

Stock code : : 4755



SAN FU CHEMICAL Co., Ltd.

2022 Annual Report



***Making the World Better
with Total Chemical Solutions***

Annual Report Inquiry Website: <http://mops.twse.com.tw>

Company Website: <http://www.sfchem.com.tw>

Published on May 10, 2023



SAN FU

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Spokesperson	Deputy Spokesperson
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Names of CPAs: Xu Xiu-Ming, Wong Ya-Ling	CPA Firm: Deloitte Taiwan
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V. Name of the Exchange Overseas Securities are Listed on and Inquiry Method for Overseas Securities Information: None

VI. Company website: <http://www.sfchem.com.tw>

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I. Letter to Shareholders

World economy was generally influenced by the COVID-19 pandemic, Russia-Ukraine war, and sharp increase in raw material costs led to inflation in 2022. However, with the efforts of the management team, San Fu's operating results continued growing compared with that of the previous year. The following is a summary of the business results of 2022 and the business plan for 2023:

I. Operating Results of 2022

(1) Business Plan Implementation Results in 2022

1. The Company's achievements in developing new customers for new chemical products and precision chemicals, as well as market expansion efforts are summarized as follows:

Developer (TMAH) Recycling Division: In 2022, the Company mainly cooperated with the new factory of T Company and M Company to expand the developer recycling system of each new factory. In order to cope with the increasing amount of TMAX raw materials, while enhancing the quality and stability of the recycled developer solution, the Shanhua plant has also begun to expand the TMAX purification system, which is expected to put into use in 2023.

The second electrolysis plant built by International Nitto Technology Co., Ltd., has been completed in Q4 of 2022 and started test run with feedstock. In 2023, the TMAX raw material at T Company's Nankang plant will be first transferred to Nitto. Nitto's high-purity IC grade developer solution recycling factory has completed most of the detailed design in 2022, and began project contracting at the end of the year. It is expected to complete a purification line with production capacity of 5,000 tons of 25% developer solution per year and a dilution line with production capacity of 2,000 tons of 2.38% developer solution per year by the Q3 of 2023, in hopes of being able to start providing high purity samples to T Company for verification in 2024.

Specialty Chemicals Division: As for the semiconductor front-end, the main task was still the development and verification of IC chemicals, such as H₃PO₄, CPN, PMA, TMAH, EBR, in 2022. Additionally, in coordination with the establishment of the new TMAH plant, efforts were made to strengthen the promotion of TMAH to semiconductor clients. There was also an addition of the front-end formula to the "Cleaner" products for the first time.

As for the semiconductor packaging, San Fu has been actively promoting its environment-friendly green "Bumping Stripper" know-how and its green spirit (REUSE) to existing and new customers. In addition to the first product that entered into domestic leading IC packaging companies in the second half of 2021, one product was added to the mass production of these leading companies in the first half of 2022 and one in the second half of 2022.

As for the panel industry, the demand for chemicals was tight due to the global COVID-19 epidemic, the political situation, and the transportation of supply chain. Due to the availability of raw materials and the Group's synergies, the Company was able to secure the demand for key customers and also release quota to potential customers who are more risk-averse and have long-term supply contracts with the Company. Despite the slowdown in the overall economic growth in the second half of the year, the company was able to reach a consensus with our customers on production capacity and inventory depletion to balance the volume and price relationship of chemicals.

- The Company's new basic chemical customer development and product line expansion accomplishments are as follows:

Domestic Sales Unit: A number of new products were introduced to sales development according to the Company's existing customer resources, such as sodium gluconate, sodium bicarbonate, trehalose, anhydrous calcium chloride, oxalic acid, etc. to achieve product diversification; in addition, according to the government's food safety management specifications, a new food additive plant has been built in Liuke plant, and the Company is actively developing markets for products with small packaging.

Overseas Sales Unit: The market of PHBA is stable, and Shanhua factory is in full production. In addition to the old clients in America, Japan and India, we actively promote the clients in China and South Korea. In addition, efforts are made to raise the production of paraben by three times as much as the original, and actively promote sales to China, India, Europe and other populous countries. The DCHA project of Kaohsiung plant is expected to be completed this year. In a favorable environment, efforts will be made to develop CHA and DCHA markets in the United States.

(2) Implementation of Budget

The Company has not disclosed financial forecasts for 2022, so it is not applicable.

(3) Analysis of financial revenue and expenditure and profitability

Unit: Thousand NT\$

Item		2022	2021
Financial revenue and expenditure	Operating revenue	5,618,600	4,779,885
	Operating margin	1,502,564	1,195,105
	Operating income	929,822	721,492
	Non-operating income and expenditure	143,051	107,908
	Net profit before tax	1,072,873	829,400
	Net profit after tax	849,581	672,710
Earning power	Return on assets (%)	12.54	11.36
	Return on equity (%)	19.32	16.88
	Ratio of net profit before tax to paid in capital	106.54	82.36
	Net profit rate (%)	15.12	14.07
	Earnings per share (NT\$)	8.43	6.69

Note: The above amounts are the consolidated financial statements of the company

(4) Research and development

The Company's R&D focuses on product expansion with existing technical advantages and material demand of new industry trends:

- Give full play to the market share of TMAH recycling, and integrate purification technology and formula knowledge, develop IC grade developer, so that the recycled products can be reused to IC customers, and implement circular economy;
- Develop nanomaterials, along with the development of the IC industry, to make the demand for the localization of key materials and the development of related nanomaterials as a substitute for imports;
- Develop the formula of electronic chemicals in cooperation with the product demand

- development of LCD, IC packaging, IC manufacturing customers;
4. Cooperate with universities to research and develop electrolytes and cathode materials for lithium batteries, cultivate battery related talents and strengthen the R & D strength
 5. Continue to actively engage in the process improvement of existing products PHBA, Paraben, CHA, DCHA, and TMAH, so as to make the process more energy-saving and efficient, so as to reduce costs and create profits. For the purchase and update of R & D analytical equipment and analytical methods, the company continues to expand more advanced equipment, including: oxygen-free water-free atmosphere gloves box ICP MS/MS (inductively coupled plasma tandem mass spectrometer), LC-MS Q-TOF (liquid chromatography-quadrupole-time-of-flight mass spectrometer), ion chromatography (Ion Chromatography, IC), FT-NIR (near infrared spectrometer), SEM (scanning electron microscope). These instruments are added to cope with the maximum ppt class measuring requirements and the tools for the development of chemicals for new processes.

II. 2023 Business Plan overview

(1) Business policy

San Fu adheres to the business philosophy of "innovation, integrity and simplicity", strives to promote the operation of the company, utilizes modern advanced technology, gives full play to the wisdom and creativity of all employees, provides various chemicals with high quality and low price to the booming industries, and constantly looks for new supplies to meet new demands and create new business opportunities. This year we continue to implement the following operational strategies:

1. Complete the construction of additional TMAH recycling plant 2 and start production. Actively construct the purification plant and blending plant to facilitate the evaluation and use .
2. Expand the sales business of gas and material companies in Vietnam.
3. Continue to expand semiconductor customers and strive to increase the revenue of semiconductor customers.
4. Build a specialized Liuke factory to be the most complete electronic chemical factory in Taiwan.
5. Complete the debottlenecking of PHBA to improve process and reduce price.
6. Integrate relevant products of San Fu Biotechnology Company and San Fu group to form a more professional and rigorous food related industry.
7. Continue to seek international technical cooperation to improve the technical level.

(2) Expected Sales Volume and its Basis

1. Expected Sales Volume

Product Category	Expected Sales Volume (ton)
Precision Chemicals	73,757
Basic Chemicals	71,048
Total	144,805

2. Basis

The Company's expected sales volume for 2023 is estimated primarily based on the information of the fluctuation of domestic and foreign economic conditions, industrial development, and supply and demand of the market.

(3) Production and marketing policies

1. Balance production and sales, maintain a certain amount of inventory; when the price is low, and prepare more inventories.
2. Delivery adopts first in first out (FIFO) principle to keep the freshness of products.
3. Improve product quality and stability, do a good job in quality control, and achieve the goal of zero customer complaints.
4. Constantly improve the process and reduce the cost to improve the market competitiveness.
5. Actively serve and visit customers to win customers' long-term trust.

(4) Looking ahead

The Company's strategy is still to draw up individual business strategy roadmaps according to different business units, combine the wisdom and creativity of all employees, and use effective enterprise resources management system at the same time to work together to increase the overall competitiveness of the company, so as to make San Fu an excellent enterprise for sustainable operation.

Developer (TMAH) Recycling Division:

We make every effort to develop the IC market. In 2023, the first phase of electrolysis and purification capacities in the international Nitto Technology will be released one after another. Before the completion of the T company's certification, product depletion is the biggest challenge, and at the moment when the panel industry is almost a red ocean market, the IC market is the best place for depletion, and at the same time, it can also expand the business territory of the developer.

In the Mainland's market, the electrolysis plant in Mainland China has already started production and is expected to start supplying the developer back in the Q1 of 2023 after the completion of SDP certification, and to use this performance as a benchmark to expand the market share in the province and neighboring provinces. In addition, with the establishment of TSMC's plant in Kumamoto, Japan, San Fu will also strive to obtain TSMC Kumamoto's TMAH recycling system in the hope that this can be used as a springboard to promote the developer solution to the Japanese market.

Specialty Chemicals Division:

In recent years, panel companies have shifted their capital expenditures to focus on product upgrades, and at the same time, the chemicals originally supplied to customers are no longer able to meet the customer's product specifications. Benefiting from our own R&D team and long-term customer management strategy, the next-generation chemicals have started to contribute to revenue since 2022 steadily, and it is expected to expand to our customer base in 2023, effectively increasing our market share of the next-generation chemicals. Looking ahead to the industry situation, with the general economic inventory decreasing, the bulk product shipment should return to a relatively healthy availability in the middle of 2023, along with the development of niche products, and will challenge the annual chemical shipment to the level of 2022.

After the last 3 years of the epidemic, the Taiwan's semiconductor industry has benefited from the stay-at-home economic philosophy and the positive effects of the inventory boost; however, it can be predicted that the global and Taiwan semiconductor markets will no longer be strong after the epidemic. According to the research, the global semiconductor market will not grow in 2023, and will decline slightly or remain flat. Taiwan's semiconductor market is likely to grow by 1.7% due to high-end chips.

In 2023, San Fu's semiconductor chemicals market is divided into three major directions:

firstly, export products, and the number of new products and new customers continues to increase. Secondly, in Taiwan market, it is estimated that there will be 3~5 new products entering the front-end and back-end customers' volume release stage and benefiting from the completed construction of customers' new factories. It is estimated that the growth of IC revenue in Taiwan market will be the main driver of growth this year.

Domestic Sales Unit of the Basic Chemical Products Division: Since 2022, San Fu looks forward to continuing market expansion of new products such as steviol glycosides, lactic acid series, etc. In the future, we will continue developing and introducing new products and new supplier development, such as natural caramel color, slow-release chlorine ingots, amino acid series, etc. We will follow market trends to develop forward-looking new products to meet market demand; actively seek domestic small and medium enterprises with competitive capability for mergers and acquisitions or for forming strategic alliances, in order to increase the market share of our major products and form a full-range product line; develop new applications for existing products, disengage from low-price competition from the low-end red ocean market, and maintain core competitiveness.

In compliance with the government's food safety management regulations, new food additives factory has been rebuilt in Liuke factory area, and special food factory has been set up by San Fu Biotechnology Co., Ltd. to make customers more confident in the Company's services; strengthen the ability of quality control analysis and inspection of professional products and improve the quality control of products to meet customer requirement and enhance the corporate image under the total quality assurance system.

Export unit of basic chemical business division: With RD's research and development results, under the guidance and assistance of consultant team, we constantly strive to improve production equipment, increase equipment productivity with minimum investment, improve and stabilize quality, improve by-product recovery efficiency, and reduce resource and material consumption, so as to create greater profits for the company.

The last but not the least, we wholeheartedly thank our shareholders for their continuous support and recognition, and we will continue our corporate governance principles, implement corporate responsibilities, and improve employees' professional level and company operating performance to create a fruitful and stable operational performance for the Company and to feed back our customers,, shareholders, and employees for their years of support.

Chairman:



Manager:



Accounting Supervisor:



II. Company Overview

1. Company Profile

(1) Founding date: March 17, 2003

(2) Headquarters, branch companies and factory information

Name	Address	Tel
Headquarters	7F 21 Zhongshan N. Rd. Sec. 2, Taipei City	(02)2542-6789
Tainan Factory	340 Xiaoxinying, Xiaoxin Li, Shanhua Township, Tainan County	(06)583-7608
Kaohsiung Factory	45 Zhongheng St., Xiaogang District, Kaohsiung City	(07)871-4233
Liuying Factory	1 Huanyuan E. Rd. Sec. 1, Liuying District, Tainan	(06)623-1821

2. Company Milestones

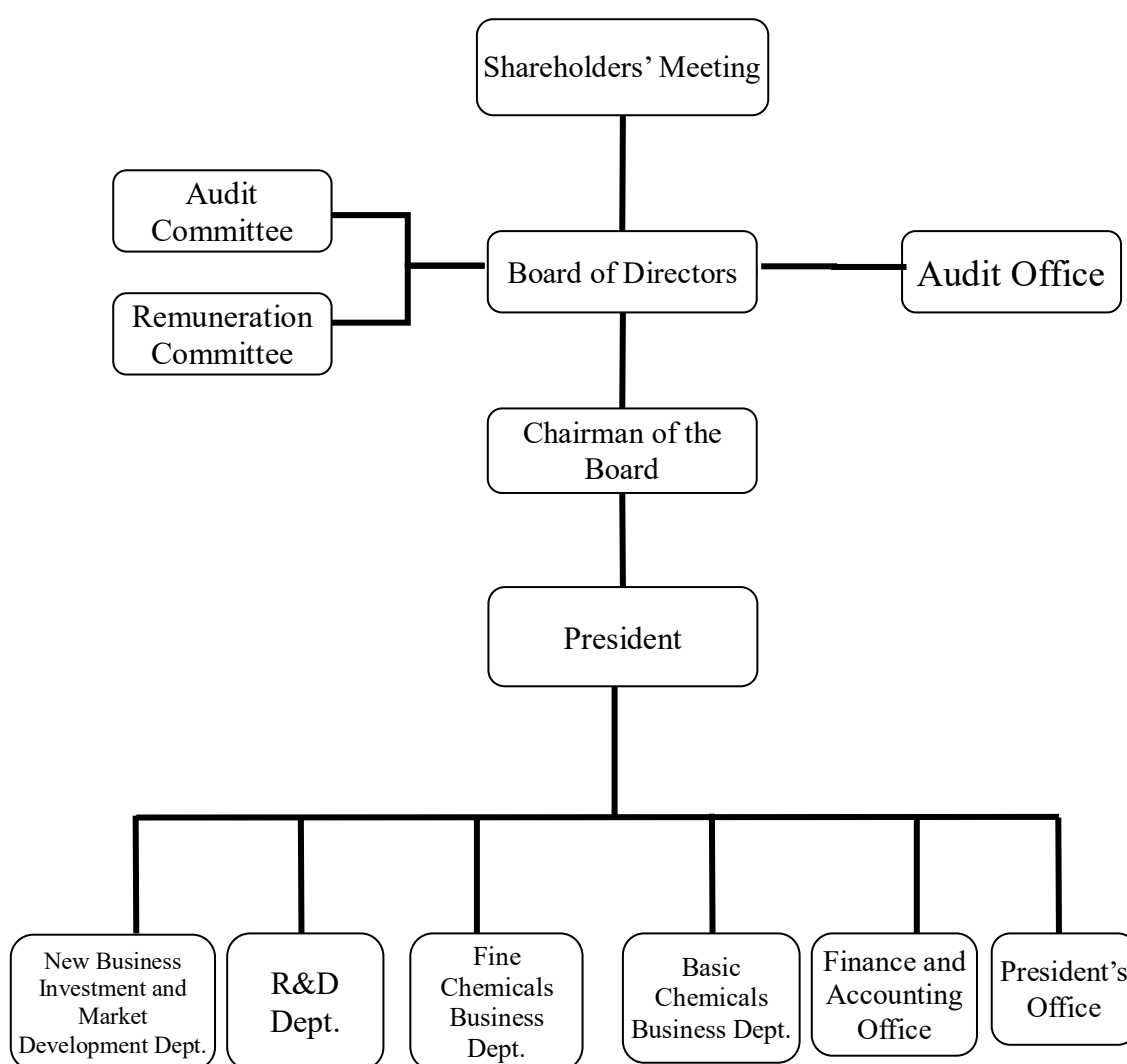
Year	Major Milestones
2003	Formally spun off from Air Products and Chemicals, Inc. to establish San Fu Chemical Co., Ltd.
	Capital increased by NT\$1,100 thousand in cash. Paid-in capital reaches NT\$201,100 thousand after receiving NT\$200,000 thousand transferred from the demerger.
2004	Capital increased by NT\$250,000 thousand in cash. Paid-in capital reaches NT\$451,000 thousand after capital increase.
2006	Established San Fu Ming (Shanghai) Trading Co., Ltd.
	Capital increase by NT\$200,000 thousand in cash. Paid-in capital reaches NT\$651,000 thousand after capital increase.
	Added P-hydroxybenzoic acid (PHBA)
2007	Established APAM OEM plant
2008	Added one PHBA production line (LCP-4)
	Implemented OHSAS 18001:2007 occupational safety and health management system
	Established San Fu Specialty Chemicals Investments Limited(Samoa) holding company
	Established San Fu Food Additives Investments Limited (Samoa) holding company
2010	Reinvestment in Hangzhou Gelinda Chemical Co., Ltd.
	Reinvestment in Hubei Xingfu Electronics Material Co., Ltd.
	Obtained toxic chemical manufacturing permit (aniline drumming and subpackaging)
2010	Reinvestment in International Nitto Technology Co., Ltd. in Southern Taiwan Science Park
	Capital increase by NT\$148,900 thousand in cash. Paid-in capital reaches NT\$800,000 thousand after capital increase.
2011	Built 3,000 ton capacity TMAH recycling plant.
2012	Hubei Xingfu Electronic Material Co., Ltd. purchases a stake in the joint venture San Fu Ming (Shanghai) Trading Co., Ltd.
	Construction of phase 1 of the Liuying specialty chemicals plant
	Applies for public offering and registers to be listed on TPEX
	Reinvestment in Huizhou San Fu Ming Electronic Material Co., Ltd.

Year	Major Milestones
2013	San Fu Ming Electronic Material Co., Ltd. increases capital by US\$1,500 thousand in cash
	Reinvestment in Chongqing San Fu Ming Electronic Material Co., Ltd.
	Formally listed on the Taiwan Security Exchange (TWSE)
	Capital increase by NT\$80,000 thousand in cash. Paid-in capital reaches NT\$880,000 thousand after capital increase.
2014	Construction of phase 2 and 3 of the Liuying specialty chemical plant.
	Paid-in capital reached NT\$892,220 thousand due to exercise of NT\$12,220 thousand in employee stock options.
2015	NT\$5,970 thousand in employee stock options exercised raising paid-in capital to NT\$898,190 thousand.
	Established subsidiary San Fu Biotech Co., Ltd.
2016	NT\$7,580 thousand in employee stock options exercised raising paid-in capital to NT\$905,770 thousand.
	Reinvestment in Angstrom Energy Company
	Reinvestment in Vietnam Xiangyun Corp.
2017	NT\$1,290 thousand in employee stock options exercised raising paid-in capital to NT\$907,060 thousand.
	Received bronze medal in the traditional manufacturing category of the 2017 Taiwan Corporate Sustainability Awards (TCSA)
2018	Received bronze medal in the traditional manufacturing category of the 2018 TCSA Awards
	Received circular economy results award at the Taiwan Chemistry Technology Industry Youth and New Product Awards.
	Established and invested in Vietnam subsidiary
2019	Won third prize at the Taiwan Circular Economy Awards.
2020	Reinvested in Global Graphene Group.
2021	Reinvestment in Li Fu Carbonic Acid Corporation.
	Received bronze medal in the traditional manufacturing category of the 2021 Taiwan Corporate Sustainability Awards (TCSA).
2022	Reinvestment in International Nitto Technology Co., Ltd.
	Awarded the "2022 Taiwan Corporate Sustainability Award" in the Traditional Manufacturing Group Traditional Manufacturing - Category 2 Gold.

III. Corporate Governance

1. Organizational System

(1) Organizational Structure



(2) Major Corporate Functions

Major Departments	Major Duties and Responsibilities
President's Office	<ol style="list-style-type: none"> 1. Responsible for implementation and coordination of company business, human resource planning and electronic information security, planning, utilization, integration and implementation in conjunction with management. 2. Draft human resource policies. Establish and implement the various administrative and management systems 3. Responsible for procurement-related work 4. Responsible for Information Department-related work
Audit Office	Assessment and auditing of the operation status and internal controls of each department, deficiency improvement suggestions and tracking, internal self-evaluation promotion to ensure secure company operations and reduce risk and abuse in order to guarantee the effective implementation of internal controls.
New Business Investment and Market Development Dept.	Responsible for new business development and investment planning for the company.
R&D Dept.	Responsible for researching and developing new products and improving production quality for the company.
Fine Chemicals Division	<ol style="list-style-type: none"> 1. Responsible for the manufacture, marketing, sale and resale of specialty chemicals for the electronics industry. 2. Responsible for recycling waste developing agent. 3. Responsible for glass slimming etching and sales matters. 4. Responsible for VMT OEM business.
Basic Chemicals Division	Responsible for the manufacture, marketing, sale and resale of chemicals.
Finance and Accounting Office	<ol style="list-style-type: none"> 1. Responsible for financial planning, fund management and procurement. 2. Account settlement, tax reporting, stock affairs, analysis of management statement, notification and reporting to competent authorities and budget planning. 3. Board and shareholding convening and planning, keeping minutes of the proceedings.

2. Directors and Management Team
(1) Directors

A. Director Information

April 18, 2023

Title	Nationality or Place of Incorporation	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Positions Concurrently Held at the Company or Other Companies	Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship	
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name
Chairman	Taiwan	Wu Hsin-Hung	Male 76-80	07/05/2021	3 years	08/23/2006	3,680,010	3.65	3,680,010	3.65	0	0	0	0	B.S. Chemical Engineering, Tunghai University Manager and Director of Formosa Chemicals & Fibre Corporation Vice President and Chairman, Air Products and Chemicals, Inc. Chairman, Industrial Gas Association of R.O.C.	Director, International Nitro Technology Co., Ltd. Director, Hong Cheng Enterprise Corp. Chairman, Li Fu Carbonic Acid Corp. Director, San Fu Global Ltd. Director, Fangda Investment Corp. Director, Beimin Corp. Chairman, San Fu Biotech Co., Ltd.	-	-
Director	Taiwan	Tsai Jie-Rong	Male 71-75	07/05/2021	3 years	06/22/2017	0	0	170,400	0.17	28,293	0.03	0	0	M.S. Georgia Institute of Technology Vice President and Manager, Air Products and Chemicals, Inc.	Chairman, International Nitro Technology Co., Ltd. Director, San Fu Biotech Co., Ltd. Director, Li Fu Carbonic Acid Corp.	-	-
Juristic-person Director	Taiwan	San Fu Global Ltd. Representative Zhang Chun-Ming	Male 76-80	07/05/2021	3 years	10/22/2012	24,067,315	23.90	24,067,315	23.90	0	0	0	0	B.S. Chemical Engineering, Tamkang University Chairman, Air Products and Chemicals, Inc.	Chairman, San Fu Global Ltd. Director, Air Products and Chemicals, Inc. Chairman, Fangda Corp.	-	-
Director	Taiwan	Su Tian-Bao	Male 61-65	07/05/2021	3 years	10/22/2012	354,752	0.35	435,752	0.43	-	-	-	-	Ph.D. Chemical Engineering, National Taiwan University Asst. Vice President, San Fu Chemical Co., Ltd.	General Manager, and Director, International Nitro Technology Co., Ltd. Director, San Fu Biotech Co., Ltd. Director, Shanghai San Fu Ming Electronic Materials Co., Ltd.	-	-

Title	Nationality or Place of Incorporation	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Positions Concurrently Held at the Company or Other Companies	Executives, Supervisors or are Spouses or within Two Degrees of Kinship	
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name
Director	Taiwan	Zhang Yi-Zong	Male 46~50	07/05/2021	3 years	04/18/2011	277,861	0.28	277,861	0.28	0	0	0	0	BA in Marketing & Economics, Babson College Marketing Manager at WOW Alimentos	Chairman, Real Green Foods Corporation Director, Fangda Corporation Director, Fangchun Trading Corporation Director, Xuanmen Corp. Director, Jimingcheng Corp. Director, Fulu Culture Foundation Director, San Fu Global Ltd. Director, Li Fu Carbonic Acid Corp.	-	-
Director	Taiwan	Liang Guo-Yuan	Male 71~75	07/05/2021	3 years	10/22/2012	0	0	0	0	0	0	0	Ph.D. Economics, Duke University Honorary Professor, School of Science and Technology Management, National Tsinghua University Professor of Economics, Tsinghua University Adjunct Professor, Department of Economics, National Taiwan University Standing Independent Director of Changhua Bank Chairman, Yuanfa-Polaris Research Institute	Director, Yuanta Commercial Bank Independent Director of ARTERY Technology	-	-	
Independent Director	Taiwan	Li Zhong-Xi	Male 71~75	07/05/2021	3 years	10/22/2012	0	0	0	0	0	0	0	Ph.D. Illinois Institute of Technology MBA University of Chicago Harvard University Accelerated Business Administration Course completion	Independent Director, Far Eastern New Century Corporation Director, Zhen Ding Tech. Inc. Chairman, Personal Genomics Taiwan Inc. Independent Director, Everlight Electronics Co., Ltd. Director, Taiwan Hopax Chemicals Mfg. Co., Ltd. Chairman, PERSONAL GENOMICS TAIWAN, INC. Chairman, Quark Biosciences, Inc.	-	-	

Title	Nationality or Place of Incorporation	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Positions Concurrently Held at the Company or Other Companies	Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship	
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Relation
Independent Director	Taiwan	Wu Dong-Ming	Male 71-75	07/05/2021	3 years	06/24/2013	0	0	0	0	0	0	0	0	M.A. Accounting Western Illinois University Department, Accounting Department, Soochow University Jianguo High School	Chairman, Taiwan Fuhbic Corporation Vice Chairman, Shinkong Synthetic Fibers Corporation Chairman, Xinning Enterprise Corporation Chairman, Xinli Enterprise Corporation Director, Shin Kong Life Insurance Co., Ltd. Independent Director, Tairoun Products Co., Ltd.		
Independent Director	Taiwan	Yang Hong-Zhi	Male 71-75	07/05/2021	3 years	07/05/2022	5,440	0.01	5,440	0.01	0	0	0	0	Director, Formosa Chemicals & Fibre Corp.	Formosa Chemicals & Fibre Corp.		

Note: If the chairman of the board and the president or equivalent (highest level manager) are the same person, spouses or first-degree relatives, the reasons, rationality, necessity and countermeasures shall be explained: no such situation.

2. Major Shareholders of Institutional Shareholders

April 18, 2023

Name of Institutional Shareholder	Major shareholders of Institutional Shareholders
San Fu Global Ltd.	Zhang Chun-Ming (20.68 %), Zhang Dan-Liang (20%), Zhang Xi-Wen (19.91%), Fang Hong-Yuan (11.71%), Zhang Chen Shu-Li (11.27%), Zhang Yi-Zong (5.14%), Zhang Ya-Ping (3.9%), Zhang Ya-Chin (3.68%), Chen I-Hui (0.49%), Kao Kung-Ping (0.31%)
Pilot Keymark SDN. BHD.	Malaysia Faith (L)BHD(50%), Taifaith (L)BHD(50%)

3. Major Shareholders of the Above Institutional Shareholders who are Judicial Persons

April 18, 2023

Name of Judicial Person	Major Shareholder of the Judicial Persons
Malaysia Faith (L) BHD	SEBASTIAN HAYOZ
Taifaith (L) BHD	SEBASTIAN HAYOZ

4. Professional Qualifications and Independence Analysis of Directors

Criteria Name	Professional Qualifications and Experience	Independence Criteria (note)	Number of other public companies in which the Individual is concurrently serving as an Independent Director
Wu Xin-Hong	Manager & Director, Formosa Chemicals & Fibre Corp. for 16 years Vice Chairman,, Air Products San Fu Co., Ltd. for 2 year Chairman, Industrial Gas Association of R.O.C. for 3 years Chairman,San Fu Chemical Co., Ltd. for 19 years Director,International Nitto Technology Co., Ltd. for 11 years Director, Hong Cheng Enterprise Corp.for 11 years Chairman, Li Fu Carbonic Acid Corp. for 1 year Director, San Fu Global Ltd. for 18 years	(6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12)	—
San Fu Global Ltd. company representative: Zhang Chun-Ming	Chairman, San Fu Global Ltd. for 18 years Director, Air Products San Fu Co., Ltd.for 16 years Chairman, Fangda Corp. for 67 years	(6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11)	—
Tsai Jie-Rong	Dupty Manager,Formosa Chemicals & Fibre Corp.for 21.5 years General Manager,Air Products San Fu Co., Ltd.for 17 years Chairman,International Nitto Technology Co.,Ltd. for 1 year San Fu Biotech Co., Ltd for 5 years Director, Li Fu Carbonic Acid Corp. for 1 year Generan Manager,San Fu Chemical Co., Ltd. for 5 years	(3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12)	—
Su Tian-Bao	Assist Vice Manager & Vice General Manager, SanFu Chemical Co., Ltd. for 33 years General Manager, International Nitto Technology Co., Ltd. for 1 year Director, International Nitto Technology Co., Ltd. for 12 years Director, San Fu Biotech Co., Ltd. for 7 years Director, Shanghai San Fu Ming Electronic Materials Co., Ltd. for	(3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12)	—

	14years		
Zhang Yi-Zong	Chairman, Real Green Foods Corporation for 11 years Director, Fangda Corporation for 21 years Director, Fangchun Trading Corporation for 7 years Director, San Fu Global Ltd. for 9 years Li Fu Carbonic Acid Corp. for 19 year Director, Jinmingcheng Corp. for 8 years	(1) 、 (3) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (11) 、 (12)	—
Liang Guo-Yuan	Chairman, Yuanta-Polaris Research Institute for 18 years Director, Yuanta Commercial Bank for 2 years	(1) 、 (2) 、 (3) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (11) 、 (12)	—
Li Zhong-Xi	Consulant, National Taiwan University of Arts, for 2 years Advisory committee member, National Central University for 2 years Independent Director, Far Eastern New Century Corp. for 10 years Director, Zhen Ding Tech. Inc. for 11 years Independent Director, Everlight Electronics Co., Ltd. for 7 years Director, Taiwan Hopax Chemicals Mfg. Co., Ltd. for 10 years Chairman, Personal Genomics Taiwan Inc. for 8 years Chairman, Quark Biosciences, Inc. for 11 years	All independent directors meet the following conditions: 1. Comply with the relevant provisions of Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission and the “Regulations governing Appointment of Independent Directors and Compliance Matter Public Companies”. 2. My spouse and minor children (or on behalf of others) do not hold any company shares use the 3. No remuneration received from providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years	2
Wu Dong-Min	Chairman, Taiwan Fuhbic Corporation for 32 years Vice Chairman, Shinkong Synthetic Fibers Corporation for 20 years Chairman, Xinming Enterprise Corporation for 19 years Chairman, Xinli Enterprise Corporation for 6 years Director, Shin Kong Life Insurance Co., Ltd. for 43 years Independent Director, Tairoun Products Co., Ltd. for 7 years		1
Yang Hong-Zhi	General Manager, Formosa Ho Tinh Steel (Viet Nam) for 3 years Consultant, Formosa Chemicals & Fibre Corp. for 7 years		—

Note : None of the above directors has any one of the clauses in Article 30 of the Company Act

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company’s affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Securities and Exchange Act of Taiwan or with the laws of the country of the parent company or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top ten in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. However Remuneration Committee members who exercise their powers as defined in Article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Exchange or Traded Over the Counter" are not limited therein.
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (9) Not been a person of any of the conditions defined in Article 30 of the Company Act.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.
- (11) Not any one of the clauses of Article 30 of the Company Act.
- (12) Not elected by government, juridical person or representative as defined in Article 27 of the Company Act.

5. Diversity and Independence of Borad of Directors: Please refer to pages 34 to 35 of this Annual report

(2) General Manager, Vice President, Assistant Vice President, and Heads of Departments and Branches

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Title	Nationality	Name	Gender	Date Appointed	Shareholding		Spouse and Minor Children Shareholding		Shares by Nominee Arrangement		Experience and Education	Positions Concurrently Held at the Company or Other Companies	Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship	
					Shares	%	Shares	%	Shares	%			Title	Name
President	Taiwan	Tsai Jie-Rong	Male	05/01/2017	170,400	0.17	28,293	0.03	0	0	M.S. Georgia Institute of Technology President and Vice Chairman, Air Products and Chemicals, Inc. Ph.D. Chemical Engineering, National Taiwan University Asst. Vice President, San Fu Chemical Co., Ltd.	Chairman, International Nitro Technology Co., Ltd. President, San Fu Biotech Co., Ltd. Director, San Fu Biotech Co., Ltd. Director & General Manager, International Nitro Technology Co., Ltd. Director, San Fu Biotech Co., Ltd Director & General Manager Shanghai San Fu Ming Electronic Materials Co., Ltd.	-	-
Chemicals Division Vice President	Taiwan	Su Tian-Bao	Male	03/01/2007	435,752	0.43	0	0	0	0	M.S. Chemistry, National Tsing Hua University Special Assistant to the President, Air Products and Chemicals, Inc.	-	-	
Equipment & Materials Department Asst. Vice President	Taiwan	Huang Jun-Yin	Male	03/01/2007	218,942	0.22	0	0	0	0	M.S. Structural Material Group, Civil Engineering, National Cheng Kung University Asst. Manager, Materials Division, Innolux Corporation	Director, Shanghai San Fu Ming Electronic Materials Co., Ltd.	-	-
Fine Chemical Division Asst. Vice President	Taiwan	Zhuang Fu-Qin	Male	07/06/2017	176	0	0	0	0	0	Accounting Department, National Cheng Kung University M.A. Accounting, Chengchi University TPK Finance Director and CEO Office Director Innolux Corporation Accounting Office Director	Supervisor, Shanghai San Fu Ming Electronic Materials Co., Ltd. Supervisor, Hong Cheng Enterprise Corp. Director, International Nitro Technology Co., Ltd. Supervisor, San Fu Biotech Co., Ltd.	-	-
Financial and Accounting Office Asst. Vice President	Taiwan	Xie Ming-Zhi	Male	03/01/2019	0	0	0	0	0	0	M.S. Chemical engineering, National Tsing Hua University	Vice President, International Nitro Technology Co., Ltd.	-	-
TMAH Division, Asst Vice President	Taiwan	Hung Chih-Ming	Male	10/01/2020	0	0	0	0	0	0	M.A. Accounting, National Cheng Kung University	General Manager, Air Products and	-	-
President's	Taiwan	Chen	Male	03/01/2019	140,000	0.14	0	0	0	0	-	-	-	-

Title	Nationality	Name	Gender	Date Appointed	Shareholding		Spouse and Minor Children Shareholding		Shares by Nominee Arrangement		Experience and Education	Positions Concurrently Held at the Company or Other Companies	Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship	
					Shares	%	Shares	%	Shares	%			Title	Relation
Office Asst. Vice President		Jie-Yu									Kung University Special Assistant to the President, Air Products and Chemicals, Inc.	Chemicals, Inc. (Viet) General Manager, Sanfu Electronic Materials Co., Ltd. (Viet)		
Asst. Vice President	Taiwan	Dai Qin-Yao	Male	01/18/2018	881	0	0	0	0	0	M.S. Chemical Engineering, National Taiwan University	-	-	-

(3) Remuneration of Directors, President and Vice Presidents in the recent year

1. Remuneration of Directors and Independent Directors in the Most Recent Year

Unit: Thousand NT\$/Thousand shares

Title	Name	Compensation				Relevant remuneration received by directors who are also employees				Percentage of total remuneration A, B, C and D of net income (%)		Percentage of total compensation A, B, C, D, E, F and G of net income (%)		Compensation paid to directors from an invested company other than a company subsidiary									
		Base Compensation (A)		Severance and pension payments (B) (note 1)		Director's remuneration (C)		Allowances (D)		Salary, bonuses and allowances (E)		Severance and pension payments (F)			Employee remuneration (G)		No. of restricted stock awards obtained						
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities		Cash	Stock		The company	All consolidated entities				
Chairman	Wu Hsin-Hung Representative of San Fu Global Co., Ltd. Zhang Chun-Ming	16,400	16,645	-	-	14,600	14,600	1,335	1,335	18,667	18,709	216	216	-	-	-	-	51,218	51,505	6.03	6.06	Nil	
Director	Tsai Jie-Rong Su Tian-Bao Zhang Yi-Zong Liang Guo-Yuan																						
Independent Director	Li Zhong-Xi Wu Dong-Ming Yang Hong-Zhi	--	--	--	--	6,857	3,825	280	280	--	--	--	--	--	--	--	--	7,137	7,137	0.84	0.84	Nil	

1. Please state the remuneration payment policy, system, standard and structure of the independent directors, and state the relevance with the amount of remuneration according to the responsibilities, risks, investment time and other factors: the remuneration of the independent directors of the company includes the transportation expenses and the remuneration of the directors for profit distribution, in which the transportation expenses payment standard refers to the level of the industry and is paid according to the attendance of the directors and supervisors at the board of directors; the remuneration from surplus distribution shall follow Article 28 of the company's articles of association, the Remuneration Committee shall review the participation and performance contribution of each independent director in the company's operation, link the reasonableness and fairness of the performance risk with the income, and propose suggestions based on the company's operation results and peer level payment to the board of directors for resolution.

2. Severance and pension payments are allocated to the pension plan each month based on the total salary amount. Except for what is disclosed in the above table, any compensation received by company directors for all services provided to the company in the financial report: None.

Director Remuneration Brackets

Bracket	Names of Director				
	Total of A+B+C+D		Total of A+B+C+D+E+F+G		
	The company	All consolidated entities	The company	All consolidated entities	
Under NT\$1,000,000	-	-	-	-	-
NT\$1,000,000~NT\$2,000,000	-	-	-	-	-
NT\$2,000,000~NT\$3,500,000	San Fu Global, Su Tian-Bao, Zhang Yi-Zong, Liang Guo-Yuan, Tsai Jie-Rong, Li Zhong-Xi, Wu Dong-Ming, Yang Hong-Zhi	Su Fu Global, Zhang Yi-Zong, Liang Guo-Yuan, Tsai Li Zhong-Xi, Wu Jie-Rong, Li Zhong-Xi, Yang Wu Dong-Ming, Yang Hong-Zhi	Su Fu Global, Zhang Yi-Zong, Liang Guo-Yuan, Tsai Li Zhong-Xi, Wu Dong-Ming, Yang Hong-Zhi	San Fu Global, Zhang Yi-Zong, Liang Guo-Yuan, Li Zhong-Xi, Wu Dong-Ming, Yang Hong-Zhi	San Fu Global, Zhang Yi-Zong, Liang Guo-Yuan, Li Zhong-Xi, Wu Dong-Ming, Yang Hong-Zhi
NT\$3,500,000~NT\$5,000,000	-	-	-	-	-
NT\$5,000,000~NT\$10,000,000	-	-	Su Tian-Bao	Su Tian-Bao	Su Tian-Bao
NT\$10,000,000~NT\$15,000,000	-	-	Tsai Jie-Rong	Tsai Jie-Rong	Tsai Jie-Rong
NT\$15,000,000~NT\$30,000,000	Wu Hsin-Hung	Wu Hsin-Hung	Wu Hsin-Hung	Wu Hsin-Hung	Wu Hsin-Hung
NT\$30,000,000~NT\$50,000,000	-	-	-	-	-
NT\$50,000,000~NT\$100,000,000	-	-	-	-	-
Above NT\$100,000,000	-	-	-	-	-
Total	9 persons	9 persons	9 persons	9 persons	9 persons

2. President and Vice President Remuneration in 2022
(1) President and Vice President Remuneration

Unit: Thousand NT\$ / Thousand shares

Title	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C)		Employee Remuneration (D)			Percentage of total compensation A, B, C, and D of net income (%)		Compensation from an invested company other than a company subsidiary	
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	Cash	Stock	The company		All consolidated entities
President	Tsai Jie-Rong													
		6,582	6,582	216	216	11,514	11,556	-	-	-	-	18,312	18,354	
Vice President	Su Tian-Bao											2.16	2.16	None

Compensation Brackets

Brackets	Names of Presidents and Vice Presidents	
	The company	All consolidated entities
Under NT\$1,000,000	-	-
NT\$1,000,000~NT\$2,000,000	-	-
NT\$2,000,000~NT\$3,500,000	-	-
NT\$3,500,000~NT\$5,000,000	-	-
NT\$5,000,000~NT\$10,000,000	Su Tian-Bao	Su Tian-Bao
NT\$10,000,000~NT\$15,000,000	Tsai Jie-Rong	Tsai Jie-Rong
NT\$15,000,000~NT\$30,000,000	-	-
NT\$30,000,000~NT\$50,000,000	-	-
Above NT\$100,000,000	-	-
Total	2 persons	2 persons

(2) Names of managers receiving employee bonuses and the allocation status: No employee bonuses were allocated by the Company to any managers this year.

(4) Analysis of the ratio of total remuneration paid by the Company and by all companies included in consolidated financial report to Directors, Supervisors, Presidents, and Vice Presidents / net income (%) for the most recent two years, and explanation of remuneration policy, standard, and combination, the procedure of remuneration determination, and the relation between business performance and future risk:

1. Total compensation to directors, supervisors and executive management as a percentage of net profit

Unit: Thousand NT\$

Director, supervisor and executive management compensation		2022	2021
The company	Compensation amount	58,355	39,374
	As a % of net profit	6.87%	5.85%
All consolidated entities	Compensation amount	58,642	39,374
	As a % of net profit	6.90%	5.85%

The total remuneration of directors, president and vice presidents in 2022 increased over that of 2021 due to the increase of net profit after tax in 2022.

2. Explanation of remuneration policy, standard, and combination, the procedure of remuneration determination, and the relation between business performance and future risk:

The remuneration of directors includes the remuneration of directors for the company's transportation expenses and earnings distribution, in which the payment standard of transportation expenses is based on the level of the same industry and the attendance of directors at the board of directors; in addition, the remuneration of directors for the company's earnings distribution is based on the Article 28 of the company's articles of association, and the remuneration of directors for the current year can be calculated within the limit of no more than 3% of the profit for the current year, taking into account the company's operating results and net profit after tax and considering the company's corporate interests. The company's performance contribution shall be reasonably remunerated; the general manager's remuneration policy shall be based on the company's performance evaluation objectives and variable bonus. In addition to reference to the company's overall operating performance, safety, environmental protection and social responsibility, company development, customer quality and employee training and development, etc., the company shall also refer to the individual's achievement rate of performance and contribution to the company's performance to give reasonable remuneration, relevant performance evaluation and remuneration. The reasonableness has been reviewed and approved by the Remuneration

Committee and the board of directors, and the remuneration system has been reviewed from time to time according to the actual business situation and relevant laws and regulations, so as to achieve a balance between the company's sustainable operation and risk control.

(5). Corporate Governance

(1) Board of Directors Operation

1. The Company's Board of Directors met a total of four times (A) in 2022 and there was at least one independent director in attendance at each meeting. Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy (A)	Attendance Rate in Person (%) (B/A)	Note
Chairman	Wu Hsin-Hung	4	-	100.00	
Director	San Fu Global Ltd. Representative – Zhang Chun-Ming	4	-	100.00	
Director	Tsai Jie-Rong	4	-	100.00	
Director	Su Tian-Bao	4	-	100.00	
Director	Zhang Yi-Zong	4	-	100.00	
Director	Liang Guo-Yuan	4	-	100.00	
Independent	Li Zhong-Xi	4	-	100.00	
Independent Director	Wu Dong-Ming	3	1	75.00	
Independent Director	Yang Hong-Zhi	4	-	100.00	

Independent Director Attendance in 2022 was as follows:

Director's Name	First	Second	Third	Fourth
Li Zhong-Xi	@	@	@	@
Wu Dong-Ming	@	@	@	*
Yang Hong-Zhi	@	@	@	@

@: Attendance in person * : By proxy # : Absent

2. Targets for Strengthening Board Functions and Implementation Assessment:

The Company believes that a sound and effective board of directors serves as the foundation of excellent corporate governance. Based on this principle, the Company has

established a Remuneration Committee to assist the board of directors in carrying out its responsibilities. Refer to item (3) pages 34~35 for the composition and responsibilities of the board of directors.

(3) Composition and Responsibilities of the Board of Directors

3. Other Mentionable Items

(1) The date and session of the board meeting, the content of the motions, the opinions of all independent directors and the Company's treatment of the opinions of independent directors shall be stated in any of the following circumstances:

BOD Date (term)	Content of the motion	Meeting resolution	Independent director opinion or objection/reservation
02/25/2022 (4 th meeting of 8 th term)	<ol style="list-style-type: none"> 1. Recognition of individual financial statements and consolidated financial statements of the Company and its subsidiaries and operating reports of the Company for the year 2021. 2. 2021 distribution of earnings table of the Company. 3. Renew the fund loan and line for the subsidiary company. 4. Renew the endorsement guarantee line. 5. Independence and suitability assessment of certified accountant for the financial report. 	Approved by all the directors present	The independent directors have no objection
05/06/2022 (5 th meeting of 8 th term)	<ol style="list-style-type: none"> 1. Discussion of consolidated financial Statements of the Company and its subsidiaries for the first quarter of 2022. 2. Distribution of surplus for the first quarter of 2022. 3. Plan to renew the fund loan and line of the subsidiary company. 4. Amendment to the Company's Articles of Association. 5. Revision of the company's internal control operation procedures. 		
08/05/2022 (6 th meeting of 8 th term)	<ol style="list-style-type: none"> 1. Discussion of the consolidated financial statements of the Company and its subsidiaries for the second quarter of 2022. 2. Distribution of surplus for the second quarter of 2022. 3. Plan to handle cash capital increase for the subsidiary company. 		
11/04/2022 (7 th meeting of 8 th term)	<ol style="list-style-type: none"> 1. Discussion of the consolidated financial statements of the Company and its subsidiaries for the second quarter of 2022. 2. Distribution of surplus for the third quarter of 2022. 3. Plan to increase the capital expenditure budget of TMAH Recycling Plant II. 4. Plan to handle cash capital increase for the subsidiary company. 5. 2023 Annual Budget Report. 6. 2023 Annual Audit Plan. 7. Renewal of 2023 annual fund loan and line. 8. Renewal of the endorsement guarantee line. 9. Revision of internal control and internal audit procedures. 		

(2) Except for aforementioned matters, other meeting resolutions that were opposed or reserved by independent directors and recorded in writing: None.

2. Please refer to the following table for the execution of directors' avoidance of

interest motions.

Board of Directors meeting Date	Director Name	Content of Motions	Reasons for Avoidance of Interests and Participation in Voting
08/05/2022 (6 th meeting of 8 th term)	President Tsai Jie-Rong and Chairman Wu Hsin-Hung	Bonus payment for the president and chairman	Chairman Wu Hsin-Hung and the President Tsai Jie-Rong did not participate in the discussion and voting of the above case due to interest avoidance.
02/24/2023 (8 th meeting of 8 th term)	President Tsai Jie-Rong and Chairman Wu Hsin-Hung	1. Performance evaluation objectives and variable bonuses for the general manager and chairman of the Company. 2. Bonus payment for the general manager and chairman of the Company.	Chairman Wu Hsin-Hung and the President Tsai Jie-Rong did not participate in the discussion and voting of the above case due to interest avoidance.

3. Evaluation and implementation by the board of directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	2022.01.01~ 2022.12.31	Board of Directors	Self-evaluation of Board of Directors	1. Degree of participation of the company's operation. 2. Quality of decision made by the Board of Directors 3. Formation and Structure of the Board of Directors 4. Selection and continual education of directors 5. Internal control
		Individual Directors	Self-evaluation of Directors	1. Company goal and mission handling 2. Recognition of directors' responsibilities 3. Degree of participation of the company's operation 4. Internal relationship operation and communication 5. Directors' professional and continual education 6. Internal control
		Functional Committees (Audit Committee and Remuneration Committee)	Self-evaluation of Functional Committees	1. Degree of participation of the company's operation 2. Recognition of responsibilities of functional committees 3. Quality of decision making of functional committees 4. Formation and member selection of functional committees 5. Internal control

(2) Information on the Composition, Responsibilities and Operation of the Audit Committee

(1) Information of the Audit Committee Members:

Title	Criteria Name	Professional Qualifications and Experience	Independence Criteria (note)	Number of other public companies in which the Individual is concurrently serving as Independent Director

Independent Director	Li Zhong-Xi	The Audit Committee is composed of all three independent directors. Please refer to the "Introduction to the Board of Directors" (pages 13) of this annual report for the professional qualifications and experience of the directors. None of the directors is under any of the circumstances stated in Article 30 of the Company Act.	All independent directors meet the following conditions: 1. Comply with the relevant provisions of Article 14-6 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission and the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or Traded by Securities Companies 2. My spouse and minor children (or on behalf of others) do not hold any of the company shares 3. No remuneration received from providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.	2
Independent Director	Wu Dong-Ming			1
Independent Director	Yang Hong-Zhi			0

(2) The Audit Committee of the Company held 4 meetings in 2022 up to the date of publication of the annual report. The attendance of independent directors is as follows:

Title	Name	No. of Attendance in Person	No. of Attendance by Proxy	Actual Attendance Rate (%)	Note
Convener	Li Zhong-Xi	4	0	100.00	
Independent Director	Wu Dong-Ming	3	1	75.00	
Independent Director	Yang Hong-Zhi	4	0	100.00	

Other matters to be recorded:

1. The 2022 operation of the Audit Committee is described as follows:

(1) Matters listed in Article 14-5 of the Securities and Exchange Act:

Audit Committee Meeting Date (Term)	Motion	The outcome of the audit committee's resolutions and the Company's handling of the Audit Committee's opinion
08.05.2022 (5 th Meeting of 1 st Term)	1. Discussion on 2022 Q2 consolidated financial statement of the Company and subsidiaries. 2. 2022 Q2 Earning Distribution 3. Proposal of increasing the amount of investment in subsidiaries	All present committee members agree to adopt, and submitted to the board of directors, after all present directors passed without objection.
11.04.2022 (6 th Meeting of 1 st Term)	1. Discussion on 2022 Q3 consolidated financial statement of the Company and subsidiaries. 2. 2022 Q3 Earning Distribution. 3. Plan to increase the capital expenditure budget of TMAH Recycling Plant II. 4. Proposal of increasing the amount of investment in subsidiaries 5. 2023 Annual Budget Report 6. 2023 Annual Audit Plan 7. Renew the plan of capital loan and line. 8. Renew the endorsement guarantee line. 9. Proposed revision of internal control and internal audit procedures..	
02.24.2022 (7 th Meeting of 1 st Term)	1. Recognition of the Company's 2022 individual financial statement and the consolidated financial statement of the Company and subsidiaries and business report . 2. 2022 Earning Distribution .	

		<p>3. Issuance of cash dividend from capital reserve.</p> <p>4. Renewal of capital loan and credit limit for subsidiaries.</p> <p>5. Renewal of endorsement and guarantee credit limit</p> <p>6. Adjustment of the Company's distributable earnings and the special surplus reserve set out using IFRS.</p> <p>7. Formulate general principles for the Company's pre-approved and unconfirmed service policy.</p> <p>8. The independence evaluation of certified public accountants for financial reports.</p> <p>9. Design and Implementation Effectiveness Statement of the Company's 2022 internal control system</p>		
	05.05.2023 (8 th Meeting of 1 st Term)	<p>1. Discussion on 2023 Q1 consolidated financial statement of the Company and subsidiaries.</p> <p>2. 2023 Q1 Earning Distribution .</p> <p>3. Renewal of capital loan and credit limit for 2023.</p> <p>4. Amendment of the Company's internal control operating procedure.</p>		
<p>(2) In addition to the aforementioned matters, other matters that have not been approved by the Audit Committee and have been approved by more than two-thirds of all directors: none</p> <p>1. Execution of the independent director's recusal for conflict of interest: None.</p> <p>2. Communication between independent directors, internal audit head and accountants once a year:</p>				
	2023/1/18 Communi cation Meeting	<p>1. In the communication regarding to the 2021 Accountants' audit report on major audit items, the independent directors have no opinion on the content of the accountants' suggestion.</p> <p>2. The independent director has no opinion on the content proposed by the accountant with regard to the audited content of the financial report.</p>		

(3) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reasons:

Evaluation Item	Implementation Status (Note)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has established and disclosed its Corporate Governance Best-Practice Principles
2. Shareholding structure & shareholders’ rights (1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(1) The Company has assigned dedicated personnel to respond to shareholder suggestions, concerns and disputes. (2) The Company has commissioned a dedicated stock affairs agency and assigned dedicated personnel to handle these matters and keep track of the shareholdings of director, supervisor and major shareholders.
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the Company have internal regulations to prohibit company insiders from using unpublished information in the market to buy and sell securities?	✓		(3) The Company and related enterprises has developed and implemented internal control systems and related procedures in accordance with regulations. (4) Procedures have been developed and implemented by the Company and related enterprises for insider trading prevention management. (1) The Company has established a spokesperson system as a channel for external statements, and the stock staff handles relevant shareholder suggestions and doubts related issues.
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		1. The company advocates and respects the policy of having diversified directors. In order to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors, it is believed that the policy of diversity will help improve the overall performance of

Evaluation Item	Implementation Status (Note)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
(4) Does the Company regularly evaluate the independence of CPAs?	✓	<p>will be used as a reference for individual directors’ remuneration and nomination for renewal.</p> <p>(4) The Audit Committee of the Company regularly evaluates the independence and suitability of its certified accountants annually. In addition to requiring the certified accountants to provide "Statement of Detached Independence" and "Audit Quality Indicators (AQIs)", the Audit Committee also evaluates the 14 standards and 13 AQI indicators of independence evaluation by the certified accountants. It is confirmed that the accountant has no financial interest or business relationship with the Company other than the cost of certification and financial and tax cases, that the accountant's family members do not violate the independence requirement, and by referring to the AQI index information, it is confirmed that the accountant and the firm are better than the industry average in terms of experience and training hours; in addition, we will continue to introduce digital audit tools in the most recent three years to improve audit quality. The results of the latest annual evaluation were discussed and approved by the Audit Committee on February 24, 2023, and reported to the Board of Directors on February 24, 2023 for the approval of the independence and suitability of accountants.</p>	No significant deviation

Evaluation Item	Implementation Status (Note)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	
<p>4. Does the TWSE/GTSM listed companies have an appropriate number of corporate governance personnel, and appoint a corporate governance supervisor to be responsible for corporate governance-related affairs (including but not limited to providing information required by Directors and supervisors to carry out business, assisting Directors and supervisors to comply with laws and regulations, handling matters related to meetings of the Board of Directors and shareholders' meeting according to law, and making minutes of meetings of the Board of Directors and shareholders' meeting, etc.)?</p>	✓		No significant deviation
		<p>The Company has already assigned the Financial and Accounting Office to be responsible for matters related to corporate governance, safeguarding shareholder rights and strengthening BOD functions. Their main responsibilities are providing the resources needed for the directors and supervisors to perform their duties and developing the latest regulations related to company operations to assist the directors, supervisors obey laws and regulations. The following duties are performed:</p> <ol style="list-style-type: none"> 1. Arrange at least 6 credit hour of home continuing education courses for board members. 2. Convene non-regular communication meetings with CPAs, independent directors, audit and financial supervisors to implement the internal audit system. 3. Draft BOD agenda and notify directors 7 days prior to the meeting, convene meeting and provide meeting information. Give advance reminder if it is recusal is necessary and complete BOD meeting minutes within 20 days after the meeting is convened. 4. Hold registration before the shareholders' meeting date in accordance with law, prepare the shareholders' meeting notice, meeting handbook and within the legally stipulated time limit and meeting minutes and change registrations after article amendments or director elections. 	

Evaluation Item	Implementation Status (Note)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	
5. Does the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.), established a stakeholder area on the Company website, and properly respond to important corporate social responsibility issues that stakeholders are concerned about?	✓		A dedicated stakeholder section has been set up for the Company’s website to provide a means of communication for stakeholders. Dedicated personal provide appropriate replies to major corporate social responsibility issues that stakeholders are most concerned about.
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company entrusts the Transfer Agency Department of the First Securities Co., Ltd., to handle stock related affairs, to provide information on the list of major shareholders at any time
7. Information Disclosure			No significant deviation
(1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Company has established a website to disclose information regarding its financial, business and corporate governance status. Refer to www.sfcchem.com.tw .
(2) Does the Company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(2) The Company has designated personnel to handle significant information disclosures, appointed a spokesperson in accordance with the law and posts information on the MOPS and the company website in accordance with regulations.
(3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the financial reports of the first, second and third quarters and the operating conditions of each month before the prescribed time limit?	✓		(3) The company has not announced the financial report information in advance, but will announce and report the first, second and third quarter financial reports in advance.

Evaluation Item	Implementation Status (Note)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	
<p>8. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for Directors and supervisors)?</p>	✓	<p>No</p>	<p>No significant deviation</p>
		<p>Abstract Illustration</p>	<p>1. Employee rights and wellness: The company has made a strong effort to create a healthy and safe work environment for its employees. Besides implementation of a pension system and providing year-end bonuses, the legal rights of employees are upheld in accordance with the Labor Standards Act and other relevant laws and regulations. Due care is taken when processing employee basic information. In addition to following the requirements under government law, the private personal information of employees may not be disclosed. Annual health exams for employees are arranged. Labor relations are emphasized to provide equal employment opportunities.</p> <p>2. Investor relations: The Company has set up a stock affairs office solely responsible for handling investor relations and shareholder recommendations and truthfully disclosing company information in accordance with the law to guarantee the basic interests of investors and fulfill its corporate responsibilities to its shareholders.</p> <p>3. Supplier relations: Smooth communication channels have been set up between the Company and its suppliers and good relations have been maintained.</p> <p>4. Stakeholder rights: There are smooth communication channels between the Company and its correspondent</p>

Evaluation Item	Implementation Status (Note)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	
		<p>Abstract Illustration</p> <p>banks and other creditors, employees, customers, suppliers and other related stakeholders and respect their due legal rights. The Stock Agency Department at the First Securities Inc. is the stock affairs agent for the Company and assists with handling questions and suggestions of shareholders and company stakeholders. If legal issues are involved, a dedicated lawyer or legal consultant will be appointed to handle the matter to uphold stakeholder interests.</p> <p>5. Director and supervisor continuing education: The Company’s directors and supervisors possess professional expertise. Directors and supervisors complete continuing education courses in focus areas. In addition, the Company provides information about continuing education as needed and posts it on MOPS in accordance with regulations.</p> <p>6. Risk management policy and risk measurement standard implementation: As of now, the Company has not yet set up dedicated unit to perform risk management and measurement work. However, authority for review various forms has been determined and departments perform this work in accordance with procedures. An audit unit has been set up to conduct regular and non-regular audits of the Company’s internal controls and submit reports to reduce operation risk to a minimum.</p> <p>7. Customer policy implementation:</p>	

Evaluation Item	Implementation Status (Note)		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	
		<p>The Company has established a marketing department to provide customers with product service, answer questions and maintain smooth communication channels with customers. The requirements set down by the customer are strictly followed, customer rights are protected and excellent relations are maintained.</p> <p>8. Purchase of liability insurance for the Company chairman and president: The Company has purchased liability insurance for the chairman and president and the insured amount, coverage and insurance rate is reported to the board of directors.</p>	
	<p>9. Please refer to the results of the recent annual Corporate Governance Evaluation published by the Corporate Governance Center of Taiwan Stock Exchange to propose priority items and measures to be improved for the situation where improvements have been made, and to the areas where improvements have not been made, and the improvements based on the above-mentioned results this year are made as follows:</p> <p>(1)The Company uploads the change of shareholdings in last month to the Market Observation Post System before the 10th day of each month.</p> <p>(2)An English website is added to the Company website for the relevant information disclosed in English.</p>		

Note: 1. Board of Director diversity

- (1) The Company advocates and respects the director diversity policy. To strengthen corporate governance and promote the sound development of the composition and structure of the board, we believe that the diversity policy will enhance the overall performance of the company. The members of the Board of directors are selected based on the principle of talents. They have diverse and complementary capabilities across industries, including basic composition (such as age, gender, nationality, etc.), as well as industry experience and relevant skills (such as: business, biotechnology, chemical industry, accounting, economics, gas industry, etc.). In order to strengthen the functions of the board of directors to achieve the desired objectives of corporate governance, the "Code of Practice on Corporate Governance" of the Company sets out the overall following capabilities of the board of directors: 1. Business judgment ability 2. Accounting and financial analysis ability 3. Management ability 4. Crisis management ability 5. Industry knowledge 6. International market view 7. Leadership 8. Decision-making ability
- (2) Presently, the members of the board of directors of the company have achieved the management objectives: the director who is concurrently the manager of the company has not exceeded one third of the board seats and the independent director has reached one third of the board seats; in order to continuously improve the functions of the Board of Directors and enhance gender equality in the composition of the board, the Company aims to add one more board member in the coming general election of directors.

(3) Attachment: Please refer to the following table for the diversity policy and implementation of current board members:

Title	Chairman	Representative Director	Directors				Independent Director					
			Tsai Jie-Rong	Su Tian-Bao	Zhang Yi-Zong	Liang Guo-Yuan	Li Zhong-Xi	Wu Dong-Ming	Yang Hong-Zhi			
Name	Wu Hsin-Hung	Zhang Chun-Ming										
Gender	Male	Male	Male	Male	Male	Male	Male	Male	Male	Male	Male	Male
Nationality	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan
Age	71-80	71-80	71-75	61-65	46-50	71-75	71-75	71-75	71-75	71-75	71-75	71-75
Currently serving as an employee of the Company			V	V								
Professional Knowledge and Skills												
Business	V	V	V	V	V	V	V	V	V	V	V	V
Biotechnology	V		V	V	V			V	V			
Chemical industry	V	V	V	V	V							V
Economy/Insurance								V		V		
Gas industry	V	V	V									
Financial Accounting								V	V	V		
Other								Education	Education			Steel
Ability and Experience												
Business Economics	V	V	V	V	V	V	V	V	V	V	V	V
leadership decision-making	V	V	V	V	V	V	V	V	V	V	V	V
international market view	V	V	V	V	V	V	V	V	V	V	V	V
Industry knowledge	V	V	V	V	V	V	V	V	V	V	V	V
Financial Management								V	V	V	V	
Operations and Manufacturing	V	V	V	V	V	V	V	V	V	V	V	V
Business Management	V	V	V	V	V	V	V	V	V	V	V	V
Risk Management/Crisis Handling	V	V	V	V	V	V	V	V	V	V	V	V

2. Board of Directors independence:

- (1) Among the directors of the Company, I, my spouse and or relative of second lineal relationship have not taken the post of director in the Company or affiliated enterprises or as employee, then there is no occurrence of events set forth in paragraphs 3 and 4 of Article 26-3 of the Securities Exchange Act.
- (2) The average tenure of directors of the company is 9 years, and the tenure of independent directors is 1-9 years. All the members of the board are from Taiwan, and the composition of the board consists of 3 independent directors accounting for 33% of the total number of directors; two directors with employee status account for 22% of the total number of directors.
- (3) The orientation, complementarity and implementation of director diversity include and exceed the criteria set out in the Code of Corporate Governance Practice; in the future, the diversity policy will continue to be revised as appropriate in light of the Board's operation, operation style and development needs, including but not limited to the most important criteria, such as basic conditions and values, expertise and skills, so as to ensure that board members generally possess the necessary knowledge, skills and qualities to perform their duties.

(4) Remuneration Committee Composition, Responsibilities and Operation:

(1) Information on remuneration committee members

Identity (Note 1)	Condition Name	Professional Qualifications and Experience	Independent Criteria	Number of other public companies in which the Individual is concurrently serving as Independent Director
Independent Director	Li Zhong-xi	The Audit Committee is composed of all three independent directors. Please refer to the "Introduction to the Board of Directors" (page 13) of this annual report for the professional qualifications and experience of the directors. None of the directors is under any of the circumstances stated in Article 30 of the Company Act	All members meet the following conditions: 1. Comply with the relevant provisions of Article 14-6 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission and the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or Traded by Securities Companies. 2. The member's spouse and minor children (or on behalf of others) do not hold any of the company shares 3. No remuneration received from providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.	2
Independent Director	Wu Dong-ming			1
Independent Director	Yang Hong-Zhi			0

(2) Operation Status of the Remuneration Committee

1. The Company's Remuneration Committee has 3 members.

2. The term of office for the current committee is: July 5, 2021 to July 4, 2024. The Committee held two meetings in 2022 (A) with the following attendance:

Title	Name	Attendance in person (B)	By proxy	Attendance Rate (%) (B/A)	Remark
Convener	Li Zhong-Xi	2	0	100	Re-elected
Committee member	Wu Dong-Ming	1	1	50	Re-elected
Committee member	Yang Hong-Zhi	2	0	100	Elected
Other mentionable items:					
1. Any suggestion of the Remuneration Committee which was not adopted or modified by the Board of Directors: None					
2. Any written or otherwise recorded resolution on which a member of the Remuneration Committee has a dissenting opinion or qualified opinion: None					
3. The Remuneration Committee meeting resolutions are described below: :					
	Date	Proposal		Resolution	
	08/05/2022	1. Review the Company's president and chairman 1H 2022 variable bonus issuance amount.		Passed and proposed to the board of directors for resolution	

02/24/2023	<ol style="list-style-type: none"> 1. Review the Company's 2022 employee remuneration, director and supervisor remuneration allocation amounts. 2. Review the Company's president and chairman 2H 2022 variable bonus issuance amount. 3. Review the performance appraisal objectives of the president and the chairman of the board of directors of the company in 2023 and the proposal for changing bonus distribution. 	Passed and proposed to the board of directors for resolution
<p>4. The Remuneration Committee regularly reviews the policies, systems, standards and structures of performance evaluation and remuneration of directors, supervisors and managers.</p>		

(5) Sustainable Development Implementation Status as Required by the Taiwan Financial Supervisory Commission and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons:

Assessment Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	
<p>1. Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors?</p>	✓		No significant deviation
			<p>The company has set up a sustainable implementation committee to prepare this report, we follow the company's organizational structure to form a sustainable implementation committee, with the chairman as the highest level, the quality system management division is responsible for promotion and coordination, and each main department is divided into implementation committee members and execution members, and there are 26 members.</p> <p>1.Information collection: The execution committee is responsible for promoting the relevant issues and compiling data. The implementation committee assists in checking the correctness and completeness of the information on each issue, and finally provides such information to the quality assurance department for analysis and integration.</p> <p>2.Communication and negotiation: The members of the committee are distributed in different work positions, and the communications on weekdays are mostly conducted by telephone and email.</p> <p>3.Regular reporting: The Sustainable Implementation Committee is represented by the heads of each unit. Once a year, the Deputy Convener of the Sustainable Implementation Committee, President Tsai Jie-rong, will report to the Board of Directors on the implementation results of sustainable development and future work plans in February 24, 2023. The content of the proposal includes (1) identifying sustainable issues that need attention, and formulating action plans to respond; (2) supervising the implementation of sustainable management issues, and evaluating the implementation (that is, the company implements environmental issues to reduce the environmental load of the production process).(3)After assessing the risks and opportunities brought by climate</p>

Assessment Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to Company operation, and establish risk management related policy or strategy?	✓	<p>change to the company, formulate appropriate response strategies to cope with the impact of climate change events.</p> <p>4. The company's board of directors receives quarterly reports from the management team (including ESG reports). The management must propose the company's strategies to the board of directors, and the board of directors must evaluate the likelihood of success of these strategies. The board of directors must also constantly review the progress of the strategies and urge the management team to make adjustments when necessary.</p> <p>5 steps to identify major topics</p> <ol style="list-style-type: none"> 1. Identify a total of 5 types of stakeholders including customers, employees, government/competent authorities, suppliers/contractors and shareholders by the ESG Promotion Committee of Sanfu Chemical Co. in internal meetings, 2. Select relevant issues from the topics and standard disclosures of GRI Standards Guideline. Define three principles for the content of the report according to the GRI Standards Guideline and rank the relevant topics. 3. Select 24 sustainable related issues. Collect feedback opinions and negotiation results from stakeholders of San Fu Chemical Co., and summarize major topics with major theme matrix 4. The ESG Promotion Committee reconfirms the matrix of 13 major topics and analyzes and evaluates them according to the completeness principle of the GRI standard to identify the major topics. The completeness principle includes scope and topic boundaries, and defines the impact boundary for each major topic. 5. Upon review of the major topics, this report will disclose how the company has formulated relevant risk management policies or strategies for local or global economic, environmental and social development trends. 	No significant deviation

Assessment Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
3. Environmental Topic (1) Has the Company set an environmental management system designed to industry characteristics?	✓		In addition to obtaining ISO14001 environment management certificate and fulfilling our environment policy commitments, greenhouse gas inventories and work environment 6S have been conducted for many years to strengthen environment and resource management. Dedication units have been set up for air, water, waste and toxin management.
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	✓		The Company is not only dedicated to developing green technology products such as high-tech developing solution recover and reuse and technology for packaging recovery and reuse, but also strives to raise equipment efficiency and reduce resource consumption. The developer waste solution (TMAH waste solution) produced by the clients is recycled and reused by San Fu, and its quality is excellent. Our clients have used the recycled solution since 2011. To cope with the client's new factory construction, the recycled and reuse quantity continues to set record high, that changes the toxic solution TMAH into gold, and the total cumulative quantity of the reused product of the 25% TMAH up to 2022 is approximately 59,000 metric tons.
(3) Does the Company evaluate current and future climate change potential risks and opportunities and take Procedures related to climate related topics?	✓		The company uses the framework of climate related financial disclosure proposal (TCFD) issued by the international financial stability committee to identify the risks and opportunities brought by climate change to the business performance of San Fu chemical, and formulate response strategies for the identified issues.
(4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction and other waste management policies?	✓		Our greenhouse gas emissions were certified by SGS as 31,830,853(metric tons CO ₂ -e/year) and 29,875,184 (metric tons CO ₂ -e/year) in 2021 and 2022 respectively. Our greenhouse gas inventories and certificates for the past two years are disclosed on our official website. It also discloses greenhouse gas emissions, water consumption and total waste weight in the ESG report, and monitors compliance with regulatory standards for greenhouse gas emissions and measures to reduce water use.

Assessment Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
<p>4. Social Topic</p> <p>(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p>	✓		<p>No significant deviation</p>
			<p>(1) The company follows the related labor laws and regulations of each business operating unit all over the world to protect the legal rights of the employees. The company agrees and supports international rights treaty including the United Nation’s Universal Declaration of Human Rights, Global Covenant, International Labor Organization Convention and respect the international recognized basic human rights. The company establishes the human rights policy according to the guidelines of the aforementioned specifications and fully discloses it on the Company’s website (http://www.sfcchem.com.tw/zh-hant/page/statements), and maintains the human rights of full-time employees, part-time employees, and interns, and the implementation results in 2022 include (1) No discrimination (2) No violation of freedom for association and collective negotiation rights (3) No hiring of child labor, and (4) No forced or compulsory labor. Below are the local labor regulations that are followed by the Company and the communication measures taken for legal employees:</p> <ol style="list-style-type: none"> 1. When there is a major change in operations and labor conditions at the Company which will affect the employment rights of personnel, Article 16 of the Labor Standards Act is 100% followed to provide the minimum period of advance notice for termination of labor contracts in accordance with law. 2. The Labor Pension Reserve Fund Supervisory Committees meets on a non-regular basis in accordance with Article 56 of the Labor Standards Act and may convene special meetings when necessary. Meeting content is focused on checking labor pension reserve allocation amounts, fund saving and utilization status and labor pension payment amounts. 3. The Company has not yet established a union organization but regular meetings are held between labor and management for two-way communication and

Assessment Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
(2) Has the Company established appropriately managed employee welfare Procedures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	✓		<p>collective bargaining in accordance with government labor laws. Management meetings are held on a non-regular basis in accordance with Article 83 of the Labor Standards Act and special meetings are convened when necessary to conduct two-way communication on labor-management cooperation, improvement of labor conditions and labor welfare planning.</p> <p>(2) The company is fully responsible for the promotion and implementation of various employee welfare matters. At present, the main employee welfare measures are as follows:</p> <p>(1) Two days off a week, competitive salary level, medical checkup, proposal bonus, leave advance system, childcare allowance, birthday gifts, wedding and funeral gifts, employee health examination, hospital consolation community allowance, children education allowance, annual festival gifts, outdoor activities allowance and employee travel</p> <p>(2) According to Article 28 of the company's articles of association, the employee's remuneration for the current year can be calculated within 1% - 3% of the profit of the current year, and reasonable remuneration and bonus can be given considering the company's operating results, employee performance appraisal and contribution to the company.</p> <p>(3) The Company is committed to providing employees with a dignified and safe working environment. We ensure fairness in employment diversity, pay and promotion opportunities, and ensure that employees are not subjected to discrimination, harassment or unequal treatment based on race, sex, religious belief, age, political orientation and any other conditions protected by applicable laws and regulations. We have established a "Discrimination and Harassment Prevention Management Procedure". The company adheres to the Gender Work Equality Law to ensure the equality of</p>

Assessment Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reasons																																										
	Yes	No																																											
			<p>gender work rights. The Company does not discriminate based on gender in recruitment, selection, employment, distribution, performance evaluation, promotion, education and training, welfare measures, etc. We have set a "written statement on prohibition of workplace sexual harassment" and disclosed in the company's official website (https://www.sfcchem.com.tw/zh-hant/page/statements).</p> <p>Generally speaking, women are less willing to engage in chemical manufacturing industry than men, which is the normal distribution of human resource structure in the industry. However, Sanfu Chemical adheres to the construction of employee-friendly working system and working environment, so as to promote the willingness of women to join the chemical manufacturing industry and implement the fairness of economic resource allocation. The implementation in 2022 is as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Item</th> <th colspan="2">female</th> <th colspan="2">Male</th> <th colspan="2">Total</th> </tr> <tr> <th>Number of personnel in percentage</th> <th>Average age</th> <th>Number of personnel in percentage</th> <th>Average age</th> <th>Number of personnel in percentage</th> <th>Average age</th> </tr> </thead> <tbody> <tr> <td>Non-managerial position</td> <td>21.8%</td> <td>37.77</td> <td>78.2%</td> <td>40.35</td> <td>87.5%</td> <td>39.79</td> </tr> <tr> <td>Managerial position</td> <td>10.4%</td> <td>51.40</td> <td>89.6%</td> <td>52.74</td> <td>12.5%</td> <td>52.60</td> </tr> <tr> <td>Total</td> <td>20.4%</td> <td>38.64</td> <td>79.6%</td> <td>42.10</td> <td>100.0%</td> <td>41.39</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Nationality</th> <th>Number of personnel in percentage</th> </tr> </thead> <tbody> <tr> <td>Taiwan</td> <td>97.1%</td> </tr> <tr> <td>Indonesia</td> <td>2.3%</td> </tr> <tr> <td>Viet Nam</td> <td>0.5%</td> </tr> </tbody> </table>	Item	female		Male		Total		Number of personnel in percentage	Average age	Number of personnel in percentage	Average age	Number of personnel in percentage	Average age	Non-managerial position	21.8%	37.77	78.2%	40.35	87.5%	39.79	Managerial position	10.4%	51.40	89.6%	52.74	12.5%	52.60	Total	20.4%	38.64	79.6%	42.10	100.0%	41.39	Nationality	Number of personnel in percentage	Taiwan	97.1%	Indonesia	2.3%	Viet Nam	0.5%
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Assessment Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	✓	(3) The company has obtained ISO45001 certification, and has formulated complete management regulations on the use and wearing of protective equipment. When the chemicals that may cause environmental pollution or human inhalation hazards are used in subpackaging, there are isolation facilities. In areas where there is a risk of falling from high places, there are guardrails, enclosures and other relevant fall prevention facilities; To carry out 6S activities to continuously improve the working environment, safety and health of employees in all factories. All of the above shows that the company attaches great importance to environmental safety and is committed to providing a safe and healthy working environment for employees. It also conducts annual health examination for employees. It also provides consultation and management of health education for employees who may have physical and mental abnormalities. The factory employs a full-time nurse to provide consultation and management of health and hygiene education, and regularly arrange consultation services for factory doctors to go to the factory to provide consultation services and implement medical tracking and management.	
(4) Has the Company established effective career development training plans?	✓	(4) In order to achieve sustainable management and meet the mission of social responsibility, in 2017, the "balanced scorecard" was introduced as the promotion mode of the company's strategic development goals, and it is also used as the work indicators and capabilities of staff in different units according to their post requirements, so as to set quantitative work objectives and qualitative functional behaviors. Regarding the annual performance appraisal system, the Company will review the integrity and fairness of the appraisal system from time to time, including the rationality of goal setting, the consistency of measurement criteria, the link between vertical and horizontal objectives,	

Assessment Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
			the implementation of performance talk feedback mechanism, performance coaching system, and personal development plan. On the system side, the overall operating profit of the company will be linked to individual performance, and special bonuses will be given every six months based on the results of the evaluation to effectively motivate employees with outstanding performance. In addition, the assessment results will serve as a reference for the company's future training and career development, as well as for salary adjustment and promotion. In 2022, the number of people who accepted performance appraisal accounted for 100% of the total number that should be assessed.
(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labeling and set policies to protect consumers' or customers' rights and consumer appeal procedures?	✓		(5) The company has obtained ISO45001 certification, and has formulated complete management regulations on the use and wearing of protective equipment. When the chemicals that may cause environmental pollution or human inhalation hazards are used in subpackaging, there are isolation facilities. In areas where there is a risk of falling from high places, there are guardrails, enclosures and other relevant fall prevention facilities; To carry out 6S activities to continuously improve the working environment, safety and health of employees in all factories. All of the above shows that the company attaches great importance to environmental safety and is committed to providing a safe and healthy working environment for employees. It conducts annual health examination for employees. It also provides consultation and management of health education for employees who may have physical and mental abnormalities.
(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of	✓		(6) Conduct routine audits on qualified suppliers, and annual audits on new suppliers, C/D grades in annual appraisals, major quality/environmental safety anomalies, and

Assessment Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
environmental, occupational safety and health or labor right, and their implementation status?			
5. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire third party verification or statement of assurance?	✓		No significant deviation
6. For companies having developed independent corporate social responsibility practices in accordance with “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies,” please describe the discretion of operation with the independent practices developed. The Company has set up Corporate Social Responsibility Best Practice Principles. The current status of the Company, laws and regulations have been considered with respect to corporate social responsibility and implementation will be done in gradually manner so there is no significant deviation.			customer complaints. The content of the audit includes: product quality, safety and hygiene, environmental protection, labor rights, and more understanding on the needs of supply chain through the annual audit of suppliers. This report is based on GRI Sustainability Reporting Standards (GRI standards), AA1000, AA1000AP AccountAbility Principles: 2018 a global reporting initiative. At the same time, this report is the core option of GRI guidelines, with GRI content index attached. ■ Financial data - the financial data disclosed in this report is from the consolidated financial report audited and certified by Deloitte Taiwan in accordance with international financial reporting standards (IFRS). ■ Environmental / social data: the company has established and maintained the ISO 14001 environmental management system, and the ISO 45001 occupational safety and health management system and passed the British Standards Institute (BSI) approved Taiwan branch certification, the ISO 14064 greenhouse gas inventory standard and the SGS Taiwan technological inspection certification . ■ Product and service quality data - the company has established and maintained the ISO 9001 quality management system, which has been certified by the British Standards Institution (BSI) Taiwan Branch, ISO 22000 / HACCP food safety management system and Intertek Taiwan National Notary Inspection Company. In addition, the quality control laboratory has passed the certification of TAF ISO 17025 laboratory quality management system.
7. Other critical information that helps understand the operation of corporate social responsibility:			

Assessment Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
<ul style="list-style-type: none"> ■ Sponsor Hannstar Foundation’s documentary film “Island with no people should become an isolated Island” ■ Donate to Fu Lu Cultural Foundation ■ Actively participate in public welfare activities that involve donating funds to build schools, and dedicate efforts to creating a society that fosters learning and growth: Scholarships for poor students from public and private universities (National Taiwan University, Tunghai University, and National Cheng Kung University), sponsorship of the 69th anniversary celebration of the Chemical Engineering Society of Taiwan, and sponsorship of the 2022 Taiwan Chemical Industry Summit Forum. ■ Participate in local community care activities in the locations where the company operates: Shan-Hwa Junior High School and Elementary School Baseball Team, graduation gifts for Siao-sin Elementary School and Jiaba Elementary School, anniversary cash gifts for Siao-sin Village Community Development Association, anniversary gifts for the Siao-sin Camp Ancestors Temple Association, anniversary gifts for the Siao-sin Village Longevity Club, and anniversary gifts for the Siao-sin Village Neighborhood Security Patrol Team. 		Abstract Explanation	

(6) Implementation Status of the “Ethical Corporate Management Best Principles for TWSE/GTSM Listed Companies, Deviations and Causes for the Difference

Evaluation item	Implementation Status (Note)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(1) Does the Company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2) Whether the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has established a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM Listed Companies</p> <p>(3) Whether the Company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>(1) The Company has set up an internal control system and various procedures to uphold its ethical corporate management policy and promotes the company’s ethical management beliefs at company conferences.</p> <p>(2) The Company has already set up its Ethical Corporate Management Procedure and Guidelines for Conduct.</p> <p>(3) The Company utilizes excellent corporate governance, risk control mechanisms and comprehensive internal guidelines to prevent unethical conduct from occurring and create environment for sustainable development at the Company.</p>	No significant deviation
<p>2. Ethic Management Practice</p> <p>(1) Whether the Company has assessed the ethics records of which it has business relationship with and includes business conduct and ethics related clauses in the business contracts?</p> <p>(2) Whether the Company has established a unit which is dedicated to promoting the Company’s ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?</p>	<p>✓</p> <p>✓</p>	<p>(1) The Company reviews its transactions with customers and suppliers on a non-regular basis and will consider cancelling its transactions if there are any violations of ethical conduct.</p> <p>(2) The corporate integrity management has established a full-time unit which is the human resources team of the General Manager Office and will plan online training courses in accordance with the "integrity management operation procedures and conduct guide", so as to integrate the integrity management value into the</p>	No significant deviation

Evaluation item	Implementation Status (Note)		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and the reasons																
	Yes	No																	
<p>(3) Whether the Company has established policies to prevent conflict of interests provide appropriate communication and complaint channels and implement such policies properly?</p> <p>(4) To implement relevant policies on ethical conducts, has the Company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?</p> <p>(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?</p>	✓	<p>company's operation. In addition, it will regularly update and share cases with colleagues. In 2022, the cases are the LiteOn's insider trading case and the Kimberly's kickback case, and on November 4, 2022, relevant executions were reported to the board of directors once a year on a regular basis.</p> <p>(3) At present, the company has formulated "operation procedures and conduct guidelines for integrity operation". Employees who have doubts about their own conduct or work can present and discuss with the management department at any time.</p> <p>(4) The company's auditors prepare the company's annual audit plan in accordance with the regulations, and submit it to the independent directors of the audit committee.</p> <p>(5) The company promotes to publicize the integrity management policy to all employees through the "training system electronic platform", and updates the "integrity management" teaching material every year, so as to improve the integrity management awareness of colleagues.</p> <p>The training achievement rate is 100%, and 65 employees have completed the training. Please refer to the following for the training conclusion:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Trainees</th> <th>No. of Trainees</th> <th>Average score</th> <th>Detail description</th> </tr> </thead> <tbody> <tr> <td>Junior staff</td> <td>15</td> <td>98.91</td> <td>Grade 6 or below</td> </tr> <tr> <td>Mid-level staff</td> <td>21</td> <td>98.49</td> <td>Grade 7-9</td> </tr> <tr> <td>Senior staff</td> <td>29</td> <td>99.72</td> <td>Grade 10 or above</td> </tr> </tbody> </table>	Trainees	No. of Trainees	Average score	Detail description	Junior staff	15	98.91	Grade 6 or below	Mid-level staff	21	98.49	Grade 7-9	Senior staff	29	99.72	Grade 10 or above	
	Trainees	No. of Trainees	Average score	Detail description															
	Junior staff	15	98.91	Grade 6 or below															
Mid-level staff	21	98.49	Grade 7-9																
Senior staff	29	99.72	Grade 10 or above																
	✓																		
	✓																		

Evaluation item	Implementation Status (Note)		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and the reasons
	Yes	No	
<p>3. Implementation of Complaint Procedures</p> <p>(1) Does the Company establish specific complaint and reward procedures, established conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p>	✓	<p>(1) In accordance with the operation procedures and conduct guidelines for integrity operation, Article 21 "reporting and handling of dishonest conduct of company personnel", the company encourages internal and external personnel to report dishonest conduct or improper behavior, and according to the seriousness of their reporting, the company will give bonus. If there is any false report or malicious accusation, the internal personnel shall be subject to disciplinary action, and if the circumstances are serious, they shall be subject to disciplinary action or dismissal.</p>	No significant deviation
<p>(2) Whether the Company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?</p>	✓	<p>(2) The company has established and announced the internal independent reporting mailbox and special line on the company's website and internal website, or entrusted other external independent organizations to provide the reporting mailbox and special line for the use of internal and external personnel of the company. The whistleblower shall provide at least the following information:</p> <ol style="list-style-type: none"> 1. The name and ID card number of the informant can contact the accused's address, telephone number and email address. 2. The name of the informant or other information sufficient to identify the identity characteristics of the accused. 3. Specific evidence for investigation. <p>(3) The company's responsible unit for handling the whistleblowing shall keep the identity and contents of the whistleblower confidential in a written statement, and the company undertakes to protect the whistleblower from improper handling due to the whistleblowing. And shall be handled by the company's responsible unit in accordance with the following procedures:</p> <ol style="list-style-type: none"> 1) If the report involves ordinary employees, it shall be reported to the department head. If the report involves directors or senior directors, it shall be reported to independent directors or supervisors. 2) The responsible unit of the company and the supervisor or personnel reported in the preceding paragraph shall 	
<p>(3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?</p>	✓		

Evaluation item	Implementation Status (Note)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
		<p>immediately find out the relevant facts, and the compliance department or other relevant departments shall provide assistance if necessary.</p> <p>3) If it is confirmed that the accused has indeed violated the relevant laws and regulations or the company's integrity business policies and regulations, the accused shall be required to immediately stop the relevant acts and dispose of them appropriately, and claim damages through legal procedures if necessary, so as to protect the reputation and rights and interests of the company.</p> <p>4) The acceptance, investigation process and investigation results of the report shall be kept in written documents for five years, which can be kept electronically. Before the expiration of the retention period, in case of litigation related to the content of the report, the relevant materials shall be kept until the end of the litigation.</p> <p>5) If the report is verified to be true, relevant units of the company shall be responsible for reviewing the relevant internal control system and operating procedures, and proposing improvement measures to prevent the recurrence of the same behavior.</p> <p>6) The responsible unit of the company shall report to the board of directors the situation of the report, its handling method and subsequent review and improvement measures.</p>	
4. Information Disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (MOPS)	✓	(1) The Company has publicly disclosed information concerning the Ethical Corporate Management Procedure and Guidelines for Conduct and disclosed ethically management best practice principle content and promotion effectiveness each year on its website.	No significant deviation
5. If the Company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation: N/A			
6. Other helpful information for better understanding the Company's operation of the Ethical Corporate Management Best Practice Principles (such as the Company reviewing and amending the Company's Ethical Corporate Management Best Practice Principles):The Company has set up an internal control system and various guidelines to ethically manage the Company and provide guidance for the Company to follow in its dealings with suppliers and customers.			

(7) Disclosure of the inquiry method where corporate best-practice principles and related guidelines have been adopted by the Company:

The corporate governance best-practice principles set up by the Company including the Articles of Incorporation, Shareholders' Meeting Rules, Director and Supervisor Election Procedure, Rules and Procedures of the Board of Directors Meeting, Code of corporate governance practice, Procedure for Special Company and Group Enterprise Transactions, Acquisition and Disposal of Assets Procedure, Procedures for Lending Funds to Other Parties, Procedures for Endorsement and Guarantee, Ethical Corporate Governance Procedures and Guidelines for Conduct have already been posted on the MOPS.

(8) Other major information that would provide a better understanding of the corporate governance operation status: None

(9) Internal Control System Implementation Status

1. 2022 Statement of Internal Control System

San Fu Chemical Co., Ltd.
Statement of Internal Control System



February 24, 2023

The Company has conducted a self-evaluation of its internal control system in 2022. The results were as follows:

1. The Company acknowledges that its Board of Directors and management are responsible for establishing, implementing and maintaining and internal control system. The said system has already been established at the Company. The purpose of the internal control system is to provide reasonable assurance of operation effectiveness and efficiency (including profit, performance, asset security), the reliability, timeliness, transparency of reports and compliance with applicable laws and regulations.
2. Any internal control system has inherent constraints. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three above stated goals. Due to changes in the environment and circumstances, the effectiveness of the internal control system may vary considerably. Nevertheless, the Company's internal control system is equipped with self-monitoring mechanisms. Should any deficiencies be identified, the Company takes immediate corrective actions to address these deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system in accordance with the Guidelines for the Establishment of Internal Control System by Public Companies (referred to as the Guidelines hereinafter). The evaluation items of the internal control system used by these Guidelines divide into the internal control system into five components based on management control procedures: (1) environment control (2) risk assessment (3) control process (4) information and communication (5) supervision. There are several items contained in each component. Refer to the Guidelines for the above items.
4. The Company has evaluated the design and operating effectiveness of internal control system using the above internal control system evaluation items.
5. Based on the results of such evaluation, the Company believes that as of December 31, 2020, it has maintained an effective internal control system (including supervision and management of subsidiaries), to provide reasonable assurance of understanding of operation results and efficiency target achievement, report reliability, timeliness and transparency, and compliance with applicable procedures, laws and regulations.
6. This Statement is an integral part of the Company's Annual Report and prospectus and will be publicly disclosed. Any falsehood, concealment or other illegality will incur legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed the Company's Board of Directors on February 24, 2023 and all nine directors in attendance affirmed the content of this statement.

San Fu Chemical Co., Ltd.

Chairman: Wu Xin-Hong



President: Tsai Jie-Rong



2. Report of the independent auditor appointed to conduct an audit on the internal control system: None

(10) Penalties Imposed on the Company or Internal Personnel for Legal Violations, Fines for Violations of Internal Control Procedures Major Deficiencies and Remedial Measures: The spouse of the Company's manager violated the regulation for stipulated in Article 157 of the Securities and Exchange Act and exercised the rights of disgorgement to obtain profits immediately upon receipt of the Securities and Futures Investors Protection Center's letter, and this violation did not have a significant impact on the Company's shareholders' equity or the securities price.

(11) Major Resolutions of Board Meetings and the Shareholders' Meeting:

Meeting Date (Term)	Major Resolutions of the Board of Directors	The opinion of the independent director and the Company handling of the independent director 's opinion
2022.08.05 (6 th meeting of the eighth term)	<ol style="list-style-type: none"> 1. Discussion on 2022 Q2 consolidated financial statement of the Company and subsidiaries. 2. 2022 Q2 Earning Distribution 3. Proposal of increasing the amount of investment in subsidiaries 4. Application for renewal of bank loan 5. Review the amount of bonus changes for the chairman and president in the first half of 2022. 	Passed as proposed
2022.11.04 (7 th meeting of the eighth term)	<ol style="list-style-type: none"> 1. Discussion on 2022 Q3 consolidated financial statement of the Company and subsidiaries. 2. 2022 Q3 Earning Distribution. 3. Plan to increase the capital expenditure budget of TMAH Recycling Plant II. 4. Proposal of increasing the amount of investment in subsidiaries 5. 2023 Annual Budget Report 6. 2023 Annual Audit Plan 7. Renew the 2023 plan of capital loan and line. 8. Renew the endorsement guarantee line. 9. Proposed revision of internal control and internal audit procedures.. 10. The company's donation to public and private schools. 11. Application for renewal of bank loan. 	Passed as proposed
2023.02.24 (8 th meeting of the eighth term)	<ol style="list-style-type: none"> 1. Recognition of the Company's 2022 individual financial statement and the consolidated financial statement of the Company and subsidiaries and business report . 2. 2022 Earning Distribution . 3. Issuance of cash dividend from capital reserve. 4. It is proposed to fix the date, place and agenda of the general meeting of shareholders in 2023, and the period for accepting shareholder's proposals. 5. Increase and termination of capital loan and credit limit. 6. Increase and adjustment of endorsement and guarantee credit limit 7. Adjustment of the Company's distributable earnings and the special surplus reserve set out using IFRS. 8. Formulate general principles for the Company's pre-approved and unconfirmed service policy. 9. The independence evaluation of certified public accountants for financial reports. 10. Design and Implementation Effectiveness Statement of the Company's 2022 internal control system 11. Application for renewed loan lines of the bank. 12. Distribution of employee remuneration and remuneration of directors and supervisors in 2022. 13. Review the amount of bonus payment changes for president and chairman in the second half of 2022. 14. Review the performance appraisal objectives and bonus changes proposal for president and chairman in 2023. 	Passed as proposed

Meeting Date (Term)	Major Resolutions of the Board of Directors	The opinion of the independent director and the Company handling of the independent director 's opinion
2023.05.05 (9 th meeting of the eighth term)	<ol style="list-style-type: none"> 1. Discussion on 2023 Q1 consolidated financial statement of the Company and subsidiaries. 2. 2023 Q1 Earning Distribution. 3. Increase and continue to execute the 2023 plan of capital loan and line. 4. Revision of the company's internal control procedures. 5. Appointment of the Company's executive staff. 6. Application for renewal of bank loan. 	Passed as proposed

Meeting Date (Term)	Major Resolutions of the Shareholders Meeting	Resolution
2022.06.17	<ol style="list-style-type: none"> 1. Subject Matter: Recognition of 2021 business report and financial statement. 2. Subject Matter: Recognition of 2021 Earning Distribution . Implementation: July 11, 2022 was set as the base date for ex-rights dividend distribution, and July 29, 2022 was set as the date of distributing the cash dividend (NT\$3.0 per share) .The total amount of cash dividend distribution is NT\$302,118,000.- 3. Subject Matter: Issuance of cash dividend from capital reserve. Implementation: July 11, 2022 was set as the base date for ex-rights dividend distribution, and July 29, 2022 was set as the date of distributing the cash dividend (NT\$2.0 per share) .The total amount of cash dividend distribution is NT\$201,412,000.- 4. Subject Matter: Amendment of “Articles of Association”. Implementation: The amended articles of association have been uploaded to the company’s website and the change registration form issued for this change by the Ministry of Economic Affairs on July 14, 2022 has been obtained. 5. Subject Matter: Amendment of “Regulations for Governing the Procedure of Shareholders’ Meeting”. Implementation: The amendment has been uploaded to the Company’s website 6. Subject Matter: Amendment of “Procedures for acquiring disposing assets”. Implementation: The amended methods have been uploaded to the Company’s website 	All motions were passed by votes.

(12) Main contents of different opinions or written statements from directors or supervisors with regard to significant resolutions passed by the board during the recent year and as of the date of publication of annual report: None

(13) Resignation or dismissal of personnel (including chairman, president, accounting supervisor and internal audit supervisor) involved in the preparation of financial reports: None

4. Auditor Fee Information

Unit: Thousand NT\$

Name of CPA Firm	Names of CPAs	Auditing period	Auditing Fee	Non-auditing Fee	Total	Remark
Deloitte Taiwan	Hsu Hsiu-Ming	2022	3,260	36	3,296	The non-auditing fee is the industrial and business registration fee.
	Wong Ya-Ling					

- (1) When the non-auditing fee to independent auditors, their CPS firm or affiliated company is more than one-fourth of the auditing fee, the amounts of the auditing fee and non-auditing fee and the non-auditing services shall be disclosed: N/A
- (2) If the auditing fee paid in the year which the CPA firm was replaced is less than the fee paid in the previous year, the amount of the auditing fee and the reason for the reduction shall be disclosed: N/A
- (3) When the auditing fee decreases by 10% or more compared to the previous year, disclose auditing fee reduction amount, ratio and reasons: N/A

5. CPA Replacement Information: N/A

6. When the Company's chairman, president or financial/accounting manager employed by the underlying CPA firm or its affiliates within the recent year, the name, position, work period at the underlying CPA firm or its affiliates shall be disclosed: N/A

7. Equity transfer and equity change of the directors, supervisors, management and shareholders with over 10% shareholding

(1) Changes in Shareholding of the Directors, Management and Major Shareholders

Unit: Shares

Title	Name	2022		Up to April 18, 2023	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Chairman	Wu Hsin-Hung	0	0	0	0
Director	San Fu Global Ltd.	0	0	0	0
San Fu Global Ltd. representative	Zhang Chun-Ming	0	0	0	0
Director & President	Tsai Jie-Rong	0	0	0	0
Director	Zhang Yi-Zong	0	0	0	0
Director & Vice President	Su Tian-Bao	0	0	(260,000)	0
Director	Liang Guo-Yuan	0	0	0	0
Independent Director	Li Zhong-Xi	0	0	0	0
Independent Director	Wu Dong-Ming	0	0	0	0
Independent Director	Yang Hong-Zhi	0	0	0	0
Major shareholder	San Fu Global Ltd.	0	0	0	0

President	Tsai Jie-Rong	0	0	0	0
Vice President	Su Tian-Bao	0	0	0	0
Asst. VP	Huang Jun-Yin	(166,000)	0	0	0
Asst. VP	Zhuang Fu-Qin	0	0	0	0
Finance and Accounting Supervisor	Xie Ming-Zhi	(50,000)	0	0	0
Asst. VP	Chen Jie-Yu	0	0	(621,000)	0
Asst. VP	Dai Qin-Yao	0	0	(10,000)	0

(2) Information on Equity Transfer Counterparts who are Interested Persons: None

(3) Information on Shares Pledged to Interested Parties: None

8. Information on the Top 10 Shareholdings and their Relationship:

Shares

April 18, 2023 / Unit:

Name	Current Shareholding		Spouse, Minor Children Shareholding		Shareholding by Nominee Arrangement		Name and Relationship between the Company's Top 10 Shareholdings, or Spouses or Relatives within Two Degrees of Kinship		Remark
	Shares	%	Shares	%	Shares	%	Title (or name)	Relationship	
San Fu Global Ltd. Representative: Zhang Chun-Ming	24,067,315	23.90%	-	-	-	-	-	-	-
Pilot Keymark SDN. BHD.	19,929,000	19.79%	-	-	-	-	-	-	-
Fang, Hong-Yuan	4,012,952	3.98%	-	-	-	-	-	-	-
Wu Hsin-Hung	3,680,010	3.65%	-	-	-	-	Wu Dong-Bai Wu Mei-Jun	Father/son Father/daughter	-
Zhang Xi-Wen	3,569,286	3.54%	-	-	-	-	Zhang Chun-Ming	Son/father	-
FORTUNE CONTIENT TRADE LIMITED	3,302,722	3.28%	-	-	-	-	-	-	-
Wu Dong-Bai	2,949,013	2.93%	-	-	-	-	Wu Hsin-Hung Wu Mei-Jun	Son/ Father Brother/sister	-
Zhang Chen Shu-Li	2,925,884	2.90%	-	-	-	-	Zhang Chun-Ming	Sister-in-law /brother	-
Fubon Life Insurance Co., Ltd.	2,341,000	2.32%	-	-	-	-	-	-	-
Wu Mei-Jun	1,509,780	1.50%	-	-	-	-	Wu Hsin-Hung Wu Dong-Pai	Daughter-father Sister/brother	-

9. The Company and Company's Directors, Manager and Enterprises Directly or Indirectly Controlled by the Company in the Same Invested Company and the Consolidated Shareholding Ratio:

December 31, 2022/Unit: Shares

Reinvested Companies	Investment by the Company		Investment by directors, supervisors, management or enterprises directly or indirectly controlled by the Company		Total Investment	
	Shares	%	Shares	%	Shares	%
San Fu Specialty Chemicals Investments Limited	2,350,840	100.00%	-	-	2,350,840	100.00%
San Fu Food Additives Investments Limited	552,198	100.00%	-	-	552,198	100.00%
VinaSanFu Industrial Gas Company Limited	- (Note 1)	100.00%	-	-	- (Note 1)	100.00%
VinaSanFu Material Company Limited	- (Note 1)	100.00%	-	-	- (Note 1)	100.00%
San Fu Biotech Co., Ltd.	21,500,000	93.48%	-	-	21,500,000	93.48%
International Nitto Technology Co., Ltd.	90,000,000	100.00%	-	-	90,000,000	100.00%
Hong Chong Enterprise Co., Ltd.	1,200,000	50.00%	-	-	1,200,000	50.00%
Li Fu Carbonic Acid Co., Ltd.	1,740	87.00%	-	-	1,740	87.00%
Shian Yun Joint Stock Company	2,659,974	33.33%	-	-	2,659,974	33.33%
Shanghai San Fu Ming Electronic Materials Co., Ltd.	- (Note 1)	50.00%	-	-	- (Note 1)	50.00%
Sino Star Holding Limited	1,867,838	100.00%	-	-	1,867,838	100.00%

Note 1: The Chinese and Vietnamese companies that are indirectly invested in by the Company are limited liability companies and have no stock.

IV. Capital Overview

1. Capital and Shares

(1) Sources of Capital

1. Capital formation

May 10, 2023

Unit: Thousand Shares; Thousand NT\$

Year and Month	Par Value	Authorized Capital		Paid-In Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Invested with Assets Other Than Cash	Other
03/2003	10	100	1,000	100	1,000	Company establishment (cash)	—	Note 1
11/2003	10	80,000	800,000	20,100	201,000	Issuance of NT\$200,000 thousand in new shares from split	—	Note 2
12/2003	10	80,000	800,000	20,110	201,100	Capital increased by NT\$100 thousand in cash	—	Note 3
04/2004	10	80,000	800,000	45,110	451,100	Capital increased by NT\$250,000 thousand in cash	—	Note 4
08/2006	10	80,000	800,000	65,110	651,100	Capital increased by NT\$200,000 thousand in cash	—	Note 5
11/2010	10	120,000	1,200,000	80,000	800,000	Capital increased by NT\$148,900 thousand in cash	—	Note 6
12/2013	10	120,000	1,200,000	88,000	880,000	Capital increased by NT\$80,000 thousand in cash	—	Note 7
11/2014	10	120,000	1,200,000	89,203	892,030	Stock options transferred into NT\$12,030 thousand in shares	—	Note 8
04/2015	10	120,000	1,200,000	89,222	892,220	Stock options transferred into NT\$190 thousand in shares	—	Note 9
05/2015	10	120,000	1,200,000	89,224	892,240	Stock options transferred into NT\$20 thousand in shares	—	Note 10
11/2015	10	120,000	1,200,000	89,791	897,910	Stock options transferred into NT\$5,670 thousand in shares	—	Note 11
03/2016	10	120,000	1,200,000	89,819	898,190	Stock options transferred into NT\$280 thousand in shares	—	Note 12
05/2016	10	120,000	1,200,000	89,835	898,350	Stock options transferred into NT\$160 thousand in shares	—	Note 13
08/2016	10	120,000	1,200,000	89,837	898,370	Stock options transferred into NT\$20 thousand in shares	—	Note 14
11/2016	10	120,000	1,200,000	90,483	904,830	Stock options transferred into NT\$6,460 thousand in shares	—	Note 15
03/2017	10	120,000	1,200,000	90,577	905,770	Stock options transferred into NT\$940 thousand in shares	—	Note 16
05/2017	10	120,000	1,200,000	90,694	906,940	Stock options transferred into NT\$1,170 thousand in shares	—	Note 17
08/2017	10	120,000	1,200,000	90,706	907,060	Stock options transferred into NT\$120 thousand in shares	—	Note 18
12/2020	10	120,000	1,200,000	100,706	1,007,060	Capital increased by NT\$100,000 thousand in cash	—	Note 19

Note 1: Fu-Jian-Shang no. 092063165
 Note 2: Fu-Jian-Shang no. 09223597130
 Note 3: Fu-Jian-Shang no. 09226739500
 Note 4: Fu-Jian-Shang no. 093086689107
 Note 5: Jing-Shou-Shang no. 09501187530 dated 08/23/2006
 Note 6: Jing-Shou-Shang no. 09901246690 dated 11/05/2010
 Note 7: Jing-Shou-Shang no. 10201248420 dated 12/09/2013
 Note 8: Jing-Shou-Shang no. 10301238370 dated 11/19/2014
 Note 9: Jing-Shou-Shang no. 10401055700 dated 04/01/2015
 Note 10: Jing-Shou-Shang no. 10401095360 dated 05/25/2015
 Note 11: Jing-Shou-Shang no. 10401240310 dated 11/13/2015
 Note 12: Jing-Shou-Shang no. 10501060910 dated 03/31/2016
 Note 13: Jing-Shou-Shang no. 10501094780 dated 05/11/2016
 Note 14: Jing-Shou-Shang no. 10501205000 dated 08/23/2016
 Note 15: Jing-Shou-Shang no. 10501262880 dated 11/09/2016
 Note 16: Jing-Shou-Shang no. 10601038670 dated 03/29/2017
 Note 17: Jing-Shou-Shang no. 10601064770 dated 05/22/2017
 Note 18: Jing-Shou-Shang no.10601117000 dated 08/15/2017
 Note 19: Jing-Shou-Shang no. 10901234110 dated 12/18/2020

2. Types of Issued Shares

May 10, 2023 /Unit: Shares

Type of Shares	Authorized Capital			Remark
	Issued (listed)	Unissued Capital	Total	
Registered common shares	100,706,000	19,294,000	120,000,000	Outstanding circulated shares are listed shares.

(2) Shareholder Composition

April 18, 2023 / Unit: Persons; Shares

Shareholder Composition Quantity	Government Institution	Financial Institution	Other Legal Person	Natural Person	Foreign Institutions and Individuals	Total
Number of persons	0	7	42	9,072	55	9,176
Shareholding	0	3,773,318	24,632,159	42,697,068	29,603,455	100,706,000
Shareholding %	0.00%	3.75%	24.46%	42.40%	29.39%	100.00%

(3) Shareholder dispersion

April 18, 2023

Shareholding bracket	No. of Shareholders	Shares Held	%
1~999	2,347	350,706	0.35%
1,000~5,000	6,051	10,284,699	10.21%

5,001~10,000	432	3,402,908	3.38%
10,001~15,000	98	1,233,845	1.23%
15,001~20,000	60	1,128,058	1.12%
20,001~30,000	62	1,590,179	1.58%
30,001~40,000	31	1,105,219	1.10%
40,001~50,000	13	580,085	0.58%
50,001~100,000	35	2,398,569	2.38%
100,001~200,000	16	2,282,239	2.27%
200,001~400,000	17	4,958,424	4.92%
400,001~600,000	1	435,752	0.43%
600,001~800,000	0	0	0.00%
800,001~1,000,000	3	2,672,355	2.65%
Over 1,000,001	10	68,282,962	67.80%
Total	9,176	100,706,000	100.00%

Note: All of the above are common stock

(4) List of Major Shareholders

April 18, 2023 /Unit: Shares

Shares	Shareholding	%
Name of Major Shareholder		
San Fu Global Ltd.	24,067,315	23.90%
Pilot Keymark SDN.BHD.	19,929,000	19.79%
Fang Hong-Yuan	4,012,952	3.98%
Wu Xin-Hong	3,680,010	3.65%
Zhang, Xi-Wen	3,569,286	3.54%
FORTUNE CONTIENT TRADE	3,302,722	3.28%
Wu Dong-Bai	2,949,013	2.93%
Zhang Chen Shu-Li	2,921,884	2.90%
FUBON LIFE INSURANCE CO., LTD.	2,341,000	2.32%
Wu Mei-Jun	1,509,780	1.50%

(5) Market Price, Net Value, Earnings and Dividend per Share and Other Related Information in the last two years

Unit: NT\$; Thousand shares

Item		Year	2021	2022	As of May 10, 2023
Market price per share	Highest		187.5	241.50	138.50
	Lowest		56.2	102.00	126.50
	Average		70.52	149.72	132.99
Net value per share	Before distribution		41.16	45.56	42.52
	After distribution		36.16	N/A	N/A
Earnings per share (EPS)	Weighted average no. of shares		100,706	100,706	100,706
	EPS		6.69	8.43	0.95
Dividend per share	Cash dividend		3.0	(Note 1)	N/A
	Stock dividend	From retained earnings	0	0	N/A
		From capital reserve	0	0	N/A
	Cumulative unpaid dividend		0	0	N/A
Return on Investment (ROI) Analysis	Price-Earnings Ratio		10.56	17.76	N/A
	Price-Dividend Ratio		14.10	(Note 1)	N/A
	Dividend Yield		7.09%	(Note 1)	N/A

Note 1: Determined after resolution by the June 16, 2023 Shareholders' Meeting

Note 2: The net asset value per share and the earnings per share are based on the financial information as of March 31, 2023 reviewed and approved by certified accountants.

(6) Dividend Policy and Execution Status:

When there are earnings for the fiscal year, the Company shall first cover its accumulated losses of previous years (including adjusted undistributed earnings) and set aside 10% as a legal reserve in accordance with the law. However, it is not necessary to allocate earnings towards the legal reserve if the legal reserve has already reached the total paid-in capital of the Company. The Company may also need to set aside a special reserve in accordance with the law or competent authority regulations. The balance together with the remaining undistributed earnings at the beginning of the fiscal year (including adjusted undistributed earnings) is available for distribution as shareholder dividends as stipulated by the Board of Directors earnings distribution plan submitted for approval by the Shareholders' Meeting. The company's profit distribution or loss compensation shall be made after the end of each fiscal year. The company authorizes the board of directors to make a special resolution to

distribute all or part of the dividends and bonuses in cash and report to the shareholders' meeting.

Distribution of Company's dividends depends on the earnings status for that year. The Company tries to keep dividends stable. Except for special circumstances, the dividend will not exceed 80% of net income for that year, and the ratio of cash dividend to stock dividend is 100:1. The Company is currently in its growth stage so future capital requirements and long-term financial planning of the Company must be taken into consideration. The cash dividend may not be less than 5% of the total dividend but the amount may be adjusted by resolution at the Shareholders' Meeting based on actual profitability and future capital planning.

In the board of directors of the company on February 24, 2023, it was proposed that the distribution of earnings in the year of 2022 should be NT\$3.9 per share and NT \$2.0 per share of capital reserve. The allotment of capital reserve shares will be handled in accordance with the relevant provisions after the resolution of the general meeting of shareholders was adopted on June 16, 2023.

- (7) The effect of the stock dividend as proposed to the Shareholders' Meeting on operating performance and earning per share: There is no stock dividend proposal to the Shareholders' Meeting, so it is not applicable.
- (8) Employee, Director and Supervisor Remuneration:

1. Percentage or range of employee, director and supervisor remuneration

According to the Company's Articles of Incorporation, 1% -3% of the current year's earnings are allocated for employee remuneration and no more than 3% is allocated for director and supervisor remuneration. The employee remuneration policy is based on the company's overall operating net profit after tax, and the amount of payment is calculated according to the performance evaluation result and contribution.

2. Estimate foundation of employee, director and supervisor remuneration, stock dividend distribution and accounting treatment for differences in the actual amount distributed and the estimated amounts: When there is a difference in the employee, director and supervisor remuneration estimate foundation and actual distribution amounts for the period, the difference is to be adjusted in the first quarter of 2023.

3. Information on the remuneration distribution approved by the Board of Directors:

- (1) The Company's 2022 earnings distribution plan was approved at the February 24, 2023 meeting of the Board of Directors and the employee and director remuneration distribution was as follows:

- A. Employee cash remuneration amount: NT\$21,457,000 in employee bonuses were approved for distribution.
- B. Employee stock option amount: There is no proposal to distribute shares for this Shareholders' Meeting so it is not applicable.
- C. Director and supervisor remuneration: NT\$21,457,000 in director and supervisor remuneration was approved for distribution.

The amount difference of the recognized expenses in the current period is NT\$1,914,000, and the difference has been adjusted and recorded in the first quarter of 2023.

- (2) Employee remuneration amount as stock dividend as a percentage of the period's individual financial statement's net income and total employee remuneration:

The Company has not proposed to distribute employee stock options so it is not applicable.

4. Actual Employee, Director and Supervisor Remuneration Distribution for the Previous Year:

The Company's 2021 earnings distribution plan was approved at the meeting of the Board of Directors on February 25, 2022 and the employee, director and supervisor remuneration distribution was as follows:

- A. Employee cash remuneration amount: NT\$16,588,000 in employee bonuses were approved for distribution.
- B. Employee stock option amount: There is no proposal to distribute shares for this Shareholders' Meeting so it is not applicable.
- C. Director and supervisor remuneration: The Board of Directors approved to distribute NT\$16,588,000 in director and supervisor remuneration.

The difference between estimated and recognized expenses of the previous year was NTD 24,000, which was adjusted and recorded in the first quarter of 2022.

(9) Buyback of Company Shares: None

2. Issuance of Corporate Bonds: None

3. Issuance of Preferred Stock: None

4. Issuance of Overseas Depository Receipts: None

5. Issuance of Employee Stock Options: None

6. Issuance of New Restricted Employee Shares: None

7. New Shares Issued for Mergers with or Acquisition of Shares of Other Companies: None

8. Capital Utilization Plan Execution Status: None

V. Operation Highlights

1. Business Content

(1) Business Scope

1. Major businesses

1. F401010 International Trade
2. F207200 Retail Sale of Chemistry Raw Material
3. C801010 Basic Industrial Chemical Manufacturing
4. F107200 Wholesale of Chemistry Raw Material
5. C801020 Petrochemical Manufacturing
6. F107060 Wholesale of Virulence Chemical Substance
7. F107990 Wholesale of Other Chemical Products
8. C802200 Paints, Varnishes, Lacquers, Dyeing Mills and Dyestuff Manufacturing
9. F107020 Wholesale of Dyeing Mills and Dyestuff
10. F207020 Retail Sale of Dyeing Mills and Dyestuff
11. C802100 Cosmetics Manufacturing
12. F108040 Wholesale of Cosmetics
13. C109010 Seasoning Manufacturing
14. F102170 Wholesale of Food and Grocery
15. C801100 Synthetic Resin & Plastic Manufacturing
16. C901020 Glass and Glass Made Products Manufacturing
17. CA04010 Metal Surface Treatment.
18. C199990 Other Food Manufacturing Not Elsewhere Classified
19. C114010 Food Additives Manufacturing
20. F121010 Wholesale of Food Additives.
21. F221010 Retail of Food Additives
22. J101030 Waste Disposal
23. J101090 Waste Collecting and Disposing
24. F108031 Wholesale of Drugs, Medical Goods
25. F208031 Retail Sales of Medical Equipment
26. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

2. Major business categories and their percentages:

Company revenues and product category percentages for the past two years are as follows:

Unit: Thousand NT\$

Item	2022		2021	
	Amount	%	Amount	%
Fine chemicals	4,389,310	78.12	3,647,671	76.31
Basic chemicals	1,229,290	21.88	1,132,214	23.69
Total	5,618,600	100	4,779,885	100

3. Current product (service) items:

Product type	Current products	Description
Fine chemicals	Developing solution, etching solution, stripping solution, solvents, cleaners	Main products include TMAH, KOH, NaOH, ITO etchant, aqua regia etchant, Al etchant (phosphoric acid, nitric acid, acetic acid), Cu etchant, HF (hydrofluoric acid), HCl (hydrochloric acid), BM-73 (BDG/MEA), MD-73 (MEA/DMSO), DMSO (Dimethyl sulfoxide), BDG (Diethylene glycol monobutyl ether), MEA (Monoethanolamine), HMDS (Hexamethyldisilazane), RGB rework, ITO rework, Cu stripper, seal stripper, benzyl alcohol, EBR (edge bead remover), etc.
	VMT	Slurry OEM
	TMAH recovery	Waste developing solution recovery
Basic chemicals	Chemical raw materials	Benzoic acid (Na), sulfamic acid, cyclohexylamine, dicyclohexylamine, aniline, 4-Hydroxybenzoic acid, paraben, oxalic acid, sodium gluconate, sodium hexametaphosphate, isophthalic acid.
	Food additives	Sweeteners: Sorbitol, mannitol, sucralose, acesulfame-K, neotame, saccharin sodium, cyclamate, stevioside. Sour agent: citric acid (monohydrate/anhydrous), sodium citrate (potassium), lactic acid, sodium lactate (calcium). Preservatives: Benzoic acid (Na), potassium sorbate. Other: Calcium chloride, anhydrous, sodium bicarbonate (baking soda), phosphoric acid.
	Food raw materials	Glucose (monohydrate/anhydrous), maltodextrin, trehalous, high maltose powder, corn starch.

4. New products (services) planned for development

A. Electronic chemicals for touch panels

B. Specialty chemicals for high-end TFT-LCD panels (3D, OLED and AMOLED)

C. Electronic chemicals for IC nanometer-processes

(1) TMAH recycle and reuse technologies and products.

(2). Chemical (bumping stripper) recycle and reuse technologies and products

(3) Development of special chemicals: Adhesive, detergent, special mixed acid, and rework cleaner.

(4) Electronics-grade chemicals for export (Developing the market in countries other than China and Southeast Asian countries).

(2) Current Industry Status and Development

1. Current Industry Status

(1) Fine chemicals

Petrochemical products are generally divided into commodity chemicals and fine chemicals. Commodity chemicals are also called bulk chemicals. Fine chemicals are often referred to as performance chemicals or specialty chemicals. Performance chemicals are mainly used in manufacturing processes or on final products to improve product characteristics. Most are high value-added products. The Company's products include a broad range of specialty chemicals including developers, etchants, strippers, solvents and cleaners.

The specialty chemical field includes the 'two trillion and three star' industries. One of the key manufacturing processes of the wafer foundry and display panel industries is generating specific thin-film patterns on wafers or glass panels. The thin-film material can be insulating silicon dioxide or polysilicon. Regardless of what kind of material is used as the thin-film, a layer of photoresist must first be coated on the wafer or glass panel. After passing through curing, exposure, developing processes, the desired pattern is then etched on it. Last, the pattern is completed on the thin-film by photoresist removal. There are organic and non-organic base developing solutions combined with photoresist developing which provide excellent developing capabilities and high contract characteristics. Etchants are mainly used in ITO or metal layer etching processes for silicon wafers, LCD panels, touch panels and solar cells. Lithography is used in the etching process to define the pattern on the substrate and then chemical corrosion, physical impact or a combination of the two is used to remove a portion of the material and leave behind the electrical circuit pattern. Strippers are used after the etching process to strip away the photoresist from the TFT-LCD metal or semiconductor thin-film circuits. Solvents are mainly used to remove excess photoresist from the edges of the substrate after panel photoresist coating. Cleaners have these applications: 1. Glass

recovery after color filter process failure 2. Cleaning before substrate enters the machine 3. Cleaning of photoresist coating fixtures.

As the semiconductor and optoelectronic industries continue to develop in Taiwan, demand for electronic chemicals shall steadily increase and quality requirements for electronic chemicals shall become stricter. Therefore, process efficiency development and quality improvement are key aspects of future industry development. With the introduction of new generation products applied to electric vehicles, 5G, HPC, IoT, flexible displays and new generation technology and process refinements such as 1x nanometer, FinFET, 3D stacking, AMOLED, IGZO, LTPS and copper processes are developed, the production value and growth rate of the global specialty chemical industry will steadily rise year after year. Every process will use different types of chemicals so research and development of a new generation of chemicals will be the future development trend for the industry.

(2) Basic chemicals

Basic chemicals mainly consist of food additives. Food additives are a result of human technological process and a desire to have a higher quality of life. In the past, our ancestors only thought of food as a way to avoid hunger. Nowadays, people care about color, smell, taste and nutrition of food. Food is also considered to be a form of art. Simply put, food additives are ingredients other than seasonings like garlic, onions and ginger that are added to foods. Countries usually have lists of legal additives which can be used depending on the food laws and regulations enacted in each country. Foods that are manufactured with under the specified amount of additives will not harm the health of consumers. The Food and Agriculture Organization (FAO) and World Health Organization (WHO) have jointly established the Codex Alimentarius to draft food additive definitions, specifications and standards which may be followed internationally. Still, there are many inconsistencies in food additive definitions and management in countries around the world. For example, the U.S. does not recognize colorings as food additives. The Codex Alimentarius does not recognize pollutants and food additives added to food to improve their nutrition or quality. Article 3 of Taiwan's Act Governing Food Safety and Sanitation defines food additives as substances that are added to or brought into contact with foods for the purpose of coloring, seasoning, preserving, bleaching, emulsifying, flavoring, stabilizing quality, enhancing fermentation, increasing viscosity, enriching nutritional value, preventing oxidation or other necessary purpose in the manufacture, processing, preparation, packaging, transportation, storage of foods.

Cyclohexylamine (CHA) is a specialty chemical used in the production of sodium cyclamate. Sodium cyclamate is a type of artificial sweetener that provides the same sweetness as sugar but does not contain compounds with the same

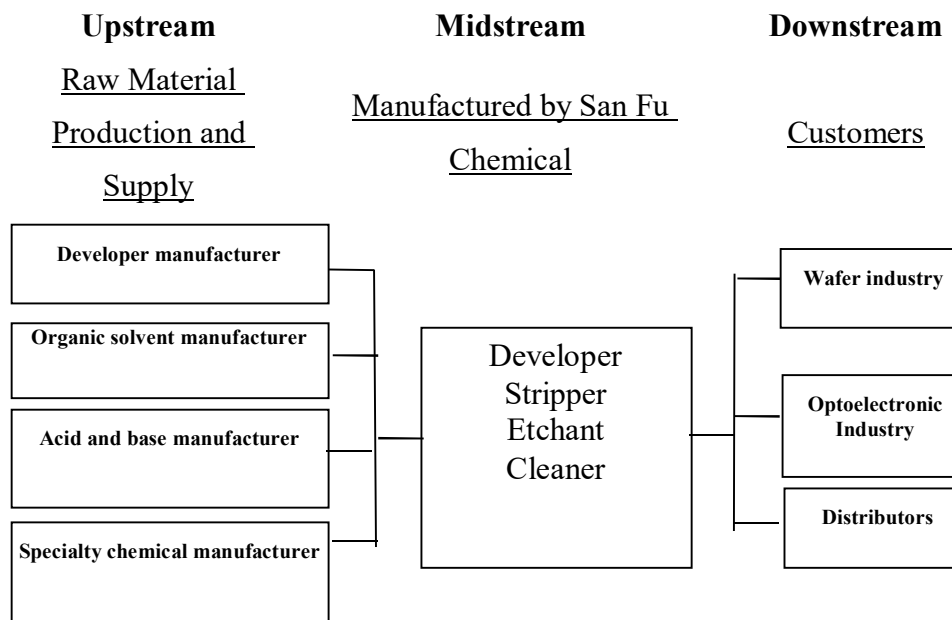
caloric value. It is 30 to 8000 times sweeter than sugar. As a result, products that are manufactured with it have much fewer calories than those products made with cane sugar. Commonly used as a substitute for corn syrup and cane sugar, it is added to many kinds of sodas and sweetened drinks. Artificial sweeteners can be used as a substitute for sugar in chocolate, jams, chewing gum, ice creams and beverages. Another use for CHA is as a corrosion inhibitor in water treatment agents. Dicyclohexylamine is mainly used as iron corrosion inhibitor. Citric acid monohydrate (CAM) is used as a sour agent and antistaling agent in the food and beverage industry. Sodium benzoate (BNA) is a type of preservative. Countries around the world including Taiwan allow its addition to food. It is commonly seen in carbonated beverages, candied fruit and snack foods. Paraben is a preservative that is widely used in drugs and cosmetics.

The public has developed a heightened awareness of food hygiene, safety and quality due to the series of food hygiene and safety incidents (melamine, plasticizer, ractopamine) that have occurred over the years. Due to rising health consciousness among consumers, hygiene, safety and quality control will become major factors in food market development.

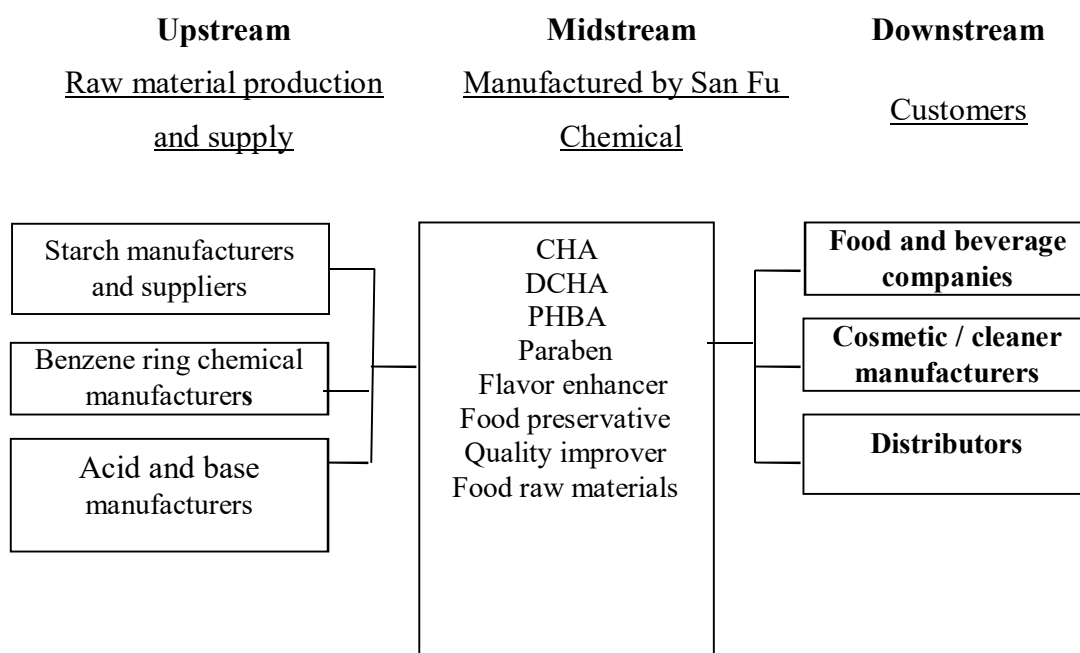
2. Industry upstream, midstream and downstream relationship

(1) Fine chemicals

The Company plays the role of a midstream manufacturer in the overall industry supply chain. Currently, the upstream part of the industry is primarily made up of raw material suppliers which supply developed, organic solvent, base and acid chemicals and specialty chemicals. Being in the midstream of the industry, San Fu manufactures chemical raw materials into the developers, strippers, etchants and cleaners required by downstream companies using formulation, purification, dilution and other processes. The downstream is made up of electronics industry including the wafer foundry and optoelectronic industries. The small subpackaging part of our business is handled by distributors to expand the range of industry categories. The relationship between the upstream, midstream and downstream parts of the industry is as follows:



(2) Basic chemicals



3. Product development trends and competitors:

(1) Product development trends

A. Development trends

The Company's products are currently used by the TFT-LCD display and semiconductor, LED, solar power, green energy and food & beverage industries. Most are key specialty chemicals and basic chemicals used in downstream company production processes. New products are developed by product adjustment, improvement and customization to respond to the ever-changing requirements of new processes developed with cutting-edge technology. Future industry development and downstream application industry are closely linked. The following is a description of the future development trends of downstream application industry for the Company's products.

(A) TFT-LCD industry

In view of the COVID-19 pandemic in 2021, the strong demand for panel industry from activities such as remote work, distance education, and home economy has created a prosperous era for Taiwan's panel manufacturers in the past decade. As a result, the average volume of shipment returned to normal in 2022 with an annual decrease of about 20% compared with the previous year. Looking ahead to 2023, with China's comprehensive reopening and the easing of the Russia-Ukraine war, the global economic recession is expected to bottom out in the first half of 2023, and the estimated shipping area is expected to

recover and grow compared to the same period. As Korean manufacturers exit the market and traditional high/low season cycles approach, the industry is expected to recover and pick up in the second half of 2023.

(B) Semiconductor industry

An economic freeze occurred in the second half of 2022, but the global semiconductor market value still sees a 3.2% annual growth to reach 573.5 billion US dollars. Sales in the first half of 2022 hit a new historic high, followed by a cyclic downturn in the second half. In Taiwan, the IC industry's output value (including design, manufacturing, and packaging testing) is approximately NT\$4.84 trillion (US\$162.3 billion), with an annual growth rate of 18.5%, which is better than the global growth rate. In recent years, the growth tends to focus on product categories such as automobiles, consumer goods, and computers, all of which have shown significant growth.

Looking ahead to 2023, AI chip applications will be prevalent, especially with the newly released killer application, CHAT-GPT, attracting participation from major semiconductor companies. Due to the expansion of the US-China semiconductor ban, and China being the world's largest single semiconductor market, coupled with the ongoing Russia-Ukraine conflict, inflation and rising interest rates suppressing economic growth, Taiwan's semiconductor industry is estimated to decline to about \$150.5 billion, an annual decrease of 5.6%. The global semiconductor market is expected to reach \$550.2 billion this year, a 4.1% decrease compared to last year. Although it is a downward revision, the global semiconductor market is still very strong in the long run as chips play an increasingly important role in making the world smarter, more efficient, and more connected.

(C) Food industry

Health, happiness, convenience and environmental protection & ethics are the four main components of demand for global consumers and the main drivers of food industry innovation and R&D. In order to respond to health demands of consumers, food companies need to strike a balance between texture, taste, healthiness and safety through technology, formulation and process improvements to lighten the burden on consumers by lowering calories, reducing allergens and downsizing packaging. Due to the series of food safety incidents such as melamine, plasticizer and tainted starch that have over recent years, consumers have a much higher awareness towards food safety so food companies are more highly concerned about raw material sources and quality.

(2) Product competition

Competition has been increasing in recent years due to factors such as aggressive moves by foreign suppliers to enter Taiwan's market due to greater information transparency and ease of obtaining raw materials. However, the Company has been able to maintain its competitive advantage. Compared to foreign suppliers, San Fu enjoys the advantages of proximity and price. As for local suppliers, the Company offers higher quality, customized services and close technical support. As a result, San Fu can steadily grow year after year.

(3) Technology and R&D

1. Annual R&D Expenditures in Recent Years

Unit: Thousand NT\$

Item \ Year	2022	2021	Jan – Mar 2023
R&D expenditures	63,301	38,615	16,190
Revenue	5,618,600	4,779,885	1,200,126
R&D expenditures as a percentage of revenues	1.13%	0.81%	1.35%

2. Successfully Developed Technologies or Products in Recent years:

Year	R&D Accomplishments
2018	<ol style="list-style-type: none"> 1. Established paraben high recovery green esterification process 2. Developed use of liquid crystal polymer intermediates (LCP) in parabens process for 5G flexible panels
2019	<ol style="list-style-type: none"> 1. The recovered TMAH developer was purified to IC level, and the laboratory verification was completed. 2. Development of stripper for IC bump process.
2020	<ol style="list-style-type: none"> 1. Recycle TMAH developer solution to a purity up to IC scale, and complete the construction of pilot factory, and it is at the stage of inspection for acceptance by customers. 2. Develop Non NMP/DMSO photoresist stripper.
2021	<ol style="list-style-type: none"> 1. Develop the formula of recyclable etching solution and its recycling system for LCD copper process 2. Apply colloidal electrolytes with high ionic conductivity in lithium batteries
2022	<ol style="list-style-type: none"> 1. Recycle device and method for waste solutions containing tetramethylammonium hydroxide and other nitrogen-containing compounds. 2. Composition of etchant solution for transparent conductive oxide and its etching method.

(4) Long-term and short-term business development plan

1. Short-term business development plan

(1) Fine chemicals

A. Marketing strategy

- (A) Strengthen customer service quality, regularly visit customers, understand and quickly handle customer reactions, set up two-way communication channels between the Company and customers, resolve any difficulties, raise service quality and efficiency, strive to reach customer service system and customer satisfaction targets to establish customer reputation and build company image.
- (B) Consolidate and expand customer base in market, link and extend upstream and downstream chemical applications for current customers, actively develop and search for new domestic and international customers, seek out cooperation opportunities with major international companies to expand business range, increase economic effectiveness of products and reduce risk.
- (C) Strengthen professional training for employees and improve appearance of tanker trucks, product packaging and website design to raise San Fu's brand value and customer loyalty.

B. R&D Strategy

- (A) Continue to raise process efficiency, production volume and product quality, reduce total wastewater and waste amounts.
- (B) In addition to satisfying the chemical quality requirements of customers and providing stable supplies, the Company will work to adjust and improve its products and develop new customized products based on the differing requirements of customers to respond to ever-changing high-tech processes.

C. Production strategy

- (A) Strengthen interactions with raw material suppliers, engage in supply chain deployment, diversify concentrated risks and continually raise technical capabilities.
- (B) Establish a strict management system, implement stringent quality requirements and provide excellent quality products to customers.

D. Operation and management

- (A) Establish a sound management system, strengthen management performance, put company business philosophy into practice and improve company image in line with company development.
- (B) Strengthen employee education and training, make human resources the most important asset for corporate competitiveness. Combine company organization, business development requirements and employee career

planning to arrange internal and external education and training programs for each department to improve employee occupational know-hoe and management skills and upgrade mid to long-term competitiveness of the Company.

(C) Strengthen financial structure and health, use sound financial planning and operation management to get maximum overall benefit from company resources.

(2) Basic chemicals

A. Actively consolidate current customers and gradually eliminate customers with poor credit. Then further leverage our quality and technical service advantages to win the trust of potential and current customers to increase company revenue and expand our niche businesses.

B. Strengthen purchasing capability, keep track on the market conditions and currency rate changes to reduce product costs, increase company competitiveness and profit.

C. Focus on new product R&D, raising product quality and developing sales channels. Build up corporate image and recognition to gain advantages in marketing.

2. Long-term business development plan

A. Marketing strategy

(A) Strategic alliance: Respond to rapidly changing market environment and competitor compression by linking up with upstream suppliers and downstream customers. Develop product strategies in tandem to increase competitiveness and achieve the goals of resource sharing, cost reductions and market expansion.

(B) Diversification of operation risk: Respond to market demand and industry development trends, diversify product line, avoid operation risk of overconcentration on a single product or a single product being affected by economic factors.

(C) Seek out international opportunities: Seek out more overseas customers, expand globally, develop emerging markets and achieve market diversification targets.

(D) Actively cultivate professional sales talent: Encourage identification with corporate culture throughout the organization to meet the future development requirements of the Company. Build common values and solidarity around the Company. Seek up cooperative opportunities with world-class corporations to raise our company profile and market share.

B. R&D strategy

(A) Continue to raise process efficiency, production volume and product quality, reduce total wastewater and waste amounts.

(B) In addition to satisfying the chemical quality requirements of customers and providing stable supplies, the Company will work to adjust and improve its

products and develop new customized products based on the differing requirements of customers to respond to ever-changing high-tech processes.

C. Production strategy

- (A) Continue to expand production scale and capacity, reduce production cost of products.
- (B) Raise product quality and added value to expand market share.
- (C) Keep track of market conditions, continually innovate, develop various new products, meet market requirements, create production scale for product lines and raise company competitiveness.
- (D) Long-term backbone of business is health, safety and quality, fulfill mission of offering people a healthy life and high standard of living.

D. Operation management

- (A) Execute investment plan in tandem with the growth of the Company's scale of operations in line with future company development and market requirements.
- (B) Create a sound and reasonable human resource and welfare system, improve employee cohesion, improve operation performance to raise overall employee efficiency and operating capacity.
- (C) Strengthen existing and potential customer management capabilities including use of financial status and payment surveys to serve as a basis for customer credit ratings in order to gain and keep excellent customers and prevent uncollectable accounts from occurring.

2. Market, Production and Sales Overview

(1) Market analysis

1. Sales regions for major products (services)

Unit: Thousand NT\$

Sales region \ Year	2022		2021	
	Net Sales	Percent of Net Sales	Net Sales	Percent of Net Sales
Asia	5,470,941	97.37%	4,637,021	97.01%
America	144,007	2.56%	139,697	2.92%
Other	3,652	0.07%	3,167	0.07%
Total	5,618,600	100.00%	4,779,885	100.00%

2. Market share, future supply and demand conditions and growth prospects

(1) Fine chemicals

Since the fine chemicals divisions was established in 2004, our efforts have been focused on R&D and sale of chemicals to high-tech industries which has brought steady business growth. Presently, our chemicals are sold to the IC, TFT-LCD, LED, solar and other optoelectronic industries and include many major companies in high-tech industries such as TSMC, UMC, PSMC, VIS (formerly Nanya Technology Corporation), PTI, AUO, Innolux (formerly Chi Mei Optoelectronics), HannStar, Epistar, and URE. In recent years, the company has entered into the specialty chemical field for semiconductor wafers / packaging and testing and solar wafers and has become one of the major suppliers of electronic chemicals for the domestic TFT-LCD industry.

Our company is mainly engaged in the R & D, production and sales of precision chemicals and basic chemicals. After years of efforts, we have established a professional position in the industry.

Looking back at 2022, the impact of the end of the COVID-19 pandemic, the US-China trade war, and the outbreak of the Ukraine-Russia war caused inflation, gas and food crises, affecting industrial development and crude oil prices. Global chemical demand has been affected by the downturn in the economy, and the market is now focusing on ESG, low carbon emissions, low toxicity, environmental friendliness, and recycling. “Circular economy” is currently an important global development model as well as an important development direction for San Fu. With the introduction of new concepts, it will impact all aspects of our lives, from food, clothing, housing, transportation, to production and manufacturing. San Fu continues to move forward towards the development in two advantageous directions: recycling and reusing waste liquid, and bringing a green transformation to specialty chemicals.

The Company’s fine chemical division offers a broad range of products. It includes developers, etchants, photoresist cleaner and RGB regenerants which can fulfill the total chemical requirements of customers.

(2) Basic chemicals

Over the years, the Company has insisted on providing the best products to our customers to develop a healthy and high quality image, earn customer trust and support and become a market leading brand.

The public has developed a heightened awareness of food hygiene, safety and quality due to the series of food hygiene and safety incidents that have occurred

over the years and brand identity has increased as a result. So, the market for safe and high quality products should enjoy stable growth.

3. Competitive niche

A. Possess outstanding R&D capabilities

The Company has a professional R&D team and TAF laboratory. With regard to special customer requirements and development of total solutions, ideal customized products are formulated based on the customer's process conditions and using technical personnel that have process experience in downstream application industries. As for customer process requirement R&D, customer certification are effectively reduced which raises the market competitiveness of our customers.

B. Provide quality and value services

The company provides new quality and value products and services to our customers. Over the years, the company has continued incorporated the most advanced equipment into our production facilities including ICP Mass, cleanrooms and pilot plant to help customers with production process report data analysis, identify the material characteristics required for customer manufacturing processes and provide timely solutions so the Company can maintain excellent long-term cooperative relations with our customers.

C. Steady development of new products and technologies

The Company is always searching out related industry technology, keeps informed about market conditions, constantly innovates and develops a wide range of new products that meeting market requirements. In addition, the Company is actively engaged in the development specialty chemical recovery technology such as TMAH and etchant recovery. The Company is able to prosper alongside the flourishing TFT-LCD, semiconductor, LED and solar energy industries, satisfy green environmental protection requirements and strengthen its leadership position in its core competency.

4. Advantageous and disadvantageous factors for development prospects and countermeasures

A. Advantageous factors

The global photoelectric and green energy industries are continuing to grow, and the overall industry has high potential for development. TFT-LCD and green energy will be the pillars supporting our growth trajectory in precision chemicals. With the widespread distribution of vaccines, increased outdoor activities for the public, and improved supply chain, the supply and demand of flat panel displays are less tense than those during the pandemic, resulting in stable pricing.

However, there are still good niche opportunities, such as the strong demand for electronic shelf tags which can drive the growth of the electronic paper market. Additionally, panel manufacturers are also actively transforming themselves, striving to enter into the automotive, metaverse, medical, and other application markets by providing total solutions. Taiwan's panel manufacturers, being the world's top manufacturers of the industry, are striving to enter the automotive, aerospace, healthcare and other application markets. With the global trend of ESG, Taiwan panel manufacturers are expected to see an increase in shipments by 2023 compared to the same period. As Taiwan's government policies promote the green energy industry, the production of solar panels in Taiwan is expected to grow steadily and organically by 2025.

The global semiconductor market is divided up based on product applications. Spurred along by growth in IoT, 5G, automotive electronics, AR / VR, electric car and AI applications, semiconductor market growth may extend several years. The research predicts that Taiwan's semiconductor output value will still grow to NT\$4.8 trillion in 2022 (including NT2.4 trillion in wafer manufacturing), and the foundry industry will account for 50%. The global forecast for the next five years from 2022 to 2026 indicates a positive growth, but the growth will not be as strong as 2022.

B. Disadvantageous factors

(A) Competition between international and Chinese manufacturers

Most electronic specialty chemicals are supplied by foreign companies. Japanese manufacturers still lead the industry in their technical capabilities. In response to Taiwan companies breaking into supply chain, Japanese companies are working harder to hold on to their existing customers. In addition, Chinese electronic specialty chemical manufacturers have started to emerge grabbing market share with lower prices. This will intensify competition between companies.

Countermeasure:

The Company continually develops new technology and processes for chemical products to maintain our distinctness and reduce the chance of being replaced by other competitors.

(B) Price reduction pressure from customer-end

The Company's major customers are bellwethers in the market. In order to win customers, other competitors may adopt a low price strategy to raise customer purchasing intent. In addition, current major customers are facing a certain amount of pressure to trim overall product costs. So, these customers will

ask their suppliers to cooperate by lower prices. Lower sales will decrease company profitability.

Countermeasure:

Through development of new chemical technologies and processes, the Company can offer new products in conjunction with customer process changes to increase differentiation with competitors and maintain product unit prices and profits. The purchasing end determines supply and price negotiation strategy based on the product category to reduce the pressure of raw material price hikes and customer price reduction requests in recent years.

(C) Environmental protection pressure

There is a waste solution problem with the chemicals used by our customers. As environmental awareness has risen in Taiwan in recent years, customers are not only facing protests over odors but there have been reexamination of many existing chemicals as waste reduction, discharge and transportation costs increase greatly.

Countermeasure:

San Fu has shifted its thinking from viewpoint of the cyclical economy. Chemical development is done from perspective of recycle, reuse and green. The Company has confidence that this will increase the willingness of customers to cooperate with San Fu and extract us from the swamp of price reduction and red water. The Company develops odorless chemicals and chemicals that allow reuse of waste solution. In the last two years, San Fu has won over customers with IC formulated chemicals and TMAH-R that were developed using this thinking.

(2) Uses of major products and production processes:

1. Primary uses of major products:

(1) Fine chemicals

- A. Developer: Base developing solution is used to neutralize and strip away the organic acid formed after exposure of the photoresist (PR) in the semiconductor or panel process leaving the unreacted PR behind.
- B. Etchant: Acidic etchant is used to etch away the metal not protected by PR in the semiconductor or panel process leaving behind the metal circuit pattern protected by the PR.
- C. Stripper: Remove the etched away PR to expose the metal circuit pattern protected by the PR.
- D. Solvent: Use to dilute or clean the PR before PR unpolymerization.
- E. Cleaner: Restore defective glass from the panel manufacturing process to blank

glass substrate.

(2) Basic chemicals:

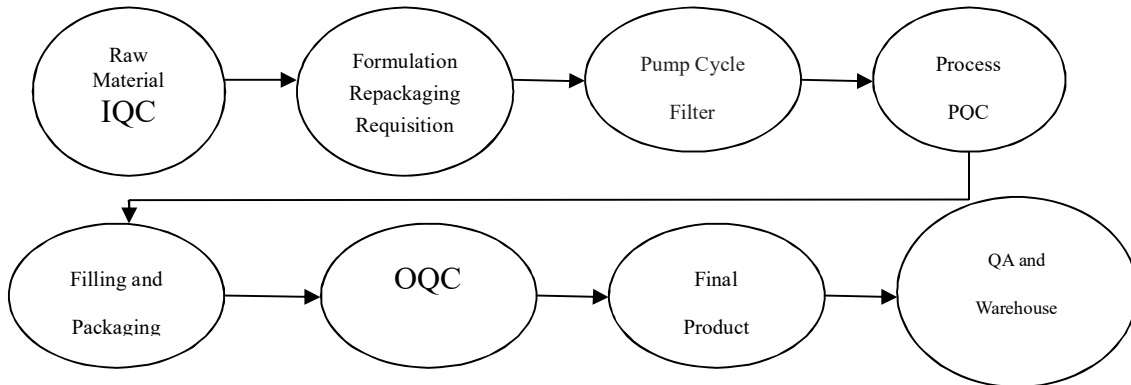
A. Food additives: Necessary for food manufacturing and processing

B. Paraben, sorbitol: Personal care products and cosmetics.

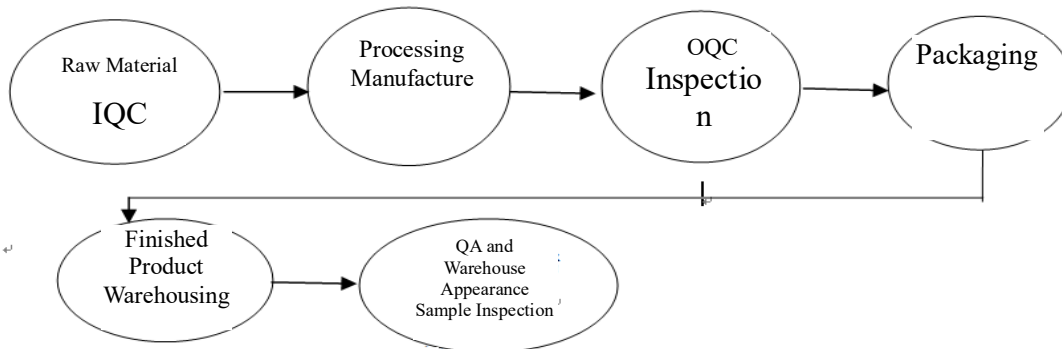
C. Food raw materials: Used in the production process for processed foods.

2. Production process of major products:

(1) Fine chemicals



(2) Basic chemicals



(3) Major raw material suppliers:

The Company has stable supply channels to acquire raw materials. With regard to special raw materials, San Fu has adopted cooperation through shareholding approach to gain control over raw material provision. If there is a shortage of raw materials in the market, the Company is given priority. For other raw materials, two or more suppliers are kept to maintain stable delivery. Excellent relations are maintained between the Company and suppliers and a risk diversification strategy has been adopted.

Type	Major raw materials	Major supplier	Supply conditions
Fine chemicals	Phosphoric acid	Jui Chin	Excellent
	TMAH	Organo Technology	Excellent
Basic chemicals	Industrial grade benzoic acid	KALAMA	Excellent
	Glucose	ROQUETTE	Excellent

(4) The name, purchase (sale) amount and ratio of the customers that accounted for over 10% of total purchases (sales) in one of two recent years and the reason for the changes:

1. Major customers

Unit: Thousand NT\$

Item	2022				2021				2023 Q1			
	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer
1	Company A	1,854,561	33.01	None	Company A	1,585,864	33.18	None	Company A	404,133	33.67	None
2	Company B	-	-	None	Company B	533,955	11.17	None	Company B	-	-	-
3	Other	3,764,039	66.99		Other	2,660,066	55.65		Other	795,993	66.33	None
-	Net sale amount	5,618,600	100.00		Net sale amount	4,779,885	100.00		Net sale amount	1,200,126	100.00	

There are no significant changes in our major customers for sales in 2023 compared to 2022.

2. Major suppliers

Unit: Thousand NT\$

Item	2022				2021				2023 Q1			
	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer
1	Supplier A	431,026	13.47	None	-	-	-	None	Supplier A	124,631	18.57	None
2		-	-	-	-	-	-	-	Supplier B	77,826	11.60	None
-	Other	2,769,891	86.53	None	Other	3,175,513	100.00		Other	468,594	69.83	None
	Net Purchase	3,200,917	100.00	-	Purchase	3,175,513	100.00		Purchase	671,051	100.00	

(5) Production Value over Recent Two Years

Unit: Tons / Thousand NT\$

Major product \ Year Amount/value	2022			2021		
	Capacity	Production amount	Production value	Capacity	Production amount	Production value
Fine chemicals	38,839	36,630	1,641,902	40,448	38,485	1,336,115
Basic chemicals	8,765	4,441	456,231	6,983	6,057	505,803
Total	47,604	41,071	2,098,133	47,431	44,542	1,841,918

(6) Sales Volume and Value over Recent Two Years

Unit: Tons / Thousand NT\$

Major product \ Year Amount/value	2022				2021			
	Domestic		Export		Domestic		Export	
	Amount	Value	Amount	Value	Amount	Value	Amount	Value
Fine chemicals	65,744	4,224,321	920	164,989	67,225	3,482,556	1,534	165,115
Basic chemicals	25,531	796,568	3,577	432,722	19,003	634,752	5,404	497,462
Total	91,275	5,020,889	4,497	597,711	86,228	4,117,308	6,938	662,557

3. Employees

Unit: Persons; Year

Year		2022	2021	As of Mar 10, 2023
Number of Employees	Management	48	55	48
	Support staff	335	312	337
	Total	383	367	385
Average Age		41	42	41.86
Average Years of Service		10.5	10.7	9.71
EDUCATION	Doctorate	0.52%	0.82%	0.52%
	Masters	17.75%	19.35%	18.70%
	University	60.84%	57.22%	60.00%
	High School (Vocational)	19.32%	20.98%	19.74%
	Below high school (vocational)	1.57%	1.63%	1.04%

4. Environmental Protection Expenditures

(1) Total damages (including compensation) and disposal caused by environmental pollution:

Year Item	2022	2021	As of May 10, 2023
Date	Mar. 18, 2022	Mar. 12, 2021	Feb. 01, 2023
Penalty Ref. No.	Kaohsiung City-environmental-audit-tze- No.11131879100	Environmental audit-tze-No. 1100023201	Environmental audit-tze-No. 1120010366
Pollution condition	Violation of Item 1, Article 20 of the Air Pollution Control Act and Article 2 of the Air Pollutant Emission Standards for Stationary Pollution Sources	Violation of Item 1, Article 7 of the Water Pollution Control Act and Article 2 of the Water Discharge Standard.	Violation of Item 4, Article 34 of the Air Pollution Control Act and Item 1-8, Article 20 of the Measures for the Administration of Air Pollution Prevention and Control Specialized Units or Personnel
Violation of content	(Note 1)		
Penalty Amount	NT\$960,000	NT\$189,000	NT\$200,000
Other damages	None	None	None

(Note 1) Explanation of Violation of Regulations:

2021.03.12: After an inspection by the Environmental Protection Administration, one set of water samples was taken from the effluent outlet of the Shan Hua plant and sent for testing. The result showed a suspended solid test value of 41.5mg/L, which did not meet the chemical industry effluent water standard of 30mg/L.

2022.03.18: The Environmental Protection Administration and the inspection company will send personnel to the Kaohsiung factory to collect one set of representative samples of odor pollutants at the fixed pollution source discharge port. The detected value of odor pollutants is 17400, which exceeds the emission standard of odor pollutants (2000) for "emission channels" of fixed pollution sources.

2023.02.01: Tainan City Environmental Protection Administration has released a list of suspected air pollution prevention personnel who may be concurrently holding additional positions, in accordance with the letter issued by the Environmental Protection Administration on July 6, 2022, with the reference number huan shu kong zi di 1111090092 and sent inspectors to the Shanhua plant for inspection, and it was found that Mr. Chang X Xin was concurrently serving as a Class A Air Pollution Control Officer and the Class A Occupational Safety and Health Business Director from March 16, 2020 to July 21, 2022, violating the regulation that one cannot serve two specialized positions for environmental protection under the environmental laws and regulations and also in other specialized personnel positions under other laws and regulations."

(2) Estimated amounts and response measures for current and future occurrences: The potential fines that the Company may face in the future cannot be estimated reasonably due to the determination of the penalty based made by authorities on the actual circumstances of the event. The Company's currently countermeasure is to promote the drafting and preparation of ESG reports and implement stricter environmental control measures, such as lowering air pollution, improving wastewater treatment and reducing waste. In the future, we will focus on energy-saving, carbon reduction, and green environmental work to minimize pollution risks.

5. Labor-Management Relations

(1) List the employee welfare, continuing education, training, pension system and other measures adopted by the Company, labor-management negotiations and measures taken to uphold employee rights:

1. Employee welfare measures, continuing education, training and implementation status

Employee welfare items fully promoted and implemented by the Company. The employee welfare measures being currently implemented are as follows:

Two day weekend, competitive salary levels, Employee education and training, employee medical checkup, employee proposal bonus, advance special leave system, childcare allowance, cash gifts for birthday, maternity allowance, wedding and funeral allowance, hospitalization consolation gift, community allowance, children's education allowance, cash gifts for annual festivals, outdoor activity allowance, and employee travel.

2. Continuing education and training

For the part of management level and management cadres, San Fu Chemical introduced the Balanced Scorecard as a medium and long-term strategic operation and objective management tool since 2018, showing the determination of execution and sustainable operation. Management mechanism is enhanced every year in the management and executive training courses for strategy and business performance and regular tracking of results.

The average time per person for participating in education and training in 2022 was 20.67 hours, a significant increase of 84% from 2021. We provide equal education and training opportunities for all employees regardless of gender. However, on average, male employees receive 21.21 hours of training per year while female employees receive 18.53 hours, due to the majority of shift workers being male, and thus male employees receive slightly longer training hours than women employees for the need of occupational safety and health certification.

The Company pays special attention to personal planning and talent cultivation, and actively encourages employees to participate in various training courses including company internal and external training courses. The Company's 2021 training hour statistics are shown in the table below:

Description		Male	Female	Total	
Management	Actual number of people during reporting period	43	5	48	
	Hours of training received during the reporting period (practical course)	341.13	129	470.13	
	Hours of training received during the reporting period (on-line course)	282.9	54.02	336.92	
	Average hours of training received during the reporting period	14.51	36.60	16.81	
Non-management	Actual number of people during reporting period (practical course)	262	73	335	
	Hours of training received during the reporting period (on-line course)	3,036.5	592	3,628.5	
	Hours of training received during reporting period (on-line course)	2,809.78	670.28	3,480.06	
	Average hours of training received during the reporting period	22.31	17.29	21.22	
Total		No.	305	78	383

	Hrs	6,470.31	1,445.3	7,915.61
Total number of employees at the end of the reporting period	No.	305	78	383
Average hours of training received by each employee	Hrs	21.21	18.53	20.67

Since the launch of online learning system in the second quarter of 2018, the convenience of learning courses for colleagues has been increased, so that colleagues can continue to learn and grow, so as to expand their personal potential, enrich career planning and promote self realization. Online training is divided into six categories: basic training, functional professional skills, advanced work skills, general management functions and senior executive leadership training courses. During the 2022 period, the effectiveness of e-learning platform can be divided into three parts:

- (1) Online new employee training: a total of 31 sessions, that is, to save the time cost of internal lecturer face-to-face teaching, a total of 248 hours.
- (2) Online face-to-face courses: there are 17 courses, including ISO45001 hazard identification and risk assessment education and training, seven techniques of quality control, GHP food good hygiene standards, integrity operation procedures and conduct guidelines, SPC statistical process control, FMEA failure mode & effect analysis, safety and health education and training for employees, hazardous chemicals and fire general education and training, seven habits of high-performance professionals, Eight Disciplines (8D) problem solving and analysis courses, internal employee education and training, BPM basic operation/batch import teaching/DCC training, TSMC product/process change notification education and training, organizational growth and company development, and concepts of developing correct investment and financial management, for OKR goals and key results, and workplace bullying, no one can stay out of it.
- (3) Health promotion teaching materials: Fourteen courses in total, including TCM acupoint massage, weight reduction course, heat injury and prevention, colorectal cancer, hypertension health education lecture, ergonomics concept, stroke, enterovirus and other health knowledge and promotion methods, New COVID-19 prevention guide, diabetes, emergency first aid training, noise hazard prevention, awareness of triglycerides, and awareness of thyroid, tips for maintaining mental health during COVID-19, how to cope with stress, boosting immunity and environmental immunity, and metabolic syndrome.

The online learning platform is fully and effectively utilized, so that the learning of all colleagues of San Fu is not limited by the environment, and the course content comprises corporate management to daily living, which fully reflects the corporate culture that San Fu Chemical attaches importance to the quality of life of its employees.

3. Pension system and implementation status

Old system retirement pension is based on the “Labor Standards Act”, while new system retirement pension is based on the “Labor Pension Act.” Employers must contribute 6% of monthly wages to the personal account established by the Labor Pension Fund. Employees may also choose to voluntarily contribute up to an additional 6% of their monthly wages to the same account. To ensure the rights and interests of employees' pension benefits, San Fu has also established the “Labor Retirement Preparation Fund Supervisory Committee” to oversee the use of employees' retirement funds, and commissioned an actuary to regularly conduct retirement fund actuarial assessments and provide evaluation reports to facilitate the company's allocation of funds to pay employees' pension in accordance with International Accounting Standard No. 19 (IAS19R). In addition, the Labor Retirement Preparation Fund Supervisory Committee holds meetings periodically and can convene extraordinary meetings as necessary, focusing on the verification of the allocation of funds for the reserve, inspection of fund saving and usage, and ensuring accurate payment of retirement benefits to laborers. Although we have not established a labor union, we still hold regular labor-management meetings in accordance with the government's labor laws and regulations for two-way communication and collective negotiation.

4. Personnel System and Labor -Management Relations

(1) Personnel system

The Company has a comprehensive human resource management system that includes employee recruitment, dismissal, promotion, transfer, education, training, attendance, salary and pensions. Its content covers selection, training, fostering, use and retainment of talent and complies with company internal controls and ISO requirements.

(2) Labor – management relations

The Company cares about promoting employee welfare and wellness as well as harmonious relations between management and labor and values employee opinions. Labor and management can communicate their ideas by email, opinion boxes or labor-management meetings to maintain excellent relations between both sides.

(3) Agreement between labor and management and measures for protecting employee rights and interests.

1. Employee rights and interests: The Company holds regular labor-management meetings, and encourages employees' feedbacks and communications for mutual benefits. There is also a workers' welfare committee that actively handles

various employee benefits programs, providing a comprehensive range of welfare benefits for employees and their families.

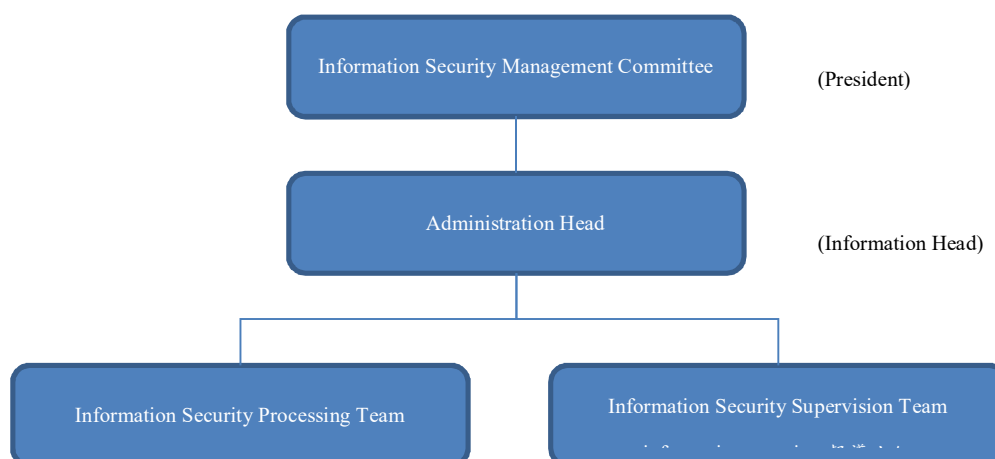
2. Employee Care: Each department manager holds regular communication meetings to establish a good communication atmosphere within the department. In case of emergencies, the HR department or on-site nurse will be notified to provide assistance and care as appropriate. "There is also an employee complaint box, complaint hotline, and e-mail set up. If a complaint is received, it will be investigated and handled according to company policy, and the results will be communicated back to the employee in a confidential manner.

(2) Estimated Losses for Labor Disputes During the Recent Year and As of the Date of Publication, Disclose Current and Future Estimates of Potential Losses and Countermeasures: None

6. Information Security Management

(1) Information security management strategy and structure:

An information security management committee is set up to strengthen the information security management of the Company and ensure data, system and network security. The committee is convened by the president, and the head of the information center is responsible for implementation and reports to the board of directors once a year. This team further includes an information security processing team and an information security supervision team; the information security processing team implements the construction of information security systems, including network management and system management; the information security supervision team cooperates with the company's Audit Unit to conduct information security audits, including internal and external audits.



(2) Information Security Risk Management Mechanism

Manage and control the access to information room, the security of computer information files, networks, mails and information systems.

(3) Information Security Policy

- Objectives of Information Security:

Establish a safe and reliable computerized operating environment to ensure the security of the company's data, systems, equipment and networks and protect the company's interests and the sustainable operation of each unit's information system.

- Scope of Information Security:

- (1) Personnel management and information security education and training.
- (2) Computer system security management.
- (3) Network security management.
- (4) System access control.
- (5) System development and maintenance security management.
- (6) Information asset security management.
- (7) Physical and environmental security management.
- (8) Management of information system sustainable operation plan.
- (9) Auditing of information security.

- Principle and Standard of Information Security:

- (1) Regularly conduct information security education and training and publicity, including information security policy, information security laws and regulations, information security operating procedure, and methods of properly using information technology facilities, etc., to promote employees to understand the importance of information security, various possible security risks, so as to improve employees' awareness of information security, and comply with information security regulations.
- (2) To prevent information systems and files from being infected by computer viruses, detection and prevention measures should be taken for computer viruses, and an active intrusion detection system should be established to detect intrusions and malicious attacks and ensure the requirements of computer data security.
- (3) To prevent the Company from encountering natural disasters or major man-made events, that may cause interruption of important information assets and major business or communication systems, a policy of sustainable operation of information systems should be planned and established.

- Relevant regulations that employees should follow:

- (1) After receiving the account application form, the information unit creates a "user ID".
- (2) Computer data and equipment shall not be arbitrarily destroyed, taken out, borrowed, or improperly modified to maintain data integrity.
- (3) Use of non-copyrighted software shall be prohibited .
- (4) After entering the host computer, if the operation ends or the machine is not used for a long time, you should exit the machine, so as to avoid leakage of confidential information, being damaged by others or cause system down.
- (5) In addition to the principle of convenience, the placement location of computer equipment should be kept away from tea, coffee, sunlight or humid places to prolong the service life of the computer equipment.
- (6) When resigning or handing over new and old jobs, the Information Department will determine the

relevance of data for appropriate disposal. (7) When the computer equipment fails to work normally, the user should immediately notify the Information Department for inspection or maintenance.

(4) Specific Information Security Management Plans

Information Security Management Items	Description
Firewall protection	Rules for setting the connection of firewall protection An additional application is required for special connection needs,
User Online Control Mechanism	An automatic website protection system is used to control user online behavior. Users' Internet access to websites that may be linked to Trojans, ransomware or malicious program will be automatically filtered
Antivirus Software	Antivirus software is used to automatically update the virus patterns to reduce the chance of virus infection.
Operating System Update	The operating system is updated automatically. The information department will assist in updating the system if not updated for some reason.
Email Security Control	There is a protection of automatically scanning emails to prevent unsafe attached files before users receive the emails.
	Expand the scope of protection against phishing emails, spams and malicious links.
	After the personal computer receives an email, the antivirus software scans the email and detects unsafe attached files.
Data Backup Mechanism	The databases of important information systems are backed up daily
Important Files Uploaded to Server.	The Important files of each department of the company are stored on the server, which is backed up by the Information Department..
Information Security Risk	The Company's customers are mainly corporate customers, and there is no risk of the custody of consumer personal information. After evaluating the coverage of market information security insurance, applicable industries, etc., the company does not purchase information security insurance policy for the time being, but in response to the challenges faced by information security, software and hardware for relevant information security such as firewall, anti-virus, intrusion prevention system, etc. have been introduced, and the company continues to pay attention to the changing trend of the information environment, and strengthen our colleagues' awareness of information security crisis and the processing personnel's ability of handling information security.

(5) Resources Invested in Information Security Management

In order to implement the six major information security policies, resources are invested as follows:

- (1) Network hardware devices such as firewalls, mail antivirus, spam filtering, Internet behavior analysis, network management type hub, etc.
- (2) Software systems such as endpoint protection systems, backup management software, VPN authentication and encryption software, etc.
- (3) Telecommunication services such as multiple lines, cloud backup services, intrusion protection services, etc.

- (4) Investing manpower in daily system status check, weekly backup and implementation of backup media offsite, at least two information security education courses a year, annual system disaster recovery drills, annual internal audit of information circulation, auditing by accountants, etc.
- (5) Information security manpower: One part-time information security supervisor and two part-time information security staff are responsible for the structure and design of information security, the maintenance and monitoring of information security, response and investigation of information security incidents, the review and amendment of the information security policy, and the part-time information security supervisors reports to the board of directors at least once a year.
- (6) Information Security Risk and Countermeasures:

The company has established comprehensive network and computer-related information security protection measures, but the company still cannot guarantee the computer systems that control or maintain important corporate functions such as the company's manufacturing operations and accounting are able to completely avoid network attacks from any third-party's paralyzed systems.

These network attacks illegally intrude the company's internal network system and carry out activities such as damaging the company's operations and reputation. In worst-case scenario, the company's important data may be lost and the production lines may be shut down.

The company continuously reviews and evaluates its information security regulations and procedures to ensure their adequacy and effectiveness, but cannot guarantee that the company will not be affected by the emerging risks and attacks amid the changing information security threats.

Cyber attacks may also attempt to steal the company's trade secrets and other confidential information, such as proprietary information of customers or other stakeholders and the personal data of the company's employees.

Malicious hackers can also attempt to introduce computer viruses, destructive software or ransomware into a company's network systems to interfere with the company's operations, extort the company, gain control of computer systems, or spy on confidential information.

These attacks may result in damages to the company which may have to compensate customers for delayed or interrupted orders; or require a substantial expense to implement remedial and improvement measures to strengthen the company's cybersecurity systems; or may result in the company's involvement in legal cases or regulatory investigations, and significant legal responsibility. due to the leakage of the company's confidential information or the leakage of confidential information of the company's employees and customers or a third-party.

The company has not been attacked in the past for purchasing and installing devices containing malware, and may face similar attacks in the future.

In order to prevent and reduce the damages caused by attacks of this sort, the company implements relevant improvement measures and continuously updates these measures such as strengthening network firewalls and network control to prevent computer viruses from spreading across factories; building endpoint anti-virus measures according to computer types; importing advanced solutions to detect and handle malware; design and develop security-enhanced PCs for employees' use; design and develop cloud application security policies; introduce new technologies to enhance data protection; enhance phishing email detection; build an integrated automated security, maintain and operate the platform, and regularly conduct employee alertness tests and entrust external experts to perform information security evaluations.

Although the company continues to strengthen its information security protection measures, there is still no guarantee that the company is free from malware and hacker attacks. In addition, the company needs to share highly sensitive and confidential information to some of the third-party vendors to provide services for the company and maintain its global relationships in order to obtain related services. Although the company has signed service contracts with third-party service vendors, they are required to comply with the confidentiality and/or network security regulations. However, there is no guarantee that every third-party service provider will strictly abide by these obligations. For Internal systems and external cloud computing networks maintained by the aforementioned service providers and/or their contractors (such as servers), there is also a risk of cyber-attacks. If the company or its service providers are unable to resolve the technical issues caused by these cyber-attacks in a timely manner, or ensure that the data integrity and availability of the company (and its customers or other third parties), or the control of the computer systems of the company or its service providers, it may seriously affect the company's commitment to customers and other stakeholders, and the company's operating results, financial condition, prospects and reputation may also suffer. significant adverse effects

7. Major Contracts:

Nature of Contract	Counterparty	Contract Start Date	Major Contents	Restrictions
Lease	San Fu Global Ltd.	04/01/2012 ~ 03/31/2032	Land for Liuke Plant	The company has preemptive right for the land
Sales contract	Ministry of Defense	12/22/2020	New simulated deep diving training cabin	The construction and installation were completed in 42 months

VI. Financial Highlights

1. Condensed Balance Sheet and Condensed Statement of Income over the past 5 years

(1) Condensed Balance Sheet and Condensed Statement of Income

(1) Condensed Balance Sheet - Consolidated

Unit: Thousand NT\$

Item	Year	Financial information for most recent five years (Note 1)					As of March 31, 2023
		2018	2019	2020	2021	2022	
Current Assets		2,075,407	1,934,710	2,648,020	3,462,476	3,365,724	3,444,259
Financial assets carried at cost, available for sale financial assets and investments accounted for using the equity method		530,155	529,595	562,554	543,239	605,755	669,721
Property, Plant and Equipment		1,659,639	1,446,980	1,776,610	2,278,099	3,018,028	3,082,746
Intangible Assets		-	140,496	141,430	137,211	138,176	134,305
Other Assets		112,821	173,814	255,810	154,551	93,577	113,930
Total Assets		4,378,022	4,225,595	5,384,424	6,575,576	7,221,260	7,444,961
Current Liabilities	Before distribution	1,194,983	975,811	1,310,449	2,206,398	2,212,167	2,918,360
	After distribution	1,439,889	1,202,576	1,511,861	2,709,928	Note 2	3,311,113
Noncurrent Liabilities		59,520	93,809	281,316	192,589	389,022	212,538
Total Liabilities	Before distribution	1,254,503	1,069,620	1,591,765	2,398,987	2,601,189	3,130,898
	After distribution	1,499,409	1,296,385	1,793,177	2,902,517	Note 2	3,523,651
Equity Attributable to Shareholders of the Parent Company		3,123,519	3,155,975	3,792,659	4,144,703	4,587,969	4,281,948
Capital Stock		907,060	907,060	1,007,060	1,007,060	1,007,060	1,007,060
Capital Surplus		662,323	670,626	1,056,191	960,750	762,268	766,168
Retained Earnings	Before distribution	1,560,578	1,634,582	1,832,756	2,201,687	2,863,567	2,566,896
	After distribution	1,315,672	1,407,817	1,631,344	1,798,157	Note 2	2,174,143
Exchange Differences on Translation of Financial Statements		-28,476	-68,651	-127,821	-90,099	-18,377	-23,195
Unrealized Gain or Loss on Financial Instrument		-	-	-	-	-	-
Measured at fair value through other comprehensive income		22,034	12,358	24,473	-34,695	-26,549	-34,981
Non-controlling Interests		-	-	-	-	31,886	32,798
Total Equity	Before distribution	3,123,519	3,155,975	3,792,659	4,176,589	4,620,071	4,314,063
	After distribution	2,878,613	2,929,210	3,591,247	3,673,059	Note 2	3,921,310

Note 1: The financial information for the above listed years has been verified by independent auditors.

Note 2: The 2022 profit distribution already resolved by the board of directors on February 24, 2023 and an amount of NT\$594,165,400 in profit was distributed.

(2) Condensed Statement of Comprehensive Income - Consolidated

Unit: Thousand NT\$

Item \ Year	Financial information for most recent five years (Note 1)					As of March 31, 2023
	2018	2019	2020	2021	2022	
Net Revenue	4,049,356	3,936,381	3,818,716	4,779,885	5,618,600	1,200,126
Gross Profit (Loss)	760,355	686,856	861,104	1,195,105	1,502,564	227,155
Income (Loss) from Operations	412,968	338,636	470,903	721,492	929,822	115,334
Non-operating Income and Expense	81,288	38,329	31,317	107,908	143,051	9,335
Income before Income Tax	494,256	376,965	502,220	829,400	1,072,873	124,669
Income from Continuing Operation	397,732	324,475	399,473	672,710	849,581	96,096
Loss from Discontinued Operation	-	-	-	-	-	-
Net Income	397,732	324,475	399,473	672,710	849,581	96,096
Other Comprehensive Income	-27,410	-55,416	-48,801	-24,746	-94,501	-13,250
Total Comprehensive Income for the Year	370,322	269,059	350,672	647,964	944,082	82,846
Net Income Attributable to Shareholders of the Parent Company	397,732	324,475	399,473	673,643	849,365	96,083
Net Income Attributable to Noncontrolling Interests	-	-	-	-933	216	13
Total Comprehensive Income Attributable to Shareholders of the Parent Company	370,322	269,059	350,672	648,897	943,866	82,833
Total Comprehensive Income Attributable to Noncontrolling Interests	-	-	-	-933	216	13
Earnings per Share	4.38	3.58	4.36	6.69	8.43	0.95

Note 1: The financial information for the above listed years has been verified by independent auditors.

(3) Condensed Balance Sheet - Unconsolidated

Unit: Thousand NT\$

Item	Year	Financial information for most recent five years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		1,854,822	1,804,099	2,316,628	2,955,555	3,020,303
Financial assets carried at cost, available for sale financial assets and investments accounted for using the equity method		898,077	923,069	1,452,102	1,972,393	2,529,314
Property, Plant and Equipment		1,497,215	1,278,879	1,225,180	1,159,071	1,266,309
Intangible Assets		0	72,228	57,252	57,045	61,593
Other Assets		42,597	71,027	136,278	145,835	84,814
Total Assets		4,292,711	4,149,230	5,187,440	6,289,899	6,962,333
Current Liabilities	Before distribution	1,109,672	899,518	1,128,049	1,968,464	1,993,817
	After distribution	1,354,578	1,126,283	1,329,461	2,471,994	Note 2
Noncurrent Liabilities		59,520	93,809	266,732	176,732	380,547
Total Liabilities	Before distribution	1,169,192	993,327	1,394,781	2,145,196	2,374,364
	After distribution	1,414,098	1,220,092	1,596,93	2,648,726	Note 2
Equity Attributable to the Shareholders of the Parent		3,123,519	3,155,975	3,792,659	4,144,703	4,587,969
Capital Stock		907,060	907,060	1,007,060	1,007,060	1,007,060
Capital Surplus		662,323	670,626	1,056,191	960,750	762,268
Retained Earnings	Before distribution	1,560,578	1,634,582	1,832,756	2,301,687	2,863,567
	After distribution	1,315,672	1,407,817	1,631,344	1,798,157	Note 2
Exchange Differences on Translation of Financial Statements		-28,476	-68,651	-127,821	-90,099	-18,377
Unrealized gain or loss on financial instrument		-	-	-	-	-
Equity instrument investment interests measured at fair value through other comprehensive profit and loss		22,034	12,358	24,473	-34,695	-26,549
Non-controlling Interests		-	-	-	-	-
Total Equity	Before distribution	3,123,519	3,155,975	3,792,659	4,144,703	4,587,969
	After distribution	2,878,613	2,929,210	3,591,247	3,641,173	Note 2

Note 1: The financial information for the above listed years has been verified by independent auditors.

Note 2: The 2022 profit distribution already resolved by the board of directors on February 24, 2023 and an amount of NT\$594,165,400 in profit was distributed.

(4) Condensed Statement of Comprehensive Income - Unconsolidated

Unit: Thousand NTS

Item	Financial information for most recent five years (Note 1)				
	2018	2019	2020	2021	2022
Net Revenue	4,028,591	3,840,853	3,616,758	4,481,607	5,189,273
Gross Profit (Loss)	752,896	678,379	827,071	1,146,036	1,460,888
Income (Loss) from Operations	411,143	358,652	478,683	746,532	1,015,994
Nonoperating Income and Expenses	83,113	17,918	16,754	73,757	49,061
Income before Income Tax	494,256	376,570	495,437	820,289	1,065,055
Income from Continuing Operation	397,732	324,475	399,473	673,643	849,365
Loss from Discontinued Operation	-	-	-	-	-
Net Income	397,732	324,475	399,473	399,473	849,365
Other comprehensive income	-27,410	-55,416	-48,801	-24,746	94,501
Total comprehensive income for the period	370,322	269,059	350,672	648,897	943,866
Basic earnings per share	4.38	3.58	4.36	6.69	8.43

Note 1: The financial information for the above listed years has been verified by independent auditors.

(2) Names of CPAs and their Audit Opinions

1. Names of CPAs and Audit Opinions for the Past Five Years

Year	CPA Firm	Names of CPAs	Audit Opinion
2018	Deloitte Taiwan	Hsu Hsiu-Ming, Lin Shu-Wan,	Unqualified conclusion / opinion (significant events or other events)
2019	Deloitte Taiwan	Hsu Hsiu-Ming, Wong Ya-Ling	Unqualified opinion
2020	Deloitte Taiwan	Hsu Hsiu-Ming, Wong Ya-Ling	Unqualified opinion
2021	Deloitte Taiwan	Hsu Hsiu-Ming, Wong Ya-Ling	Unqualified opinion
2022	Deloitte Taiwan	Hsu Hsiu-Ming, Wong Ya-Ling	Unqualified conclusion / opinion (significant events or other events)

2. Five-Year Financial Analysis:

(1) Financial Analysis

(1) Consolidated statement

Year		Financial information for most recent five years (Note 1)					As of March 31, 2023
		2018	2019	2020	2021	2022	
Financial Structure (%)	Debt to assets ratio	28.65	25.31	29.56	36.48	36.02	42.05
	Long-term capital to property, plant and equipment ratio	191.79	224.59	229.31	191.79	165.97	146.84
Liquidity Analysis (%)	Current ratio	173.68	198.27	202.07	156.93	152.15	118.02
	Quick ratio	116.42	146.70	165.34	112.15	97.62	78.11
	Interest coverage ratio (times)	140.94	52.46	73.47	91.73	57.48	23.55
Operating Performance	Receivables (times)	3.67	3.84	3.66	3.55	3.97	3.78
	Accounts receivable collecting days	99	95	100	103	92	97
	Inventory turnover (times)	6.92	6.51	6.98	6.44	5.73	5.69
	Average inventory turnover days	53	56	52	57	64	64
	Payables turnover (times)	8.96	11.31	12.51	9.45	9.38	12.96
	Property, plant and equipment turnover (times)	2.66	2.53	2.37	2.36	2.12	1.57
Profitability	Total assets turnover (times)	0.98	0.92	0.79	0.80	0.81	0.65
	Return on assets (%)	9.65	7.68	8.43	11.37	12.54	5.48
	Return on equity (%)	13.06	10.33	11.5	16.88	19.32	8.60
	Pre-tax profit to paid-in capital ratio (%)	54.49	41.56	49.87	82.36	106.54	49.52
	Net margin (%)	9.82	8.24	10.46	14.07	15.12	8.01
	Earnings per share	4.38	3.58	4.36	6.69	8.43	0.95
Cash Flow	Cash flow ratio (%)	32.26	58.84	65.25	13.00	52.34	-6.57
	Cash flow adequacy (%)	96.90	97.17	96.76	68.14	71.34	69.78
	Cash flow reinvestment ratio (%)	2.89	6.01	9.73	-0.22	8.51	-2.63
Leverage	Operating leverage	2.77	3.23	2.89	1.99	1.95	2.81
	Financial leverage	1.01	1.02	1.01	1.01	1.02	1.05

Explain the reasons for 20% changes in the financial ratios in 2022 and 2021

1. Interest coverage ratio	The decrease in interest coverage ratio is due to the increase in denominator interest expense for the current year.
2. Ratio of net profit before tax to paid-in capital	Mainly due to the increase in net profit before tax in the current period
3. Earnings per share	Mainly due to the increase in profit and loss attributable to owners of the parent company in the current period.
4. Operating Cash Flow Ratio	Mainly due to the increase in net cash flow from operating activities
5. Cash reinvestment ratio	The main reason is that the cash flow from operating activities in 2022 will be positive after deducting cash dividends, while it will be negative in 2021, resulting in a difference.

(2) Unconsolidated statement

Year Item		Financial information for most recent five years (Note)				
		2018	2019	2020	2021	2022
Capital Structure Analysis (%)	Debts Ratio	27.24	23.94	26.89	34.11	34.10
	Long-Term Fund to Property, Plant and Equipment	212.60	254.11	331.33	372.84	392.36
Liquidity Analysis (%)	Current Ratio	167.15	200.56	205.37	150.15	151.48
	Quick Ratio	109.41	151.19	168.62	105.84	97.51
	Interest coverage ratio (Times)	140.94	62.85	88.49	110.93	60.62
Operating Performance Analysis	Receivables turnover (times)	3.66	3.62	3.43	3.44	3.62
	Accounts receivable collecting days	100	101	106	106	101
	Inventory turnover (times)	7.05	6.75	7.50	6.82	5.91
	Average inventory turnover days	52	54	49	54	62
	Payables turnover (times)	8.92	11.13	13.59	11.25	10.56
	Property, plant and equipment turnover (times)	2.79	2.77	2.89	3.76	4.28
	Total assets turnover (times)	0.98	0.91	0.77	0.78	0.78
Profitability Analysis	Return on Assets (%)	9.75	7.8	8.65	11.84	13.03
	Return on Equity (%)	13.06	10.33	11.50	16.97	19.45
	Pre-tax Income to Paid-in Capital Ratio (%)	54.49	41.52	49.20	81.45	105.76
	Net margin (%)	9.87	8.45	11.05	15.03	16.37
	Earnings per Share	4.38	3.58	4.36	6.69	8.43
Cash Flow	Cash Flow Ratio (%)	38.23	54.12	78.09	11.84	60.28
	Cash Flow Adequacy Ratio (%)	99.42	100.61	111.54	84.52	101.47
	Cash Flow Reinvestment Ratio (%)	3.64	4.49	10.33	-1.01	9.27
Leverage	Operating Leverage	2.77	2.99	2.67	1.88	1.77
	Financial Leverage	1.01	1.02	1.01	1.01	1.02

Explain the reasons for 20% changes in the financial ratios in 2022 and 2021:

1. Interest coverage ratio	The decrease in interest coverage ratio is due to the increase in denominator interest expense for the current year.
2. Ratio of net profit before tax to paid-in capital	Mainly due to the increase in net profit before tax t in the current period
3. Earnings per share	Mainly due to the increase in profit and loss attributable to owners of the parent company in the current period.
4. Operating Cash Flow Ratio	Mainly due to the increase in net cash flow from operating activities .
5. Net Cash Flow Adequacy Ratio	Mainly due to the net cash flow from operating activities in the last five years which has increased compared with the base period of the previous year,
6. Cash flow reinvestment ratio(%)	Mainly due to the net cash flow from operating activities in this year which is less than cash dividends, resulting in a negative number.

Note 1: The financial information for the above listed years has been verified by independent auditors.

Note 2: Cash flows from operating activities was outflowing so it was not calculated.

Note 3: Calculation formulas for financial analysis are as follows:

1. Capital structure analysis

(1) Debt ratio= Total liabilities/ total assets

(2) Long-term fund to property, plant and equipment ratio =(shareholders' equity+ noncurrent liabilities) / Net property, plant and equipment

2. Liquidity analysis

- (1) Current ratio = Current assets/ current liabilities
- (2) Quick ratio =(current assets - inventories - prepaid expenses) / current liabilities
- (3) Times interest earned = Earnings before interest and taxes/ interest expenses
3. Operating performance analysis
 - (1) Receivables (includes accounts receivable and notes receivables generated from operations) turnover = Net sales/average account receivables (includes accounts receivable and notes receivables generated from operations) balance.
 - (2) Days sales outstanding = 365/ average collection turnover
 - (3) Inventory turnover = Cost of sales/ average inventory
 - (4) Payables (includes accounts payables and notes payables generated from operations) turnover = Cost of goods sold/ average accounts payable (includes accounts payables and notes payables generated from operations) balance.
 - (5) Average industry turnover days =365/ inventory turnover
 - (6) Property, plant and equipment turnover = Net sales/ average net property, plant and equipment
 - (7) Total assets turnover = New sales/ average total assets
4. Profitability Analysis
 - (1) Return on assets = [Net income + interest expense ×(1-tax rate)] / average total assets
 - (2) Return on equity = Net income/ average net equity
 - (3) Net margin = Net income/ net sales
 - (4) Earnings per share =(net income attributable to shareholders of the parent company - preferred stock dividend) / weighted average number of shares outstanding (note 4)
5. Cash flow
 - (1) Cash flow ratio = net cash provided by operating activities/ current liabilities.
 - (2) Cash flow adequacy ratio = Five-year sum of cash from operations/ five-year sum (capital expenditures + inventory additions + cash dividend).
 - (3) Cash flow reinvestment ratio =(cash provided by operating activities - cash dividend)/(gross property, plant and equipment+ long-term investment+ other noncurrent assets + working capital)(note 5)
6. Leverage:
 - (1) Operating leverage=(net sales- variable operating costs and expenses)/ income from operations (note 6).
 - (2) Financial leverage = Income from operations/ (income from operations-interest expense).

Note 4: The following items should be given special attention with regard to the formula used for the above earnings per share calculation:

1. It is based on the weighted average number of common stock and not the outstanding shares at year end.
2. Where there is a capital increase by cash or treasury stock transaction, the circulation period should be considered when calculating the weighted average number of shares.
3. Where there is a capital increase from earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax. In the case of non-cumulative preferred shares, if there is net profit after tax, the dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, then no adjustment need be made.

Note 5: The following items should be given special attention with regard to cash flow analysis:

1. Net cash flow from operating activities is net cash inflow amounts from operating activities listed in the statement of cash flows.
2. Capital expenditures is the amount of cash outflows for annual capital investment.
3. Inventory increase will only be entered when the ending balance is larger than the beginning balance. An inventory decrease at year end will be deemed zero for calculation.
4. Cash dividend includes cash dividends from both common shares and preferred shares.
5. Gross property, plant and equipment value means the total value of property, plant and equipment prior to the subtraction of accumulated depreciation.

Note 6: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, give special attention to their reasonableness and to maintaining consistency.

3. Audit Committee Members' Report on Financial Reports of the Most Recent Year

San Fu Chemical Co., Ltd. Audit Committee Members' Report

The Board of Directors has prepared the Company's 2022 Business Report, and Financial Statements (including Consolidated Financial Statements). Of these, the financial statements were audited by the CPAs Lilac Shue and Irene Wong Ya-Ling of Deloitte Taiwan and an audit report has been presented.

The above Business Report and Financial Statements were reviewed and determined to be correct and accurate by the Audit Committee Members in accordance with relevant company regulations and Article 219 of the Company Act and hereby submitted to the Shareholders' Meeting for verification.

2023 Shareholders' Meeting of San Fu Chemical Co., Ltd.

Audit Committee Convener: Li Zhong-Xi



March 07, 2023

4. Financial statements for the most recent fiscal year, including an auditor's report prepared by a CPA, a two-year comparative balance sheet and income statement, statement of changes in shareholders' equity, cash flow statement, and any attached notes or appendices: Refer to page. 178-250.
5. Consolidated financial statement for the parent company and its subsidiaries for the most recent fiscal year, certified by a CPA: Refer to page 113-177.
6. Financial turnover difficulties of the Company and its affiliates: None

VII. Review and Analysis of Financial Conditions and Financial Performance and Risk Items

1. Financial Status

Unit: Thousand NT\$

Item \ Year	Dec. 21,2022	Dec. 31, 2021	Difference	
	Amount	Amount	Amount	%
Current assets	3,365,724	3,462,476	-96,752	-2.79
Financial assets carried at cost, available for sale financial assets and investments accounted for using the equity method	605,755	543,239	62,516	11.51
Property, Plant and Equipment	3,018,028	2,278,099	739,929	32.48
Intangible Assets	138,176	137,211	965	0.70
Other Assets	93,577	154,551	-60,9742	-39.45
Total Assets	7,221,260	6,575,576	645,684	9.82
Current Liabilities	2,212,167	2,206,398	5,769	0.26
Non-current Liabilities	389,022	192,589	196,433	102.00
Total Liabilities	2,601,189	2,398,987	202,202	8.43
Capital Stock	1,007,060	1,007,060	-	-
Capital Surplus	762,268	960,750	-198,482	-20.66%
Retained Earnings	2,863,567	2,301,687	561,880	24.41
Others	-44,926	-124,794	79,868	64.00
Non-control Equity	32,102	31,886	216	0.68
Total Shareholder Equity	4,620,071	4,176,589	443,482	1062

Explanation of Major Changes

1. The increase of long-term investment was primarily due to gains in the Mainland China's re-investments in the current period.
2. The increase of real estate, factory and equipment was primarily due to the newly added NT\$580 million for the ongoing project of International Nitto and NT\$350 million for new Sanfu Vietnam equipment.
3. The decrease of prepaid equipment expenses in other assets of NT\$54 million was primarily due to an increase of NT\$45 million in the previous period from the purchase of energy-saving systems for TMAH, which did not occur in the current period.
4. The increase of non-current liabilities by NT\$220 million was primarily due to an increase in long-term loans.
5. The decrease of capital surplus by NT\$20 million was primarily due to the cash dividends distributed from capital surplus.
6. The increase of retained earnings and shareholder's equity was primarily due to the net profit of NT\$850 million and cash dividends of NT\$300 million.

2. Financial Performance

(1) Financial Performance Comparison and Analysis

Unit: Thousand NT\$

Item \ Year	2022	2021	Difference	(%)
Total Revenue	5,618,600	4,779,885	838,715	17.55
Less: Cost of Revenue	4,116,036	3,584,780	531,256	14.82
Gross Profit	1,502,564	1,195,105	307,459	25.73
Income from Operations	929,822	721,492	208,330	28.87
Non-operating Income and Expenses	143,051	107,908	35,143	32.57
Income before Tax	1,072,873	829,400	243,473	29.36
Less: Income Tax Expenses	-223,292	-156,690	-66,602	-42.51%
Net Income	849,581	672,710	176,871	26.29
Other Comprehensive Income	94,501	-24,746	119,247	481.88
Total Comprehensive Income for the Year	944,082	647,964	296,118	45.7

Analysis of ratio increases or decreases in the last two years:

1. The increase in revenue is mainly due to the strong demand for semiconductors and the price increases reflecting rising raw material costs in the first half of the year. Additionally, TMAH engineering contributed to a revenue growth of NT\$100 million this year.
2. The increase in gross profit was mainly due to the increase in operating income and appropriate cost control.
3. The increase in operating net profit was mainly due to the increase in operating gross profit compared with the same period of last year.
4. The increase in non-operating income was due to the recognized profit of 0.23 billion from the Lifu investment project last year, which did not occur this year, and the increase in exchange profit of NT\$ 59,000,000 this year.
5. The increase in income tax expenses was due to the increase in net profit before tax
6. Other comprehensive income increased by NT\$119,000,000 for the following reasons:
 - a. Through the fair value measurement of equity investments using other comprehensive income, there was an increase of NT\$67,000,000 due to the recognition of unrealized losses of NT\$49,000,000 from Global Graphene Group and unrealized gains from investment in Savior Lifetec Corporation.
 - b. Other comprehensive income share from affiliated enterprises using the equity method and joint ventures was NT\$24,000,000, mainly due to an increase of NT\$32,000,000 in investment in Mainland China.
 - c. Retained earnings - actuarial profit and loss is increased by NT\$22,000,000: Mainly due to the impact of the increase of discount rates and interest rates.

3. Cash Flow

(1) Cash Flow Analysis for the Recent Year

Unit: Thousand NT\$

Cash Balance at Start of Period	Net Cash Provided by Operating Activities	Net Cash Used for Investment Activities	Net Cash Used for Financing Activities	Effect of Exchange Rate Changes	Cash Balance at End of Period
552,766	1,157,740	(811,516)	(301,375)	4,523	602,138

1. Operating activities: Mainly due to the increase in cash inflows of the net profit after tax this year.
2. Investment activities: Mainly due to the cash outflow of NT\$ 540 million for the acquisition of property, plant and equipment this year.
3. Financing activities: Mainly due to changes in dividend payment, loan and debt payment in this year.

(2) Cash Flow Analysis for the Coming Year

Unit: Thousand NT\$

Cash Balance at Start of Period	Net Cash Provided by Operating Activities in the Year	Cash Outflow in the Year	Cash Inflow in the year	Cash Balance (Shortfall)	Remedy for Liquidity Shortfall	
					Investment Plan	Financing Plan
602,138	985,013	(795,900)	-	791,251	-	-

Cash inflow analysis: Mainly attributable to net income, depreciation and amortization.

Cash outflow analysis: The cash outflow is mainly from the estimated capital outflow of Snafu Chemical, Snafu Vietnam and International Nitto for the year.

Note: The Company's cash flow is currently not experiencing any liquidity issues.

4. Effect of major capital expenditures on finance and business in the recent year: N/A
5. Reinvestment policy in the recent year, major causes of profits and losses, improvement plan and investment plan for the coming year

(1) Reinvestment policy

The Company's management conduct reinvestment based on company operation or strategy goals. Related units submit professional information which is compiled and submitted to responsible supervisor for evaluation and recommendations. After the investment proposal is written up, an evaluation of the invested companies past and future prospects, market status and health of operations is performed and the proposal is implemented after being passed by the Board of Directors.

(2) Major cause of reinvested enterprise profits or losses and improvement plan 12/31/2022

Unit: Thousand NT\$

Item	Description	2022 profit or (loss) of invested company	Shareholding (%)	Major reason for profit or loss	Improvement plan	Other future investment plans
	San Fu Specialty Chemicals Investments Limited (SAMOA)	64,303	100.00	This company's profits are considered normal.	-	None
	VinaSanFu Industrial Gas Company Limited	(36,783)	100.00	This company's operations are considered normal.	-	None
	VinaSanFu Material Company Limited	(23,527)	100.00	This company's operations are considered normal.	-	None
	San Fu Biotech Co., Ltd.	15,645	93.48	This company's profits are considered normal.	-	None
	International Nitto Technology Co., Ltd.	(38,961)	100.00	This company's operations are considered normal.	---	None
	Horng Cherng Enterprise Co., Ltd.	3,952	50.00	This company's profits are considered normal.	-	None
	Li Fu Carbonic Acid Co., Ltd.	(6,184)	87.00	This company's operations are considered normal.	-	None
	Shian Yun Joint Stock Company	4,898	33.33	This company's operations are considered normal.	-	None

Item \ Description	2022 profit or (loss) of invested company	Shareholding (%)	Major reason for profit or loss	Improvement plan	Other future investment plans
Shanghai San Fu Ming Electronic Materials Co., Ltd.	139,998	50.00	This company's profits are considered normal	-	None
Sino Star Holding Limited	0	100.00	-	-	None
Vinasanfu Materials Trading Co., Ltd.	0	100.00	This company's profits are considered normal	-	None

(3) Investment plan for the coming year:

The TMAH-R Phase II factory will be constructed to expand the semiconductor chemical business.

6. Risk items and assessment for the recent year and up to the annual report publication date

(1) The effect on company profit or loss of interest and exchange rate fluctuations and changes in the inflation rate and countermeasures:

1. The effect on company profit or loss of interest rate fluctuations in recent years and future countermeasures:

(1) Effect on profit or loss

The company's interest incomes in 2022 and 2021 were NT\$6,660,000 and NT\$1,141,000 respectively, accounting for 0.62% and 0.14% of the net profit before tax in that year, and the net interest expenses in 2022 and 2021 were NT\$18,997,000 and NT\$9,141,000 respectively, accounting for 1.77% and 1.10% of the net profit before tax in that year. The risk of interest income and interest expense to the company's profit and loss is still controllable.

(2) Future countermeasures

The Company's interest rate risk is mainly from long and short-term bank loans and short-term funds used for operating capital requirements. For significant long-term investments, the planning will include long-term loan interest rates. As for bank loan interest rates, San Fu will stay in close communication with banks to understand interest rate trends in order to receive the most preferential interest rates for our loans and select multiple banks to strive for the most favorable loan interest rates.

2. The effect on company profit or loss of exchange rate fluctuations in recent years and future countermeasures:

(1) Effect on profit or loss

The exchange gains and losses of the company in 2022 and 2021 were NT\$45,664,000 of exchange gains and NT\$2,536,000 of exchange profit, accounting for 4.26% and 0.31% of the net profit before tax of the year respectively. Most of San Fu's products are sold domestically and most of our exported products are priced in US

dollars. Some foreign purchases are also priced in US dollars. The offset of account receivables has a certain level of natural hedging effect. So, any significant disadvantageous international exchange rate change may still have a disadvantageous effect on currency exchange.

(2) Future countermeasures:

A. Collect market information to determine trends and evaluate risks. Stay in close communication with banks to keep informed about exchange rate trends. Adjust foreign currency positions at appropriate times to avoid current exchange risks.

B. Consider exchange rate factors in price quotations to maintain company profits.

3. The effect of inflation rates on company profit and loss in recent years and future countermeasures:

The Company keeps track of fluctuations in market prices and maintains excellent relations with suppliers and customers. If inflation results in rising purchasing costs, the Company will adjust sales and purchase prices to reduce the effect of inflation on operations.

(2) Company policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions, main reasons for the profits or losses and future countermeasures:

1. The Company focuses on our core business in line with our guiding principles of stable and practical business operation and has never engaged in high risk / high leverage investment.

2. The Company has set up Loan of Funds to Other Parties procedures to serve as basis for loaning funds to other parties. As of the publication of this Annual Report, the balance of the company's fund loans to others is NT\$1,065.89 million, NT\$243.43 million has been used, so the balance is still NT\$822.46 million.

3. The Company has set up Endorsement and Guarantee procedures to serve as a basis for endorsement and guarantee work. As of the date of publication of this Annual Report, the balance of endorsement and guarantee of the company is NT\$1,100 million, NT\$658.88 million has been used, so the balance is NT\$441.12 million.

4. The Company's financial risk avoidance strategy is based upon avoiding exchange rate fluctuation risks. Related derivative product transactions are conducted in accordance with the Company's Acquisition or Disposal of Assets procedure and are fully disclosed in our financial statements.

(3) Future R&D projects and expected investment of R&D funds

1. The company's R & D focuses on product expansion with existing technical advantages and material demand driven by new industries. 1. Give full play to the market share of TMAH recycling and the integration of purification technology and formulation knowledge to develop IC grade developer and design a new purification plant for the IC grade TMAH, so that the recycled products can be reused by IC customers and

implement circular economy. 2. Strengthen the establishment of core technology platform, hydrogenation, electrolysis and purification chemical, etc. and develop high value-added products based on this technology; 3. Develop the formulation of electronic chemicals, cooperate with the product demand development of LCD, IC packaging, IC manufacturing customers; 4. Continue to actively engage in the process improvement of existing products PHBA, Paraben, CHA, DCHA, TMAH, so as to make the process more energy-saving and efficient, so as to reduce costs and create profits. 5. In cooperation with universities, we plan to research and develop the solid-state electrolyte for lithium battery, cultivate battery related talents and strengthen the R & D strength. For the purchase and update of R & D analysis equipment and analysis methods, the company continues to expand more advanced equipment, including: ICP MS / MS (inductively coupled plasma tandem mass spectrometer), LC-MS (liquid chromatography mass spectrometer), GPC (gel permeation chromatography) SEM (scanning electron microscope) and other ppt level detection limits required by IC customers are used as tools for application development and analysis of new process chemicals.

2. The R & D investment in 2023 is about NT\$53,000,000. Please refer to the following table for R & D project and plan description:

Recent Annual Plan	Current Progress	Reinvested R&D Funds (Thousand NT\$)	Mass Production Completion Date	Major Factors Affecting Success of Future R&D
Development of advanced purification process of TMAH Recycle solution	Small quantity shipment of pilot lines	20,000	End of 2023	Purified resin and equipment stability
Application of colloidal electrolytes with high ionic conductivity in lithium batteries	Design and synthesis of polymer colloidal electrolytes	4,000	End of 2024	Coordination of colloidal electrolyte with the conditions of positive and negative electrode materials and establishment of detection method
Development of Silica Nanocolloids as Next Generation CMP Abrasives.	The synthesis conditions determine the ability to stably control the required particle size,	10,000	End of 2024	Collection of customer verification data
Development of new fluorine-containing solvents and additives.	Search of materials and design of molecular structure	10,000	End of 2025	Search for suitable reaction mechanism and catalyst
Development of the formula of an LCD recycled copper etchant solution and its recycling system	Already certified by customer	3,000	End of 2023	Compatibility between formula and purified resin
Development of universal formula of the release agent for IC bump process	Already certified by customer, and developing according to customer requirements	6,000	End of 2024	Collection of customer's certification data

- (4) Effect of domestic and international policy and legal changes on company finances and countermeasures:

Company finances and business has not been recently affected by domestic or international policy and legal changes. Appropriate measures are taken when there are domestic or international policy and legal changes so they will not have an effect on the Company finances or business.

- (5) Effect of changes of technology (including information security risk) and industry on company finances and countermeasures:

The Company keeps informed of industry technology, developments and changes, closely monitors industry activity and constantly improves its R&D capabilities. In the future, San Fu will actively develop application fields in related markets. Therefore, technology and industry changes will not have a significant effect on company finances and business. As to information security, we continue investing manpower and resources to strengthen the protection, preservation and prevention of improper and illegal access of customer data.

Please refer to Pages 72-73 of the annual report for information on the impacts of information security risks on the Company's financial operations and their countermeasures.

- (6) Effect of changes in the corporate image on company crisis management and countermeasures:

The Company does not seek illicit profit. The business operation model of our professional R&D team is to establish a fresh image in the industry and promote socio-economic development, improve the environment and guarantee employee rights. San Fu strictly follows the laws and regulations of competent authorities. As of now, the Company has maintained an excellent corporate image and no major changes has caused a crisis in corporate management.

- (7) Expected benefits and possible risks of mergers and acquisitions: Not applicable

- (8) Expected benefits and possible risks of plant expansions:

In response to the expansion plan of T Company and the IC industry, the current overall TMAH consumption of the IC industry in the Taiwan market has greatly surpassed the panel industry. Today, the raw materials from the Phase I plant of the IC industry have exceeded 60%, and subsequent differences will become increasingly larger. In order to realize the ultimate significance of recycle and reuse, San Fu Sanfu started the construction last year to rebuild the International Nitto Company into a domestic IC-level TMAH recycling plant. The primary goal is to transfer T Company's existing recycled waste solution to the International Nitto Company, and the finished products will be recycled and then supplied to T Company. In the future, it is expected to implement this process into the IC industry and expand the TMAH market by the strategy of recycling the waste liquids and reusing the new recycled liquids. In addition to establishing San Fu's leading position in the TMAH recycling system, it can also create and increase the group's

revenue.

The International Nitto Company is expected to complete the first-phase annual production of 25% electrolysis production capacity of 5,000 tons by the middle of this year, and put into production in Q3. Initially, the raw material of T company will be made into 25% TMAH for the panel industry. In Q3 next year, it is expected to complete the matched 2.38% purification and dilution production capacity and then start to focus on IC- grade TMAH, with the return of supply to T company as the first priority, and will gradually expand to the 25% TMAH production line and the matched purified and dilute production line to the capacity of 10,000 tons in the following year.

With the increasing expansion of the IC industry, it is imperative to develop IC-grade TMAH recycled liquid.. Therefore, whether the finished product of the newly built production line can successfully pass the threshold of verification set by T company is the biggest challenge, and the time required for verification also affects the group's profit. Prior to this, the 25% TMAH produced by International Nitto Company will also face the sales problem. If the produced 25% TMAH is dumped to the foreign markets at a low price, the profit will be dropped to a level less than the estimated 20%, and it may also incur the risk of building a factory.

(9) Risks associated with business concentration:

1. Purchase: The Company has stable supply channels to acquire raw materials. The supplier that San Fu cooperates with maintain high standards with regard to quality and quantity. In addition to supplying San Fu, our suppliers supply different customers at various locations. With regard to special raw materials, San Fu has adopted cooperation through shareholding approach to gain control over raw material provision. If there is a shortage of raw materials in the market, the Company is given priority.

For other raw materials, two or more suppliers are kept to maintain stable delivery. Excellent relations are maintained between the Company and suppliers and a risk diversification strategy has been adopted. Due to this strategy, the Company has not yet experienced raw material shortages or supply disruption.

2. Sale: The Company mainly supplies its fine chemicals to the display industry. In order to avoid overconcentration on display industry customers and bearing its greater effects and risk, San Fu has steadily increased its percentage of sales to the solar industry and is actively crossing over into the wafer foundry and LED industries. In the futures, our sales will be spread across the wafer foundry, display, solar energy and LED industries. With respect to export sales, the Company has sales customers in China, India and Singapore. As demand for chemicals rise sharply in China and other regions, this business will make up an increasingly higher percentage of total sales. In the future, San Fu will greatly increase our business to other industries and countries to effectively diversify sales risk.

(10) Impact or risk associated with large transfers or changes in shareholdings by directors or

major shareholders with holdings over 10%: There has been no large transfer of shareholdings by the Company's directors, supervisors or major shareholders with holdings over 10% so there has been no major impact on operations due to large transfers or changes in shareholdings.

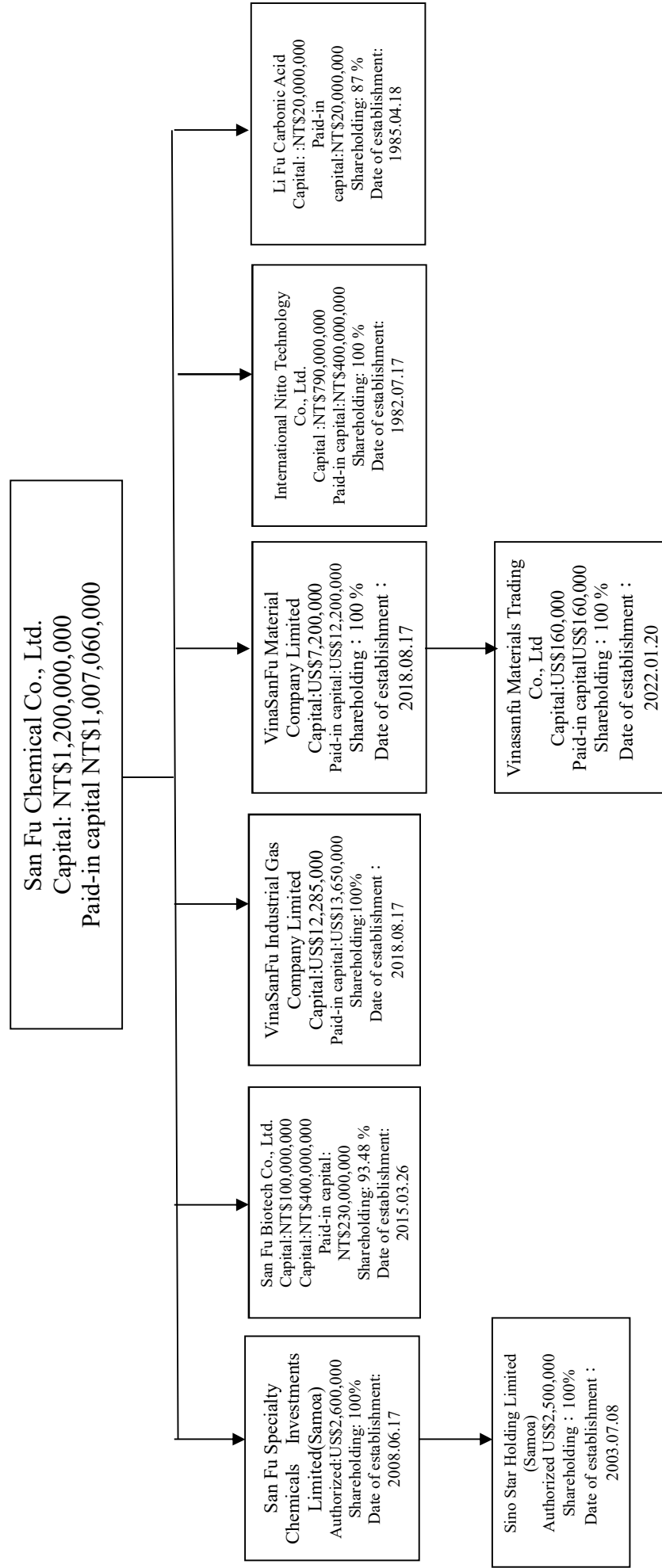
- (11) The effect of ownership change on the Company and its risk: The Company has not passed through any ownership change.
- (12) Litigious and non-litigious matters that could have a major effect on shareholder equity or security prices: No such events have occurred at the Company in 2021 and as of the publication date.
- (13) Other important risks: Besides the related information security risk evaluation performed by the Company's Information Department, there were no other significant risks in 2021 and up to the date of annual report publication.

7. Other significant events: None

Special Disclosures

1. Affiliated company information

(1) Affiliated company organization chart



(2) Summary of Affiliated Companies

Company	Date of Establishment	Address	Currency	Paid-in Capital	Main Business or Items Produced	Shareholder percentage	Exchange Rate
San Fu Specialty Chemicals Investments Limited	2008	Portcullis TrustNet Chambers, P.O.Box 1225, Apia, SAMOA	USD	2,350,840	General investment	100%	30.71
Sino Star Holding Limited	2008	Portcullis TrustNet Chambers, P.O.Box 1225, Apia, SAMOA	USD	1,868	General investment	100%	30.71
San Fu Biotech Co., Ltd.	2015	7F, No. 21 Zhongshan N. Rd. Sec. 2, Taipei City	NTD	230,000,000	Manufacturing and sales of food additives	93.48%	1
VinaSanFu Industrial Gas Company Limited	2018	609 Room, 6F, DMC tower, No 535, Kim Ma street, Ba Dinh district, Ha noi city, Vietnam	USD	13,650,000	Manufacturing and sales of industrial gases	100%	0.001255
VinaSanFu Material Company Limited	2018	609 Room, 6F, DMC tower, No 535, Kim Ma street, Ba Dinh district, Ha noi city, Vietnam	USD	12,200,000	Manufacturing and sales of electronics chemicals	100%	0.001255
International Nitto Technology Co., Ltd.	2002	No. 26 Huandong Rd. Sec. 2 Sanhua District, Tainan City Southern Taiwan Science Park	NTD	900,000,000	Recycle and re-manufacturing of TMAH	100%	1
Li Fu Carbonic Acid Corp..	1985	No. 447, Zhonghua Rd, 16 th Neighborhood, Luzhu, Toufen City, Miaoli County	NTD	20,000,000	Manufacturing of Carbon dioxide gas and dry ice	87%	1
Vinasanfu Materials Trading Co., Ltd.	2022	144 No, Phung Phap St., Dang Giang Ward, Ngo Quyen Dist., Hai Phong city, Viet Nam	USD	160,000	Trading of electronics chemicals	100%	0.001255

Note 1: All affiliated companies regardless of their size have been disclosed.

Note 2: The factory name, establishment date, address and major product items manufactured by the company should be listed if the affiliated company has factories and the sales value of the products manufactured by the factories exceeds 10% of company revenues.

Note 3: If the affiliated company is a foreign company, the company name and address should be stated in English, the Western calendar should be used for the establishment date and paid-in capital should be listed in the foreign currency (but the exchange rate on the reporting date should be included).

(3) Companies presumed to have a relationship of control and subordination under Article 369-3 of the Company Act: There are no affiliated companies that the Company has a presumed relationship of control and subordination.

(4) If affiliated companies have interlocking businesses, describe their division of work:

1. International Nitto Technology Co., Ltd., VinaSanFu Material Company Limited and Vinasanfu Materials Trading

Co., Ltd: Production and sales of specialty chemicals and electronic chemicals.

2. Li Fu Carbonic Acid Corporation and VinaSanFu Gas Company Limited: Production and sales of food additives.

3. San Fu Biotechnology Company: Production and sales of food additives.

4. San Fu Specialty Chemicals Investments Limited and Sino Star Holding Limited: Investment holding.

(5) Name of the directors, supervisors, presidents at each affiliated enterprise, their shareholding and investment:

Company	Title	Name or Representative	Shareholding	
			Shares	%
San Fu Specialty Chemicals Investments Limited	Director	San Fu Chemical Co., Ltd. Representative – Wu Hsin-Hung	2,350,840	100%
Sino Star Holding Limited	Director	San Fu Specialty Chemicals Investments Limited Representative – Wu Hsin-Hung	1,867,838	100%
San Fu Biotech Co., Ltd.	Director	San Fu Chemical Co., Ltd. Representative – Wu Hsin-Hung	21,500,000	93%
VinaSanFu Industrial Gas Company Limited	President	San Fu Chemical Co., Ltd. Representative – Chen Jie-Yu	-(note)	100%
VinaSanFu Material Company Limited	President	San Fu Chemical Co., Ltd. Representative – Chen Jie-Yu	-(note)	100%
International Nitto Technology Co., Ltd.	Director	San Fu Chemical Co., Ltd. Representative- Tsai Jie-Rong	90,000,000	100%
Li Fu Carbonic Acids Corp.	Director	San Fu Chemical Co., Ltd. Representative – Wu Hsin-Hung	1,740	87%
Vinasanfu Materials Trading Co., Ltd.	President	San Fu Chemical Co., Ltd. Representative – Chen Jie-Yu	-(Note)	100%

Note: Indirect investment by the company in Vietnamese companies is by limited liability company so there are no shares.

(6) Operational Highlights of Affiliated Companies

Company	San Fu Specialty Chemicals Investment Limited	Sino Star Holding Limited	San Fu Biotech Co., Ltd.	VinaSanFu Industrial Gas Co., Ltd.	VinaSanFu Material Co., Ltd.	International Nitto Technology Co., Ltd.	Li Fu Carbonic Acids Corp.	Vinasanfu Materials Trading Co., Ltd.
Currency	USD	USD	NTD	VN D	VND	NTD	NTD	VND
Paid-up Capital	2,350,840	1,867,838	230,000,000	317,573,525,000	283,445,300,000	400,000,000	20,000,000	3,609,404,853
Total Assets	17,688,980	18,711,295	367,481,289	394,428,140,165	278,429,155,511	962,825,162	26,041,752	3,614,074,853
Total Liabilities	0	0	83,162,986	127,405,451,153	35,508,817,632	107,695,394	4,520,496	4,670,000
Net value	17,688,980	18,711,295	284,318,303	267,022,689,012	242,920,337,879	855,129,758	21,521,256	3,609,404,853
Operating Revenue	0	0	444,286,258	13,103,024,000	18,519,874,000	0	15,630,294	0
Net Income	2,157,441	47	21,139,223	(24,962,584,000)	(18,376,838,000)	(48,936,704)	(6,234,151)	(4,995,147)
Profit & loss current period (after tax)	2,157,441	47	15,645,609	(29,309,746,000)	(18,746,476,000)	(38,961,000)	(6,183,953)	(4,995,147)
Earnings per share	0.92	0.00	0.68	-(Note 1)	-(Note 1)	(0.43)	(3,091.98)	-(Note 1)

Note 1: Indirect investment by the company in Chinese companies is by limited liability company so there are no shares.

(7) Consolidated income statements of affiliated companies

The list of companies required to be included in the consolidated financial statements of affiliated enterprises under "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" by the Company in 2022 (January 1, 2022 to December 31, 2022) is identical to the list of companies already included in the consolidated financial statements, prepared in accordance with IFRS 27. Since all information required above has already been disclosed in the consolidated financial statements, the Company would not prepare separate consolidated financial statements for affiliated enterprises.

(8) Affiliated company reports: Not applicable

2. Private placement of securities in the most recent year and current year up until the publication date of this annual report: None
3. Holdings or disposal of company shares by subsidiaries in the most recent year and current year up until the publication date of this annual report: None.
4. Other necessary supplementary matters: None

IX. In the Most Recent Years and as off to the Date of Publication of the Annual Report, Events Which Have A Material Impact on the Equity of Shareholders or the Price of Securities as Specified in Item3,2 of Article 36 of the Securities Exchange Law: None

REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of San Fu Chemical Co., Ltd. as of and for the year ended December 31, 2022, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises “ are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements of parent and subsidiary companies. Consequently, San Fu Chemical Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

SAN FU CHEMICAL CO., LTD.

By



SIMON WU
Chairman

March 14, 2023

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of San Fu Chemical Co., Ltd. and its subsidiaries (collectively referred to as the “**Company**”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Company's consolidated financial statements for the year ended December 31, 2022 is stated as follow:

Measurement of Inventories

The amount of Inventories of the Company's consolidated total assets as of December 31, 2022 was 10% (NT\$717,450,000). Please refer to Notes 4 and 11 for the accounting policies and the related disclosures of inventories. The inventories could be slow-moving or outdated due to the fluctuation in the demand market and the advancement in technology, which may result in impairment loss on inventories. The Company estimated the impairment loss of inventories based on the assessed net realized value and the evaluated aging of inventories quarterly. The estimation of net realized value and inventories aging assessment mainly depended on subjective management judgments and may affect the amount of impairment loss. As a result, the evaluation of inventories for impairment loss is determined to be a key audit matter.

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

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

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

Other Matter

Among the subsidiaries included in the consolidated financial statements of Sanfu Chemical Co., Ltd. and its subsidiaries, the financial statements of Sanfu Biotech Co., Ltd., VinaSanFu Industrial Gas Company Limited and VinaSanFu Material Company Limited have not been audited by the accountants of the Deloitte & Touche, Taipei, Taiwan, but by other accountants. Therefore, in the opinions expressed by the accountants on the above-mentioned consolidated financial statements, the amounts listed in the aforementioned company's financial statements are based on the audit reports of other accountants. The total assets of these subsidiaries on December 31, 2022 was NT\$1,220,264,000 which represented 17% of the total consolidated assets. The net operating income from January 1 to December 31, 2022 was NT\$460,144,000 which represented 8% of the consolidated operating income.

We have also audited the standalone financial statements of San Fu Chemical Co., Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence

that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

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

Sanmin Chemical Co., Ltd. and Subsidiaries

CONDENSED BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan Dollars)

Code		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
ASSETS					
CURRENT ASSETS					
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 602,138	8	\$ 552,766	8
1110	Financial assets at fair value through profit or loss - current (Note 7)	11,890	-	-	-
1136	Financial assets at amortized cost-current (Notes 4 and 9)	238,427	3	233,472	4
1140	Contract asset - current (Notes 4 and 21)	8,173	-	8,200	-
1150	Notes receivable, net (Notes 4 and 10)	43,300	1	56,633	1
1170	Accounts receivable, net (Notes 4 and 10)	1,185,450	17	1,504,822	23
1180	Receivables from related parties (Notes 4 and 31)	10,062	-	19,627	-
130X	Inventories (Notes 4 and 11)	717,450	10	719,825	11
1410	Prepayments	488,861	7	268,126	4
1220	Current tax assets	79	-	-	-
1470	Other current assets	59,894	1	99,005	2
11XX	Total current assets	<u>3,365,724</u>	<u>47</u>	<u>3,462,476</u>	<u>53</u>
NONCURRENT ASSETS					
1517	Financial asset at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	100,851	1	86,912	1
1550	Investments accounted for using equity method (Notes 4 and 13)	504,904	7	456,327	7
1600	Property, plant and equipment (Notes 4 and 14)	3,018,028	42	2,278,099	35
1755	Right-of-use asset (Notes 4 and 15)	138,176	2	137,211	2
1840	Deferred income tax assets (Notes 4 and 23)	26,589	-	34,784	-
1915	Prepayments for equipment	59,709	1	113,951	2
1920	Refundable deposits	7,279	-	5,816	-
15XX	Total noncurrent assets	<u>3,855,536</u>	<u>53</u>	<u>3,113,100</u>	<u>47</u>
1XXX	TOTAL	<u>\$7,221,260</u>	<u>100</u>	<u>\$6,575,576</u>	<u>100</u>
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
2100	Short-term loans (Note 16)	\$ 926,869	13	\$ 930,000	14
2130	Contract liabilities - current (Notes 4 and 21)	260,165	4	203,231	3
2170	Notes and accounts payable (Note 17)	364,719	5	502,080	8
2180	Accounts payable - related parties (Note 31)	7,368	-	3,770	-
2200	Other payables (Note 18)	387,151	5	340,986	5
2230	Current tax liabilities (Notes 4 and 23)	138,291	2	108,570	2
2280	Lease liabilities-current (Notes 4 and 15)	22,485	-	22,427	-
2320	Long-term liabilities - current portion (Note 16)	100,000	2	90,572	1
2399	Other current liabilities	5,119	-	4,762	-
21XX	Total current liabilities	<u>2,212,167</u>	<u>31</u>	<u>2,206,398</u>	<u>33</u>

(Continued)

San Fu Chemical Co., Ltd. and Subsidiaries

CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan Dollars)

NONCURRENT LIABILITIES

2540	Long-term loans (Note 16)	325,000	4	103,930	2
2570	Deferred income tax liabilities (Notes 4 and 23)	8,474	-	8,474	-
2580	Lease liabilities-noncurrent (Notes 4 and 15)	47,503	1	49,940	1
2640	Net defined benefit liabilities – noncurrent (Notes 4 and 19)	6,676	-	27,791	-
2670	Other noncurrent liabilities	1,369	=	2,454	=
25XX	Total noncurrent liabilities	<u>389,022</u>	<u>5</u>	<u>192,589</u>	<u>3</u>
2XXX	Total liabilities	<u>2,601,189</u>	<u>36</u>	<u>2,398,987</u>	<u>36</u>

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 4 and 20)

	Capital Stock				
3110	Ordinary shares	<u>1,007,060</u>	<u>14</u>	<u>1,007,060</u>	<u>15</u>
3200	Capital surplus	<u>762,268</u>	<u>11</u>	<u>960,750</u>	<u>15</u>
	Retained earnings				
3310	Legal capital reserve	358,315	5	291,281	4
3320	Special capital reserve	124,794	2	103,348	2
3350	Unappropriated earnings	<u>2,380,458</u>	<u>33</u>	<u>1,907,058</u>	<u>29</u>
3300	Total retained earnings	<u>2,863,567</u>	<u>40</u>	<u>2,301,687</u>	<u>35</u>
	Others				
3410	Exchange differences on translating foreign operations	(18,377)	-	(90,099)	(1)
3420	Unrealized evaluation gains and losses of the equity instrument investment benefit measured at fair value through other comprehensive income	(26,549)	(1)	(34,695)	(1)
3400	Total other equity	<u>(44,926)</u>	<u>(1)</u>	<u>(124,794)</u>	<u>(2)</u>
31XX	Total Equity of the Business Owner	<u>4,587,969</u>	<u>64</u>	<u>4,144,703</u>	<u>63</u>
36XX	Non-controlling interests	<u>32,102</u>	=	<u>31,886</u>	<u>1</u>
3XXX	Total equity	<u>4,620,071</u>	<u>64</u>	<u>4,176,589</u>	<u>64</u>
TOTAL		<u>\$7,221,260</u>	<u>100</u>	<u>\$6,575,576</u>	<u>100</u>

(Concluded)

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

San Fu Chemical Co., Ltd. and Subsidiaries

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings per Share)**

Code		2022		2021	
		Amount	%	Amount	%
4000	NET REVENUE (Notes 4, 21 and 31)	\$ 5,618,600	100	\$ 4,779,885	100
5000	COST OF REVENUE (Notes 11, 22 and 31)	<u>4,116,036</u>	<u>73</u>	<u>3,584,780</u>	<u>75</u>
5900	GROSS PROFIT	<u>1,502,564</u>	<u>27</u>	<u>1,195,105</u>	<u>25</u>
	OPERATING EXPENS (Notes 22 and 31)				
6100	Selling and marketing expenses	286,395	5	256,706	5
6200	General and administrative	222,960	4	172,582	4
6300	Research & Development	63,301	1	38,615	1
6450	Expected credit impairment losses	<u>86</u>	-	<u>5,710</u>	-
6000	Total operating expenses	<u>572,742</u>	<u>10</u>	<u>473,613</u>	<u>10</u>
6900	INCOME FROM OPERATIONS	<u>929,822</u>	<u>17</u>	<u>721,492</u>	<u>15</u>
	NON-OPERATING INCOME AND EXPENSES				
7010	Other income (Notes 22 and 31)	36,117	-	30,763	-
7020	Other gains and losses (Note 22)	45,664	1	2,536	-
7050	Financial Cost (Note 22)	(18,997)	-	(9,141)	-
7060	Share of profit or loss of associates and joint ventures Recognized by Equity Method (Notes 4 and 13)	73,607	1	82,237	2
7100	Interest income	6,660	-	1,141	-
7140	Bargain purchase gain- acquiring a subsidiary (Note 26)	=	=	<u>372</u>	=
7000	Total non-operating income and expenses	<u>143,051</u>	<u>2</u>	<u>107,908</u>	<u>2</u>
7900	INCOME BEFORE INCOME TAX	1,072,873	19	829,400	17
7950	INCOME TAX EXPENSE (Note 23)	(<u>223,292</u>)	(<u>4</u>)	(<u>156,690</u>)	(<u>3</u>)
8200	NET INCOMNE	<u>849,581</u>	<u>15</u>	<u>672,710</u>	<u>14</u>

(Continued)

San Fu Chemical Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

OTHER COMPREHENSIVE GAIN/(LOSS)					
8310 ITEMS THAT WILL NOT BE RECLASSIFIED					
SUBSEQUENTLY TO PROFIT OR LOSS:					
8311	Re-measured quantity of defined benefit plan	\$ 18,291	1	(\$4,125	-
8316	Unrealized loss on financial assets at fair value through other comprehensive income (Note 8)	8,146	-	(69,029	(1)
8349	Income tax related to items that are not reclassified	(3,658)	-	10,686	-
		<u>22,779</u>	<u>1</u>	(<u>62,468</u>)	(<u>1</u>)
8360	Items that may be reclassified to profit and loss in the future				
8361	Exchange differences on translating the financial statements of foreign operations	61,261	1	40,915	1
8370	Share of the other comprehensive loss of associates and joint ventures using equity method	<u>10,461</u>	-	(3,193)	-
		<u>71,722</u>	<u>1</u>	<u>37,722</u>	<u>1</u>
8300	Other comprehensive loss for the year, net of income tax	<u>94,501</u>	<u>2</u>	(<u>24,746</u>)	-
8500	TOTAL COMPREHENSIVE INCOME	<u>\$ 944,082</u>	<u>17</u>	<u>\$ 647,964</u>	<u>14</u>
NET INCOME ATTRIBUTABLE TO:					
8610	Shareholders of the parent	\$ 849,365	15	\$ 673,643	14
8620	Non-controlling interests	<u>216</u>	-	(933)	-
8600		<u>\$ 849,581</u>	<u>15</u>	<u>\$ 672,710</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME					
ATTRIBUTABLE TO:					
8710	Shareholders of the parent	\$ 943,866	17	\$ 648,897	14
8720	Non-controlling interests	<u>216</u>	-	(933)	-
8700		<u>\$ 944,082</u>	<u>17</u>	<u>\$ 647,964</u>	<u>14</u>
EARNINGS PER SHARE (NT\$, Note 24)					
From continuing business units					
9750	Basic earnings per share	<u>\$ 8.43</u>		<u>\$ 6.69</u>	
9850	Diluted earnings per share	<u>\$ 8.42</u>		<u>\$ 6.68</u>	

(Concluded)

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



Sinoma Chemical Co., Ltd. and Subsidiaries

**CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in thousands of New Taiwan Dollars)

	Capital Stock (Note 20)		Equity attributable to the Shareholders of the parent					Other equity		Sub-Total	Non-controlling interests (Notes 20 & 27)
	Shares (In Thousands)	Amount	Capital Surplus (Note 20)	Retained Earnings (Note 20)			Exchange Differences on Translating Foreign Operations	Unrealized Gains (Losses) On Financial Assets at Fair Value Through Other Comprehensive Income			
				Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings					
A1	100,706	\$ 1,007,060	\$ 1,056,191	\$ 250,297	\$ 56,293	\$ 1,526,166	(\$ 127,821)	\$ 24,473	\$ 3,792,659	\$ 3,792,659	
B1	-	-	-	40,984	-	(40,984)	-	-	-	-	
B3	-	-	-	-	47,055	(47,055)	-	-	-	-	
B5	-	-	(100,706)	-	-	(201,412)	-	-	(302,118)	(302,118)	
M7	-	-	(859)	-	-	-	-	-	(859)	15,859	
O1	-	-	-	-	-	-	-	-	-	1,752	
C3	-	-	6,124	-	-	-	-	-	6,124	6,124	
D1	-	-	-	-	-	673,643	-	-	673,643	(933)	
D3	-	-	-	-	-	-	-	-	-	-	
D5	-	-	-	-	-	(3,300)	37,722	(59,168)	(24,746)	(24,746)	
O1	-	-	-	-	-	670,343	37,722	(59,168)	648,897	(933)	
Z1	100,706	1,007,060	960,750	291,281	103,348	1,907,058	(90,099)	(34,695)	4,144,703	31,886	
B1	-	-	-	67,034	-	(67,034)	-	-	-	-	
B3	-	-	-	-	21,446	(21,446)	-	-	-	-	
B5	-	-	(201,412)	-	-	(302,118)	-	-	(503,530)	(503,530)	
C3	-	-	2,900	-	-	-	-	-	2,900	2,900	
C17	-	-	30	-	-	-	-	-	30	30	
D1	-	-	-	-	-	849,365	-	-	849,365	216	
D3	-	-	-	-	-	14,633	71,722	8,146	94,501	-	
D5	-	-	-	-	-	863,998	71,722	8,146	943,866	216	
Z1	100,706	\$ 1,007,060	\$ 762,268	\$ 358,315	\$ 124,794	\$ 2,380,458	(\$ 18,377)	(\$ 26,549)	\$ 4,587,969	\$ 32,102	

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



San-Ei Chemical Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (Expressed in thousands of New Taiwan Dollars)

C o d e		2022	2021
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Net income before income tax	\$1,072,873	\$ 829,400
A20010	Adjustments for:		
A20100	Depreciation expenses	311,823	284,073
A20300	Expected credit impairment losses	86	5,710
A20400	Gain on operating assets and liabilities at FVRPL, net	(4,072)	-
A20900	Finance costs	18,997	9,141
A21200	Interest income	(6,660)	(1,141)
A21300	Investment Income - Dividend	(2,697)	(1,593)
A21900	Shared-based compensation Cost	-	1,752
A22300	Gain/Loss of associates and joint ventures using equity method	(73,607)	(82,237)
A22500	Loss from disposal of property, plant and equipment	(6)	(274)
A22600	Transfer fee from property, plant and equipment	164	142
A22900	Profit gained from disposal of subsidiaries	-	(424)
A23200	Disposal of investment interest recognized by equity method of accounting	-	(22,797)
A23800	Loss for market price decline and obsolete and slow-moving inventories	571	60
A24100	Unrealized foreign currency exchange (gain) loss	(9,729)	635
A29900	Bargain purchase Gain	-	(372)
A29900	Lease modification benefits	(693)	(6)
A30000	Change in operating assets and liabilities		
A31125	Contract Assets - Current	27	530
A31130	Notes receivable	13,333	(13,112)
A31150	Accounts receivable	327,445	(459,741)
A31160	Accounts receivable – related parties	13,443	(10,133)
A31200	Inventories	2,597	(326,087)
A31230	Prepayments	(219,545)	(179,684)
A31240	Other current assets	41,593	(74,341)
A31260	Contract asset— noncurrent	-	5,941
A32125	Contract liability	56,934	46,309
A32150	Accounts receivable	(144,042)	246,824
A32160	Accounts payable - related parties	(2,695)	64
A32180	Other payables	(37,953)	143,764
A32230	Other current liabilities	357	1,359
A32240	Net defined benefit liabilities - noncurrent	(\$ 2,824)	(\$ 872)
A32990	Other noncurrent liabilities	(1,085)	91
A33000	Cash generated from operations	1,354,635	402,981
A33100	Interest received	6,660	1,141
A33200	Dividend received	2,697	1,593
A33300	Interest paid	(17,141)	(9,047)
A33500	Income tax paid	(189,111)	(109,907)
AAAA	Net cash generated from operating activities	<u>1,157,740</u>	<u>286,761</u>

(Continued)

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
 (Expressed in thousands of New Taiwan Dollars)

C o d e	2022	2021
		.
	CASH FLOWS FROM INVESTING ACTIVITIES	
B00010	Purchase of financial assets at fair value through other comprehensive income	(7,818) -
B00040	Purchase of financial assets at amortized cost	(2,159) -
B02200	Net cash outflow acquired from the subsidiaries	- (56,777)
B02700	Payments for property, plant and equipment	(775,440) (541,472)
B02800	Gain on Disposal of property, plant and equipment	24 543
B03700	Increase or Loss in refundable deposits	(1,463) (1,230)
B07100	Increase in prepayments for equipment	(62,404) 50,525
B07600	Dividend received	37,744 21,804
BBBB	Net cash used in investing activities	(811,516) (526,607)
	CASH FLOWS FROM FINANCING ACTIVITIES	
C00100	Increase in short-term loans	- 340,000
C00200	Decrease in short-term loans	(4,906) -
C01700	Repayment of long-term loans	230,498 (38,071)
C04020	Repayment of the principal portion of lease liabilities	(26,367) (24,332)
C04500	Payment – Owners’ Dividend	(503,530) (302,118)
C04600	Cash capital increase	- -
C05800	Changes in equity of non-controlling interests	- 15,000
C09900	Donations from Shareholders exercising the right for attribution	2,900 6,124
	30	-
CCCC	NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	(301,375) (3,397)
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	4,523 1,403
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49,372 (241,840)
E00100	CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	552,766 794,606
E00200	CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	\$ 602,138 \$ 552,766

(Concluded)

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

San Fu Chemical Co., Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

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

The consolidated financial statements comprise the company and its subsidiaries as described in Note 12 (collectively referred to as “**the Company**”). The Company is engaged mainly in the production and sale of industrial gases, chemical materials and food additives.

The Company’s shares started to be traded on the Taiwan Stock Exchange (“TWSE”) on November 27, 2013.

The consolidated financial statements are presented in the New Taiwan dollars.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on February 24, 2023.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The initial application of the amended “Annual Improvements to IFRS Standards 2018-2021” Cycle”, Amendments to IFRS 3 “Reference to the Conceptual Framework”, Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”, Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract ” and the Amendment to the IFRS 16 “Covid-19-Related Rent Concessions after June 30, 2021” endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. The IFRSs issued by International Accounting Standards Boards (IASB) and endorsed by the FSC with effective date starting 2023

New, Amended and Revised Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred income tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: This amendment applies to annual reporting periods beginning after January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates and changes in accounting policies that occur during the annual reporting period beginning after January 1, 2023.

Note 3: Except for the deferred income tax recognized on January 1, 2022 for temporary differences in lease and decommissioning obligations, this amendment is applicable to transactions occurring after January 1, 2022.

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendment to the IFRS 16 ” Lease liability in a sale and leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 ”Comparison information between initial application of IFRS 17 and IFRS 9”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current liabilities with Covenants”	January 1, 2024

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

Note 2: A seller and lessee shall measure all sale and leaseback transactions in accordance with the 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' and this amendment is applicable to transactions occurring after January 1, 2024.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC with the effective dates (collectively, “Taiwan-IFRSs”).

b. Basis of Preparation

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

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

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

c. Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

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

Current liabilities include:

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

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

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

d. Basis of consolidation

The accompanying consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Shareholders of the parent.

See Note 12 and Table 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

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

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

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

f. Foreign Currencies

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

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

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

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

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

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

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

g. Inventories

Inventories consist of raw materials, supplies, semi-finished goods, work-in-process, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

h. Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company uses the equity method to account for its investments in associates and joint ventures.

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

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

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

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

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

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The

difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to use equity method and does not measure the retained interest.

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

i. Property, plant and equipment

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

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

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

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

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

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Category of financial assets and measurement

Financial assets held by the consolidated company are classified into the following categories: financial assets measured at fair value through profit or loss (FVTPL), financial assets measured at amortized cost, and investment in equity instrument measured at fair value through other comprehensive income (FVTOCI).

A. Financial assets at FVTPL

Financial assets measured at fair value through profit or loss (FVTPL) are financial assets that are mandatory to be measured at fair value through profit or loss. Financial assets that are mandatory to be measured at fair value through profit or loss include equity instrument investments that are not designated as measured at fair value through other comprehensive profit or loss, and debt instrument investments that do not qualify for classification as measured at amortized cost or at fair value through other comprehensive profit or loss.

Financial assets at fair value through profit or loss are measured at fair value. Please refer to Note 7.

B. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost - current, notes and accounts receivable, and receivable from related parties, are measured at amortized cost, which equals the gross

carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

C. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments

that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

I. Revenue recognition

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

1) Revenue from sale of goods

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

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

2) Revenue from rendering of services

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

3) Construction contract revenue

Customers control properties while they are construction in progress, and thus, the Company recognizes revenue over time. The Company measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the

construction and are reclassified to accounts receivable at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Company recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Company adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Company satisfies its performance obligations.

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

m. Leases

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

The Company as lessee

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

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

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

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

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

n. Borrowing costs

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

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

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Share-based payment arrangements

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

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

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

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

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

q. Taxation

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

1) Current tax

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

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

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

provision.

2) Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. The deferred tax asset which originally not unrecognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

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

The Company has considered the economic implications of the COVID-19 on critical accounting estimates, and will continue evaluating the impact on its financial position and financial performance as a result of the pandemic. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Key Sources of Estimation and Uncertainty

Valuation of inventory

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 516	\$ 437
Demand deposits in banks	446,796	552,329
Time deposits in banks	<u>154,826</u>	<u>-</u>
	<u>\$ 602,138</u>	<u>\$ 552,766</u>

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

	December 31	
	2022	2021
Demand deposits in banks	0.01%~1.05%	0.001%~0.3%
Time deposits in banks	4.45%~4.64%	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS – CURRENT

	December 31	
	2022	2021
Mandatory fair value through profit or loss		
Derivatives (unspecified hedging)		
– Foreign Exchange Option Contract	<u>\$ 11,890</u>	<u>\$ -</u>

On the balance sheet date, the foreign exchange option contracts that do not apply hedging accounting and have not yet expired are as follows:

December 31, 2022

	Currency	Maturity Date	Contract Amount (Unit: \$1000)
Buy foreign exchange options	USD : NTD	March 01, 2023	USD3,000/TWD 79,500

The purpose of the merged company to engage in foreign exchange option transactions is mainly to avoid the risks of foreign currency assets and liabilities due to exchange rate fluctuations. The foreign exchange option contract held by the Company does not meet the effective hedging conditions, so hedging accounting is not applicable.

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

	December 31	
	2022	2021
Domestic investments		
Listed shares	\$ 35,444	\$ 27,297
Unlisted shares	<u>6,698</u>	<u>6,698</u>
	<u>42,142</u>	<u>33,995</u>
Foreign investments		
Unlisted shares	<u>58,709</u>	<u>52,917</u>
	<u>\$ 100,851</u>	<u>\$ 86,912</u>

The merged company invests in the above-mentioned domestic and foreign stocks for medium and long-term strategic purposes, and expects to make profits through long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments of equity instruments were classified as financial assets at fair value through other comprehensive income.

The Company holds 1.42% of the ordinary shares of Global Graphene Group, whose main operating activity is the research and development of graphene-related product technologies. The management of the merged company assessed the delay in the commercialization of Global Graphene Group's graphene technology and the failure to improve its profitability, and recognized the unrealized evaluation loss of financial assets measured at fair value through other comprehensive gains and losses of RMB 49,307,000 in the fiscal year 2021.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2022	2021
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ 66,027	\$ 11,072
Restricted demand deposits	<u>172,400</u>	<u>222,400</u>
	<u>\$ 238,427</u>	<u>\$ 233,472</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.495% ~ 3.50% and 0.06 ~ 0.28% per annum as of December 31, 2022 and 2021, respectively.

Refer to Note 32 for information related to investments in financial assets at amortized cost pledge as security.

10. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2022	2021
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 43,300</u>	<u>\$ 56,633</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,191,650	\$ 1,511,022
Less: Allowance for impairment loss	<u>(6,200)</u>	<u>(6,200)</u>
	<u>\$ 1,185,450</u>	<u>\$ 1,504,822</u>

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

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

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

Aging analysis of notes and accounts receivable

December 31, 2022

	Not Past Due	1 to 90 Days	90 to 180 Days	181 to 365 Days	Over 365 Days	Indication of Default	Total
Expected credit loss rate	-	-	-	50%	100%	100%	-
Gross carrying amount	\$1,146,906	\$ 2,137	\$ 36,407	\$ -	\$ 6,200	\$ -	\$1,191,650
Loss allowance (Lifetime ECL)	-	-	-	-	(6,200)	-	(6,200)
Amortized cost	<u>\$1,146,906</u>	<u>\$ 2,137</u>	<u>\$ 36,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,185,450</u>

December 31, 2021

	Not Past Due	1 to 90 Days	90 to 180 Days	181 to 365 Days	Over 365 Days	Indication of Default	Total
Expected credit loss rate	-	-	-	100%	100%	100%	-
Gross carrying amount	\$1,494,329	\$ 10,447	\$ 46	\$ 5,710	\$ 490	\$ -	\$1,511,022
Loss allowance (Lifetime ECL)	-	-	-	(5,710)	(490)	-	(6,200)
Amortized cost	<u>\$1,494,329</u>	<u>\$ 10,447</u>	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,504,822</u>

Movements of the loss allowance for accounts receivable

	Years Ended December 31	
	2022	2021
Balance, Beginning of year	\$ 6,200	\$ 571
Add : Impairment losses for the year	86	5,710
Less : Actual write-offs for the year	(86)	(81)
Balance, end of year	<u>\$ 6,200</u>	<u>\$ 6,200</u>

11. INVENTORIES

	December 31	
	2022	2021
Merchandise	\$ 7,270	\$ 13,851
Finished goods	326,504	208,272
Work in progress	13,949	11,032
Semi-finished goods	1,894	1,988
Supplies and Spare Parts	334,334	458,141
Raw materials	<u>33,499</u>	<u>26,541</u>
	<u>\$ 717,450</u>	<u>\$ 719,825</u>

The cost of inventories recognized as cost of goods sold (including construction cost) for the years ended December 31, 2022 and 2021 was \$4,116,036,000 and \$3,584,780,000, respectively.

The cost of goods sold in 2022 and 2021 included losses of NT\$571,000 and NT\$60,000 respectively on Price Decline in Inventories.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			December 31 2022	2021
San Fu Chemical Co., Ltd.	San Fu Specialty Chemicals Investments Limited	Investment	100%	100%
		Investment	-	-
	San Fu Food Additives Investments Limited (Note 1)			
	VinaSanFu Industrial Gas Company Limited	Production of industrial gases	100%	100%
	VinaSanFu Material Company Limited	Production of chemicals	100%	100%
	San Fu Biotech Co., Ltd. (Note 3)	Sales and production of food additives	93%	93%
	International Nitto Technology Co., Ltd.	Sales and production of electronic components	100%	100%
	Lifu Carbonate Co., Ltd. (Note 2)	Production of chemicals	87%	87%
San Fu Specialty Chemicals Investments Limited	Sino Star Holding Limited	Investment	100%	100%
VinaSanFu Material Company Limited	VinaSanFu Material Trading Co., Ltd (Note 4)	Production of chemicals	100%	-

Note 1: It was liquidated and dissolved in May 2021.

Note 2: On May 5, 2021, the Board of Directors of the Company resolved to acquire 62% equity of Lifeng Carbon Co., Ltd. originally held by Lifong Carbon Dioxide Co., Ltd., and the merged company completed the relevant transactions in the second quarter of 2021. Since May 10, 2021, the Company's shareholding ratio in Lifu Carbonic Acid Co., Ltd. has increased from 25% to 87%. Therefore, the investment-related enterprises that were originally evaluated by the equity method were converted into subsidiaries and recognized as disposal investments. The gain of the disposal investments was recognized was RMB 22,797,000.

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

Note 4: The company was established in March 2022..

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2022	2021
Investments in associates	\$ 56,517	\$ 51,488
Investments in joint ventures	<u>448,387</u>	<u>404,839</u>
	<u>\$ 504,904</u>	<u>\$ 456,327</u>

The share of total comprehensive income for the years ended December 31, 2022 and 2021 was at \$73,607,000 and \$82,237,000, respectively.

a. Investments in associates

	<u>December 31</u>	
	2022	2021
Associates that are not individually material	<u>\$ 56,517</u>	<u>\$ 51,488</u>
<u>Aggregate information of associates that are not individually material</u>		
	<u>For the Year Ended December 31</u>	
	2022	2021
The Company's share of:		
Net profit for the year	\$ 3,608	(\$ 749)
Other comprehensive (loss) income	<u>2,253</u>	<u>1,709</u>
Total comprehensive income for the year	<u>\$ 5,861</u>	<u>\$ 960</u>

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

b. Investments in joint ventures

	<u>December 31</u>		
	2022	2021	
Material joint ventures			
Sanfuming Electronic Material Co., Ltd.	<u>\$ 448,387</u>	<u>\$ 404,839</u>	
			Proportion of Ownership and Voting Rights
			<u>December 31</u>
Name of Associate	Nature of Activities	Principal Place of Business	2022 2021
Sanfuming Electronic Material Co., Ltd.	International trading	Shanghai, China	50% 50%

All the joint ventures are accounted for using equity method.

The financial information in respect of each of the Company's material joint ventures is summarized as follows. The summarized financial information below represents the amounts shown in the joint ventures' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Sanfuming Electronic Material Co., Ltd.

	<u>December 31</u>	
	2022	2010
Cash and cash equivalents	<u>\$ 305,610</u>	<u>\$ 111,141</u>
Current assets	\$ 804,170	\$ 759,414
Non-current assets	203,856	206,139
Current liabilities	(177,762)	(215,675)
Non-current liabilities	(1,755)	(1,728)
Equity	<u>\$ 828,509</u>	<u>\$ 748,150</u>
Proportion of the Company's ownership	50%	50%
Equity attributable to the Company	\$ 414,254	\$ 374,075
Other adjustments (gain of losing control in subsidiaries)	32,643	32,643
Other adjustments (exchange rate affect)	<u>1,490</u>	<u>(1,879)</u>
Carrying amount	<u>\$ 448,387</u>	<u>\$ 404,839</u>

For the Year Ended December 31

	2022	2021
Operating revenue	<u>\$ 1,301,275</u>	<u>\$ 1,359,034</u>
Depreciation expenses and amortization expenses	<u>\$ 20,350</u>	<u>\$ 21,786</u>
Interest income	<u>\$ 3,483</u>	<u>\$ 384</u>
Income tax expenses	<u>\$ 48,595</u>	<u>\$ 54,536</u>
Net profit for the year	<u>\$ 139,998</u>	<u>\$ 165,972</u>
Other comprehensive income (loss)	<u>(20,922)</u>	<u>(5,540)</u>
Total comprehensive income for the year	<u>\$ 160,920</u>	<u>\$ 160,432</u>

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment	Transportation	Other Equipment	Property under Construction	Total
<u>Cost</u>							
Balance, January 1, 2022	\$ 162,700	\$ 1,145,606	\$ 2,162,086	\$ 352,833	\$ 417,323	\$ 639,282	\$ 4,879,830
Reclassifications	-	98,800	451,845	28,823	21,587	(484,161)	116,894
Additions	-	11,552	44,776	37,027	37,344	727,878	858,577
Disposals	-	(2,544)	(190,240)	(3,889)	(11,916)	-	(208,589)
Effect of foreign currency exchange differences	-	6,885	16,355	409	-	25,435	49,084
Balance, December 31, 2022	<u>\$ 162,700</u>	<u>\$ 1,260,299</u>	<u>\$ 2,484,822</u>	<u>\$ 415,203</u>	<u>\$ 464,338</u>	<u>\$ 908,434</u>	<u>\$ 5,695,796</u>

Accumulated depreciation and impairment

Balance, January 1, 2022	\$ -	\$ 464,568	\$ 1,523,076	\$ 304,921	\$ 309,166	\$ -	\$ 2,601,731
Depreciation expenses	-	57,529	155,513	24,797	46,279	-	284,118
Disposals	-	(2,544)	(190,240)	(3,889)	(11,898)	-	(208,571)
Effect of foreign currency exchange differences	-	135	340	15	-	-	490
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ 519,688</u>	<u>\$ 1,488,689</u>	<u>\$ 325,844</u>	<u>\$ 343,547</u>	<u>\$ -</u>	<u>\$ 2,677,768</u>
Carrying amounts, December 31, 2022	<u>\$ 162,700</u>	<u>\$ 740,611</u>	<u>\$ 996,133</u>	<u>\$ 89,359</u>	<u>\$ 120,791</u>	<u>\$ 908,434</u>	<u>\$ 3,018,028</u>

	Land	Buildings	Equipment	Transportation	Other Equipment	Property under Construction	Total
<u>Cost</u>							
Balance, January 1, 2021	\$ 63,707	\$ 1,069,711	\$ 1,970,226	\$ 348,403	\$ 373,247	\$ 332,099	\$ 4,157,393
Reclassifications	-	7,182	69,819	-	8,905	(24,097)	61,809
Additions	-	65,962	144,063	4,714	33,837	304,554	553,130
Disposals	-	-	(33,615)	(359)	(3,201)	-	(37,175)
Acquisition from merger	98,993	697	8,195	6	4,535	-	112,426
Effect of foreign currency exchange differences	-	2,054	3,398	69	-	26,726	32,247
Balance, December 31, 2021	<u>\$ 162,700</u>	<u>\$ 1,145,606</u>	<u>\$ 2,162,086</u>	<u>\$ 352,833</u>	<u>\$ 417,323</u>	<u>\$ 639,282</u>	<u>\$ 4,879,830</u>

Accumulated depreciation and impairment

Balance, January 1, 2021	\$ -	\$ 408,606	\$ 1,420,700	\$ 286,058	\$ 265,419	\$ -	\$ 2,380,783
Depreciation expenses	-	55,940	135,681	19,222	46,953	-	257,796
Disposals	-	-	(33,341)	(359)	(3,206)	-	(36,906)
Effect of foreign currency exchange differences	-	22	36	-	-	-	58
Balance, December 31, 2021	<u>\$ -</u>	<u>\$ 464,568</u>	<u>\$ 1,523,076</u>	<u>\$ 304,921</u>	<u>\$ 309,166</u>	<u>\$ -</u>	<u>\$ 2,601,731</u>
Carrying amounts, December 31, 2021	<u>\$ 162,700</u>	<u>\$ 681,038</u>	<u>\$ 639,010</u>	<u>\$ 47,912</u>	<u>\$ 108,157</u>	<u>\$ 639,282</u>	<u>\$ 2,278,099</u>

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

Buildings	
Main building	3-45 years
Employee dormitory	25-50 years
Firefighting, air-conditioning and other systems	1-8 years
Engineering system	3-38 years
Transportation	1-8 years
Equipment	1-27 years
Other equipment	1-25 years

Property, plant and equipment pledged as collateral for bank loans is set out in Note 32.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Right-of-use assets		
Carrying amounts		
Land	\$ 128,462	\$ 122,939
Buildings	3,470	6,687
Machinery and equipment	<u>6,244</u>	<u>7,585</u>
	<u>\$ 138,176</u>	<u>\$ 137,211</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 25,196</u>	<u>\$ 19,718</u>
Depreciation charge for right-of-use assets		
Land	\$ 18,497	\$ 16,875
Buildings	5,135	5,821
Machinery and equipment	<u>4,073</u>	<u>3,581</u>
	<u>\$ 27,705</u>	<u>\$ 26,277</u>

b. Lease liabilities

	December 31	
	2022	2021
Lease liabilities		
<u>Carrying amounts</u>		
Current portion	\$ 22,485	\$ 22,427
Non-current portion	<u>47,503</u>	<u>49,940</u>
	<u>\$ 69,988</u>	<u>\$ 72,367</u>

Ranges of discount rates for lease liabilities are as follows:

	December 31	
	2022	2021
Land	1.03%~2.5%	1.03%~2.5%
Buildings	1.03%	1.03%
Machinery and equipment	1.03%	1.03%

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	<u>\$ 10,074</u>	<u>\$ 2,996</u>
Expenses relating to low-value asset leases	<u>\$ 1,113</u>	<u>\$ 941</u>
Total cash outflow for leases	<u>(\$ 37,554)</u>	<u>(\$ 22,889)</u>

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

16. LOANS

a. Short-term loans

	December 31	
	2022	2021
<u>Secured loans (Note 32)</u>		
Bank loans	\$ 180,000	\$ 280,000
<u>Unsecured loans</u>		
Bank loans	<u>746,869</u>	<u>650,000</u>
	<u>\$ 926,869</u>	<u>\$ 930,000</u>

The range of weighted average effective interest rates on bank loans was 0.9%-1.70% and 0.78%-1.02% per annum as of December 31, 2022 and 2021, respectively.

b. Long-term loans

	December 31	
	2022	2021
<u>Unsecured loans</u>		
Bank loans	\$ 425,000	\$ 194,502
Less: Current portion matured within a year	(<u>100,000</u>)	(<u>90,572</u>)
Long-term loans	<u>\$ 325,000</u>	<u>\$ 103,930</u>

The range of weighted average effective interest rates on bank loans was 1.598% -1.61% and 1.175% - 1.25% per annum as of December 31, 2022 and 2021, respectively.

17. NOTES AND ACCOUNTS PAYABLE

	December 31	
	2022	2021
Notes payable	\$ -	\$ 479
Accounts payable	<u>364,719</u>	<u>501,601</u>
	<u>\$ 364,719</u>	<u>\$ 502,080</u>

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

18. OTHER PAYABLES

	December 31	
	2022	2021
Other payables		
Payable for accrued expenses	\$ 264,228	\$ 301,200
Payable for constructions	33,434	16,935
Payable for purchases of equipment	<u>89,489</u>	<u>22,851</u>
	<u>\$ 387,151</u>	<u>\$ 340,986</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company, San Fu Biotech Co., Ltd., and International Nitto Technology Co., Ltd. have adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated based on the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

	Years Ended December 31	
	2022	2021
Present value of defined benefit obligation	\$ 112,589	\$ 132,399
Fair value of plan assets	(<u>105,913</u>)	(<u>104,608</u>)
Net defined benefit liabilities	<u>\$ 6,676</u>	<u>\$ 27,791</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance, January 1, 2021	\$ 127,837	(\$ 103,299)	\$ 24,538
Service cost			
Current service cost	621	-	621
Net interest expense (income)	<u>475</u>	(<u>385</u>)	<u>90</u>
Recognized in profit or loss	<u>1,096</u>	(<u>385</u>)	<u>711</u>

Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ 2,993	(\$ 1,419)	\$ 1,574
Actuarial loss			
Changes in financial assumptions	(2,458)	-	(2,458)
Experience adjustments	<u>5,009</u>	<u>-</u>	<u>5,009</u>
Recognized in other comprehensive income	<u>5,544</u>	(<u>1,419</u>)	<u>4,125</u>
Contributions from the employer	-	(1,583)	(1,583)
Benefits paid	(<u>2,078</u>)	<u>2,078</u>	<u>-</u>
Balance, December 31, 2021	<u>\$ 132,399</u>	(<u>\$ 104,608</u>)	<u>\$ 27,791</u>
Balance, January 1, 2022	\$ 132,399	(\$ 104,608)	\$ 27,791
Service cost			
Current service cost	583	-	583
Net interest expense (income)	<u>805</u>	(<u>634</u>)	<u>171</u>
Recognized in profit or loss	<u>1,388</u>	(<u>634</u>)	<u>754</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,249)	(8,249)
Actuarial loss (Benefit)			
Changes population statistic assumptions	16	-	16
Changes in financial assumptions	(5,059)	-	(5,059)
Experience adjustments	(<u>4,999</u>)	<u>-</u>	(<u>4,999</u>)
Recognized in other comprehensive income	(<u>10,042</u>)	(<u>8,249</u>)	(<u>18,291</u>)
Contributions from the employer	-	(1,057)	(1,057)
Benefits paid	(<u>11,156</u>)	<u>8,635</u>	<u>2,521</u>
Balance, December 31, 2022	<u>\$ 112,589</u>	(<u>\$ 105,913</u>)	<u>\$ 6,676</u>

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

	Years Ended December 31	
	2022	2021
Operating costs	\$ 456	\$ 431
Selling and marketing expenses	90	76
General and administrative expenses	198	196
Research and development expenses	<u>10</u>	<u>8</u>
	<u>\$ 754</u>	<u>\$ 711</u>

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

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

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

	<u>December 31</u>	
	2022	2021
Discount rates	1.250%	0.625%
Long-term averaged pay rates	2.000%	2.000%

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

	<u>December 31</u>	
	2022	2021
Discount rate(s)		
0.25% increase	(\$ 1,924)	(\$ 2,426)
0.25% decrease	<u>\$ 1,980</u>	<u>\$ 2,501</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 1,930</u>	<u>\$ 2,423</u>
0.25% decrease	(<u>\$ 1,885</u>)	(<u>\$ 2,363</u>)

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

	<u>December 31</u>	
	2022	2021
Expected contributions to the plans for the next year	<u>\$ 1,057</u>	<u>\$ 1,583</u>
Average duration of the defined benefit obligation	6.92 years	7.4 years

20. EQUITY

a. Capital stock

Ordinary shares

	<u>December 31</u>	
	2022	2021
Number of shares authorized (in thousands)	<u>120,000</u>	<u>120,000</u>
Shares authorized	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>100,706</u>	<u>100,706</u>
Shares issued	<u>\$ 1,007,060</u>	<u>\$ 1,007,060</u>

b. Capital surplus

	<u>December 31</u>	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to Capital stock (1)		
Issuance of ordinary shares	\$ 669,199	\$ 870,611
Donations (Note 31)	36,943	34,043
<u>May be used to offset a deficit only</u>		
Exercised employee stock options (2)	54,804	54,804
Expire employee stock options (2)	2,151	2,151
Others - Exercising the right of attribution (4)	30	-
Recognition of changes in ownership interests in subsidiaries (3)	(<u>859</u>)	(<u>859</u>)
	<u>\$ 762,268</u>	<u>\$ 960,750</u>

1. Capital surplus in excess of par or from donations may be used to offset a deficit. When the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred once a year to Capital stock within a certain percentage of the Company's paid-in capital.
 2. The capital surplus resulting from exercised or expired employee stock options shall only be used to offset a deficit.
 3. This type of capital surplus is the amount of equity transaction impact recognized due to changes in the Company's equity when the company has not actually acquired or disposed of equity in a subsidiary company, or the adjusted amount recognized by the company as a subsidiary's capital surplus using equity method.
 4. The benefits obtained from exercising the right of attribution are essentially the investment of the holders of the right of claim to the company, which does not meet the definition of income in the concept framework. The company shall recognize the benefits obtained from exercising the right of attribution as capital reserves, and properly disclose its facts and effects.
- c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on June 13, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the proposal for profit distribution or offsetting of losses should be made on a quarterly basis after close of each quarter. The Board of Directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a Legal capital reserve of 10% of the remaining profit, setting aside or reversing a Special capital reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be the basis for proposing the dividend distribution plan. The Board of Directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 22-e.

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

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

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

The appropriations of earnings for 2021 and 2020 approved in the shareholders' meetings on June 17, 2022 and July 5, 2021 respectively, were as follows:

	For the Year Ended December 31	
	2021	2019
Legal capital reserve	\$ 67,034	\$ 40,984
Special capital reserve	\$ 21,446	\$ 47,055
Cash dividends	\$ 302,118	\$ 201,412
Cash dividends per share (NT\$)	\$ 3.0	\$ 2.0

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

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

The Company's shareholders' meeting approved distributing cash dividends \$201,412,000 and \$100,706 (\$ 2.0 and \$ 1.0 dollars per share) with capital reserves on June 19, 2022 and July 5, 2021 respectively.

The appropriation of earnings for 2022 had been approved by the Company's Board of Directors on February 24, 2023 were as follows:

	For the Year Ended December 31, 2022
Legal capital reserve	\$ 86,400
Special capital reserve	(\$79,868)
Cash dividends	\$ 392,753
Cash dividends per share (NT\$)	\$ 3.9

The appropriations of 2022 quarterly earnings have been approved by the Company's Board of Directors in its meeting, respectively. The appropriations and cash dividends per share were as follows:

	Fourth Quarter of 2022	Third Quarter of 2022	Second Quarter of 2022	First Quarter of 2022
Resolution Date of the Company's Board of Directors in its Meeting	February 24, 2023	November 4, 2022	August 5, 2022	May 6 2022
Cash dividends to shareholders	\$ 392,753	\$ -	\$ -	\$ -
Cash dividends per share (NT\$)	\$ 3.9	\$ -	\$ -	\$ -

d. Special capital reserve

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 103,348	\$ 56,293
Appropriations in respect of		
Debits to other equity items	21,446	47,055
Ending balance	\$ 124,794	\$ 103,348

e. Non-Controlling Interests

	<u>For the Year Ended December 31, 2022</u>	<u>For the Year Ended December 31, 2021</u>
Beginning balance	\$ 31,886	\$ -
Share attributable to non-controlling interests		
Net profit for the current period	216	(933)
Acquire increased non-controlling interests of the Company's Subsidiaries (Note 26)	\$ -	\$ 15,208
Non-controlling interests subscribed for cash capital increase of the Company's Subsidiaries (Note 27)	-	15,000
Changes in ownership interests in subsidiaries (Note 27)	-	859
Employee stock options of the Company's Subsidiaries	<u>-</u>	<u>1,752</u>
Ending balance	<u>\$ 32,102</u>	<u>\$ 31,886</u>

The Board of Directors meeting of the Company held on May 5, 2021 has approved to obtain 62% of share owned by Lifu Carbonate Co., Ltd., originally held by Li Fong Carbon Dioxide Co., Ltd. at NT\$70,060,000 on May 10, 2021.

21. REVENUE

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Revenue from sale of goods	\$ 5,386,566	\$ 4,641,307
Construction contract revenue	<u>232,034</u>	<u>138,578</u>
	<u>\$ 5,618,600</u>	<u>\$ 4,779,885</u>

Contract Balances

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Contract assets		
Properties construction - current	\$ 8,173	\$ 8,200
Contract liabilities		
Properties construction - current	\$ 257,784	\$ 182,441
Sale of goods- current	<u>2,381</u>	<u>20,790</u>
	<u>\$ 260,165</u>	<u>\$ 203,231</u>

22. NET REVENUE

a. Other income

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Dividends	\$ 2,697	\$ 1,593
Rendering of services	17,079	14,492
Subsidies	-	3,500
Others	<u>16,341</u>	<u>11,178</u>
	<u>\$ 36,117</u>	<u>\$ 30,763</u>

b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Gains from disposal of property, plant and equipment	\$ 6	\$ 274
Gains from disposal of subsidiaries	-	424
Gains from disposal of investment using equity method	-	22,797

Net foreign exchange benefits (losses)	44,638	(14,875)
Gains in financial assets at fair value through profit or loss	4,072	-
Others	(3,052)	(6,084)
	<u>\$ 45,664</u>	<u>\$ 2,536</u>
c. Depreciation		
	For the Year Ended December 31	
	2022	2021
Properties, plants and equipment	\$ 284,118	\$ 257,796
Right-of-use assets	<u>27,705</u>	<u>26,277</u>
	<u>\$ 311,823</u>	<u>\$ 284,073</u>
An analysis of depreciation by function		
Operating costs	\$ 267,209	\$ 253,310
Operating expenses	<u>44,614</u>	<u>30,763</u>
	<u>\$ 311,823</u>	<u>\$ 284,073</u>
d. Employee benefits expense		
	For the Year Ended December 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 14,105	\$ 12,035
Defined benefit plans (Note 19)	754	711
Share-based payments compensation costs	-	1,752
Short-term benefits		
Salaries	449,763	333,613
Labor and health insurance	34,110	28,270
Others	<u>70,655</u>	<u>53,227</u>
Total employee benefits expense	<u>\$ 569,387</u>	<u>\$ 429,608</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 264,390	\$ 210,296
Operating expenses	<u>304,997</u>	<u>219,312</u>
	<u>\$ 569,387</u>	<u>\$ 429,608</u>
e. Employees' compensation and remuneration of directors and supervisors		

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of 1%-3% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2022 and 2021, which were approved by the Company's Board of Directors on February 24, 2023 and February 25, 2022, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Employees' compensation	1.85%	1.95%
Remuneration of directors and supervisors	1.85%	1.95%

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Employees' compensation	\$ 20,500	\$ 16,600
Remuneration of directors and supervisors	20,500	16,600

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

The Company held Board of Directors' meetings on February 24, 2023, February 25, 2022 and February 26, 2021, and those meetings resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2022, 2021 and 2020 to differ from the amounts recognized in the consolidated financial statements for the years ended December 31, 2022, 2021 and 2020, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2023, 2022 and 2021, respectively.

	For the Year Ended December 31					
	2022		2021		2019	
	Employees, Compensation	Remuneration of Directors and Supervisors	Employees, Compensation	Remuneration of Directors and Supervisors	Employees, Compensation	Remuneration of Directors and Supervisors
Amounts approved in the Board of Directors' meeting	<u>\$21,457</u>	<u>\$21,457</u>	<u>\$16,588</u>	<u>\$16,588</u>	<u>\$10,547</u>	<u>\$10,547</u>
Amounts recognized in the annual consolidated financial statements	<u>\$20,500</u>	<u>\$20,500</u>	<u>\$16,600</u>	<u>\$16,600</u>	<u>\$ 9,800</u>	<u>\$ 9,800</u>

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

f. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 18,052	\$ 8,060
Interest on lease liabilities	945	1,081
	<u>\$ 18,997</u>	<u>\$ 9,141</u>

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 125,682	\$ 21,884
Foreign exchange losses	(81,044)	(36,759)
Net losses	<u>\$ 44,638</u>	<u>(\$14,875)</u>

23. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	Years Ended December 31	
	2022	2021
Current income tax expense		
Current income tax expense recognized in the current year	\$ 220,726	\$ 157,572
Income tax adjustments on prior years	(1,971)	(3,592)
	<u>218,755</u>	<u>153,980</u>
Deferred income tax benefit		

Deferred income tax benefit recognized in the current year	4,549	2,710
Deferred income tax benefit adjustments on prior years	(<u>12</u>)	<u>-</u>
	<u>4,537</u>	<u>2,710</u>
Income tax expense recognized in profit or loss	<u>\$ 223,292</u>	<u>\$ 156,690</u>

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

	Years Ended December 31	
	2022	2021
Income before tax	<u>\$ 1,072,873</u>	<u>\$ 829,400</u>
Income tax expense at the statutory rate (20%)	\$ 214,575	\$ 165,880
Nondeductible expenses in determining taxable income	192	1,213
Tax-exempt income	8,100	(747)
Additional income for tax purpose	580	1,225
Unrecognized deductible temporary differences	1,828	(7,291)
Income tax adjustments on prior years	(<u>1,983</u>)	(<u>3,590</u>)
Income tax expense recognized in profit or loss	<u>\$ 223,292</u>	<u>\$ 156,690</u>

b. Income tax expense recognized in other comprehensive income

Deferred Income Tax

	Years Ended December 31	
	2022	2021
Related to unrealized gain/loss on investments in equity instruments at FVTOCI	\$ -	\$ 9,861
Related to remeasurement of defined benefit plan	(<u>3,658</u>)	<u>825</u>
	<u>(\$ 3,658)</u>	<u>\$ 10,686</u>

c. Current tax liabilities

	Years Ended December 31	
	2022	2021
Current tax liabilities		
Income tax payable	<u>\$ 138,291</u>	<u>\$ 108,570</u>

Prepaid income taxes of \$78,821,000 and \$46,851,000 have been deducted from the income tax payable for 2022 and 2021, respectively.

d. Deferred income tax assets and liabilities

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

For the year ended December 31, 2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Acquired from business combination	Balance, End of Year
<u>Deferred income tax assets</u>					
Temporary differences					
Defined benefit plan	\$ 5,558	(\$ 565)	(\$ 3,658)	\$ -	\$ 1,335
Property, plant and equipment	3,031	(2,019)	-	-	1,012
Payables for annual leave	1,359	159	-	-	1,518
Allowance for impairment loss	1,650	737	-	-	2,387
Unrealized exchange loss	1,121	(1,945)	-	-	(824)
Financial assets at FVTPL	-	(814)	-	-	(814)
Financial assets at FVOCI	12,405	-	-	-	12,405
Others	<u>9,660</u>	(<u>90</u>)	<u>-</u>	<u>-</u>	<u>9,570</u>
	<u>\$ 34,784</u>	(<u>\$ 4,537</u>)	(<u>\$ 3,658</u>)	<u>\$ -</u>	<u>\$ 26,589</u>

Deferred income tax liabilities

Temporary differences

Property, plant and equipment	\$ 8,474	\$ -	\$ -	\$ -	\$ 8,474
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For the year ended December 31, 2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Acquired from business combination	Balance, End of Year
<u>Deferred income tax assets</u>					
Temporary differences					
Defined benefit obligations	\$ 4,907	(\$ 174)	\$ 825	\$ -	\$ 5,558
Property, plant and equipment	3,804	(773)	-	-	3,031
Investments accounted for using equity method	3,460	(3,460)	-	-	-
Payables for annual leave	1,165	194	-	-	1,359
Allowance for impairment loss	1,429	221	-	-	1,650
Unrealized exchange loss	994	127	-	-	1,121
Financial assets at FVOCI	2,544	-	9,861	-	12,405
Others	8,613	1,047	-	-	9,660
	<u>\$ 26,916</u>	<u>(\$ 2,818)</u>	<u>\$ 10,686</u>	<u>\$ -</u>	<u>\$ 34,784</u>
<u>Deferred income tax liabilities</u>					
Temporary differences					
Property, plant and equipment	\$ -	\$ -	\$ -	\$ 8,474	\$ 8,474
Others	108	(108)	-	-	-
	<u>\$ 108</u>	<u>(\$ 108)</u>	<u>\$ -</u>	<u>\$ 8,474</u>	<u>\$ 8,474</u>

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

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries and associates for which no deferred income tax liabilities have been recognized were \$63,455,000 and \$62,330,000 respectively.

- f. Income tax assessments

Income tax returns of the Company, San Fu Biotech Co., Ltd., International Nitto Technology Company Limited and Lifu Carbonate Co., Ltd. through 2020 have been assessed by the tax authorities.

24. EARNINGS PER SHARE (EPS)

Unit: NTS Per Share

	<u>Years Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Basic earnings per share		
Basic earnings per share	<u>\$ 8.43</u>	<u>\$ 6.69</u>
Diluted earnings per share		
Diluted earnings per share	<u>\$ 8.42</u>	<u>\$ 6.68</u>

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

Net Income for the Year

	<u>Years Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Income for the year	<u>\$ 849,365</u>	<u>\$ 673,643</u>

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

Number of ordinary shares

	<u>Years Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	100,706	100,706
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>196</u>	<u>121</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>100,902</u>	<u>100,827</u>

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

25. SHARE-BASED PAYMENT ARRANGEMENTS

Employee restricted stock awards

On October 12, 2021, Sanfu Biotech Co., Ltd. passed the resolution of the board of directors to issue new shares for 2021 of cash capital increase, and reserved 15% of the total number of new shares in accordance with the company law, including 1,500,000 shares, which were subscribed by employees of the merged company who met specific conditions. If any employee undersubscribes or abandons the subscribed shares, the chairman is authorized to contact a specific person to subscribe.

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

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

	<u>November 2021</u>
Grant-date share price	\$11.43
Exercise price	\$ 10
Expected volatility	8.02%
Expected life (in days)	0.03
Expected dividend yield	-
Risk-free interest rate	0.177%

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

The compensation costs recognized were \$1,752,000 for the year ended December 31, 2021.

26. MERGER (BUSINESS COMBINATION)

a. Acquisition of Subsidiary

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

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

b. Assets Acquired and Liabilities Assumed on the Acquisition Date

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

c. Non-controlling Interests (Minority Interests)

The non-controlling interest (13% ownership interest) of Lifu Carbon Acid Co., Ltd. was measured at the fair value of the identifiable net assets at the acquisition date of NT\$ 116,988,000

d. Bargain Purchase Gain Arising from Acquisitions

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

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

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

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

market liquidity of the stock, etc.).

e. Net Cash Outflow from Acquiring Subsidiaries

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

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Sanfu Biotech Co., Ltd. increased its capital in cash on December 20, 2021 and allowed its employees to subscribe for shares, resulting in a decrease in the shareholding ratio of the Company from 100% to 93.48%.

	Sanfu Biotech Co., Ltd.
Cash consideration received	\$ 15,000
Carrying amount of the subsidiary's net assets calculated based on the change in relative equity and the amount to be transferred out of non-controlling interests	(<u>15,859</u>)
Equity trade difference	(<u>859</u>)
<u>Adjustment of Equity trade difference</u>	
Capital reserve - recognition of changes in ownership equity of subsidiaries	(<u>859</u>)

28. NON-CASH TRANSACTION

For the years ended December 31, 2022 and 2021, the Company entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows:

The Company reclassified and paid for property, plant and equipment partly during 2022 and 2021 (Notes 14 and 18).

	<u>Years Ended December 31</u>	
	2022	2021
Prepayments for equipment transferred (reclassification)	<u>\$ 117,058</u>	<u>\$ 61,809</u>
Acquisition of assets from subsidiaries	<u>\$ -</u>	<u>\$ 112,426</u>
Purchase of property, plant and equipment	\$ 858,577	\$ 553,130
(Increase)/Decrease in payable of construction payment and purchases of equipment	(<u>83,137</u>)	(<u>11,658</u>)
Paid in cash by acquiring property, plant and equipment	<u>\$ 775,440</u>	<u>\$ 541,472</u>

29. CAPITAL MANAGEMENT

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

As for the strategy of the Company's capital structure management, the Company sets its suitable market share according to its industry scale, the growth of the industry and the blueprint of the product development. The Company estimates the required capacity, the equipment and related capital expenditure to be used. Then the Company calculates working capitals and cash on the basis of the industry character to

support a complete plan for its long-term development. Finally, the Company estimates not only the possible contribution margin, operating profit ratio and cash flows according to the product competitiveness but also risk factors such as the fluctuation of the business circle and the life circle of the product to decide the suitable capital structure. The management inspects capital structures periodically and considers the possible costs and risks taken by different capital structures. In general, the Company adopts a prudent risk management strategy.

30. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at FVTPL				
Derivatives - Foreign Exchange Option Contracts	\$ -	\$ 11,890	\$ -	\$ 11,890
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 35,444	\$ -	\$ -	\$ 35,444
Domestic unlisted shares	-	-	6,698	6,698
Foreign unlisted shares	-	-	58,709	58,709
Total	<u>\$ 35,444</u>	<u>\$ -</u>	<u>\$ 65,407</u>	<u>\$ 100,851</u>
	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 27,297	\$ -	\$ -	\$ 27,297
Domestic unlisted shares	-	-	6,698	6,698
Foreign unlisted shares	-	-	52,917	52,917
Total	<u>\$ 27,297</u>	<u>\$ -</u>	<u>\$ 59,615</u>	<u>\$ 86,912</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

2) Financial Instruments applied for Level 3 Adjustment at FVTOCI

	Financial assets at FVTOCI	
	1.1-12.31.2022.	01.01.-12.31.2021
<u>Financial assets — Equity instrument</u>		
Beginning balance	\$ 59,615	\$ 110,451
Recognized in other comprehensive profit or loss (unrealized appraisal profit or loss of financial assets measured at fair value through other comprehensive profit or loss)	-	(49,307)
Foreign exchange difference	<u>5,792</u>	<u>(1,529)</u>
Ending balance	<u>\$ 65,407</u>	<u>\$ 59,615</u>

3) Valuation Techniques and Assumptions Used in Fair Value Measurement

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices.
- b) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial instrument category</u>	<u>Valuation techniques and inputs</u>
Derivatives – Foreign Exchange Option Contracts	The fair value of the foreign exchange option contract is calculated based on the spot exchange rate on the evaluation date, the exercise price of the option, the exchange rate volatility, the contract expiration period, and the quoted risk-free interest rate during the contract expiration period.

- c) Valuation techniques and inputs applied for Level 3 fair value measurement

- i. The fair values of unlisted equity securities in Taiwan were determined using the income approach. Under this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs are listed in the table below. Decrease in discount for the lack of marketability or non-controlling interests discount would result in increase in the fair value.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount for lack of marketability	25%	25%
Non-controlling interests discount	20%	20%

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount for lack of marketability 1% decrease	\$ 95	\$ 77
Non-controlling interests discount 1% decrease	\$ 89	\$ 73

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

c. Categories of Financial Instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 11,890	\$ -
Financial assets at amortized cost (*1)	2,079,377	2,367,320
Financial assets at FVTOCI		
- Investment in equity instrument	100,851	86,912
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (*2)	2,111,107	1,971,338

*1) The balances include loans and receivables at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, account and notes receivables, and receivables from related parties.

*2) The balances include financial liabilities at amortized cost, which comprise short-term loans, notes payables, account payables - related parties, long-term liabilities - current portion, others payable and long-term loans.

d. Financial Risk Management Objectives and Policies

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

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

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

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

1) Market Risk

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

a) Foreign Currency Risk

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

To manage risks within an acceptable level, the Company uses the natural hedge against its currency risk. The Company monitors and evaluates the movements of exchange rates and the weakness or strength of a currency's performance in line with natural hedging.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities which were not in the same functional currency as the Company's entity at the end of the reporting period are shown in Note 33.

Sensitivity Analysis

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

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

	Unit: Thousand NT\$	
	Currency USD Impact	
	Years Ended December 31	
	<u>2022</u>	<u>2021</u>
Profit or loss	<u>\$ 20,833</u> (i)	<u>\$ 15,731</u> (i)

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

b) Interest Rate Risk

The Company is exposed to interest rate risks because entities in the Company borrow funds at both fixed and floating interest rates. The financial costs for the period from January 1 to December 31 in the fiscal years 2022 and 2021 were NT\$ 18,997,000 and NT\$9,141,000 respectively, which only constitute 0.34% and 0.19% of consolidated net sales revenue. Therefore, the interest rate risk has no significant impact on the Company.

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

	Unit: Thousand NT\$	
	Currency USD Impact	
	Years Ended December 31	
	<u>2022</u>	<u>2021</u>
Fair value interest rate risk		
Financial liabilities	\$ 386,857	\$ 967,367
Cash flow interest rate risk		
Financial liabilities	1,035,000	229,502

Sensitivity Analysis

The sensitivity analysis was determined based on the Company's exposure to interest rate changes for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period had been outstanding for the whole period. If interest rates had been five basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the one-year period from January 1 to December 31 in the fiscal years 2022 and 2021 would decrease/increase by NT\$ 518,000 and NT\$ 115,000 respectively.

c) Other Price Risks

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

Sensitivity Analysis

If equity prices had been 5% higher/lower, pre-tax other comprehensive income for the one-year period from January 1 to December 31 in the fiscal years 2022 and 2021 would have increased/decreased by NT\$ 5,043,000 and NT\$ 4,346,000 respectively, because of the changes in fair value of financial assets at FVTOCI.

2) Credit Risk Management

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

Apart from the companies A, B and C of the Company, the Company has no significant credit risk exposure from any single counterparty or any group of counterparties with similar characteristics. Apart from the companies A, B and C, the concentration of credit risk to other clients did not exceed 10% of total accounts receivable. The balance of accounts receivable from customers A, B and C was carried at a percentage of 60% of the balance of accounts receivable of the merged company. The credit risk is expected to be immaterial as the companies A, B and C are all reliable and trustworthy counterparties.

3) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2022, and 2021, the Company had available unutilized short-term bank loan facilities in the amount of NT\$ 2,110,018,000 and NT\$ 746,415,000 respectively.

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

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
Lease liabilities	\$ 2,116	\$ 4,231	\$ 16,738	\$ 25,547	\$ 23,904
Variable interest rate liabilities	25,000	410,000	275,000	325,000	-
Fixed interest rate liabilities	-	299,708	17,161	-	-
	<u>\$ 27,116</u>	<u>\$713,939</u>	<u>\$308,899</u>	<u>\$350,547</u>	<u>\$ 23,904</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 23,085</u>	<u>\$ 25,547</u>	<u>\$ 23,904</u>

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
Lease liabilities	\$ 2,154	\$ 4,201	\$ 17,288	\$ 29,592	\$ 21,938
Variable interest rate liabilities	-	57,643	67,929	103,930	-
Fixed interest rate liabilities	<u>595,000</u>	<u>280,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
	<u>\$597,154</u>	<u>\$341,844</u>	<u>\$105,217</u>	<u>\$133,522</u>	<u>\$ 21,938</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 23,643</u>	<u>\$ 29,592</u>	<u>\$ 21,938</u>

31. RELATED PARTY TRANSACTIONS

Intercompany balances and transaction between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation; therefore, those items are not disclosed in this note. The following is a summary of significant transaction between the Company and the other related parties:

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

b. Sales of Goods

	<u>Years Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Sales</u>		
Joint ventures	\$ 3,883	\$ 23,527
Associate	<u>21</u>	<u>60</u>
	<u>\$ 3,904</u>	<u>\$ 23,587</u>
<u>Purchase</u>		
Joint ventures	\$ 87	\$ 1,024
Associates	<u>13,419</u>	<u>10,975</u>
	<u>\$ 13,506</u>	<u>\$ 11,999</u>

	<u>Years Ended December 31</u>	
	2022	2021
<u>Service expense (recognized as other income)</u>		
Joint ventures		
Sanfuming Electronic Material Co., Ltd.	\$ <u>6,598</u>	\$ <u>3,962</u>
 <u>Service expense (recognized as other expense)</u>		
Investors with significant influence over the Company	\$ <u>1,143</u>	\$ <u>1,143</u>
 <u>Donation expense</u>		
Others		
Fulu Cultural Foundation	\$ <u>1,000</u>	\$ <u>-</u>

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

	<u>Years Ended December 31</u>	
	2022	2021
<u>Accounts receivable - related party</u>		
Joint ventures	\$ 3,784	\$ 15,935
<u>Other receivable - related party</u>		
Joint ventures	<u>6,278</u>	<u>3,692</u>
	<u>\$ 10,062</u>	<u>\$ 19,627</u>
 <u>Accounts payable - related party</u>		
Investors with significant influence over the Company	\$ -	\$ 300
Associates	<u>7,368</u>	<u>3,470</u>
	<u>\$ 7,368</u>	<u>\$ 3,770</u>

The outstanding accounts payable from related parties are unsecured and the outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment loss was recognized for accounts receivable from related parties.

c. Lease arrangements - Group is lessee

Line Item	Related Party Category/Name	<u>Years Ended December 31</u>	
		2022	2021
Lease liabilities	Investors with significant influence over the Company		
	Sanfu Global Co., Ltd.	\$ 50,266	\$ 43,159
	Others	<u>-</u>	<u>1,019</u>
		<u>\$ 50,266</u>	<u>\$ 44,178</u>
 <u>Interest expense</u>			
Investors with significant influence over the Company			
Sanfu Global Co., Ltd.		\$ 516	\$ 453
Others		<u>4</u>	<u>16</u>
		<u>\$ 520</u>	<u>\$ 469</u>

d. Others

Investors with significant influence signed a trust agreement of marketable securities with the CTBC Bank on September 29, 2016. The Company is a beneficiary of interest. The trust interest revenue was \$ 2,900,000 and \$6,124,000 in 2022 and 2021 respectively, and the revenue was credited in capital surplus-donations.

e. Compensation of key management personnel

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

	Years Ended December 31	
	2022	2021
Short-term employee benefits	\$ 41,248	\$ 33,882
Post-employment benefits	<u>1,538</u>	<u>1,449</u>
	<u>\$ 42,786</u>	<u>\$ 35,331</u>

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

32. PLEDGED ASSETS

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

	Years Ended December 31	
	2022	2021
Pledged deposits (classified as financial assets at amortized cost)	\$ 172,400	\$ 222,400
Land	40,349	40,349
Buildings, net	<u>41,831</u>	<u>45,443</u>
	<u>\$ 254,580</u>	<u>\$ 308,192</u>

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2022

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Foreign Currency Assets</u>			
<u>Monetary items</u>			
USD	\$ 14,383	30.600 (USD: NTD)	\$ 440,983
JPY	298,233	0.230 (JPY: NTD)	68,713
<u>Non-monetary items</u>			
Investments in associates and joint ventures using equity method			
RMB	101,688	0.144 (RMB: USD)	448,387
VND	31,800,778	0.0013 (VND: NTD)	40,864

Foreign Currency LiabilitiesMonetary items

USD	791	30.760 (USD: NTD)	24,331
JPY	244,788	0.234 (JPY: NTD)	57,378

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Foreign Currency Assets</u>			
<u>Monetary items</u>			
USD	\$ 13,099	27.630 (USD: NTD)	\$ 361,925
JPY	656,637	0.239 (JPY: NTD)	156,608
<u>Non-monetary items</u>			
Investments in associates and joint ventures using equity method			
RMB	93,249	0.157 (RMB: USD)	404,839
VND	30,943,933	0.0012 (VND: NTD)	36,978
<u>Foreign Currency Liabilities</u>			
<u>Monetary items</u>			
USD	1,706	27.730 (USD: NTD)	47,307
JPY	149,248	0.243 (JPY: NTD)	36,193

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

	<u>For the Year Ended December 31, 2022</u>		<u>For the Year Ended December 31, 2021</u>	
<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>
USD	30.660 (USD: NTD)	\$ 9,782	27.800 (USD: NTD)	\$ 1,366
JPY	0.230 (JPY: NTD)	(53)	0.247 (JPY: NTD)	(2,001)

34. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided to others: See Table 1 attached;
- 2) Endorsements/guarantees provided: See Table 2 attached;
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures: See Table 3 attached;
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$ 300 million or 20% of the paid-in capital: See Table 4 attached;
- 5) Acquisition of individual real estate at costs of at least NT\$ 300 million or 20% of the paid-in capital: None;
- 6) Disposal of individual real estate at prices of at least NT\$ 300 million or 20% of the paid-in capital: None;

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

35. OPERATING SEGMENT INFORMATION

Information reported to the chief operating decision maker for resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Company's reportable segments were as follows:

- Department of fine and high precision chemicals: Mainly engaged in the manufacturing, processing and trading of chemical cleaning and etching agents;
 - Department of basic chemicals: Mainly engaged in the manufacturing, processing and trading of food additives.
- a. Operating segments, segment revenue and operating results

The following was an analysis of the Company's revenue and results from continuing operations by reportable segments:

	<u>Fine Chemicals</u>	<u>Basic Chemicals</u>	<u>Write off by Segment</u>	<u>Total</u>
<u>For the one-year period from January 1 to December 31, 2022</u>				
Revenue of general customers	\$ 4,389,310	\$ 1,229,290	\$ -	\$ 5,618,600
Revenue of segment	=	70,495	(70,495)	=
Total	<u>\$ 4,389,310</u>	<u>\$ 1,299,785</u>	<u>(\$ 70,495)</u>	<u>\$ 5,618,600</u>
Profit from operations	<u>\$ 1,029,306</u>	<u>(\$ 99,484)</u>	<u>\$ -</u>	\$ 929,822
Other income				36,117
Other gain and losses				45,664
Financial cost				(18,997)
Investments using equity method				73,607
Interest income				6,660
Income before income tax				<u>\$ 1,072,873</u>

**For the one-year period
from January 1 to
December 31, 2021**

Revenue of general customers	\$ 3,647,671	\$ 1,132,214	\$ -	\$ 4,779,885
Revenue of segment	=	61,425	(61,425)	=
Total	<u>\$ 3,647,671</u>	<u>\$ 1,193,639</u>	<u>(\$ 61,425)</u>	<u>\$ 4,779,885</u>
Profit from operations	<u>\$ 672,578</u>	<u>\$ 48,914</u>	<u>\$ -</u>	\$ 721,492
Other income				30,763
Other gain and losses				2,536
Financial cost				(9,141)
Investments using equity method				82,237
Interest income				1,141
Bargain purchase gain- Acquiring a subsidiary				372
Income before income tax				<u>\$ 829,400</u>

Segment profit refers to the profit before tax earned by each segment, excluding other income, other gains and losses, financial costs, carrying amount of profit or loss of investments of affiliate companies and joint ventures using equity method of accounting, income tax expense, bargain purchase gain and tax expenses etc. The measured amount serves as a basis for the chief operating decision maker to allocate resources and assess segment performance.

b. Segment Total Assets and Liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Segment assets</u>		
<u>Continuing operations</u>		
Fine chemicals	\$ 4,262,505	\$ 4,430,791
Basic chemicals	2,102,683	1,368,074
Investment	856,072	776,711
Consolidated total assets	<u>\$ 7,221,260</u>	<u>\$ 6,575,576</u>

c. Major customers representing at least 10% of net revenue

	Years Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Customer A	\$ 1,854,561	33	\$ 1,585,864	33
Customer B	498,968	9	533,955	11

San Fu Chemical Co., Ltd. and Subsidiaries

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 1

No. (Note 1)	Financing Company	Counter- party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
0	San Fu Chemical Co., Ltd.	San Fu Biotech Co., Ltd.	Other receivables	Y	\$ 250,000	\$ 250,000	\$ -	-	The need for Short-term financing	\$ -	Operating capital	\$ -	\$ -	\$ 458,797	\$ 1,835,188	(Note 3)	
0	San Fu Chemical Co., Ltd.	International Nitro Technology Co., Ltd.	Other receivables	Y	250,000	250,000	-	-	The need for Short-term financing	-	Operating capital	-	-	458,797	1,835,188	(Note 3)	
0	San Fu Chemical Co., Ltd.	VinaSanFu Industrial Gas Company Limited	Other receivables	Y	400,000	400,000	128,982 (US\$ 4,200,000) (Note 4)	1.25%~ 2%	The need for Short-term financing	-	Operating capital	-	-	458,797	1,835,188	(Note 3)	
0	San Fu Chemical Co., Ltd.	VinaSanFu Material Company Limited	Other receivables	Y	400,000	400,000	35,624 (US\$ 1,160,000) (Note 4)	1%~ 1.65%	The need for Short-term financing	-	Operating capital	-	-	458,797	1,835,188	(Note 3)	

Note 1: The items are numbered as follows:

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

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

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

Note 3: Other receivables have been eliminated when preparing the consolidated financial statements.

Note 4: Calculated based on the foreign currency exchange rate dated December 31, 2022 (USD \$1 = NT\$30.71)

San Fu Chemical Co., Ltd. and Subsidiaries

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2022

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

TABLE 2

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limit on Endorsement/ Guarantee Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actual Drawn	Amount of Endorsement /Guarantee Collateralize d by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	San Fu Chemical Co., Ltd.	San Fu Biotech Co., Ltd.	A subsidiary in which the Parent Company holds directly and indirectly over 90% of an equity interest.	\$ 458,797	\$ 400,000	\$ 400,000	\$ 130,000	\$ -	8.72%	\$ 1,835,188	Y	N	N	
0	San Fu Chemical Co., Ltd.	VinaSanFu Industrial Gas Company Limited	A subsidiary in which the Parent Company holds directly and indirectly over 90% of an equity interest.	458,797	400,000	400,000	184,260	-	8.72%	1,835,188	Y	N	N	
0	San Fu Chemical Co., Ltd.	VinaSanFu Material Company Limited	A subsidiary in which the Parent Company holds directly and indirectly over 90% of an equity interest.	458,797	400,000	400,000	184,260	-	8.72%	1,835,188	Y	N	N	

Note 1: The items are numbered as follows:

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

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

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

San Fu Chemical Co., Ltd. and Subsidiaries

**MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2022**
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 3

Holding Company Name	Marketable Securities Type and Name	Nature of Relationship	Financial Statement Account	As of December 31, 2022			Note
				Number of Shares (in Thousands)	Carrying Amount	Percentage of Ownership (%)	
San Fu Chemical Co., Ltd.	E'Dale Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	642,060	\$ 6,698	3.45%	\$ 6,698
	Savior Lifetec Corporation	-	Financial assets at fair value through other comprehensive income	1,429,177	35,444	0.45%	35,444
	Global Graphene Group	-	Financial assets at fair value through other comprehensive income	18,490	-	1.42%	-
Sino Star Holding Limited	Hubei Xingfu Electronic Material Co., Ltd.	-	Financial assets at fair value through other comprehensive income	-	58,709	2.40%	58,709

Note 1: The information for investments in subsidiaries, associates and joint venture is included in Tables 6 and 7.

Note 2: The fair value is calculated based on closing prices on December 31, 2022.

San Fu Chemical Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$ 300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022

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

TABLE 4

Securities Purchased/Sold by	Marketable Securities Type & Name	Line Item	Trading Purpose	Nature of Relationship	Beginning Balance		Acquisition		Adjustment (Note 1)	Sale			Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount		Shares/Units	Selling Price	Carrying costs	Gain (Loss) of Disposal	Shares/Units
San Fu Chemical Co., Ltd.	International Nitto Technology Co., Ltd.	Investments accounted for using Equity Method	Cash Capital Increase	Subsidiary	40,000,000	\$383,192	50,000,000	\$500,000	(\$ 38,961)	\$ -	-	\$ -	90,000,000	\$ 844,231

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

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

San Fu Chemical Co., Ltd. and Subsidiaries

THE BUSINESS RELATIONSHIP BETWEEN THE PARENT AND THE SUBSIDIARIES AND SIGNIFICANT TRANSACTIONS BETWEEN THEM FOR THE YEAR ENDED DECEMBER 31, 2022

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

TABLE 5

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	San Fu Chemical Co., Ltd.	San Fu Biotech Co., Ltd.	1	Accounts receivable - related parties, net Other receivables - related parties, net Sales revenue Accounts payable - related parties, net Purchase	\$ 5,368 5,714 31,714 11,839 23,912	90 days after invoice date According to the contract 90 days after invoice date 90 days after invoice date 90 days after invoice date	0.07% 0.08% 0.56% 0.16% 0.43%
		Lifu Carbonate Co., Ltd. VinaSanFu Industrial Gas Company Limited	1 1	Purchase Other receivables - related parties, net	14,733 128,772	90 days after invoice date According to the contract	0.26% 1.78%
				Interest income Other income	1,335 411	According to the contract 90 days after invoice date	0.01% 0.02%

Note 1: "1" represents the transactions between the parent company and subsidiaries.

Note 2: When the consolidated financial statements are prepared, they were all written off.

San Fu Chemical Co., Ltd. and Subsidiaries

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES FOR THE YEAR ENDED DECEMBER 31, 2022 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 6

Investor Company	Investee Company (Note 2)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares (Thousands)	%	Carrying Amount			
San Fu Chemical Co., Ltd.	San Fu Specialty Chemicals Investments Limited	Samoa	Investment activities	US\$ 2,351,000	US\$ 2,351,000	2,350,840	100%	\$ 574,624	\$ 64,303	Note 1	
	VinaSanFu Industrial Gas Company Limited	Vietnam	Engaged in industrial gas production	US\$ 13,650,000	US\$ 13,650,000	-	100%	343,125	(36,783)	Note 1	
	VinaSanFu Material Company Limited	Vietnam	Engaged in manufacturing chemical materials	US\$ 12,200,000	US\$ 12,200,000	-	100%	312,152	(23,527)	Note 1	
	San Fu Biotech Co., Ltd.	Taiwan	Engaged in the manufacture and sale of food additives	210,000	210,000	21,500,000	93%	265,776	14,625	Notes 1 and 4	
	International Nitro Technology Co., Ltd	Taiwan	Engaged in electronic component manufacturing business	977,904	477,904	90,000,000	100%	844,231	(38,961)	Note 1	
	Hongchong Enterprise Co., Ltd.	Taiwan	Liquid oxygen, oxygen, liquid nitrogen and other gas trading business	10,527	10,527	1,200,000	50%	15,654	1,976		
	Lifu Carbonate Co., Ltd.	Taiwan	Engaged in carbon dioxide gas, carbonic acid fire extinguisher, dry ice manufacturing and its sales and marketing	77,523	77,523	1,740	87%	90,747	(6,184)	Note 3	
	Shian Yun Joint Stock Company	Vietnam	Engaged in industrial gas production	US\$ 1,232,000	US\$ 1,232,000	2,659,974	33.33%	40,863	1,632		
	Sanfuming Electronic Material Co., Ltd.	Shanghai, China	Engaged in the operation of international trade business	US\$ 2,151,000	US\$ 2,151,000	-	50%	448,387	69,999		
	Sino Star Holding Limited	Samoa	Investment activities	US\$ 1,868,000	US\$ 1,868,000	1,867,838	100%	59,775	1	Note 1	
	VinaSanFu Material Company Limited	Vietnam	Engaged in manufacturing chemical materials	US\$ 160,000	-	-	100%	4,645	-	Notes 1 and 5	

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

Note 2: Information of investments in Mainland China is included in Table 7.

Note 3: Lifu Carbonic Acid Co., Ltd. began to be included as an entity affiliated to the Company for preparing the consolidated financial report since the acquisition date, May 10, 2022

Note 4: On December 20, 2021, the Company did not subscribe for the cash capital increase equity of Sanfu Biotech Co., Ltd. according to the shareholding ratio, resulting in a decrease in the shareholding ratio from 100% to 93.48%.

Note 5: VinaSanfu Material Trading Co., Ltd was included in the preparation of consolidated financial statements in March 2022.

San Fu Chemical Co., Ltd. and Subsidiaries

INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2022

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

TABLE 7

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 (Note 1)	Remittance of Funds		Accumulated Outward Investment from Taiwan as of December 31, 2022 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3 and)	Carrying Amount as of December 31, 2022 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Sanfuming Electronic Material Co., Ltd.	Engaged in the operation of international trade business	\$ 276,390 (US\$ 9,000,000) (Notes 1 and 4)	Through the third company reinvest in mainland companies	\$ 19,992 (US\$ 651,000)	\$-	\$-	\$ 19,992 (US\$ 651,000)	\$139,998	50	\$69,999	\$448,387 (US\$ 14,601,000)	\$ -
Hubei Xingfu Electronic Material Co., Ltd.	Engaged in manufacturing and selling chemical products	\$1,141,920 (RMB 260,000,000) (Note 2)	Through the third company reinvest in mainland companies	\$ 57,305 (US\$ 1,866,000)	-	-	\$ 57,305 (US\$ 1,866,000)	- (Note 7)	2.4	-	\$ 58,709 (US\$1,912,000)	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$179,162 (US\$ 5,834,000) (Notes 5 and 6)	\$293,557 (US\$9,559,000)	\$2,772,043

Note 1: The exchange rate on December 31, 2022 was USD\$1=NT\$ 30.71

Note 2: The exchange rate on December 31, 2022 was RMB\$1=NT\$ 4.392

Note 3: The average exchange rate was based on the USD\$1=NT\$ 29.805 for the 12-month period from January 1, 2022 to December 31, 2022.

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

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

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

Note 7: It refers to the financial assets measured at fair value through other comprehensive income (FVTOCI).

San Fu Chemical Co., Ltd. and Subsidiaries

INFORMATION OF MAJOR SHAREHOLDERS

BASED ON THE INFORMATION REPORTED AS OF DECEMBER 31, 2022

TABLE 8

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

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

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying parent company only financial statements of San Fu Chemical Co., Ltd. (the “**Company**”), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the Company's parent company only financial statements for the year ended December 31, 2022 is as follows:

Measurement of Inventories

Inventories amounted to 9% (NT\$ 620,540,000) of the Company's parent company only total assets as of December 31, 2022. Please refer to Notes 4 and 11 for the accounting policies and the related disclosures of inventories. The inventories could be slow-moving or outdated due to the fluctuation in the demand market and the advancement in technology, which may result in impairment loss on inventories. The Company estimated the impairment loss of inventories based on the assessed net realized value and the evaluated aging of inventories quarterly. The estimation of net realized value and inventories aging assessment mainly depended on subjective management judgments and may affect the amount of impairment loss. As a result, the evaluation of inventories for impairment loss is determined to be a key audit matter.

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

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

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

Other Matter

Regarding the parent company only financial statements for investments accounted for using equity method of Sanfu Chemical Co., Ltd., the financial statements of the VinaSanFu Industrial Gas Company Limited and VinaSanFu Material Company Limited have not been audited by the accountants of the Deloitte & Touche, Taipei, Taiwan, but by other accountants. Therefore, in the opinions expressed by the accountants on the above-mentioned parent company only financial statements, the amounts listed in the aforementioned company's financial statements are based on the audit reports of other accountants. The total investment balance accounted for using equity method of these subsidiaries on December 31, 2022 was NT\$921,053,000, which represented 13% of the total assets of the Company. The comprehensive income accounted for using equity methods from January 1 to December 31, 2022 of the subsidiaries, associates and joint ventures of the Company was NT\$45,685,000, which represented 5% of the Company's comprehensive income.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2023

Notice to Readers

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

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

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



San Yu Chemical Co., Ltd.

PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan Dollars)

Code		December 31, 2022		December 31, 2021	
	ASSETS				
	CURRENT ASSETS				
		Amount	%	Amount	%
1100	Cash and cash equivalents(Notes 4 and 6)	\$ 439,146	6	\$ 257,022	4
1110	Financial assets at fair value through profit or loss - current (Note 7)	11,890	-	-	-
1136	Financial assets at amortized cost-current(Note 9)	172,400	2	222,400	3
1140	Contract asset - current(Notes 4 and 20)	8,173	-	8,200	-
1150	Notes receivable, net(Notes 4 and 10)	9,749	-	15,543	-
1170	Accounts receivable, net Notes 4 and 10)	1,105,736	16	1,437,810	23
1180	Receivable from related parties(Notes 4 and 29)	185,491	3	96,993	2
130X	Inventories(Notes 4 and 11)	620,540	9	641,599	10
1410	Prepayments	455,677	7	230,556	4
1470	Other current assets	11,501	-	45,432	1
11XX	Total current assets	<u>3,020,303</u>	<u>43</u>	<u>2,955,555</u>	<u>47</u>
	NONCURRENT ASSETS				
1517	Financial asset at fair value through other comprehensive income – noncurrent (Notes 4 and 8)	42,142	1	33,996	-
1550	Investments accounted for using equity method (Notes 4 and 12)	2,487,172	36	1,938,397	31
1600	Property, plant and equipment(Notes 4 and 13)	1,266,309	18	1,159,071	18
1755	Right-of-use asset(Notes 4 and 14)	61,593	1	57,045	1
1840	Deferred tax assets(Notes 4 and 22)	26,589	-	34,784	1
1915	Prepayments for equipment	53,985	1	108,259	2
1920	Refundable deposits	4,240	-	2,792	-
15XX	Total noncurrent assets	<u>3,942,030</u>	<u>57</u>	<u>3,334,344</u>	<u>53</u>
1XXX	TOTAL	<u>\$6,962,333</u>	<u>100</u>	<u>\$6,289,899</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term loans(Note 15)	\$ 881,869	13	\$ 885,000	14
2130	Contract liabilities - current(Notes 4 and 20)	260,165	4	203,231	3
2170	Notes and accounts payable(Note 16)	290,317	4	388,115	6
2180	Accounts payable - related parties(Note 29)	19,207	-	8,161	-
2200	Other payables(Note 17)	288,742	4	274,629	4
2230	Current tax liabilities(Notes 4 and 22)	138,291	2	102,991	2
2280	Lease liabilities-current(Notes 4 and 14)	14,681	-	15,226	-
2320	Long-term liabilities due within one year(Note 15)	100,000	2	90,572	2
21XX	Total current liabilities	<u>545</u>	<u>-</u>	<u>539</u>	<u>-</u>
		<u>1,993,817</u>	<u>29</u>	<u>1,968,464</u>	<u>31</u>

(Continued)



San Fu Chemical Co., Ltd.

PARENT COMPANY ONLY BALANCE SHEETS
(in units of New Taiwan Dollars)

Code		December 31, 2022		December 31, 2021	
	NONCURRENT LIABILITIES				
2540	Long-term loans(Note 15)	325,000	4	103,930	2
2580	Lease liabilities-noncurrent(Notes 4 and 14)	47,503	1	42,557	1
2640	Net defined benefit liabilities – noncurrent(Notes 4 and 18)	6,676	-	27,791	-
2670	Other noncurrent liabilities	<u>1,368</u>	-	<u>2,454</u>	-
25XX	Total noncurrent liabilities	<u>380,547</u>	<u>5</u>	<u>176,732</u>	<u>3</u>
2XXX	Total liabilities	<u>2,374,364</u>	<u>34</u>	<u>2,145,196</u>	<u>34</u>
	EQUITY(Notes 4 and 19)				
	Capital Stock				
3110	Common stock	<u>1,007,060</u>	<u>15</u>	<u>1,007,060</u>	<u>16</u>
3200	Capital surplus	<u>762,268</u>	<u>11</u>	<u>960,750</u>	<u>15</u>
	Retained earnings				
3310	Legal reserve	358,315	5	291,281	5
3320	Special Capital Reserve	124,794	2	103,348	2
3350	Unappropriated earnings	<u>2,380,458</u>	<u>34</u>	<u>1,907,058</u>	<u>30</u>
3300	Total retained earnings	<u>2,863,567</u>	<u>41</u>	<u>2,301,687</u>	<u>37</u>
	Other equity				
3410	Exchange differences on translating foreign operations	(18,377)	-	(90,099)	(1)
3420	Unrealized evaluation gains and losses of the Equity instrument investment benefit measured at fair value through other comprehensive gains and losses	(26,549)	(1)	(34,695)	(1)
3400	Total other equity	(44,926)	(1)	(124,794)	(2)
3XXX	Total equity	<u>4,587,969</u>	<u>66</u>	<u>4,144,703</u>	<u>66</u>
	TOTAL	<u>\$6,962,333</u>	<u>100</u>	<u>\$6,289,899</u>	<u>100</u>

(Concluded)

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



Chemical Co., Ltd.

**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
Expressed in thousands of New Taiwan Dollars, Except Earnings per Share)**

Code	2022		2021		
	Amount	%	Amount	%	
4000	NET REVENUE (Notes 4, 20 and 29)	\$5,189,273	100	\$4,481,607	100
5000	COST OF REVENUE (Notes 11, 21 and 29)	<u>3,728,385</u>	<u>72</u>	<u>3,335,571</u>	<u>74</u>
5900	GROSS PROFIT	<u>1,460,888</u>	<u>28</u>	<u>1,146,036</u>	<u>26</u>
	OPERATING EXPENSES (Notes 21 and 29)				
6100	Selling and marketing expenses	225,708	5	213,345	5
6200	General and administrative expenses	165,525	3	141,834	3
6300	Research & Development Expenses	53,661	1	38,615	1
6450	Expected credit impairment losses	<u>-</u>	<u>-</u>	<u>5,710</u>	<u>-</u>
6000	Total operating expenses	<u>444,894</u>	<u>9</u>	<u>399,504</u>	<u>9</u>
6900	INCOME FROM OPERATIONS	<u>1,015,994</u>	<u>19</u>	<u>746,532</u>	<u>17</u>
	NON-OPERATING INCOME AND EXPENSES				
7010	Other income (Notes 21 and 29)	24,547	-	19,532	-
7020	Other gains and losses (Notes 13 and 21)	57,708	1	4,644	-
7050	Financial Cost(Note 21)	(17,865)	-	(7,462)	-
7070	Share of profit or loss of associates and joint ventures Recognized by Equity Method (Notes 4 and 12)	(22,115)	-	56,099	1
7100	Interest income	6,786	-	572	-
7140	Bargain purchase gain- acquiring a subsidiary (Note 24)	<u>-</u>	<u>-</u>	<u>372</u>	<u>-</u>
7000	Total non-comprehensive income and expenses	<u>49,061</u>	<u>1</u>	<u>73,757</u>	<u>1</u>

(Continued)


Sun Fu Chemical Co., Ltd.
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**
(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

Code	2022		2021		
	Amount	%	Amount	%	
7900	INCOME BEFORE INCOME TAX	\$ 1,065,055	20	\$ 820,289	18
7950	INCOME TAX EXPENSE (Notes 4 and 22)	(215,690)	(4)	(146,646)	(3)
8200	NET INCOME FOR THE YEAR	<u>849,365</u>	<u>16</u>	<u>673,643</u>	<u>15</u>
	OTHER COMPREHENSIVE GAIN/(LOSS)				
8310	Items not be reclassified subsequently to profit or loss:				
8311	Re-measured quantity of defined benefit plan (Note 18)	18,291	1	(4,125)	-
8316	Unrealized loss on financial assets at fair value through other comprehensive income (Note 8)	8,146	-	(69,029)	(2)
8349	Income tax related to items that are not reclassified	(3,658)	=	<u>10,686</u>	=
8360	Items that may be reclassified to profit and loss in the future	<u>22,779</u>	<u>1</u>	(62,468)	(2)
8380	Share of the other comprehensive loss of associates and joint ventures using equity method	<u>71,722</u>	<u>1</u>	<u>37,722</u>	<u>1</u>
		<u>71,722</u>	<u>1</u>	<u>37,722</u>	<u>1</u>
8300	Other comprehensive loss for the year, net of income tax	<u>94,501</u>	<u>2</u>	(24,746)	(1)
8500	TOTAL COMPREHENSIVE INCOME	<u>\$ 943,866</u>	<u>18</u>	<u>\$ 648,897</u>	<u>14</u>
	EARNINGS PER SHARE(NT\$, Note 23)				
9710	Basic earnings per share	<u>\$ 8.43</u>		<u>\$ 6.69</u>	
9810	Diluted earnings per share	<u>\$ 8.42</u>		<u>\$ 6.68</u>	

(Concluded)

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



Chemical Co., Ltd.

**COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in thousands of New Taiwan Dollars)

	<u>Capital Stock(Note 19)</u>		<u>Equity attributable to the Owners of the Company</u>					<u>Other equity</u>			<u>Total Equity</u>
	<u>Shares (In Thousands)</u>	<u>Amount</u>	<u>Capital Surplus (Note 19)</u>	<u>Legal Capital Reserve</u>	<u>Special Capital Reserve</u>	<u>Unappropriated Earnings</u>	<u>Exchange Differences on Translating Foreign Operations</u>	<u>Unrealized Gains (Losses) On Financial Assets at Fair Value Through Other Comprehensive Income</u>			
A1	100,706	1,007,060	\$1,056,191	\$250,297	\$56,293	\$1,526,166	(\$ 127,821)	\$24,473	\$3,792,659		
B1	-	-	-	40,984	-	(40,984)	-	-	-		
B3	-	-	-	-	47,055	(47,055)	-	-	-		
B5	-	-	(100,706)	-	-	(201,412)	-	-	(302,118)		
M7	-	-	-	-	-	-	-	-	-		
	-	-	(859)	-	-	-	-	-	(859)		
C3	-	-	6124	-	-	-	-	-	6,124		
D1	-	-	-	-	-	673,643	-	-	673,643		
D3	-	-	-	-	-	(3,300)	37,722	(59,168)	(24,746)		
D5	-	-	-	-	-	670,343	37,722	(59,168)	648,897		
Z1	100,706	1,007,060	960,750	291,281	103,348	1,907,058	(90,099)	(34,695)	4,144,703		
B1	-	-	-	67,034	-	(67,034)	-	-	-		
B3	-	-	-	-	21,446	(21,446)	-	-	-		
B5	-	-	(201,412)	-	-	(302,118)	-	-	(503,530)		
C3	-	-	2,900	-	-	-	-	-	2,900		
C17	-	-	30	-	-	-	-	-	30		
D1	-	-	-	-	-	849,365	-	-	849,365		
D3	-	-	-	-	-	14,633	71,722	8,146	(24,746)		
D5	-	-	-	-	-	863,998	71,722	8,146	943,866		
Z1	100,706	100,706,000	\$762,268	\$ 358,315	\$ 124,794	\$ 2,380,458	(\$ 18,377)	(\$ 26,549)	\$ 4,587,969		

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


Sasol Chemical Co., Ltd.
INDIVIDUAL COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
 (Expressed in thousands of New Taiwan Dollars)

C o d e		2022	2021
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Net income before income tax	\$ 1,065,055	\$ 820,289
A20010	Adjustments for:		
A20100	Depreciation expenses	262,193	248,856
A20300	Expected credit impairment losses	-	5,710
A20400	Gain on operating assets and liabilities at FVRP, net	(4,072)	-
A20900	Finance costs	17,865	7,462
A21200	Interest income	(6,786)	(572)
A21300	Investment Income - Dividend	(2,697)	(1,593)
A21900	Shared-based compensation Cost	-	1,716
A22400	Gain/Loss of associates and joint ventures using equity method	22,115	(56,099)
A22500	Loss from disposal of property, plant and equipment	(6)	(274)
A22600	Transfer fee from property, plant and equipment	164	142
A22900	Profit gained from disposal of subsidiaries	-	(424)
A23200	Disposal of investment interest recognized by equity method of accounting	-	(22,797)
A23700	Loss for market price decline and obsolete and slow-moving inventories	571	60
A24100	Unrealized foreign currency exchange (gain) loss	(9,729)	635
A29900	Bargain purchase Gain	-	(372)
A29900	Lease modification benefits	(693)	(6)
A30000	Change in operating assets and liabilities		
A31125	Contract Assets - Current	27	530
A31130	Notes receivable	5,794	2,407
A31150	Accounts receivable	339,953	(438,888)
A31160	Accounts receivable – related parties	(84,620)	(68,429)
A31200	Inventories	20,488	(304,596)
A31230	Prepayments	(225,121)	(153,121)
A31240	Other current assets	33,931	(31,938)
A31260	Contract asset – noncurrent	-	5,941
A32125	Contract liability	56,934	46,309
A32150	Accounts receivable	(99,493)	196,718
A32160	Accounts payable - related parties	11,044	2,868
A32180	Other payables	(14,244)	80,353
A32230	Other current liabilities	6	(460)
A32240	Net defined benefit liabilities - noncurrent	(\$2,824)	(\$872)
A32990	Other noncurrent liabilities	(1,086)	91
A33000	Cash generated from operations	1,384,769	339,646
A33100	Interest received	6,786	572
A33200	Dividend received	2,697	1,593
A33300	Interest paid	(16,539)	(7,348)

(Continued)



San Fu Chemical Co., Ltd.

**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan Dollars)**

C o d e		2022	2021.
A33500	Income tax paid	(<u>175,853</u>)	(<u>101,438</u>)
AAAA	Net cash generated from operating activities	<u>1,201,860</u>	<u>233,025</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
B00020	Financial assets measured at fair value through profit and loss -current	(7,818)	-
B00040	Purchase of financial assets at amortized cost	50,000	-
B02200	Net cash outflow acquired from the subsidiaries	(500,000)	(486,275)
B02700	Payments for property, plant and equipment	(242,117)	(123,539)
B02800	Gain on Disposal of property, plant and equipment	24	543
B03700	Increase or Loss in refundable deposits	(1,448)	248
B07100	Increase in prepayments for equipment	(27,189)	(38,344)
B07600	Dividend received	<u>832</u>	<u>11,793</u>
BBBB	Net cash used in investing activities	(<u>727,716</u>)	(<u>635,574</u>)
CASH FLOWS FROM FINANCING ACTIVITIES			
C00100	Increase in short-term loans	-	405,000
C00200	Decrease in short-term loans	(4,908)	-
C01600	Long-term loans	450,000	240,000
C01700	Repayment of Long-term loans	(219,502)	(278,071)
C04020	Repayment of the principal portion of lease liabilities	(18,456)	(17,309)
C04500	Payment – Owners’ Dividend	(503,530)	(302,118)
C09900	Donations from Shareholders	2,900	6,124
C09900	exercising the right for attribution	<u>30</u>	=
CCCC	Net Cash Generated From (Used In) Financing Activities	(<u>293,466</u>)	<u>53,626</u>
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>1,446</u>	(<u>542</u>)
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	182,124	(349,465)
E00100	CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>257,022</u>	<u>606,487</u>
E00200	CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>\$ 439,146</u>	<u>\$ 257,022</u> (Concluded)

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

San Fu Chemical Co., Ltd.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. GENERAL

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

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

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

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved and authorized for issue by the board of directors of the Company on February 24, 2023.

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

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

The initial application of the amended “Annual Improvements to IFRS Standards 2018-2021” Cycle”, Amendments to IFRS 3 “Reference to the Conceptual Framework”, Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”, Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract ” and the Amendment to the IFRS 16 “Covid-19-Related Rent Concessions after June 30, 2021” endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. The IFRSs issued by International Accounting Standards Boards (IASB) and endorsed by the FSC with effective date starting 2023

New, Amended and Revised Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: This amendment applies to annual reporting periods beginning after January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates and changes in accounting policies that occur during the annual reporting period beginning after January 1, 2023.

Note 3: Except for the deferred tax recognized on January 1, 2022 for temporary differences in lease and decommissioning obligations, this amendment is applicable to transactions occurring after January 1, 2022.

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendment to the IFRS 16 "Lease liability in a sale and leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Comparison information between initial application of IFRS 17 and IFRS 9"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current liabilities with Covenants"	January 1, 2024

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

Note 2: A seller and lessee shall measure all sale and leaseback transactions in accordance with the 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' and this amendment is applicable to transactions occurring after January 1, 2024.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of Preparation

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

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

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

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

c. Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

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

Current liabilities include:

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

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

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

d. Business combinations

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

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

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

e. Foreign Currencies

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

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

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

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

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

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

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

f. Inventories

Inventories consist of raw materials, supplies, semi-finished goods, work-in-process, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in subsidiaries

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

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

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

attributable to the Company.

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

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

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

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

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

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

h. Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

i. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such

assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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

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

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

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Category of financial assets and measurement

Financial assets held by the Company are classified into the following categories: financial assets measured at fair value through profit or loss (FVTPL), financial assets measured at amortized cost, and investment in equity instrument measured at fair value through other comprehensive income (FVTOCI).

A. Financial assets at FVTPL

Financial assets measured at fair value through profit or loss (FVTPL) are financial assets that are mandatory to be measured at fair value through profit or loss. Financial assets that are mandatory to be measured at fair value through profit or loss include equity instrument investments that are not designated as measured at fair value through other comprehensive profit or loss, and debt instrument investments that do not qualify for classification as measured at amortized cost or at fair value through other comprehensive profit or loss .

Financial assets at fair value through profit or loss are measured at fair value. Please refer to Note 7.

B. Financial assets at amortized cost

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

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

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

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

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

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

C. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

l. Revenue recognition

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

1) Revenue from the sale of goods

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

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

2) Revenue from rendering of services

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

3) Construction contract revenue

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

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

m. Leases

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

The Company as lessee

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

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

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

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

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

n. Borrowing costs

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

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

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, as well as past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained

earnings and will not be reclassified to profit or loss.

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

p. Share-based payment arrangements

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

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

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

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

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

q. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the

foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. The deferred tax asset which originally not unrecognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

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

The Company has considered the economic implications of the COVID-19 on critical accounting estimates, and will continue evaluating the impact on its financial position and financial performance as a result of the pandemic. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Key Sources of Estimation and Uncertainty

Valuation of inventory

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2022	2021
Cash on hand and working capital	\$ 330	\$ 330
Deposit in banks - demand deposits	283,990	256,692
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>154,826</u>	<u>-</u>
	<u>\$ 439,146</u>	<u>\$ 257,022</u>

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

	<u>December 31</u>	
	2022	2021
Demand deposits	0.01%~1.05%	0.001%-0.04%
Time deposits	4.45%~4.64%	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS – CURRENT

	<u>December 31</u>	
	2022	2021
Mandatory fair value through profit or loss		
Derivatives (unspecified hedging)		
– Foreign Exchange Option Contract	<u>\$ 11,890</u>	<u>\$ -</u>

On the balance sheet date, the foreign exchange option contracts that do not apply hedging accounting and have not yet expired are as follows:

December 31, 2022

	<u>Currency</u>	<u>Maturity Date</u>	<u>Contract Amount (Unit: \$1000)</u>
Buy foreign exchange options	USD : NTD	March 01, 2023	USD3,000/TWD 79,500

The purpose of the merged company to engage in foreign exchange option transactions is mainly to avoid the risks of foreign currency assets and liabilities due to exchange rate fluctuations. The foreign exchange option contract held by the Company does not meet the effective hedging conditions, so hedging accounting is not applicable.

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

	<u>December 31</u>	
	2022	2021
Domestic investments		
Listed shares	\$ 35,444	\$ 27,298
Unlisted shares	<u>6,698</u>	<u>6,698</u>
	<u>42,142</u>	<u>33,996</u>

The Company invests in the above-mentioned domestic and foreign stocks for medium and long-term strategic purposes, and expects to make profits through long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments of

equity instruments were classified as financial assets at fair value through other comprehensive income.

The Company holds 1.42% of the ordinary shares of Global Graphene Group, whose main operating activity is the research and development of graphene-related product technologies. The management of the merged company assessed the delay in the commercialization of Global Graphene Group's graphene technology and the failure to improve its profitability, and recognized the unrealized evaluation loss of financial assets measured at fair value through other comprehensive gains and losses of RMB 49,307,000 in the fiscal year 2021.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	<u>\$172,400</u>	<u>\$ 222,400</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.495 ~ 1.035% and 0.06% ~ 0.28% per annum as of December 31, 2022 and 2021, respectively. Refer to Note 30 for information related to investments in financial assets at amortized cost pledge as security.

10. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 9,749</u>	<u>\$ 15,543</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,111,936	\$ 1,444,010
Less: Allowance for impairment loss	<u>(6,200)</u>	<u>(6,200)</u>
	<u>\$ 1,105,736</u>	<u>\$ 1,437,810</u>

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

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The Company writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has declared bankruptcy and also reported to the court. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The aging of receivables was as follows:

December 31, 2022

	Not Past Due	1 to 90 Days	90 to 180 Days	181 to 365 Days	Over 365 Days	Indication of Default	Total
Expected credit loss rate	-	-	-	50%	100%	100%	-
Gross carrying amount	\$1,069,172	\$ 264	\$ 36,300	\$ -	\$ 6,200	\$ -	\$1,111,936
Loss allowance (Lifetime ECL)	=	=	=	=	(6,200)	=	(6,200)
Amortized cost	<u>\$1,069,172</u>	<u>\$ 264</u>	<u>\$ 36,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,105,736</u>

December 31, 2021

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

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

	For the Year Ended December 31	
	2022	2021
Balance, Beginning of year	\$ 6,200	\$ 571
Add : Impairment losses for the year	-	5,710
Less : Actual write-offs for the year	-	(81)
Balance, Ending of year	<u>\$ 6,200</u>	<u>\$ 6,200</u>

11. INVENTORIES

	December 31	
	2022	2021
Merchandise	\$ 7,231	\$ 8,633
Finished goods	304,792	191,032
Work in progress	13,949	11,032
Semi-finished goods	1,894	1,393
Raw materials	261,797	404,854
Supplies and Spare Parts	<u>30,877</u>	<u>24,655</u>
	<u>\$ 620,540</u>	<u>\$ 641,599</u>

The cost of inventories recognized as cost of goods sold (including construction cost) for the years ended December 31, 2022 and 2021 was \$3,728,385,000 and \$3,335,571,000 respectively.

The cost of goods sold in 2022 and 2021 included losses of NT\$571,000 and NT\$60,000 respectively on the reduction of an inventory's value.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries	\$ 2,430,655	\$ 1,886,909
Investments in associates	<u>56,517</u>	<u>51,488</u>
	<u>\$ 2,487,172</u>	<u>\$ 1,938,397</u>

a. Investments in subsidiaries

	December 31	
	2022	2021
San Fu Specialty Chemicals Investments Limited	\$ 574,624	\$ 489,631
VinaSanFu Industrial Gas Company Limited	343,125	354,117
VinaSanFu Material Company Limited	312,152	\$ 312,691
International Nitto Technology Co., Ltd.	844,231	383,192
San Fu Biotech Co., Ltd.	265,776	251,151
Lifu Carbonate Co., Ltd.	<u>90,747</u>	<u>96,127</u>
	<u>\$ 2,430,655</u>	<u>\$ 1,886,909</u>

Name of Subsidiaries	Proportion of Ownership and Voting Rights		
	December 31		
	2022	2021	Remarks
San Fu Specialty Chemicals Investments Limited	100%	100%	
San Fu Food Additives Investments Limited	-	-	Note 1
San Fu Biotech Co., Ltd.	93%	93%	Note 3
VinaSanFu Industrial Gas Company Limited	100%	100%	
VinaSanFu Material Company Limited	100%	100%	
International Nitto Technology Co., Ltd.	100%	100%	
Lifu Carbonate Co., Ltd.	87%	87%	Note 2

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

Note 2: On May 5, 2021, the board of directors of the Company resolved to acquire 62% equity of Lifeng Carbon Co., Ltd. originally held by Lifong Carbon Dioxide Co., Ltd., and the Company completed the relevant transactions in the second quarter of 2021. Since May 10, 2021, the Company's shareholding ratio in Lifu Carbonic Acid Co., Ltd. has increased from 25% to 87%. Therefore, the investment-related enterprises that were originally evaluated by the equity method were converted into subsidiaries and recognized as disposal investments. The benefit was RMB 22,797,000.

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

b. Investments in associates

	December 31	
	2022	2021
Associates that are not individually material	<u>\$ 56,517</u>	<u>\$ 51,488</u>

Aggregate information of associates that are not individually material

For the Year Ended December 31
2022 **2021**

The income of the Company:

Net profit (loss) for the year	\$ 3,608	(\$749)
Other comprehensive income	<u>2,253</u>	<u>2,132</u>
Total comprehensive income for the year	<u>\$ 5,861</u>	<u>\$ 1,383</u>

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

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equip- ment	Transpor- tation	Other Equip- ment	Property under Construc- tion	Total
<u>Cost</u>							
Balance, January 1, 2022	\$ 63,707	\$817,302	\$2,012,135	\$345,464	\$386,356	\$ 61,186	\$3,686,150
Reclassifications	-	4,118	87,607	18,200	21,587	(50,214)	81,298
Additions	-	6,825	43,968	36,965	35,662	146,375	269,795
Disposals	<u>-</u>	<u>(2,544)</u>	<u>(190,240)</u>	<u>(3,889)</u>	<u>(11,916)</u>	<u>-</u>	<u>(208,589)</u>
Balance, Dec. 31, 2022	<u>\$ 63,707</u>	<u>\$825,701</u>	<u>\$1,953,470</u>	<u>\$396,740</u>	<u>\$431,689</u>	<u>\$157,347</u>	<u>\$3,828,654</u>
<u>Accumulated depreciation and impairment</u>							
Balance, January 1, 2022	\$ -	\$ 426,459	\$ 1,502,753	\$ 301,041	\$ 296,826	\$ -	\$2,527,079
Depreciation expenses	-	40,214	139,123	23,817	40,684	-	243,838
Disposals	-	<u>(2,544)</u>	<u>(190,240)</u>	<u>(3,889)</u>	<u>(11,899)</u>	-	<u>(208,572)</u>
Balance, Dec. 31, 2022	<u>\$ -</u>	<u>\$ 464,129</u>	<u>\$ 1,451,636</u>	<u>\$ 320,969</u>	<u>\$ 325,611</u>	<u>\$ -</u>	<u>\$2,562,345</u>
Carrying amounts, Dec. 31, 2022	<u>\$ 63,707</u>	<u>\$361,572</u>	<u>\$501,834</u>	<u>\$ 75,771</u>	<u>\$106,078</u>	<u>\$157,347</u>	<u>\$1,266,309</u>

	Land	Buildings	Equip- ment	Transpor- tation	Other Equip- ment	Property under Construc- tion	Total
<u>Cost</u>							
Balance, January 1, 2021	\$ 63,707	\$ 804,868	\$ 1,933,075	\$ 343,530	\$ 348,557	\$ 64,067	\$ 3,557,804
Reclassifications	-	7,182	69,819	-	8,905	(55,582)	30,324
Additions	-	5,252	42,856	2,293	32,095	52,701	135,197
Disposals	-	-	<u>(33,615)</u>	<u>(359)</u>	<u>(3,201)</u>	-	<u>(37,175)</u>
Balance, Dec. 31, 2021	<u>\$ 63,707</u>	<u>\$ 817,302</u>	<u>\$ 2,012,135</u>	<u>\$ 345,464</u>	<u>\$ 386,356</u>	<u>\$ 61,186</u>	<u>\$ 3,686,150</u>

(Continued)

Accumulated depreciation and impairment

Balance, January 1, 2021	\$ -	\$383,786	\$1,407,838	\$282,991	\$258,009	\$ -	\$2,332,624
Depreciation expenses	-	42,673	128,256	18,409	42,023	-	231,361
Disposals	-	-	(33,341)	(359)	(3,206)	-	(36,906)
Balance, Dec. 31, 2021	<u>\$ -</u>	<u>\$426,459</u>	<u>\$1,502,753</u>	<u>\$301,041</u>	<u>\$296,826</u>	<u>\$ -</u>	<u>\$2,527,079</u>
Carrying amounts, December 31, 2021	<u>\$ 63,707</u>	<u>\$390,843</u>	<u>\$509,382</u>	<u>\$ 44,423</u>	<u>\$ 89,530</u>	<u>\$ 61,186</u>	<u>\$1,159,071</u>

(Concluded)

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

Buildings

Main building	3-38 years
Employee dormitory	25-50 years
Firefighting, air-conditioning and other systems	1-8 years
Engineering system	3-38 years
Transportation	1-8 years
Equipment	1-27 years
Other equipment	1-25 years

Property, plant and equipment pledged as collateral for bank loans is set out in Note 30.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2022	2021
<u>Carrying amounts</u>		
Land	\$ 51,879	\$ 42,773
Buildings	3,470	6,687
Transportation equipment	<u>6,244</u>	<u>7,585</u>
	<u>\$ 61,593</u>	<u>\$ 57,045</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 24,363</u>	<u>\$ 19,781</u>
Depreciation charge for right-of-use assets		
Land	\$ 9,148	\$ 8,093
Buildings	5,135	5,821
Transportation equipment	<u>4,072</u>	<u>3,581</u>
	<u>\$ 18,355</u>	<u>\$ 17,495</u>

b. Lease liabilities

	<u>December 31</u>	
	2022	2021
<u>Carrying amounts</u>		
Current	\$ 14,681	\$ 15,226
Non-current	<u>47,503</u>	<u>42,557</u>
	<u>\$ 62,184</u>	<u>\$ 57,783</u>

Range of discount rates for lease liabilities are as follows:

	<u>December 31</u>	
	2022	2021
Land	1.03%	1.03%
Buildings	1.03%	1.03%
Transportation equipment	1.03%	1.03%

c. Other lease information

	<u>For the Year Ended December 31</u>	
	2022	2021
Expenses relating to short-term leases	<u>\$ 6,428</u>	<u>\$ 4,705</u>
Expenses relating to low-value asset leases	<u>\$ 1,002</u>	<u>\$ 903</u>
Total cash outflow for leases	<u>(\$ 25,886)</u>	<u>(\$ 23,538)</u>

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

15. LOANS

a. Short-term loans

	<u>December 31</u>	
	2022	2021
<u>Secured loans (Note 30)</u>		
Bank loans	\$ 180,000	\$ 280,000
<u>Unsecured loans</u>	<u>701,869</u>	<u>605,000</u>
Bank loans	<u>\$ 881,869</u>	<u>\$ 885,000</u>

The range of weighted average effective interest rates on bank loans was 0.9 % - 1.7 % and 0.78%-0.91% per annum as of December 31, 2022 and 2021, respectively.

b. Long-term loans

	<u>December 31</u>	
	2022	2021
<u>Unsecured loans</u>		
Bank loans	\$ 425,000	\$ 194,502
Less: Current portion matured within a year	<u>(100,000)</u>	<u>(90,572)</u>
Long-term loans	<u>\$ 325,000</u>	<u>\$ 103,930</u>

The range of weighted average effective interest rates on bank loans was 1.598 5% - 1.61 % and 1.175 % - 1.25 % per annum as of December 31, 2022 and 2021, respectively.

16. NOTES AND ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Notes payable	\$ -	\$ 479
Accounts payable	<u>290,317</u>	<u>387,636</u>
	<u>\$ 290,317</u>	<u>\$ 388,115</u>

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

17. OTHER PAYABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Other payables		
Payable for accrued expenses	\$ 221,278	\$ 234,843
Payable for constructions	33,434	16,935
Payable for purchases of equipment	<u>34,030</u>	<u>22,851</u>
	<u>\$ 288,742</u>	<u>\$ 274,629</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Company has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

	<u>Years Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Present value of defined benefit obligation	\$ 112,589	\$ 132,399
Fair value of plan assets	(<u>105,913</u>)	(<u>104,608</u>)
Net defined benefit liabilities	<u>\$ 6,676</u>	<u>\$ 27,791</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance, January 1, 2021	\$ <u>127,837</u>	(<u>\$103,299</u>)	\$ <u>24,538</u>
Service cost			
Current service cost	621	-	621
Net interest expense (income)	<u>475</u>	(<u>385</u>)	<u>90</u>
Recognized in profit or loss	<u>1,096</u>	(<u>385</u>)	<u>711</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	2,993	(1,419)	1,574
Actuarial loss			
Changes in financial assumptions	(\$2,458)	\$ -	(\$2,458)
Experience adjustments	<u>5,009</u>	-	<u>5,009</u>
Recognized in other comprehensive income	<u>5,544</u>	(<u>1,419</u>)	<u>4,125</u>
Contributions from the employer	-	(1,583)	(1,583)
Benefits paid	(<u>2,078</u>)	<u>2,078</u>	<u>-</u>
Balance, December 31, 2021	<u>\$ 132,399</u>	(<u>\$104,608</u>)	<u>\$ 27,791</u>
Balance, January 1, 2022	<u>\$ 132,399</u>	(<u>\$104,608</u>)	<u>\$ 27,791</u>
Service cost			
Current service cost	583	-	583
Net interest expense (income)	<u>805</u>	(<u>634</u>)	<u>171</u>
Recognized in profit or loss	<u>1,388</u>	(<u>634</u>)	<u>754</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,249)	(8,249)
Actuarial loss (gain)			
Changes in Demographics assumptions	\$ 16	\$ -	\$ 16
Changes in financial assumptions	(5,059)	-	(5,059)
Experience adjustments	(<u>4,999</u>)	-	(<u>4,999</u>)
Recognized in other comprehensive income	(<u>10,042</u>)	(<u>8,249</u>)	(<u>18,291</u>)
Contributions from the employer	-	(1,057)	(1,057)
Benefits paid	(<u>11,156</u>)	<u>8,635</u>	(<u>2,521</u>)
Balance, December 31, 2022	<u>\$ 112,589</u>	(<u>\$105,913</u>)	<u>\$ 6,676</u>

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

	Years Ended December 31	
	2022	2021
Operating costs	\$ 456	\$ 431
Selling and marketing expenses	90	76
General and administrative expenses	198	196
Research and development expenses	<u>10</u>	<u>8</u>
	<u>\$ 754</u>	<u>\$ 711</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities,

bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>December 31</u>	
	2022	2021
Discount rates	1.250%	0.625%
Long-term averaged pay rates	2.000%	2.000%

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

	<u>December 31</u>	
	2022	2021
Discount rate(s)		
0.25% increase	(\$ 1,924)	(\$ 2,426)
0.25% decrease	<u>\$ 1,980</u>	<u>\$ 2,501</u>
Expected rate(s) of salary increase		
0.25% increase		<u>\$ 2,423</u>
0.25% decrease	<u>\$ 1,930</u>	<u>(\$ 2,363)</u>

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

	<u>December 31</u>	
	2022	2021
Expected contributions to the plans for the next year	<u>\$ 1,057</u>	<u>\$ 1,583</u>
Average duration of the defined benefit obligation	6.92 years	7.4 years

19. EQUITY

a. Capital stock

Ordinary shares

	<u>December 31</u>	
	2022	2021
Number of shares authorized (in thousands)	<u>120,000</u>	<u>120,000</u>
Shares authorized	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>100,706</u>	<u>100,706</u>
Shares issued	<u>\$ 1,007,060</u>	<u>\$ 1,007,060</u>

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to Capital stock (1)		
Issuance of ordinary shares	\$ 669,199	\$ 870,611
Donations (Note 29)	36,943	34,043
May be used to offset a deficit only		
Exercised employee stock options (2)	\$ 54,804	54,804
Expire employee stock options (2)	2,151	2,151
Others – Exercising the right of contribution (4)	30	30
Recognition of changes in ownership interests in subsidiaries (3)	(859)	(859)
	<u>\$ 762,268</u>	<u>\$ 960,750</u>

1. Capital surplus in excess of par or from donations may be used to offset a deficit. When the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred once a year to Capital stock within a certain percentage of the Company's paid-in capital.
2. The capital surplus resulting from exercised or expired employee stock options shall only be used to offset a deficit.
3. This type of capital surplus is the amount of equity transaction impact recognized due to changes in the company's equity when the company has not actually acquired or disposed of equity in a subsidiary company, or the adjusted amount recognized by the company as a subsidiary's capital surplus using equity method.
4. The benefits obtained from exercising the right of attribution are essentially the investment of the holders of the right of claim to the company, which does not meet the definition of income in the concept framework. The company shall recognize the benefits obtained from exercising the right of attribution as capital reserves, and properly disclose its facts and effects.

c. Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on June 13, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the proposal for profit distribution or offsetting of losses should be made on a quarterly basis after close of each quarter. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a Legal Capital Reserve of 10% of the remaining profit, setting aside or reversing a Special Capital Reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be the basis for proposing the dividend distribution plan. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 21-e.

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

profit and capital situation.

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

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

The appropriations of earnings for 2021 and 2020 approved in the shareholders' meetings on June 17, 2022 and July 5, 2021 respectively, were as follows:

	For the Year Ended December 31	
	2021	2019
Legal capital reserve	<u>\$ 67,034</u>	<u>\$ 40,984</u>
Special capital reserve	<u>\$ 21,446</u>	<u>\$ 47,055</u>
Cash dividends	<u>\$ 302,118</u>	<u>\$ 201,412</u>
Cash dividends per share (NT\$)	<u>\$ 3.0</u>	<u>\$ 2.0</u>

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

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

The Company's shareholders' meeting approved distributing cash dividends \$201,412,000 and \$100,706 (\$ 2.0 and \$ 1.0 dollars per share) with capital reserves on June 17, 2022 and July 5, 2021 respectively.

The appropriation of earnings for 2022 had been approved by the Company's Board of Directors on February 24, 2023 were as follows:

	For the Year Ended December 31, 2022
Legal capital reserve	<u>\$ 86,400</u>
Special capital reserve	<u>(\$ 79,868)</u>
Cash dividends	<u>\$ 392,753</u>
Cash dividends per share (NT\$)	<u>\$ 3.9</u>

The appropriations of 2022 quarterly earnings have been approved by the Company's Board of Directors in its meeting, respectively. The appropriations and cash dividends per share were as follows:

	Fourth Quarter of 2022	Third Quarter of 2022	Second Quarter of 2022	First Quarter of 2022
Resolution Date of the Company's Board of Directors in its Meeting	February 24, 2023	November 4, 2022	August 5, 2022	May 6 2022
Cash dividends to shareholders	<u>\$ 392,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash dividends per share (NT\$)	<u>\$ 3.9</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

d. Special capital reserve

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 103,348	\$ 56,293
Appropriations in respect of Debits to other equity items	<u>21,446</u>	<u>47,055</u>
Ending balance	<u>\$ 124,794</u>	<u>\$ 103,348</u>

20. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from sale of goods	\$ 4,957,239	\$ 4,343,029
Construction contract revenue	<u>232,034</u>	<u>138,578</u>
	<u>\$ 5,189,273</u>	<u>\$ 4,481,607</u>

Contract Balances

	December 31	
	2022	2021
Contract assets		
Properties construction - current	<u>\$ 8,173</u>	<u>\$ 8,200</u>
Contract liabilities		
Properties construction - current	\$ 257,784	\$ 182,441
Sale of goods- current	<u>2,381</u>	<u>20,790</u>
	<u>\$ 260,165</u>	<u>\$ 203,231</u>

21. NET REVENUE

a. Other income

	For the Year Ended December 31	
	2022	2021
Dividends	\$ 2,697	\$ 1,593
Rendering of services	6,279	3,692
Subsidies	-	3,500
Others	<u>15,571</u>	<u>10,747</u>
	<u>\$ 24,547</u>	<u>\$ 19,532</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Gains from disposal of property, plant and equipment	\$ 6	\$ 274
Gains from disposal of subsidiaries	-	424
Gains from disposal of investment using equity method	-	22,797
Foreign exchange Gains (losses), Net	53,630	(12,973)
Others	<u>4,072</u>	<u>(5,878)</u>
	<u>\$ 57,708</u>	<u>\$ 4,644</u>

c. Depreciation

	For the Year Ended December 31	
	2022	2021
Properties, plants and equipment	\$ 243,838	\$ 231,361
Right-of-use assets	<u>18,355</u>	<u>17,495</u>
	<u>\$ 262,193</u>	<u>\$ 248,856</u>
An analysis of depreciation by function		
Operating costs	\$ 235,004	\$ 221,672
Operating expenses	<u>27,189</u>	<u>27,184</u>
	<u>\$ 262,193</u>	<u>\$ 248,856</u>

d. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 12,916	\$ 11,693
Defined benefit plans (Note 18)	754	711
Share-based payments compensation costs	-	1,716
Short-term benefits		
Salaries	\$ 406,591	317,470
Labor and health insurance	30,850	26,927
Others	<u>69,646</u>	<u>52,860</u>
Total employee benefits expense	<u>\$ 520,757</u>	<u>\$ 411,377</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 263,926	\$ 210,753
Operating expenses	<u>256,831</u>	<u>200,624</u>
	<u>\$ 520,757</u>	<u>\$ 411,377</u>

e. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of 1%-3% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on February 24, 2023 and February 25, 2022 respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Employees' compensation	1.85%	1.95%
Remuneration of directors and supervisors	1.85%	1.95%

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Employees' compensation	\$ 20,500	\$ 16,600
Remuneration of directors and supervisors	20,500	16,600

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

The Company held board of directors' meetings on February 24, 2023, February 25, 2022 and February 26, 2021, and those meetings resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2022, 2021 and 2020 to differ from the amounts recognized in the parent company only financial statements for the years ended December 31, 2022, 2021 and 2010, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2023, 2022 and 2021, respectively.

	For the Year Ended December 31					
	2022		2021		2020	
	Employees, Compensation	Remuneration of Directors and Supervisors	Employees, Compensation	Remuneration of Directors and Supervisors	Employees, Compensation	Remuneration of Directors and Supervisors
Amounts approved in the board of directors' meeting	<u>\$21,457</u>	<u>\$21,457</u>	<u>\$16,588</u>	<u>\$16,588</u>	<u>\$10,547</u>	<u>\$10,547</u>
Amounts recognized in the annual financial statements	<u>\$20,500</u>	<u>\$20,500</u>	<u>\$16,600</u>	<u>\$16,600</u>	<u>\$ 9,800</u>	<u>\$ 9,800</u>

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

f. Finance costs

	For the Year Ended December 31	
	2022	2021
	Interest on bank loans	\$ 17,218
Interest on lease liabilities	647	621
	<u>\$ 17,865</u>	<u>\$ 7,462</u>

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2022	2021
	Foreign exchange gains	\$ 119,145
Foreign exchange losses	(65,515)	(31,389)
Net losses	<u>\$ 53,630</u>	<u>(\$ 12,973)</u>

22. INCOME TAX

a. Income tax expense recognized in profit or loss

	Years Ended December 31	
	2022	2021
Current tax expense		
In respect of the current period	\$ 213,124	\$ 147,523
Income tax adjustments on prior years	(<u>1,971</u>)	(<u>3,587</u>)
Deferred tax benefit	<u>211,153</u>	<u>143,936</u>
In respect of the current period	4,549	<u>2,710</u>
Deferred tax benefit adjustments on prior years	(<u>12</u>)	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 215,690</u>	<u>\$ 146,646</u>

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

	Years Ended December 31	
	2022	2021
Profit before tax	<u>\$ 1,065,055</u>	<u>\$ 820,289</u>
Income tax expense calculated at the statutory rate	\$ 213,011	\$ 164,058
Nondeductible expenses in determining taxable income	192	1,213
Tax-exempt income	5,015	(7,250)
Additional income for tax purpose	580	1,225
Unrecognized deductible temporary differences	(1,125)	(9,013)
Adjustments for prior years' tax	(<u>1,983</u>)	(<u>3,587</u>)
Income tax expense recognized in profit or loss	<u>\$ 215,690</u>	<u>\$ 146,646</u>

b. Income tax expense recognized in other comprehensive income

Deferred tax

	Years Ended December 31	
	2022	2021
Related to unrealized gain/loss on investments in equity instruments at FVTOCI	\$ -	\$ 9,861
Related to remeasurement of defined benefit plan	(<u>3,658</u>)	<u>825</u>
	(<u>\$3,658</u>)	<u>\$ 10,686</u>

c. Current tax liabilities

	Years Ended December 31	
	2022	2021
Current tax liabilities		
Income tax payable	<u>\$ 138,291</u>	<u>\$ 102,991</u>

Prepaid income tax of \$74,833,000 and \$44,532,000 has been deducted from the income tax payable for 2022 and 2021 respectively.

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plan	\$ 5,558	(\$ 565)	(\$ 3,658)	\$ 1,335
Property, plant and equipment	3,031	(2,019)	-	1,012
Payables for annual leave	1,359	159	-	1,518
Allowance for impairment loss	\$ 1,650	\$ 737	\$ -	\$ 2,387
Unrealized exchange loss	1,121	(1,945)	-	(824)
Financial assets measured at FVTPL	-	(814)	-	(814)
Financial assets measured at FVOCI	12,405	-	-	12,405
Others	9,660	(90)	-	9,570
	<u>\$ 34,784</u>	<u>(\$ 4,537)</u>	<u>(\$ 3,658)</u>	<u>\$ 26,589</u>

For the year ended December 31, 2021

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligations	\$ 4,907	(\$ 174)	\$ 825	\$ 5,558
Property, plant and equipment	3,804	(773)	-	3,031
Investments accounted for using equity method	3,460	(3,460)	-	-
Payables for annual leave	1,165	194	-	1,359
Allowance for impairment loss	1,429	221	-	1,650
Unrealized exchange loss	994	127	-	1,121
Financial assets measured at FVOCI	2,544	-	9,861	12,405
Others	8,613	1,047	-	9,660
	<u>\$ 26,916</u>	<u>(\$ 2,818)</u>	<u>\$ 10,686</u>	<u>\$ 34,784</u>

Deferred tax liabilities

Temporary differences				
Others	<u>\$ 108</u>	<u>(\$ 108)</u>	<u>\$ -</u>	<u>\$ -</u>

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

As of December 31, 2022, and 2021, the taxable temporary differences associated with investments in subsidiaries and associates for which no deferred tax liabilities have been recognized were \$63,455,000 and \$62,330,000 respectively.

- f. Income tax assessments

Income tax returns of the Company for the year 2020 have been assessed by the tax authorities.

23. EARNINGS PER SHARE (EPS)

	Unit: NT\$ Per Share	
	<u>Years Ended December 31</u>	
	2022	2021
Basic earnings per share		
Basic earnings per share	\$ <u>8.43</u>	\$ <u>6.69</u>
Diluted earnings per share		
Diluted earnings per share	\$ <u>8.42</u>	\$ <u>6.68</u>

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

Net Profit for the Year

	<u>Years Ended December 31</u>	
	2022	2021
Profit for the year	\$ <u>849,365</u>	\$ <u>673,643</u>

The weighted average number of ordinary shares outstanding (in ,000 shares) is as follows:

Number of ordinary shares

	<u>Years Ended December 31</u>	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	100,706	100,706
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>196</u>	<u>121</u>
	<u>100,902</u>	
Weighted average number of ordinary shares used in the computation of diluted earnings per share	100,706	<u>100,827</u>

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

24. MERGER (BUSINESS COMBINATION)

a. Acquisition of Subsidiary

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

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

b. Assets Acquired and Liabilities Assumed on the Acquisition Date

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

c. Non-controlling Interests (Minority Interests)

The non-controlling interest (13% ownership interest) of Lifu Carbon Acid Co., Ltd. was measured at the fair value of the identifiable net assets at the acquisition date of NT\$ 116,988,000

d. Bargain Purchase Gain Arising from Acquisitions

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

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

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

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

e. Net Cash Outflow from Acquiring Subsidiaries

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

25. SHARE-BASED PAYMENT ARRANGEMENTS

Cash-settled share-based payment arrangements

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

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

	<u>November 2021</u>
Grant-date share price	\$ 11.43
Exercise price	\$ 10
Expected volatility	8.02%
Expected life (in years)	0.03 Year
Expected dividend yield	-
Risk-free interest rate	0.177%

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

Compensation costs recognized were \$1,716 ,000 for the year ended December 31, 2021.

26. NON-CASH TRANSACTION

For the years ended December 31, 2022 and 2021, except information disclosed elsewhere in the other notes, the Company entered into the following non-cash investing and financing activities which were not reflected in the parent company only statements of cash flows:

The Company reclassified and paid for property, plant and equipment partly during 2022 and 2021 (Notes 13 and 17).

	<u>Years Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Prepayments for equipment transferred (reclassification)	<u>\$ 81,463</u>	<u>\$ 30,324</u>
Purchase of property, plant and equipment	\$269,795	\$135,197
(Increase)/Decrease in payable of construction payment and purchases of equipment	<u>(27,678)</u>	<u>(11,658)</u>
Paid in cash by acquiring property, plant and equipment	<u>\$ 242,117</u>	<u>\$ 123,539</u>

27. CAPITAL MANAGEMENT

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

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

28. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at FVTPL				
Derivatives - Foreign Exchange Option Contracts	\$ -	\$ 11,890	\$ -	\$ 11,890
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 35,444	\$ -	\$ -	\$ 35,444
Domestic unlisted shares	-	-	6,698	6,698
Total	<u>\$ 35,444</u>	<u>\$ -</u>	<u>\$ 6,698</u>	<u>\$ 42,142</u>
	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 27,298	\$ -	\$ -	\$ 27,298
Domestic unlisted shares	-	-	6,698	6,698
Total	<u>\$ 27,298</u>	<u>\$ -</u>	<u>\$ 6,698</u>	<u>\$ 33,996</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

2) Financial Instruments applied for Level 3 Adjustment at FVTOCI

	Financial assets at FVTOCI	
	1.1-12.31.2022.	01.01.-12.31.2021
Financial assets— Equity instrument		
Beginning balance	\$ 6,698	\$ 56,005
Recognized in other comprehensive profit or loss (unrealized appraisal profit or loss of financial assets measured at fair value through other comprehensive profit or loss)	-	(49,307)
Ending balance	<u>\$ 6,698</u>	<u>\$ 6,698</u>

3) Valuation Techniques and Assumptions Used in Fair Value Measurement

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices.

b) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial instrument category</u>	<u>Valuation techniques and inputs</u>
Derivatives – Foreign Exchange Option Contracts	The fair value of the foreign exchange option contract is calculated based on the spot exchange rate on the evaluation date, the exercise price of the option, the exchange rate volatility, the contract expiration period, and the quoted risk-free interest rate during the contract expiration period.

c) Valuation techniques and inputs applied for Level 3 fair value measurement

- i. The fair values of unlisted equity securities in Taiwan were determined using the income approach. Under this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs are listed in the table below. Decrease in discount for the lack of marketability or non-controlling interests discount would result in increase in the fair value.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount for lack of marketability	25%	25%
Non-controlling interests discount	20%	20%

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount for lack of marketability 1% decrease	<u>\$ 95</u>	<u>\$ 77</u>
Non-controlling interests discount 1% decrease	<u>\$ 89</u>	<u>\$ 73</u>

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

c. Categories of Financial Instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 11,890	\$ -
Financial assets at amortized cost (*1)	1,912,522	2,029,768
Financial assets at FVTOCI		
- Investment in equity instrument	42,142	33,996
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (*2)	1,905,135	1,750,407

*1) The balances include loans and receivables at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, account and notes receivables, and receivables from related parties.

*2) The balances include financial liabilities at amortized cost, which comprise short-term loans, notes payables, account payables - related parties, long-term liabilities - current portion, others payable and long-term loans.

d. Financial Risk Management Objectives and Policies

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

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

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

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

1) Market Risk

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

a) Foreign Currency Risk

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

To manage risks within an acceptable level, the Company uses the natural hedge against its currency risk. The Company monitors and evaluates the movements of exchange rates and the weakness or strength of a currency's performance in line with natural hedging.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities which were not in the same functional currency as the Company's entity at the end of the reporting period are shown in Note 31.

Sensitivity Analysis

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

The following table shows the Company's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency of the Company) against the relevant foreign currencies. A 5% sensitivity rate is used when reporting foreign currency risk internally to key management

personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and was adjusted at the end of the reporting period for a 5% change in foreign currency rates. The number in the table indicates the change in pretax profit associated with the 5% appreciation of the New Taiwan dollar against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be positive.

	Unit: Thousand NT\$	
	Currency USD Impact	
	Years Ended December 31	
	<u>2022</u>	<u>2021</u>
Profit or loss	\$ <u>29,049</u> (i)	\$ <u>15,731</u> (i)

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

b) Interest Rate Risk

The Company is exposed to interest rate risks because entities in the Company borrow funds at both fixed and floating interest rates. The financial costs for the period from January 1 to December 31 in the fiscal years 2022 and 2021 were NT\$17,865,000 and NT\$7,462,000 respectively, which only constitute 0.34% and 0.17% of the net sales revenue. Therefore, the interest rate risk has no significant impact on the Company.

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

	Unit: Thousand NT\$	
	Currency USD Impact	
	Years Ended December 31	
	<u>2022</u>	<u>2021</u>
Fair value interest rate risk		
Financial liabilities	\$ 334,053	\$ 922,783
Cash flow interest rate risk		
Financial liabilities	1,035,000	214,502

Sensitivity Analysis

The sensitivity analysis was determined based on the Company's exposure to interest rate changes for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period had been outstanding for the whole period. If interest rates had been five basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the one-year period from January 1 to December 31 in the fiscal years 2022 and 2021 would decrease by NT\$ 518,000 and NT\$ 107,000 respectively.

c) Other Price Risks

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

Sensitivity Analysis

If equity prices had been 5% higher/lower, pre-tax other comprehensive income for the one-year period from January 1 to December 31 in the fiscal years 2022 and 2021 would have

increased/decreased by NT\$2,107,000 and NT\$ 1,700,000 respectively, because of the changes in fair value of financial assets at FVTOCI.

2) Credit Risk Management

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

Apart from the companies A, B and C of the Company, the Company has no significant credit risk exposure from any single counterparty or any group of counterparties with similar characteristics. Apart from the companies A, B and C, the concentration of credit risk to other clients did not exceed 10% of total accounts receivable. The balance of accounts receivable from customers A, B and C was carried at a percentage of 65% of the balance of accounts receivable of the Company. The credit risk is expected to be immaterial as the companies A, B and C are all reliable and trustworthy counterparties.

3) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2022, and 2021, the Company had available unutilized short-term bank loan facilities in the amount of NT\$2,025,018,000 and NT\$ 651,415,000 respectively.

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

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
Lease liabilities	\$ 1,456	\$ 2,913	\$ 10,805	\$ 25,548	\$ 23,904
Variable interest rate liabilities	25,000	410,000	275,000	325,000	-
Fixed interest rate liabilities	-	254,708	17,161	-	-
	<u>\$ 26,456</u>	<u>\$667,621</u>	<u>\$302,966</u>	<u>\$350,548</u>	<u>\$ 23,904</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 15,174</u>	<u>\$ 25,548</u>	<u>\$ 23,904</u>

December 31, 2021

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

Additional information about the maturity analysis for lease liabilities

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

29. TRANSACTIONS WITH RELATED PARTIES

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

a. Related Party Name and Category

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

b. Sales of Goods

	Years Ended December 31	
	2022	2021
<u>Sales</u>		
Subsidiaries	\$ 31,714	\$ 44,158
Joint ventures	3,883	23,527
Associate	<u>21</u>	<u>60</u>
	<u>\$ 35,618</u>	<u>\$ 67,745</u>
<u>Purchase</u>		
Subsidiaries	\$ 38,781	\$ 17,434
Joint ventures	87	1,024
Associates	<u>13,419</u>	<u>10,975</u>
	<u>\$ 52,287</u>	<u>\$ 29,433</u>

	<u>Years Ended December 31</u>	
	2022	2021
<u>Service expense (recognized as other income)</u>		
Subsidiary	\$ 638	\$ 0
Joint ventures		
Sanfuming Electronic Material Co., Ltd.	<u>6,598</u>	<u>3,692</u>
	<u>\$ 7,236</u>	<u>\$ 3,692</u>
<u>Service expense (recognized as other expense)</u>		
Investors with significant influence over the Company	<u>\$ 1,143</u>	<u>\$ 1,143</u>
<u>Entertainment expense (recognized as sales cost and expense)</u>		
Subsidiaries	<u>\$ 611</u>	<u>\$ 578</u>
<u>Donation expense</u>		
Others		
Fulu Cultural Foundation	<u>\$ 1,000</u>	<u>\$ -</u>
<u>Management service revenue (recognized as an offset to operating expenses and cost of goods sold) (Note 1)</u>		
Subsidiaries	(<u>\$ 12,602</u>)	(<u>\$ 18,744</u>)

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

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

c. Accounts receivable - related parties

	<u>Years Ended December 31</u>	
	2022	2021
<u>Accounts receivable - related party</u>		
Subsidiary		
San Fu Biotech Co., Ltd.	\$ 5,377	\$ 18,260
Joint ventures	3,784	15,935
<u>Other receivable - related party</u>		
Subsidiary		
San Fu Biotech Co., Ltd.	5,714	9,301
Sanfu Vietnam Gas Co., Ltd.	128,772	49,805
VinaSanfu Material Co., Ltd.	35,566	-
Joint ventures	<u>6,278</u>	<u>3,692</u>
	<u>\$ 185,491</u>	<u>\$ 96,993</u>

d. Accounts payable - related parties

	<u>Years Ended December 31</u>	
	2022	2021
<u>Accounts payable - related party</u>		
Investors with significant influence over the Company	\$ -	\$ 300
Subsidiary	11,839	4,391
Associates	<u>7,368</u>	<u>3,470</u>
	<u>\$ 19,207</u>	<u>\$ 8,161</u>

The outstanding accounts payable from related parties are unsecured and the outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment loss was recognized for accounts receivable from related parties.

e. Lease arrangements

Line Item	Related Party Category/Name	<u>Years Ended December 31</u>	
		2022	2021
Lease liabilities	Investors with significant influence over the Company		
	Sanfu Global Co., Ltd.	\$ 50,266	\$ 43,159
	Others	<u>-</u>	<u>1,019</u>
		<u>\$ 50,266</u>	<u>\$ 44,178</u>

		<u>Years Ended December 31</u>	
		2022	2021
<u>Interest expense</u>			
Investors with significant influence over the Company	Sanfu Global Co., Ltd.	\$ 516	\$ 453
	Others	<u>4</u>	<u>16</u>
		<u>\$ 520</u>	<u>\$ 469</u>

f. Loans to related parties

		<u>Years Ended December 31</u>	
		2022	2021
<u>Interest income</u>			
Subsidiary	VinaSanfu Industrial Gas Company Limited	\$ 1,336	\$ -
	VinaSanfu Material Company Limited	<u>245</u>	<u>-</u>
		<u>\$ 1,581</u>	<u>\$ -</u>

g. Others

Investors with significant influence signed a trust agreement of marketable securities with CTBC Bank on September 29, 2016. The Company is a beneficiary of interest. The trust interest revenue was \$2,900,000 and 6,124,000 in 2022 and 2021 respectively, and the revenue was credited in capital surplus-donations.

h. Compensation of key management personnel

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

	<u>Years Ended December 31</u>	
	2022	2021
Short-term employee benefits	\$ 41,248	\$ 33,882
Post-employment benefits	<u>1,538</u>	<u>1,449</u>
	<u>\$ 42,786</u>	<u>\$ 35,331</u>

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

30. PLEDGED ASSETS

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

	<u>Years Ended December 31</u>	
	2022	2021
Pledged deposits (classified as financial assets at amortized cost)	\$ 172,400	\$ 222,400
Land	40,349	40,349
Buildings, net	<u>41,831</u>	<u>45,443</u>
	<u>\$ 254,580</u>	<u>\$ 308,192</u>

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2022

	Foreign Currencies	Exchange Rate		Carrying Amount
<u>Foreign Currency Assets</u>				
<u>Monetary items</u>				
USD	\$ 19,743	30.660	(USD: NTD)	\$ 605,320
JPY	298,233	0.230	(JPY: NTD)	68,713
<u>Non-monetary items</u>				
Investments in subsidiaries and associates using equity method				
USD	18,711	30.710	(USD: NTD)	574,624
VND	541,743,191	0.0013	(VND: NTD)	696,140
<u>Foreign Currency Liabilities</u>				
<u>Monetary items</u>				
USD	791	30.760	(USD: NTD)	24,331
JPY	244,788	0.234	(JPY: NTD)	57,378

December 31, 2021

	Foreign Currencies	Exchange Rate		Carrying Amount
<u>Foreign Currency Assets</u>				
<u>Monetary items</u>				
USD	\$ 13,099	27.630	(USD: NTD)	\$ 361,925
JPY	656,637	0.239	(JPY: NTD)	156,608
<u>Non-monetary items</u>				
Investments in subsidiaries and associates using equity method				
USD	17,689	27.680	(USD: NTD)	489,361
VND	588,942,259	0.0013	(VND: NTD)	703,786
<u>Foreign Currency Liabilities</u>				
<u>Monetary items</u>				
USD	1,706	27.730	(USD: NTD)	47,307
JPY	149,248	0.243	(JPY: NTD)	36,193

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

Foreign Currencies	<u>For the Year Ended December 31, 2022</u>		<u>For the Year Ended December 31, 2021</u>	
	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>
USD	30.600 (USD: NTD)	\$ 9,782	27.800 (USD: NTD)	\$ 1,366
JPY	0.230 (JPY: NTD)	(53)	0.247 (JPY: NTD)	(2,001)

32. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided to others: See Table 1 attached;
- 2) Endorsements/guarantees provided: See Table 2 attached;
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures: See Table 3 attached;
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$ 300 million or 20% of the paid-in capital: See Table 4 attached;
- 5) Acquisition of individual real estate at costs of at least NT\$ 300 million or 20% of the paid-in capital: None;
- 6) Disposal of individual real estate at prices of at least NT\$ 300 million or 20% of the paid-in capital: None;
- 7) Total purchases from or sales to related parties amounting to at least NT\$ 100 million or 20% of the paid-in capital: See Table 5 attached;
- 8) Receivables from related parties amounting to at least NT\$ 100 million or 20% of the paid-in capital: None;
- 9) Information about the derivative financial instrument transaction: See Table 7 attached;

b. Information on investees: See Table 6 attached;

c. Information on investments in Mainland China

- 1) Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the Mainland China area: See Table 7 attached;
- 2) Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
 - a) The amount and percentage of purchases and the balance and percentage of the related payables

at the end of the period

- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders
List all shareholders with ownership of 5% or greater showing the name of the shareholder and the number of shares and percentage of ownership held by of each shareholder: See Table 8 attached.

San Fu Chemical Co., Ltd. and Investees

FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2022

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

TABLE 1

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
0	San Fu Chemical Co., Ltd.	San Fu Biotech Co., Ltd.	Other receivables	Y	\$ 250,000	\$ 250,000	\$ -	-	The need for Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,835,188	(Note 3)	
0	San Fu Chemical Co., Ltd.	International Nitro Technology Co., Ltd.	Other receivables	Y	250,000	250,000	-	-	The need for Short-term financing	-	Operating capital	-	-	458,797	1,835,188	(Note 3)	
0	San Fu Chemical Co., Ltd.	VinaSanFu Industrial Gas Company Limited	Other receivables	Y	400,000	400,000	128,892 (US\$ 4,200,000) (Note 4)	1.25%~ 2%	The need for Short-term financing	-	Operating capital	-	-	458,797	1,835,188	(Note 3)	
0	San Fu Chemical Co., Ltd.	VinaSanFu Material Company Limited	Other receivables	Y	400,000	400,000	35,624 (US\$ 1,160,000) (Note 4)	1%~ 1.65%	The need for Short-term financing	-	Operating capital	-	-	458,797	1,835,188	(Note 3)	

Note 1: The items are numbered as follows:

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

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

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

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

Note 4: Calculated based on the foreign currency exchange rate dated December 31, 2022 (USD\$1 = NT\$30.71)

San Fu Chemical Co., Ltd. and Investees

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2022

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

TABLE 2

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limit on Endorsement/ Guarantee Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actual Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	San Fu Chemical Co., Ltd.	San Fu Biotech Co., Ltd.	A subsidiary in which the Parent Company holds directly and indirectly over 90% of an equity interest.	\$ 458,797	\$ 400,000	\$ 400,000	\$ 130,000	\$ -	8.72%	\$ 1,835,188	Y	N	N	
0	San Fu Chemical Co., Ltd.	VinaSanFu Industrial Gas Company Limited	A subsidiary in which the Parent Company holds directly and indirectly over 90% of an equity interest.	458,797	400,000	400,000	184,260	-	8.72%	1,835,188	Y	N	N	
0	San Fu Chemical Co., Ltd.	VinaSanFu Material Company Limited	A subsidiary in which the Parent Company holds directly and indirectly over 90% of an equity interest.	458,797	400,000	400,000	184,260	-	8.72%	1,835,188	Y	N	N	

Note 1: The items are numbered as follows:

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

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

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

San Fu Chemical Co., Ltd. and Investees

MARKETABLE SECURITIES HELD

FOR THE YEAR ENDED DECEMBER 31, 2022

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

TABLE 3

Holding Company Name	Marketable Securities Type and Name	Nature of Relationship	Financial Statement Account	As of December 31, 2022			Note
				Number of Shares (in Thousands)	Carrying Amount	Percentage of Ownership (%)	
San Fu Chemical Co., Ltd.	E'Dale Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	642,060	\$ 6,698	3.45%	\$ 6,698
	Savior Lifetec Corporation	-	Financial assets at fair value through other comprehensive income	1,429,177	35,444	0.45%	35,444
	Global Graphene Group	-	Financial assets at fair value through other comprehensive income	18,490	-	1.42%	-
Sino Star Holding Limited	Hubei Xingfu Electronic Material Co., Ltd.	-	Financial assets at fair value through other comprehensive income	-	58,709	2.40%	58,709

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

Note 2: The fair value is calculated based on closing prices on December 31, 2022.

San Fu Chemical Co., Ltd. and Investees

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$ 300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022

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

TABLE 4

Securities Purchased/Sold by	Marketable Securities Type & Name	Line Item	Trading Purpose	Nature of Relationship	Beginning Balance		Acquisition		Adjustment (Note 1)	Sale			Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount		Shares/Units	Selling Price	Carrying costs	Gain (Loss) of Disposal	Shares/Units
San Fu Chemical Co., Ltd.	International Nitto Technology Co., Ltd.	Investments accounted for using Equity Method	Cash Capital Increase	Subsidiary	40,000,000	\$ 383,192	50,000,000	\$500,000	(\$38,961)	-	\$-	\$-	90,000,000	\$ 844,231

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

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

San Fu Chemical Co., Ltd. and Subsidiaries

THE BUSINESS RELATIONSHIP BETWEEN THE PARENT AND THE SUBSIDIARIES AND SIGNIFICANT TRANSACTIONS BETWEEN THEM FOR THE YEAR ENDED DECEMBER 31, 2022

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

TABLE 5

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Sales or Assets
				Financial Statement Accounts	Amount	Payment Terms	
0	San Fu Chemical Co., Ltd.	San Fu Biotech Co., Ltd.	1	Accounts receivable - related parties, net Other receivables - related parties, net Sales revenue Accounts payable - related parties, net Purchase	\$ 5,368 5,714 31,714 11,839 23,912	90 days after invoice date According to the contract 90 days after invoice date 90 days after invoice date 90 days after invoice date	0.08% 0.08% 0.61% 0.17% 0.46%
		Lifu Carbonate Co., Ltd. VinaSanFu Industrial Gas Company Limited	1 1	Purchase Other receivables - related parties, net	14,733 128,772	90 days after invoice date According to the contract	0.28% 1.85%
				Interest income Other income	1,335 411	According to the contract 90 days after invoice date	0.03% 0.01%

Note 1: "1" represents the transactions between the parent company and subsidiaries.

Note 2: When the consolidated financial statements are prepared, they were all written off.

San Fu Chemical Co., Ltd. and Investees

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES FOR THE YEAR ENDED DECEMBER 31, 2022 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 6

Investor Company	Investee Company (Note 2)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares (Thousands)	%	Carrying Amount			
San Fu Chemical Co., Ltd.	San Fu Specialty Chemicals Investments Limited	Samoa	Investment activities	US\$ 2,351,000	US\$ 2,351,000	2,350,840	100%	\$ 574,624	\$ 64,303	Note 1	
	VinaSanFu Industrial Gas Company Limited	Vietnam	Engaged in industrial gas production	US\$13,650,000	US\$13,650,000	-	100%	343,125	(36,783)	Note 1	
	VinaSanFu Material Company Limited	Vietnam	Engaged in the production of chemical materials	US\$12,200,000	US\$12,200,000	-	100%	312,152	(23,527)	"	
	San Fu Biotech Co., Ltd.	Taiwan	Engaged in the manufacture and sale of food additives	210,000	210,000	21,500,000	93%	265,776	15,645	Notes 1 and 5	
	International Nitto Technology Co., Ltd	Taiwan	Engaged in electronic component manufacturing business	977,904	477,904	90,000,000	100%	844,231	(38,961)	"	
	Hongchong Enterprise Co., Ltd.	Taiwan	Liquid oxygen, oxygen, liquid nitrogen and other gas trading business	10,527	10,527	1,200,000	50%	15,654	1,976		
	Lifu Carbonate Co., Ltd.	Taiwan	Engaged in carbon dioxide gas, carbonic acid fire extinguisher, dry ice manufacturing and its sales and marketing	77,253	77,253	1,740	87%	90,747	(5,380)		
	Shian Yun Joint Stock Company	Vietnam	Engaged in industrial gas production	US\$1,232,000	US\$1,232,000	2,659,974	33.33%	40,863	4,898	1,632	
San Fu Specialty Chemicals Investments Limited	Sanfuming Electronic Material Co., Ltd. Sino Star Holding Limited	Shanghai, China Samoa	Engaged in the operation of international trade business Investment activities	US\$2,151,000	US\$2,151,000	-	50%	448,387	139,998	69,999	
VinaSanFu Material Company Limited	Vinasanfu Materials Trading Co., Ltd	Vietnam	Engaged in the production of chemical materials	US\$1,868,000	US\$1,868,000	1,867,838	100%	59,775	1	Note 1	
				US\$160,000	-	-	100%	4,645	-	Notes 1 and 5	

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

Note 2: Information of investments in Mainland China is included in Table 7.

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

Note 4: On December 20, 2022, the company did not subscribe for the cash capital increase of Sanfu Biotech Co., Ltd. according to the shareholding ratio, so the shareholding ratio dropped from 100% to 93.48%

Note 5: VinaSanfu Material Trading Co., Ltd was incorporated into the consolidated financial statement preparation entity in March 2022.

San Fu Chemical Co., Ltd. and Investees

INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2022

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

TABLE 7

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 (Note 1)	Remittance of Funds		Accumulated Outward Investment from Taiwan as of December 31, 2022 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3 and)	Carrying Amount as of December 31, 2022 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Sanfuming Electronic Material Co., Ltd.	Engaged in the operation of international trade business	\$ 276,390 (US\$ 9,000,000) (Notes 1 and 4)	Through the third company reinvest in mainland companies	\$ 19,992 (US\$ 651,000)	\$-	\$-	\$ 19,992 (US\$ 651,000)	\$ 139,998	50	\$ 69,999	\$ 448,387 (US\$ 14,601,000)	\$ -
Hubei Xingfu Electronic Material Co., Ltd.	Engaged in manufacturing and selling chemical products	\$ 1,141,920 (RMB260,000,000) (Note 2)	Through the third company reinvest in mainland companies	\$ 57,305 (US\$ 1,866,000)	-	-	\$ 57,305 (US\$ 1,866,000)	(Note 7)	2.4	-	\$ 58,709 (US\$ 1,912,000)	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$179,162 (US\$ 5,834,000)(Notes 5 and 6)	\$293,557 (9,559,000)	\$2,772,043

Note 1: The exchange rate on December 31, 2022 was USD\$1=NT\$ 30.71

Note 2: The exchange rate on December 31, 2022 was RMB\$1=NT\$ 4.392

Note 3: The average exchange rate was based on the USD\$1=NT\$ 29.805 for the 12-month period from January 1, 2022 to December 31, 2022.

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

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

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

Note 7: It refers to the financial assets measured at Fair Value Through Other Comprehensive Income (FVTOCI).

San Fu Chemical Co., Ltd.

INFORMATION OF MAJOR SHAREHOLDERS

BASED ON THE INFORMATION REPORTED AS OF DECEMBER 31, 2022

TABLE 8

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

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

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

San Fu Chemical Co., Ltd.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Item	Statements Index
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash and cash equivalents	1
Statement of accounts receivable, net	2
Statement of inventories	3
Statement of long-term equity changes using equity method	4
Statement of changes in property, plant and equipment	Note 13
Statement of short-term loans	5
Statement of accounts payables	6
Statement of other payables	Note 16
Major accounting items in profit or loss	
Statement of revenues	7
Statement of operating costs	8
Statement of operating expenses	9
Statement of employee benefit, depreciation and amortization by function	10

STATEMENT 1

San Fu Chemical Co., Ltd.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ <u>330</u>
Cash in banks		
Checking accounts and demand deposits		261,932
Foreign currency deposits	Including US\$719,000 @30.66	<u>22,058</u>
		<u>283,990</u>
Cash equivalent (investment with original maturity within 3 months)		
Foreign currency time deposits	Period: Dec. 16, 2022 – Feb. 16, 2023 , Interest Rate 4.64%	61,697
	Period: Dec. 16, 2022 – Feb. 16, 2023 , Interest Rate 4.60%	62,327
	Period: Dec. 16, 2022 – Feb. 16, 2023 , Interest Rate 4.45%	<u>30,802</u>
		<u>154,826</u>
Total		\$ <u>439,146</u>

STATEMENT 2

San Fu Chemical Co., Ltd.

**STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount
Client A	\$ 333,022
Client B	192,895
Client C	191,165
Others (Note)	<u>394,854</u>
	1,111,936
Less: Allowance for doubtful accounts	(<u>6,200</u>)
Total	<u>\$ 1,105,736</u>

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

STATEMENT 3**San Fu Chemical Co., Ltd.****STATEMENT OF INVENTORIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value
Merchandise	\$ 7,410	\$ 7,231
Finished goods	339,114	304,792
Work in process	15,228	13,949
Semi-finished goods	1,894	1,894
Raw materials	263,524	261,797
Material Supplies	<u>31,985</u>	<u>30,877</u>
Sub-Total	659,155	<u>\$ 620,540</u>
Less: Inventory write-downs (Note 1)	(<u>38,615</u>)	
Net Value	<u>\$ 620,540</u>	

Note: Inventory write-downs include \$179,000 for merchandise, \$34,322,000 for finished goods, \$1,279,000 for work in process, \$1,727,000 for raw materials and \$1,108,000 for material supplies.

STATEMENT 4

San Fu Chemical Co., Ltd.

**STATEMENT OF LONG-TERM EQUITY CHANGES USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	Balance, January 1, 2022		Increase in Equity		Investment Gain (Loss)	Cumulative Exchange Adjustment	Dividends received	Balance, December 31, 2022		Collateral		
	Shares	Amount	Shares	Amount				Shares	Ownership %		Amount	Equity Net
Unlisted & Non-OTC companies												
San Fu Specialty Chemicals Investments Limited	2,350,840	\$ 489,631	-	\$ -	\$ 64,303	\$ 20,690	\$ -	2,350,840	100	\$ 574,624	\$ 574,624	Nil
VinaSanFu Industrial Gas Company Limited	-	354,117	-	-	(36,783)	25,791	-	-	100	343,125	343,125	Nil
VinaSanFu Material Company Limited	-	312,691	-	-	(23,527)	22,988	-	-	100	312,152	312,152	Nil
San Fu Biotech Co., Ltd.	21,500,000	251,151	-	-	14,625	-	-	21,500,000	93.48	265,776	265,776	Nil
International Nitto Technology Co., Ltd.	40,000,000	383,192	50,000,000	500,000	(38,961)	-	-	90,000,000	100	844,231	855,130	Nil
Lifu Carbonic Acid Co., Ltd.	1,740,000	96,127	-	-	(5,380)	-	-	1,740,000	87	90,747	(2,482)	Nil
Hong Cheng Enterprise Co., Ltd.	1,200,000	14,510	-	-	1,976	-	(832)	1,200,000	50	15,654	15,654	Nil
Shian Yun Joint Stock Company	2,659,974	36,978	-	-	1,632	2,253	-	2,659,974	33.33	40,863	33,289	Nil
		<u>\$1,938,397</u>		<u>\$ 500,000</u>	<u>(\$ 22,115)</u>	<u>\$ 71,722</u>	<u>(\$ 832)</u>			<u>\$2,487,172</u>	<u>\$2,397,268</u>	

STATEMENT 5**San Fu Chemical Co., Ltd.****STATEMENT OF SHORT-TERM LOANS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Type	Contract Period	Range of Interest Rates (%)	Balance, End of Year	Loan Commitments	Collateral
<u>Secured loans</u>					
First Commercial Bank	Nov. 2022~ Feb. 2023	1.525%	<u>\$ 180,000</u>	<u>\$ 350,000</u>	Secured Loan
<u>Bank credit loan</u>					
First Commercial Bank	Dec. 2022~ Mar. 2023	1.65%	230,000	500,000	Nil
Bank of Taiwan	Dec. 2022~June 2023	1.70%	200,000	200,000	Nil
Citi Bank	Dec. 2022~Feb. 2023	1.58%	250,000	316,313	Nil
China Trust	Oct. 2022~ May 2023	0.90%~1.00%	<u>21,869</u>	<u>200,000</u>	Nil
			<u>701,869</u>	<u>1,216,313</u>	Nil
Short-term Loan total			<u>\$ 881,869</u>	<u>\$ 1,566,313</u>	

STATEMENT 6

San Fu Chemical Co., Ltd.

STATEMENT OF NOTES AND ACCOUNTS PAYABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount
Vendor A	\$ 40,848
Vendor B	33,245
Vendor C	30,900
Vendor D	26,271
Vendor E	25,397
Vendor F	16,494
Others (Note)	<u>117,162</u>
Total	<u>\$290,317</u>

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

STATEMENT 7**San Fu Chemical Co., Ltd.****STATEMENT OF REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Shipments (KG)	Amount
Stripper	15,932,740	\$ 1,561,858
Etchant	12,218,510	779,852
Developer	5,702,330	698,581
TMAM - recycle	22,006,500	590,609
Others (Note)		<u>1,650,264</u>
Sub-Total		5,281,164
Less: Sales returns		(1,845)
Sales discounts		(<u>90,046</u>)
Total		<u>\$ 5,189,273</u>

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

STATEMENT 8**San Fu Chemical Co., Ltd.****STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount
Merchandise balance, beginning of year	\$ 8,811
Merchandise purchased	225,981
Merchandise balance, end of year	(7,410)
Cost of contract revenue and merchandise sales	<u>227,382</u>
Raw materials, beginning of year	406,664
Raw materials purchased	2,551,394
Raw materials balance, end of year	(263,524)
Sales of raw materials	(958,078)
Transferred to expenses	(16,443)
Raw materials used	1,720,013
Supplies, beginning of year	25,432
Supplies purchased	90,797
Supplies, end of year	(31,985)
Sales of supplies	(6,707)
Transferred to expenses	(48,711)
Supplies used	28,826
Direct labor	178,543
Manufacturing expenses	<u>666,693</u>
Manufacturing cost	2,594,075
Work in process, beginning of year	12,311
Work in process, end of year	(15,228)
Semi-finished goods, beginning of year	1,393
Semi-finished goods purchased	62,862
Semi-finished goods, end of year	(1,894)
Cost of finished goods	2,653,519
Finished goods, beginning of year	225,030
Other adjustments for finished goods	1,000
Finished goods, end of year	(339,114)
Transferred to other accounts	(4,788)
Cost of goods sold	2,535,647
Reversal of write-downs of inventories	571
Other cost of goods sold	<u>964,785</u>
Operating costs	<u>\$ 3,728,385</u>

STATEMENT 9**San Fu Chemical Co., Ltd.****STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll	\$ 68,273	\$ 83,301	\$ 31,511	\$ 183,085
Freight	98,488	-	-	98,488
Depreciation expense	6,531	8,498	12,160	27,189
Others (Note)	<u>52,416</u>	<u>73,726</u>	<u>9,990</u>	<u>136,132</u>
	<u>\$ 225,708</u>	<u>\$ 165,525</u>	<u>\$ 53,661</u>	<u>\$ 444,894</u>

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

STATEMENT 10

San Fu Chemical Co., Ltd.

STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Classified as Operatin g Costs	2022 Classified as Operatin g Expenses	Total	Classified as Operatin g Costs	2021 Classified as Operatin g Expenses	Total
Employee benefit						
Salaries	\$221,839	\$168,352	\$390,191	\$173,501	\$135,748	\$309,249
Labor and health insurance	18,822	12,028	30,850	16,362	10,565	26,927
Pension	7,965	5,705	13,670	6,938	5,466	12,404
Board compensation	-	37,420	37,420	-	24,345	24,345
Share-based payments compensation costs	-	-	-	-	1,716	1,716
Others	15,301	33,325	48,626	13,953	22,783	36,736
Depreciation	235,004	27,189	262,193	221,672	27,184	248,856

Note 1: As of December 31, 2022, and 2021, the Company had 378 and 356 employees, respectively. There were 7 and 7 non-employee directors respectively for both years and their calculation basis is consistent with employee benefit.

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

- The average amount of labor cost for the years ended December 31, 2022 and 2021 was NT\$1,303,000 and NT\$1,106,000, respectively.
(“Total labor cost - Total board compensation”/“Total employee count - Total non-employee director count”)
- The average amount of salary and bonus for the years ended December 31, 2022 and 2021 was NT\$1,052,000 and NT\$891,000 respectively.
(Total salary and bonus/“Total employee count - Total non-employee director count”)
- The average salary and bonus adjustment by 18% year over year.
(“Average salary and bonus in current year - Average salary and bonus in previous year”/Average salary and bonus in previous year)
- The compensation to the supervisor for the years ended December 31, 2022 and 2021 was NT\$0 and NT\$2,150,000, respectively.
- The remuneration of directors and managers is determined by the Remuneration Committee in accordance with individual performance and market trends. Staff remuneration is based on individual performance and market trends

Explanations:

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

San Fu Chemical Co., Ltd.



Responsible Person: Wu Hsin-Hung



May 10, 2023