193</u>	<u>12,593</u>
	<u>\$ 86,460</u>	<u>\$ 51,230</u>

(III) Other profits and losses

	<u>2021</u>	<u>2020</u>
Net foreign exchange losses	(\$ 74,287)	(\$ 92,655)
Gains (losses) on disposal of property, plant and equipment	( 2,232)	( 27,162)
Loss by fire (Note 30)	( 31,813)	-
Net losses from financial instruments at fair value through profit or loss	( 3,123)	( 4,784)
Other	( <u>120</u> )	( <u>607</u> )
	<u>(\$ 111,575)</u>	<u>(\$ 125,208)</u>

(IV) Financial costs

	<u>2021</u>	<u>2020</u>
Interest on bank borrowings	\$ 47,724	\$ 47,192
Interest on lease liabilities	108	154
Less: Costs of qualifying assets listed	( <u>585</u> )	( <u>663</u> )
	<u>\$ 47,247</u>	<u>\$ 46,683</u>

Information on capitalization of interest is as follows:

	<u>2021</u>	<u>2020</u>
Amount of interest capitalized	\$ 585	\$ 663
Interest capitalization rate (%)	1.02-1.16	0.99-1.16

(V) Depreciation and amortization

	<u>2021</u>	<u>2020</u>
Property, plant and equipment	\$390,271	\$398,604
Right-of-use assets	5,882	6,972
Investment properties	867	867
Computer software	<u>9,993</u>	<u>7,881</u>
	<u>\$407,013</u>	<u>\$414,324</u>
Summary of depreciation expenses by function		
Operating costs	\$359,609	\$367,348
Operating expenses	<u>37,411</u>	<u>39,095</u>
	<u>\$397,020</u>	<u>\$406,443</u>

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	<u>2021</u>	<u>2020</u>
Summary of amortization expenses by function		
Operating costs	\$ 343	\$ 417
Operating expenses	<u>9,650</u>	<u>7,464</u>
	<u>\$ 9,993</u>	<u>\$ 7,881</u>
 (VI) Employee benefit expenses		
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 581,997	\$ 657,360
Post-employment benefit		
Defined contribution plan	21,294	21,863
Defined benefit plan (Note 19)	<u>1,994</u>	<u>2,834</u>
	<u>\$ 605,285</u>	<u>\$ 682,057</u>
 Summary by function		
Operating costs	\$ 344,160	\$ 386,298
Operating expenses	<u>261,125</u>	<u>295,759</u>
	<u>\$ 605,285</u>	<u>\$ 682,057</u>

(VII) Employee bonuses and directors' remuneration

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

2021 and 2020 employee bonuses were estimated at 3% and 3.5% of pre-tax profit mentioned above. The potential amount of director remuneration is estimated based on past experience. Employee bonuses and directors' remuneration in 2021 and 2020 will be distributed in cash according to resolutions adopted by the Board of Directors on March 22, 2022 and March 16, 2021:

	<u>2021</u>	<u>2020</u>
Employee bonuses	\$ 4,831	\$ 10,313
Directors' remuneration	2,000	6,187

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

There were no deviations in the actual amount of employee bonuses and directors' remuneration distributed from the amounts recognized in the standalone financial statements in 2020 and 2019.

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

(VIII) Foreign exchange gains (losses)

	<u>2021</u>	<u>2020</u>
Total foreign exchange gains	\$ 145,803	\$ 118,396
Total foreign exchange losses	( <u>220,090</u> )	( <u>211,051</u> )
Net loss	( <u>\$ 74,287</u> )	( <u>\$ 92,655</u> )

XXIII. Income tax

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

	<u>2021</u>	<u>2020</u>
Current income tax		
Generated in the current year	\$ 167,089	\$ 45,259
Adjustments in the previous year	( <u>1,700</u> )	( <u>4,073</u> )
	<u>165,389</u>	<u>41,186</u>
Deferred income tax		
Generated in the current year	( <u>131,309</u> )	<u>16,316</u>
Income tax expense recognized in profit or loss	<u>\$ 34,080</u>	<u>\$ 57,502</u>

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

	<u>2021</u>	<u>2020</u>
Pre-tax profit from continuing operations	<u>\$ 150,013</u>	<u>\$ 275,514</u>
Income tax expense on pre-tax profit calculated at the statutory tax rate	\$ 30,003	\$ 55,103
Tax effect of adjustments		
Non-taxable income	( 802 )	( 67 )
Effect of profits of domestic subsidiaries on income tax	7,186	8,178
Other	( 607 )	( 1,639 )
Adjustments in the current year to current income tax expense of the previous year	( <u>1,700</u> )	( <u>4,073</u> )
Income tax expense recognized in profit or loss	<u>\$ 34,080</u>	<u>\$ 57,502</u>

In the first quarter of 2021, the Company's overseas subsidiaries transferred back the earnings; for the US\$27,001,000 transferred, the Company has applied for the

applicable tax rate of 10% in accordance with the "Management, Utilization, and Taxation of Repatriated Offshore Funds Act" and has been approved by the National Taxation Bureau of Kaohsiung, MOF. When the investment is completed and the completion certificate issued by the Ministry of Economic Affairs is obtained, the real investment part can enjoy the half-off preferential tax rate and tax refunds, and 5% income tax benefit can be recognized.

(II) Income tax recognized in other comprehensive income

	<u>2021</u>	<u>2020</u>
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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current income tax assets		
Tax refunds receivable	\$ -	\$ 23,102
Current income tax liabilities		
Income tax payable	\$ 90,411	\$ 45,135

(IV) Deferred income tax assets and liabilities

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

2021

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

2020

	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
<u>Deferred income tax assets</u>				
Temporary difference				
Defined benefit plan	\$ 21,337	(\$ 299)	(\$ 2,605)	\$ 18,433
Inventory loss	29,647	5,205	-	34,852
Unrealized gains from subsidiaries	14,734	( 9,190)	-	5,544
Other	5,912	3,560	-	9,472
	<u>\$ 71,630</u>	<u>(\$ 724)</u>	<u>(\$ 2,605)</u>	<u>\$ 68,301</u>
<u>Deferred income tax liabilities</u>				
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
	<u>\$1,115,659</u>	<u>\$ 15,592</u>	<u>\$ -</u>	<u>\$1,131,251</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	-	-
International investment impairment losses	<u>\$ 31,369</u>	<u>\$ 31,369</u>

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

The taxable temporary difference of unrecognized deferred income tax liabilities related to investments in subsidiaries were both NT\$2,366,744,000 as at December 31, 2021 and 2020, respectively.

(VII) Approval of income tax

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

XXIV. EPS

EPS and weighted average ordinary shares are calculated below:

(I) Net profit for the year

	<u>2021</u>	<u>2020</u>
Basic and diluted EPS		
Net profit for the year	<u>\$ 115,933</u>	<u>\$ 218,012</u>

(II) Shares (thousand shares)

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

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

XXV. Capital risk management

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

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

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

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

XXVI. Financial instruments

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

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

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

1. Fair value level

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2021</u>				
Financial assets at fair value through other comprehensive income (all equity investments)				
Securities of public company in Taiwan	\$ 52,356	\$ -	\$ -	\$ 52,356
Securities of	<u>-</u>	<u>-</u>	<u>4,657</u>	<u>4,657</u>



non-public company in Taiwan	<u>\$52,356</u>	<u>\$ -</u>	<u>\$ 4,657</u>	<u>\$57,013</u>
Financial liabilities at fair value through profit or loss				
Derivatives (not designated for hedging)	<u>\$102,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$102,669</u>
<u>December 31, 2020</u>				
Financial assets at fair value through other comprehensive income (all equity investments)				
Securities of public company in Taiwan	\$ 39,181	\$ -	\$ -	\$ 39,181
Securities of non-public company in Taiwan	<u>-</u>	<u>-</u>	<u>5,030</u>	<u>5,030</u>
	<u>\$39,181</u>	<u>\$ -</u>	<u>\$ 5,030</u>	<u>\$44,211</u>
Financial liabilities at fair value through profit or loss				
Derivatives (not designated for hedging)	<u>\$ -</u>	<u>\$ 4,843</u>	<u>\$ -</u>	<u>\$ 4,843</u>

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

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

	<u>2021</u>	<u>2020</u>
At fair value through other comprehensive income		
Opening balance	\$ 5,030	\$ 4,667
Recognized in other comprehensive income	( <u>373</u> )	<u>363</u>
Closing balance	<u>\$ 4,657</u>	<u>\$ 5,030</u>

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

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

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

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

(III) Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 2,551,676	\$ 2,791,073
Financial assets for which the fair value is required to be measured through profit or loss	102,669	-
Financial assets at fair value through other comprehensive income (investment in equity instruments)	57,013	44,211
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	5,370,803	5,519,136
Financial liabilities at fair value through profit or loss (held for trading)	-	4,843

Note 1:

The balance includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), other financial assets, refundable deposits, and other financial assets at amortized cost.

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

(IV) The purpose and policy of financial risk management

The Company's main financial instruments include cash and cash equivalents, notes and accounts receivable, other receivables, accounts payable, short-term notes and bills payable, other payables, long-term and short-term borrowings, and lease liabilities.

@ The Company's financial management department provides services to sales units, coordinates operations in domestic and international financial markets, and analyzes exposure based on the level and extent of risks, in order to supervise and manage financial risks related to the Company's operations. Risks include market risk

(including foreign exchange risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

#### 1. Market Risk

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

##### (1) Foreign exchange risk

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

Please see Note 32 for the book value of the Company's monetary assets and liabilities not denominated in the functional currency on the balance sheet date.

##### Sensitivity analysis

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

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

When NTD (functional currency) appreciates (depreciates) 1% against USD, the Company's 2021 and 2020 pre-tax profit will decrease (increase) NT\$21,613,000 and NT\$21,156,000.

##### (2) Interest rate risk

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Has interest rate risk for cash flow		
Financial assets	\$ 1,269,127	\$ 892,603
Financial liabilities	3,290,000	3,320,000

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

#### Sensitivity analysis

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

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

If annual interest rate increases/decreases 1% while all other variables remain the same, the Company's pre-tax profit will increase/decrease NT\$20,209,000 and NT\$24,274,000 in 2021 and 2020, respectively, and is mainly due to the Company's floating interest rate bank deposits and loans.

#### (3) Other price risks

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

#### Sensitivity analysis

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

If the price of equity increases/decreases by 1%, other comprehensive income in 2021 and 2020 will increase/decrease NT\$570,000 and NT\$442,000, respectively, due to the increase/decrease in fair value of financial assets at fair value through other comprehensive income.

#### 2. Credit risk

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

(1) Book value of financial assets recognized on the standalone balance sheet.  
 (2) Amount of contingent liabilities from guarantees provided by the Company.  
 The Company's policy is to only engage in transactions with counterparties that have a good reputation, and also uses other financial information available to the public along with transaction records to evaluate major customers. The Company continues to monitor its exposure to credit risk and evaluates the credit of transaction counterparties, using annual credit limits with transaction counterparties to control credit risk exposure.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Group A	\$ 94,847	\$ 97,274
Group B	87,010	89,543
Group C	<u>64,988</u>	<u>79,518</u>
	<u>\$ 246,845</u>	<u>\$ 266,335</u>

The abovementioned groups accounted for 24% and 30% of accounts receivable for the years ended December 31, 2021 and 2020, respectively.

### 3. Liquidity risk

The Company manages and maintains an adequate position of cash to support the group's operations and mitigate the effect of cash flow fluctuations. Management of the Company supervises the usage of bank credit limit and ensures compliance with terms of loan agreements. Bank borrowings are an important source of the Company's liquidity. Unused long-term and short-term credit limits of the Company was NT\$2,155,000,000 and NT\$2,255,000,000 for the years ended December 31, 2021 and 2020, respectively.

#### Non-derivative financial liabilities and interest rate risk

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

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

	Within 6 months	6 months to 1 year	1 year and above	Total
<u>December 31, 2021</u>				
Non-derivative financial liabilities				
No interest-bearing debt	\$ 852,377	\$ -	\$ 8,512	\$ 860,889
Lease liabilities	2,803	2,099	4,690	9,592
Floating-rate tools	498,547	456,097	2,406,578	3,361,222
Fixed-rate tools	1,220,016	-	-	1,220,016
Guarantee liabilities	10,000	-	-	10,000
	<u>\$2,583,743</u>	<u>\$ 458,196</u>	<u>\$2,419,780</u>	<u>\$5,461,719</u>
<u>December 31, 2020</u>				
Non-derivative financial liabilities				
No interest-bearing debt	\$ 905,586	\$ -	\$ 3,578	\$ 909,164
Lease liabilities	3,139	1,900	5,064	10,103
Floating-rate tools	216,958	745,310	2,434,499	3,396,767
Fixed-rate tools	1,291,366	-	-	1,291,366
Guarantee liabilities	10,000	-	-	10,000
	<u>\$2,427,049</u>	<u>\$ 747,210</u>	<u>\$2,443,141</u>	<u>\$5,617,400</u>

## XXVII. Related Party Transactions

Transactions between the Company and related parties are as follows:

### (I) Name and relationship of related parties

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

### (II) Business transaction

#### 1. Operating revenue

<u>General ledger account</u>	<u>Type/Name of related party</u>	<u>2021</u>	<u>2020</u>
Sales revenue	Subsidiary		
	PTS	\$ 1,532,253	\$ 805,274
	Dongguan Baoliang	807,093	502,688
	Other	\$ 19,031	\$ 76,285

Investor with significant influence		
Yue Yuen Industrial (Holdings) Ltd.	636,224	678,774
Parent company of investor with significant influence		
Pou Chen Corporation	<u>68,168</u>	<u>315,936</u>
	<u>\$ 3,062,769</u>	<u>\$ 2,378,957</u>

The Company sells goods to the related parties mentioned above. Except for the fact that prices cannot be compared because subsidiaries do not sell the same types of goods to non-related parties, there are no significant differences when compared with non-related parties. The terms of payment for related parties is open account 30-120 days, and for regular customers it is open account 30-60 days.

2. Purchase of goods

Type/Name of related party	2021	2020
Subsidiary		
Forich Advanced Materials Co., Ltd.	\$ 151,903	\$ 114,497
Dongguan Baoliang PTS	22,968	56,493
	<u>8,152</u>	<u>71,890</u>
	<u>\$ 183,023</u>	<u>\$ 242,880</u>

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

3. Contracted processing

The Company commissions subsidiary SFV to process artificial leather, and processing expenses were NT\$892,243,000 and NT\$752,319,000 in 2021 and 2020, respectively, and are listed under operating costs.

Prices cannot be compared because the Company does not engage in similar transactions with non-related parties, and the terms of payment is open account 60 days. The Company began advance payments for processing from December 2020 to June 2021.

4. Purchase of raw materials

The amounts of raw materials purchased by the Company on for subsidiaries in 2021 and 2020 are as follows:

Type/Name of related party	2021	2020
Subsidiary		
Bestac Advanced Material Co., Ltd.	\$ 114,334	\$ 28,970
PTS	108,024	100,997
Dongguan Baoliang	78,179	111,178
Forich Advanced Materials Co., Ltd.	<u>12,204</u>	<u>3,830</u>
	<u>\$ 312,741</u>	<u>\$ 244,975</u>

The Company's loss and profit from purchasing raw materials for subsidiaries were NT\$6,603,000 and NT\$6,319,000 in 2021 and 2020, respectively, which were included in the contra item for cost of goods sold.

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

5. Receivables from related parties

General ledger account	Type/Name of related party	December 31, 2021	December 31, 2020
Accounts receivable – related parties	Subsidiary		
	PTS	\$ 168,441	\$ 72,109
	Dongguan Baoliang	147,446	69,628
	Other	508	40,707
	Investor with significant influence		
	Yue Yuen Industrial (Holdings) Ltd.	94,847	97,274
	Parent company of investor with significant influence		
	Pou Chen Corporation	<u>13,108</u>	<u>41,571</u>
		<u>\$ 424,350</u>	<u>\$ 321,289</u>
Other receivables - related parties	Subsidiary		
	Bestac Advanced Material Co., Ltd.	\$ 127,359	\$ 58,647
	PTS	69,246	65,349
	San Fang Development	-	567,600
	GCL	-	198,699
	Other	<u>9,496</u>	<u>7,588</u>
		<u>\$ 206,101</u>	<u>\$ 897,883</u>

Other receivables are mainly purchases of raw materials and payments on behalf of subsidiaries, as well as cash dividends receivable from subsidiaries. No collateral was collected for outstanding receivables from related parties.



6. Payables to related parties

General ledger account	Type/Name of related party	December 31, 2021	December 31, 2020
Accounts payable - related parties	Subsidiary		
	Forich Advanced Materials Co., Ltd.	\$ 13,056	\$ 12,868
	PTS	2,193	970
	Other	904	1,813
		<u>\$ 16,153</u>	<u>\$ 15,651</u>
Other payables	Subsidiary		
Related party	SFV	\$ 62,711	\$ -
	Other	1,350	-
		<u>\$ 64,061</u>	<u>\$ -</u>

No collateral was provided for outstanding payables to related parties.

7. Advance payments

Type/Name of related party	December 31, 2021	December 31, 2020
Subsidiary		
SFV	\$ -	\$ 74,277

(III) Property, plant and equipment acquired - 2021

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

(IV) Lease agreements

The Company leased buildings, machinery and equipment, and other equipment, and leased right-of-use assets – transportation equipment to subsidiary Bestac Advanced Material Co., Ltd. Under an operating lease (Note 13) with a lease term of July 2020 to December 2021. Rental income of NT\$34,958,000 and NT\$18,616,000 was recognized in 2021 and 2020.

(V) Providing endorsements/guarantees to others

Type/Name of related party	December 31, 2021	December 31, 2020
Subsidiary		
Guarantee amount	\$ 50,000	\$ 50,000
Actual amount drawn down	\$ 10,000	\$ 10,000

(VI) Compensation for management

	2021	2020
Short-term employee benefits	\$ 28,377	\$ 27,237
Post-employment benefit	344	344
	<u>\$ 28,721</u>	<u>\$ 27,581</u>

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

**XXVIII. Pledged Assets**

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment – net	\$ 1,363,965	\$ 1,367,941
Investment properties – net	<u>110,923</u>	<u>111,790</u>
	<u>\$ 1,474,888</u>	<u>\$ 1,479,731</u>

**XXIX. Significant Contingent Liabilities and Unrecognized Contractual Commitments**

In addition to those described in Note 27(5), the Company also has the following major commitments on the balance sheet date:

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

	Unit: Foreign currency (in thousands)	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
USD	\$ 193	\$ -

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Acquisition of property, plant and equipment	<u>\$ 78,506</u>	<u>\$ 67,641</u>

**XXX. Significant Disaster Loss**

In August 2021, a fire accident occurred in the second plant of the Company's Kaohsiung plant, resulting in damage to part of the inventories, buildings, and equipment. The Company estimated that the fire loss was approximately NT\$70,217,000 (respectively included in operating costs and non-operating expenses/losses).

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

**XXXI. Other Matters**

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

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

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

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

	<u>Foreign currencies</u>	<u>Exchange rate</u>	<u>Book value</u>
<u>December 31, 2021</u>			
Monetary financial assets			
USD	\$ 82,877	27.68	\$ 2,294,030
Monetary financial liabilities			
USD	4,795	27.68	132,726
<u>December 31, 2020</u>			
Monetary financial assets			
USD	80,452	28.48	2,291,270
Monetary financial liabilities			
USD	6,169	28.48	175,693

The Company's foreign exchange net loss (including realized and unrealized) was NT\$74,287,000 and NT\$92,655,000 in 2021 and 2020, respectively. Due to the large number of foreign currencies used for transactions, foreign exchange gain/loss cannot be individually disclosed for foreign currencies with a material impact.

### XXXIII. Supplementary Disclosures

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

(II) Information on Investments in China

1. Name of investee in China, main business items, paid-in capital, investment style, outward/inward remittance, shareholding ratio, income on investment, book value of investments at end of period, income on investment remitted back to Taiwan, and limit on investments in China: See Table 7 for details.
2. Direct or indirect material transactions with investees in China through a third region, and the price, terms of payment, and unrealized gains:

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

	Purchase of goods		Accounts payable	
	As a percentage of the account	As a percentage of the account	As a percentage of the account	As a percentage of the account
	Amount	(%)	Amount	(%)
Dongguan Baoliang	<u>\$ 22,968</u>	<u>-</u>	<u>\$ 816</u>	<u>-</u>

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

	Sales		Accounts receivable	
	As a percentage of the account	As a percentage of the account	As a percentage of the account	As a percentage of the account
	Amount	(%)	Amount	(%)
Dongguan Baoliang	<u>\$ 807,093</u>	<u>11</u>	<u>\$ 147,446</u>	<u>15</u>

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

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

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

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

Table 1

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

No.	Lender	Borrower	General ledger account	Is it a related party	Highest balance in the current period	Closing balance	Actual amount drawn down	Interest rate range (%)	Nature of loan	Amount of transaction	Reason for short-term financing	Provision for doubtful debts	Collateral		Limit on loans granted to a single party	Limit on total lending	Remarks
													Name	Value			
1	GII	SFV	Long-term accounts receivable	Yes	\$ 913,440	\$ 913,440	\$ 913,440	1	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 3,149,239	\$ 3,149,239	Note 1 and Note 2

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

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

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

Table 2

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

No.	Name of company	Entity for which the endorsement/guarantee is made		Limit on endorsements/guarantees to a single enterprise	Maximum outstanding balance of endorsements/guarantees during the current period	Closing balance of endorsements/guarantees	Actual amount drawn down	Endorsed/Guaranteed amount with property as collateral	Cumulative endorsed/guaranteed amount as a percentage of the net worth in the most recent financial statements (%)	Maximum endorsed/guaranteed amount	Endorsement/Guarantee provided by parent company to subsidiary	Endorsement/Guarantee provided by subsidiary to parent company	Endorsement/Guarantee provided to China	Remarks
		Company name	Relationship											
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	Subsidiary	\$ 397,818	\$ 50,000	\$ 50,000	\$ 10,000	\$ -	0.60	\$ 1,989,090	Y	N	N	Note 1 and Note 2

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

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

San Fang Chemical Industry Co., Ltd. and Subsidiaries  
Detailed list of securities held at the end of period  
December 31, 2021

Table 3

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

Securities held by	Type and name of security	Relationship with securities issuer	General ledger account	End of period			Remarks
				Number of shares or units	Book value	Shareholding ratio (%)	
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
					<u>\$ 57,013</u>		<u>\$ 57,013</u>
	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
				<u>\$102,669</u>		<u>\$102,669</u>	
San Fang Financial Holdings Co., Ltd.	Stock						
	Yentai Wanhua Microfibre Co., Ltd.	-	Noncurrent financial assets at fair value through profit or loss	4,000,000	\$ -	8	\$ -
	Taihuangdao Fusheng Chemical and Leather-making Co., Ltd.	-	Noncurrent financial assets at fair value through profit or loss		-	7.29	-
				<u>\$ -</u>		<u>\$ -</u>	
Forich Advanced Materials Co., Ltd.	Stock						
	Yeashin International Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	744,684	<u>\$ 17,129</u>	0.21	<u>\$ 17,129</u>

San Fang Chemical Industry Co., Ltd. and Subsidiaries  
Purchase or sale of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
From January 1 to December 31, 2021

Table 4

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

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

Note: Includes the amount of raw materials purchased.



San Fang Chemical Industry Co., Ltd. and Subsidiaries  
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
 December 31, 2021

Table 5

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

Creditor	Counterparty	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Receivables from related parties Amount collected subsequent to the balance sheet date	Provision for doubtful debts
					Amount	Action taken		
San Fang Chemical Industry Co., Ltd.	PTS	Subsidiary	\$ 237,687 (Note 1)	12.25	\$ -	-	\$180,917	\$ -
	Dongguan Baoliang	Subsidiary	154,936 (Note 2)	10.25	-	-	84,667	-
	Bestac Advanced Material Co., Ltd.	Subsidiary	127,382 (Note 3)	0.06	-	-	24,994	-
GII	SFV	Subsidiary	935,584 (Note 4)	-	-	-	761	-
PTS	Yue Yuen (Group)	Investor with significant influence	119,106	6.01	-	-	43,346	-

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

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

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

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

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

Table 6

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

Name of investment company	Name of investee	Location	Main business items	Initial investment amount		Shareholding at the end of period			Current profit (loss) of investee	Investment income (loss) recognized by the Company for the current period	Remarks
				End of the current year	End of last year	Number of shares	Percentage (%)	Book value			
San Fang Chemical Industry Co., Ltd.	San Fang Development	British Virgin Islands	Investment	\$ 687,435	\$ 687,435	20,000,000	100.00	\$ 1,575,959	( \$ 837 )	\$ 340	Note 1
San Fang Chemical Industry Co., Ltd.	GCL	GCL	Investment	656,053	656,053	19,750,000	100.00	4,423,230	( 57,581 )	( 55,222 )	Note 1
San Fang Chemical Industry Co., Ltd.	San Fang Financial Holdings Co., Ltd.	British Virgin Islands	Investment	20,150	20,150	604,113	100.00	9,279	( 337 )	( 337 )	-
San Fang Chemical Industry Co., Ltd.	Forich Advanced Materials Co., Ltd.	Taiwan	Manufacturing and sales of chemical products	76,985	76,985	7,698,545	100.00	106,432	4,093	4,093	-
San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	Taiwan	Manufacturing and sales of chemical products	200,000	200,000	20,000,000	100.00	118,371	( 40,023 )	( 40,023 )	-
San Fang Development	San Fang International	British Virgin Islands	Investment	697,536	717,696	25,200,010	100.00	865,527	( 6,816 )	( 6,816 )	Note 2
San Fang Development	BBH	Hong Kong	Investment	470,560	484,160	17,000,000	100.00	530,638	10,930	10,930	Note 3
San Fang International	MPL	British Virgin Islands	Investment	249,120	256,320	9,000,001	100.00	358,613	8,440	8,440	Note 4
San Fang International	GTL	British Virgin Islands	Investment	176,656	181,762	1	100.00	126,773	( 13,792 )	( 13,792 )	Note 5
GCL	GII	GCL	Investment	559,136	575,296	20,200,000	100.00	3,149,239	141	141	Note 6
GCL	JOB	GCL	Investment	1,010,251	1,039,449	36,497,500	100.00	1,322,822	( 57,460 )	( 57,460 )	Note 7
JOB	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	968,731	996,729	34,997,500	99.99	1,165,665	( 57,443 )	( 57,443 )	Note 8
GII	SFV	Vietnam	Material processing	249,120	256,320	-	100.00	558,106	( 12,273 )	( 12,273 )	Note 9
GII	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	69	71	2,500	0.01	67	( 57,443 )	-	Note 10

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

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

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

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

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

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

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

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

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

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

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

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

Table 7

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

Name of investee in China	Main business items	Paid-in capital	Investment method	Accumulated investment amount remitted from Taiwan at the beginning of the period	Investment amount remitted from/to Taiwan in the current period		Accumulated investment amount remitted from Taiwan at the end of the period	Current profit (loss) of investee	Percentage of shares held directly or indirectly by the Company (%)	Investment income (loss) recognized by the Company in the current period	Closing book value of investments	Investment gains remitted back to Taiwan as of the end of the period	Remarks
					Remitted from Taiwan	Remitted back to Taiwan							
Taihuangdao Fusheng Chemical and Leather-making Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	\$ 360,947	2	\$ 33,020	\$ -	\$ -	\$ 33,020	\$ -	7.29	\$ -	\$ -	\$ -	
Yentai Wanhua Microfibre Co., Ltd.	Production and sales of microfiber synthetic leather, PU synthetic leather, PU resin, and additives	216,400	2	21,174	-	-	21,174	-	8.00	-	-	-	
Dongguan Huangjiang Baoliang Shoe Factory	Material processing	53,114	2	62,893	-	-	62,893	-	-	-	-	-	Note 1, Note 2, and Note 4
Dongguan Baoliang Material Technology Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	747,360	2	-	-	-	-	20,153	100.00	20,153	882,110	88,801	Note 3 and Note 4

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

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

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

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

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

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

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

Table 8

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

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

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

## § List of Significant Accounting Items §

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San Fang Chemical Industry Co., Ltd.  
Detailed list of cash and cash equivalents  
December 31, 2021

List 1

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

Item	Amount
Cash on hand and working capital	\$ 890
Cash in banks	
Cheque deposits	9,360
Demand deposits	160,869
Foreign currency demand deposits	
USD 19,687,975	544,963
JPY 83,468,187	20,074
RMB 21,874	95
EUR 208,033	6,516
Cash equivalents	
Time deposits (RMB3,000,000; Annual interest of 2.45%)	12,976
	<u>\$755,743</u>

Note: USD 1 = NTD 27.68.  
JPY 1 = NTD 0.2405.  
RMB 1 = NTD 4.328.  
EUR 1 = NTD 31.32.

San Fang Chemical Industry Co., Ltd.  
 Financial assets at fair value through profit or loss - current detailed list  
 December 31, 2021

List 2

Unit: Thousand NTD  
 (Unless otherwise specified)

Name	Summary	Unit (shares)	Initial investment amount	Unit price (USD)	Fair value
PineBridge Global ESG Quantitative Bond Fund N9 (Acc) (USD)	Open end funds	103,755.99	\$ 30,533	\$ 10.63	\$ 30,618
Nomura Global Financial Bond N Acc USD	Open end funds	101,664.05	28,880	10.28	28,684
PineBridge Multi-Income Fund N Acc USD	Open end funds	67,369.59	21,661	11.59	21,708
Allianz Global Investors and Growth Monthly Distribution Class USD	Open end funds	68,323.30	<u>21,661</u>	11.26	<u>21,659</u>
			<u>\$ 102,735</u>		<u>\$ 102,669</u>

San Fang Chemical Industry Co., Ltd.  
Detailed list of notes receivable  
December 31, 2021

List 3

Unit: Thousand NTD

Name of customer	Summary	Amount
Non-related party		
Peng Dar Industrial Co., Ltd.	Sales proceeds	\$ 4,910
Cortina United Corporation	Sales proceeds	4,076
Feng Tay Enterprise Co., Ltd.	Sales proceeds	1,612
Other (Note)	Sales proceeds	<u>411</u>
		<u>\$ 11,009</u>

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



San Fang Chemical Industry Co., Ltd.  
Detailed list of accounts receivable  
December 31, 2021

List 4

Unit: Thousand NTD

Name of customer	Summary	Amount
Related party		
PTS	Sales proceeds	\$168,441
Dongguan Baoliang	Sales proceeds	147,446
Yue Yuen Industrial (Holdings) Ltd.	Sales proceeds	94,847
Other (Note 1)	Sales proceeds	<u>13,616</u>
Net accounts receivable – related parties		<u>424,350</u>
Non-related party		
Forward Sports (PVT) Ltd.	Sales proceeds	36,974
Diamond Vietnam Co., Ltd.	Sales proceeds	32,200
Can Sport Shoes Co., Ltd.	Sales proceeds	37,859
Other (Note 2)	Sales proceeds	<u>485,832</u>
		592,865
Less: Loss provision		<u>3,898</u>
Net accounts receivable – non-related party		<u>588,967</u>
		<u>\$1,013,317</u>

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

Note 2: The Company's accounts receivable that are overdue for one year or longer amount to NT\$3,960,000.

San Fang Chemical Industry Co., Ltd.  
Detailed list of other accounts receivable  
December 31, 2021

List 5

Unit: Thousand NTD

Name/Item	Amount
<b>Related party</b>	
Bestac Advanced Material Co., Ltd. (Note 1)	\$127,359
PTS (Note 2)	69,246
Other (Note 3)	<u>9,496</u>
	<u>206,101</u>
<b>Non-related party</b>	
Business tax refunds receivable	7,339
Income from sale of scrap receivable	1,257
Rents receivable	818
Other (Note 3)	<u>6,700</u>
	<u>16,114</u>
	<u>\$222,215</u>

Note 1:

Collections, payments, and purchases of raw materials for third parties.

Note 2: Purchase of raw materials.

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

San Fang Chemical Industry Co., Ltd.  
Detailed list of inventories  
December 31, 2021

List 6

Unit: Thousand NTD

Item	Amount	
	Book value	Net realizable value (Note)
Raw materials	\$ 706,517	\$ 737,130
Supplies	15,707	15,707
Work in process	540,615	712,844
Finished goods	198,693	225,112
Inventory in transit	<u>113,822</u>	<u>113,822</u>
	<u>\$1,575,354</u>	<u>\$1,804,615</u>

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

San Fang Chemical Industry Co., Ltd.  
Detailed list of advance payments  
December 31, 2021

List 7

Unit: Thousand NTD

<u>Item</u>	<u>Amount</u>
Advance payments to vendors	\$102,489
Prepaid sales tax	<u>25,870</u>
	<u>\$128,359</u>

San Fang Chemical Industry Co., Ltd.  
Detailed list of changes to non-current financial assets at fair value through other comprehensive income  
2021

List 8

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

Name	Opening balance		Increase in the current year (Note 1)		Decrease in the current year (Note 2)		Closing balance		Guarantee or collateral provided
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	
Stock									
Yuanta Financial Holding Co., Ltd.	534,834	\$ 10,991	-	\$ 2,540	-	\$ -	534,834	\$ 13,531	N/A
Yeashin International Development Co., Ltd.	1,688,042	28,190	-	10,635	-	-	1,688,042	38,825	N/A
Liyu Venture Capital	558,255	<u>5,030</u>	-	<u>-</u>	-	<u>373</u>	558,255	<u>4,657</u>	N/A
		<u>\$ 44,211</u>		<u>\$ 13,175</u>		<u>\$ 373</u>		<u>\$ 57,013</u>	

Note 1:

Valuation of unrealized profit was adjusted to NT\$13,175,000.

Note 2: Unrealized losses was adjusted to NT\$373,000.

San Fang Chemical Industry Co., Ltd.  
Detailed list of changes to investments recognized under the equity method  
2021

List 9

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

Name of investee	Amount at beginning of year		Increase in the current year (Note 1)		Decrease in the current year (Note 2)		Closing balance			Net value of equity (Note 3)		Guarantee or collateral provided
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Shareholding %	Amount	Unit price (NTD)	Total Amount	
San Fang Development	20,000,000	\$ 1,709,387	-	\$ 340	-	\$ 133,768	20,000,000	100	\$ 1,575,959	\$ 80.31	\$ 1,606,127	N/A
Grand Capital Limited	19,750,000	4,650,279	-	-	-	227,049	19,750,000	100	4,423,230	226.84	4,480,016	N/A
San Fang Financial Holdings Co., Ltd.	604,113	9,616	-	-	-	337	604,113	100	9,279	15.36	9,279	N/A
Forich Advanced Materials Co., Ltd.	7,698,545	97,647	-	8,785	-	-	7,698,545	100	106,432	13.82	106,432	N/A
Bestac Advanced Material Co., Ltd.	20,000,000	<u>158,394</u>	-	<u>-</u>	-	<u>40,023</u>	20,000,000	100	<u>118,371</u>	5.92	<u>118,371</u>	N/A
		<u>\$ 6,625,323</u>		<u>\$ 9,125</u>		<u>\$ 401,177</u>			<u>\$ 6,233,271</u>		<u>\$ 6,320,225</u>	

Note 1: The increase this year includes investment gains in the amount of NT\$4,433,000 and unrealized gains from financial assets measured at fair value through other comprehensive income in the amount of NT\$4,692,000.

Note 2: The decrease this year includes investment losses in the amount of NT\$95,582,000, unrealized gains from subsidiaries of NT\$63,811,000, a decrease of NT\$152,237,000 in foreign translation adjustment, recognition of actuarial loss in the amount of NT\$746,000 from the defined benefit plans of investees, and cash dividends in the amount of NT\$88,801,000 from investees.

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

San Fang Chemical Industry Co., Ltd.  
Detailed list of short-term borrowings  
December 31, 2021

List 10

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

Type of borrowings and creditors	Loan period	Annual interest rate (%)	Balance	Credit limit	Collateral or guarantee
Secured loans					
Hua Nan Bank	2022.02.18-2022.03.17	0.87-0.88	\$ 120,000	\$ 350,000	Land and buildings
Mega Bank	2022.01.25	0.978	100,000	310,000	Land and buildings
CTBC Bank	2022.01.27	0.85	<u>150,000</u>	150,000	Land and buildings
			<u>370,000</u>		
Unsecured loans					
Bank of Taiwan	2022.04.07	0.85	300,000	500,000	N/A
FCB	2022.03.10	0.85	70,000	200,000	N/A
E.SUN Bank	2022.02.16	0.8	30,000	200,000	N/A
Mizuho Bank, Ltd.	2022.02.07-2022.03.10	0.91	350,000	540,000	N/A
Far Eastern	2022.01.21	0.9	50,000	200,000	N/A
International Bank Export-Import Bank of the Republic of China	2022.06.11-2022.07.13	0.4-0.93	<u>200,000</u>	200,000	N/A
			<u>1,000,000</u>		
			<u>\$ 1,370,000</u>		

San Fang Chemical Industry Co., Ltd.  
Detailed list of accounts payable  
December 31, 2021

List 11

Unit: Thousand NTD

Name of Supplier	Amount
<b>Related party</b>	
Forich Advanced Materials Co., Ltd.	\$ 13,056
PTS	2,193
Other (Note)	<u>904</u>
	<u>16,153</u>
 <b>Non-related party</b>	
BASF	117,354
Eefa Steel & Pipe Supply Co., Ltd.	34,926
Sun Yang Global Co., Ltd.	26,769
Nan Ya Plastics Corporation	28,689
Other (Note)	<u>288,607</u>
	<u>496,345</u>
	 <u>\$512,498</u>

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



San Fang Chemical Industry Co., Ltd.  
Detailed list of long-term borrowings  
December 31, 2021

List 12

Unit: Thousand NTD

Creditor bank	Deadline and repayment rules	Annual interest rate (%)	Amount			Collateral or guarantee
			Expiring within one year	Expiring beyond one year	Total	
<b>Credit loans</b>						
Far Eastern International Bank	Repaid upon maturity in December 2023	1.297	\$ -	\$ 300,000	\$ 300,000	N/A
CHB	Repayment every six months from August 2020 to February 2023	1.120	100,000	50,000	150,000	N/A
FCB	Repayment every six months from February 2022 to August 2024	1.200	100,000	200,000	300,000	N/A
Bank SinoPac	Repayment every six months from August 2021 to February 2024	1.210	100,000	150,000	250,000	N/A
E.SUN Bank	Repayment in 6-month installments from January 2022 to January 2024	1.030	10,000	210,000	220,000	N/A
Taiwan Cooperative Bank	Repayment every six months from July 2021 to July 2026	1.120	-	300,000	300,000	N/A
			<u>310,000</u>	<u>1,210,000</u>	<u>1,520,000</u>	
<b>擔保借款</b>						
CTBC Bank	Repaid upon maturity in July 2026	1.070	-	350,000	350,000	Land and buildings
Taiwan Cooperative Bank	Repayment every six months from July 2021 to January 2024	1.050	100,000	150,000	250,000	Land and buildings
Bank of Taiwan	Repayment every six months from September 2019 to March 2022	1.030	50,000	-	50,000	Land and buildings
Mega Bank	Repayment every six months from December 2021 to December 2024	1.030	140,000	280,000	420,000	Land and buildings
Hua Nan Bank	Repayment every six months from March 2022 to September 2025	1.080	125,000	375,000	500,000	Land and buildings
			<u>415,000</u>	<u>1,155,000</u>	<u>1,570,000</u>	
			<u>\$ 725,000</u>	<u>\$ 2,365,000</u>	<u>\$ 3,090,000</u>	

San Fang Chemical Industry Co., Ltd.  
Detailed list of operating revenue  
2021

List 13

Unit: Thousand NTD

Item	Quantity	Amount
<u>Total operating revenue</u>		
Wet-processed synthetic leather	12,256 thousand yards	\$2,435,592
Dry-processed synthetic leather	5,876 thousand yards	1,506,967
Leather work in progress	10,472 thousand yards	1,457,207
	10,590 thousand yards	828,558
Other (Note)		<u>1,132,648</u>
		7,360,972
Less: Sales return	268 thousand yards	72,373
Sales discounts		<u>39,798</u>
Net sales revenue		7,248,801
Service revenue		<u>11</u>
		<u>\$7,248,812</u>

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

San Fang Chemical Industry Co., Ltd.  
Detailed list of operating costs  
2021

List 14

Unit: Thousand NTD

Item	Amount
Direct raw materials	
Raw materials at the beginning of the year	\$ 589,114
Plus: Purchased in the current year	4,925,697
Less: Transferred to expenses	92,984
Loss by fire	9,024
Other	2,643
Raw materials at the end of the year	<u>706,517</u>
	4,703,643
Direct labor	232,561
Manufacturing overhead	<u>1,056,803</u>
Manufacturing costs	5,993,007
Plus: Work in process at the beginning of the year	372,175
Purchased in the current year	408,933
Less: Transferred to expenses	32,330
Loss by fire	15,402
Other	4,605
Work in process at the end of the year	<u>540,615</u>
Costs of finished goods	6,181,163
Plus: Finished goods at the beginning of the year	123,567
Purchased in the current year	112,280
Less: Other	79,741
Finished goods at the end of the year	<u>198,693</u>
Cost of production and sales	6,138,576
Loss on physical inventory	10,185
Loss by fire (Note)	24,426
Income from sale of scraps	( 20,710)
Raw materials plus loss (Note 27)	<u>6,603</u>
Operating costs	<u>\$ 6,159,080</u>

Note: Fire losses from inventories in the current year amounted to approximately NT\$38,404,000, of which the amounts that had been scrapped and those that were still included in the provision for loss on inventory devaluation were NT\$24,426,000 and NT\$13,978,000, respectively.

San Fang Chemical Industry Co., Ltd.  
Detailed list of operating expenses  
2021

List 15

Unit: Thousand NTD

Item	Selling expenses	Administrativ e expenses	Research and development expenses	Total
Payroll expenses (including director's remuneration)	\$ 41,903	\$ 122,441	\$ 58,703	\$ 223,047
Laboratory materials	12	-	95,918	95,930
Advertising	71,253	119	-	71,372
Commission expenses	48,673	-	-	48,673
Depreciation	4,567	17,970	14,874	37,411
Miscellaneous expenses	6,460	18,326	584	25,370
Information related fees	406	22,423	314	23,143
Freight charges	16,396	3,259	418	20,073
Professional service expenses	1,123	11,915	3,877	16,915
Taxes	17,254	( 745 )	161	16,670
Other	<u>25,439</u>	<u>63,169</u>	<u>47,103</u>	<u>135,711</u>
Subtotal	<u>\$ 233,486</u>	<u>\$ 258,877</u>	<u>\$ 221,952</u>	714,315
Gain on reversal of impairments of expected credit				( <u>1,011</u> )
				<u>\$ 713,304</u>

San Fang Chemical Industry Co., Ltd.  
Summary of employee benefits, depreciation and amortization expenses by function  
2021 and 2020

List 16

Unit: Thousand NTD

	2021			2020		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses						
Salary expenses	\$284,272	\$218,362	\$502,634	\$323,813	\$246,798	\$570,611
Labor and health insurance premiums	30,558	18,655	49,213	31,396	18,916	50,312
Pension expenses	13,860	9,428	23,288	14,447	10,250	24,697
Director's remuneration	-	4,685	4,685	-	8,873	8,873
Other employee benefit expenses	15,470	9,995	25,465	16,642	10,922	27,564
	<u>\$344,160</u>	<u>\$261,125</u>	<u>\$605,285</u>	<u>\$386,298</u>	<u>\$295,759</u>	<u>\$682,057</u>
Depreciation expense	\$359,609	\$ 37,411	\$397,020	\$367,348	\$ 39,095	\$406,443
Amortization expense	343	9,650	9,993	417	7,464	7,881

Note 1: The Company had a average of 752 and 863 employees, in which 7 and 7 directors were not concurrently employees, in 2021 and 2020, respectively.

- Note 2: 1. Average employee benefit expenses [(Total employee benefit expenses – Total director's remuneration)/(Number of employees – Number of directors who not concurrently employees)] were NT\$806,000 and NT\$786,000 in 2021 and 2020, respectively.
2. Average employee salary expenses [(Total employee salary expenses/(Number of employees – Number of directors who not concurrently employees)] were NT\$675,000 and NT\$667,000 in 2021 and 2020, respectively.
3. Adjustments and changes to average employee salary expenses [(Average employee salary expenses in the current year – Average employee salary expenses in the previous year)/Average employee salary expenses in the previous year]: 1.1%.
4. The Company does not have any supervisors.

5. The Company's remuneration policy (including directors, managers, and employees) is as follows:
- (1) Ensure that the Company's overall remuneration policy is in compliance with the law and sufficient to attract outstanding talent needed for the Company's development.
  - (2) Set the percentage allocated as directors' remuneration each year after referencing shareholders' equity, the Company's dividends over the years, and industry standards.
  - (3) The remuneration policy for the president, vice presidents, and managers in equivalent positions is recommended by the Remuneration Committee after taking into consideration the Company's business strategy, profitability, performance, and the individual's contribution, as well as salary levels in the market and offered by competitors. The remuneration policy is implemented after being approved by the Board of Directors.
  - (4) The remuneration policy for employees is designed to encourage employees to achieve better work performance. In addition to salaries, the individual performance of employees is evaluated based on the production, business, and other performance goals set by the Company, and various performance bonuses are distributed to personnel who serve specific functions, such as production, business, and R&D. Depending on the profits each year, year-end bonuses and other bonuses are distributed to reward employees.
  - (5) The remuneration of directors, managers, and employees must be strongly correlated with business performance or results.